



ADB

# POVERTY

IN THE PHILIPPINES

CAUSES, CONSTRAINTS,  
AND OPPORTUNITIES

Asian Development Bank



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# ABBREVIATIONS

4Ps	Pantawid Pamilyang Pilipino Program
ADB	Asian Development Bank
APIS	Annual Poverty Indicators Survey
ARMM	Autonomous Region in Muslim Mindanao
ASEAN	Association of Southeast Asian Nations
DepEd	Department of Education
DILG	Department of the Interior and Local Government
DOH	Department of Health
DSWD	Department of Social Welfare and Development
FIES	Family Income and Expenditure Survey
GDP	gross domestic product
HDI	human development index
HPI	human poverty index
KALAHÍ	Kapit–Bisig Laban sa Kahirapan
KALAHÍ-CIDDS	KALAHÍ Comprehensive and Integrated Delivery of Social Services Project
Lao PDR	Lao People’s Democratic Republic
LCF	League of Corporate Foundations
LGU	local government unit
MBN	minimum basic needs
MDG	Millennium Development Goal
MTPDP	Medium-Term Philippine Development Plan
NAPC	National Anti-Poverty Commission
NCR	National Capital Region (i.e., Metro Manila)
NEDA	National Economic and Development Authority
NFA	National Food Authority
NGO	nongovernment organization
NSCB	National Statistical Coordination Board
NSO	National Statistics Office
PBSP	Philippine Business for Social Progress
PIDS	Philippine Institute for Development Studies
PRC	People’s Republic of China
RDA	recommended dietary allowance
RKCG	regional KALAHÍ convergence group
UN	United Nations
UNDP	United Nations Development Programme

# EXECUTIVE SUMMARY

## Background

Poverty and inequality have been recurrent challenges in the Philippines and have again come to the fore in the wake of the current global financial crisis and rising food, fuel, and commodity prices experienced in 2008. The proportion of households living below the official poverty line has declined very slowly and unevenly in the past four decades, and poverty reduction has been much slower than in neighboring countries such as the People's Republic of China (PRC), Indonesia, Thailand, and Viet Nam. The growth of the economy has been characterized by boom and bust cycles and current episodes of moderate economic expansion have had limited impact on poverty reduction. Other reasons for the relatively moderate poverty decline include the high rate of inequality across income brackets, regions, and sectors; and unmanaged population growth.

This study aims to provide a comprehensive analysis of the causes of poverty in the Philippines and give recommendations for accelerating poverty reduction through sustained and more inclusive growth. The study will provide an overview of the current status of government responses, strategies, and achievements and will identify and prioritize future needs and interventions. Millennium Development Goal (MDG) accomplishments to date will also be assessed. It will examine implications of the current financial crisis on

poverty and recommend ways to move forward. The study is based on analytical work using current literature and the latest available data, including the 2006 Family Income and Expenditure Survey (FIES).

## Current Profile of Poverty in the Country

Poverty incidence among households increased from 24.4% in 2003 to 26.9% in 2006 and the number of poor families increased from 4.0 million in 2003 to 4.7 million in 2006. The headcount index increased from 30.0% in 2003 to 32.9% in 2006 and the number of poor people increased from 23.8 million in 2003 to 27.6 million in 2006. It should also be noted that poverty incidence and magnitude do not necessarily coincide. According to the 2006 poverty data, Mindanao has the highest poverty incidence at 38.8% but Luzon has the highest number of poor families, with almost 2 million families (42.4% of the total).

Self-rated poverty<sup>1</sup> has ranged from 50% to 52% for most of 2008, peaking at 59% (an estimated 10.6 million people) in the second quarter. Inequality has also been persistent over the years. Although the Gini coefficient<sup>2</sup> improved to 0.4580 in 2006 from 0.4605 in 2003 and 0.4872 in 2000, the level of inequality remains high compared with other countries in Asia and

<sup>1</sup> An approach measuring poverty incidence through a random survey of households (heads) that identify themselves as poor; in the Philippines, this was pioneered by the Social Weather Stations.

<sup>2</sup> The Gini coefficient is the most commonly used measure of inequality. The coefficient varies between 0, which reflects complete equality, and 1, which indicates complete inequality (one person has all the income or consumption, all others have none).

has hardly changed for more than 20 years. High inequality has limited the impact of economic growth on poverty reduction.

The Philippines' midterm progress report on the MDGs shows that the following gains have been made: (i) decrease in the proportion of people living in extreme poverty; (ii) visible improvements in household and population poverty indicators; (iii) maintained net enrollment rates by sex at both elementary and primary education levels; (iv) reduction in infant deaths per 1,000 live births; (v) prevalence of HIV/AIDS below the national target of 1% of the population; (vi) improvements in environmental protection; and (vii) active participation in the World Trade Organization.

However, the Philippines is still lagging behind in meeting the targets on access to primary education, maternal mortality rates, and access to reproductive health care. Because of the current global economic crisis and recent increases in poverty incidence, the goal of reducing the proportion of people living in extreme poverty may not be achieved. In all goals and targets, existing indicators exhibit significant disparity by region. In terms of gender, the Philippines has made substantial progress in enhancing the opportunities and welfare of its women and men (ADB et al. 2008); however, challenges remain in implementing key policies and improving maternal health and reproductive health care.

The main characteristics of the poor include the following:

- The majority live in rural areas and work in the agriculture sector, mostly as farmers and fishers.
- In the urban areas, such as Metro Manila, they are found in slums and the informal sector.
- They have large families (six members or more).
- In two-thirds of poor families, the head of household has only an elementary education or below.
- They have no or few assets and minimal access to credit.

- A major income source of the poor is from enterprise income (informal sector activities).
- A significant segment of the poor households are “chronically poor.”<sup>3</sup>

## Causes of Poverty

The main causes of poverty in the country are

- low to moderate economic growth for the past 40 years;
- low growth elasticity of poverty reduction;
- weakness in employment generation and the quality of jobs generated;
- failure to fully develop the agriculture sector;
- high inflation during crisis periods;
- high levels of population growth;
- high and persistent levels of inequality (incomes and assets), which dampen the positive impacts of economic expansion; and
- recurrent shocks and exposure to risks such as economic crisis, conflicts, natural disasters, and “environmental poverty.”

## How Poverty Impacts Economic Growth

The difficulties of the Philippines to transition to a higher and sustained level of growth have been explained to be due to a sustained decline in domestic investments (Bocci 2008), weaknesses in institutions and social infrastructure (Alba 2007), institutional uncertainty (Pritchett 2003), and a history and culture that have impeded growth (Nelson 2007). However, it is also possible that poverty itself is constraining economic expansion. The channels through which poverty may impact on economic growth include

- investment capacity constraints (lack of access to credit aggravated by the underdevelopment of the financial markets);

<sup>3</sup> As estimated from panel data from 1997–1999 by Reyes (2002) and recent Social Weather Station and Pulse Asia surveys, at least half of the households below the official poverty line are “chronically poor”—about 20% of all households in the country.

- human capital constraints (lack of education, health care, and nutrition);
- regular doses of risks and shocks, causing poverty traps; and
- conflicts and disorder resulting from inequality, which hamper investments and destroy social capital.

## Key Findings

- 1. Economic growth did not translate into poverty reduction in recent years.** While the country has experienced moderate economic growth in recent years, poverty reduction has been slow. Inequality has remained high, which mitigates the positive impact of growth on poverty reduction. Chronic poverty has become a major constraint in attaining high levels of sustained growth and the country's overall development. Finding a solution to poverty is thus of public interest; benefits will accrue not only to the poor, but also to society as a whole.
- 2. Poverty levels vary greatly by region.** Poverty incidence has been persistently high in some regions (Autonomous Region in Muslim Mindanao, Caraga, Region IV-B, Region V, and Region IX). Regions with the most number of poor people are regions IV-A, V, VI, and VII.
- 3. Poverty remains a mainly rural phenomenon, though urban poverty is on the rise.** The majority of the poor are still found in rural areas and in the agriculture sector, primarily as farmers and fishers. However, there is an increasing number of poor households in urban areas, typically found in the informal sector.
- 4. Poverty levels are strongly linked to educational attainment.** Two-thirds of poor households are headed by people with only an elementary school education or below. Access to quality education is identified as a key pathway out of poverty.
- 5. The poor have large families, with six or more members.** Population management will be critical for an effective poverty reduction strategy.
- 6. Many Filipino households remain vulnerable to shocks and risks.** This is highlighted by the escalating conflict in Mindanao and the current global financial crisis. An effective poverty strategy must incorporate social protection.
- 7. Governance and institutional constraints remain.** Measures to address such constraints must be an important focus in formulating a revised government strategy for poverty reduction.
- 8. Local government capacity for implementing poverty programs is weak.** Effective delivery of basic social services and poverty-related programs at the local level will improve poverty reduction programs.
- 9. Deficient targeting in poverty programs.** This is related to unreliable, inaccurate, and untimely poverty information, especially at the local level, and to governance challenges in program design and implementation.
- 10. There are serious resource gaps for poverty reduction activities and attainment of the MDGs by 2015.** Resource mobilization and protection of budgets for social sector and poverty reduction programs is needed.
- 11. Multidimensional responses to poverty reduction are needed.** The poverty problem is multidimensional, and thus the response should involve multiple agencies, sectors, and stakeholders. Convergence has been the right approach and should be scaled up and practiced more extensively.
- 12. Further research on chronic poverty is needed.** There are very few micro studies on chronic poverty and how the poor escape poverty traps. This type of research

is important for formulating more effective policies and programs.

## Key Recommendations

### Immediate and Short Term: Enhance Poverty Framework and Strategy

There is a need to enhance government's strategy and to involve key sectors for a collective and coordinated response to poverty. This would entail the following:

1. Revisiting the poverty framework to address vulnerability to poverty and shocks. This should be formulated in a national social protection strategy. The framework and strategy should also tackle chronic poverty and pathways out of a poverty trap, and give serious attention to population management.
2. Reforming institutions that coordinate poverty policy and implement poverty programs to enhance coordination, improve efficiency, and reduce corruption; for example
  - a. revising the memorandum of agreement between the National Anti-Poverty Commission (NAPC) and the National Economic and Development Authority (NEDA) to clarify the coordination roles of each agency;
  - b. incorporating the specific roles of agencies and key stakeholders at various levels of intervention into a new poverty framework and plan of action;
  - c. continuing to reform the educational system (through the Basic Education Sector Reform Agenda), the health system (through Fourmula One) and the social welfare system;
  - d. engaging nongovernment organizations and civil society sectors to monitor the delivery of poverty programs and social services;
3. Considering specific regional and local characteristics (e.g., risks for disaster or conflict) in poverty program interventions. Interventions should also take into account factors affecting intraregional inequality, which would imply equalizing access to quality health, education, and infrastructure services within regions (Balisacan 2003).
4. Facilitating better coordination among government agencies and key stakeholders (e.g., nongovernment organizations and corporations) to promote complementary action in specific localities and communities—from targeting to program implementation to monitoring and evaluation.
5. Allocating from the budget and raising more funds from civil society, religious organizations, business, and bilateral and multilateral agencies to address poverty, vulnerability, and inequality.
6. Improving poverty targeting and monitoring and evaluation, especially in local government, with increased funds for data collection, processing, and management:
  - a. The national government must assist local governments in increasing their capacity for targeting and monitoring (e.g., community-based monitoring system) through funding and training initiatives designed for
    - e. mapping key stakeholders and their roles in poverty alleviation at all levels of governance;
    - f. examining the political economy of poverty programs before implementation; and
    - g. strengthening safeguards and mechanisms against leakage and corruption in large poverty programs (such as, for example, the Department of Education's textbook watch and other civil society watchdogs).



- poor areas identified by nationwide household surveys.
- b. There should be coordinated efforts to integrate databases and establish a sound targeting system at the local levels, such as the Department of Social Welfare and Development's National Household Targeting System for Poverty Reduction and the community-based monitoring system mandated by NEDA, NAPC, and the Department of the Interior and Local Government (DILG).
  - c. Funding for the National Statistical Coordination Board (NSCB) and the National Statistics Office (NSO) must be sufficiently increased to provide an updated database for targeting e.g., the small-area estimates determining poverty incidence at the municipal levels.
  - d. Administrative data on social indicators must be assessed and further integrated to provide alternative sources of information.

### **Medium and Long Term: Sustain Efforts for Economic and Institutional Reforms**

1. The government should continue to pursue the following key economic reforms for sustained and inclusive growth:
  - a. Use fiscal reforms to increase available resources for social services, poverty reduction, and infrastructure.
  - b. Maintain price stability to protect the poor from the negative impact of increasing food prices.
  - c. Improve the investment environment (major infrastructure, decreased red tape and corruption).
  - d. Promote higher growth and productivity of the agriculture sector.
  - e. Continue to strengthen tourism, an important source of employment.
  - f. Closely examine proposed macro-economic policies and large invest-

- g. Scrutinize proposed budgets in terms of their pro-poor bias (the NAPC can lead this effort).
2. Interventions and programs for poverty reduction should incorporate both growth and distribution factors to maximize impact:
  - a. Evaluation, extension, and improved implementation of the Comprehensive Agrarian Reform Program should remain a government priority.
  - b. The Community Mortgage Program should be scaled up in key cities and major urban areas of the country.
  - c. The government should expand its efforts to deal with the informal sector and strengthen its initiatives in microfinance.
3. Enhance local government capacity and resources for poverty reduction and improve coordination between national agencies and local government in poverty programs by
  - a. establishing a national poverty funding mechanism and an incentive system on allocation to better motivate local government units (LGUs) in the fight against poverty;
  - b. promoting inter-LGU cooperation in implementing antipoverty programs and projects, including reforms in health care, education, and population management;
  - c. learning how select local governments have successfully implemented poverty reduction programs (e.g., Galing Pook awardees Bohol, Concepcion, Iloilo, and Naga City);
  - d. continuing to advocate for more democratic and people-centered processes at the local levels;
  - e. taking inventory of the available local poverty indicators, and simplifying local data collection systems; and

- f. making provinces the focal points for coordinating poverty-related programs and projects for local implementation.
4. More multidisciplinary research on the process, factors, and dynamics of “moving in and out of poverty” and “household poverty traps” to inform policies and programs targeting chronic poverty and helping people escape them.<sup>4</sup> Specific actions could include
- a. in-depth studies of how chronic and persistent poverty impacts negatively on economic growth—especially the deterioration of human and social capital; and
  - b. reviving the NAPC database of poverty studies in the country and networking with academics and experts to share findings of their studies.

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<sup>4</sup> Similar to Narayan and Petesh (2007).



# INTRODUCTION

## Background of the Study

Poverty and inequality have been recurrent challenges in the Philippines and have again come to the fore in the wake of the current global financial crisis and rising food, fuel, and commodity prices experienced in 2008. The proportion of households living below the official poverty line has declined very slowly and unevenly in the past four decades, and poverty reduction has been much slower than in neighboring countries such as the People's Republic of China (PRC), Indonesia, Thailand, and Viet Nam. The growth of the economy has been characterized by boom and bust cycles, and current episodes of moderate economic expansion have had limited impact on poverty reduction. Other reasons for the relatively moderate poverty decline include the high rate of inequality across income brackets, regions, and sectors; high population growth rates; and perennial occurrences of disasters and longstanding conflicts in various regions, especially in Mindanao.

After years of recognizing poverty as a key development problem and devising various strategies and programs for its reduction, the government is still confronting high levels of poverty and hunger among its citizens. Long and persistent periods of high poverty may harm a country's development path as poverty itself becomes a drag to economic growth.

In addition to the slow decrease in poverty incidence, there has been mixed progress in addressing human development concerns, particularly outcomes in education and health. The government has committed to achieving the

Millennium Development Goals (MDGs) through pro-poor sustained economic growth as reflected in the Medium-Term Philippine Development Plan (MTPDP) 2004–2010. However, efforts to meet the MDGs and reduce poverty and inequality are constrained by weak implementation of reforms, financing gaps and leakages, coordination failure, and governance concerns.

The current global financial crisis has started to affect the domestic economy as growth slowed to 4.6% in 2008 from a high of 7.2% in 2007. Exports have continued to decline while the growth rate of remittances, the economy's lifeline, will likely slow down in 2009. Efforts to protect the poor from the crisis and further reduce poverty must remain an important priority, as the number of vulnerable sectors of the economy will increase if the crisis deepens. The government has laid out the Philippine Economy Resiliency Plan, a P330 billion stimulus package consisting of increased allocations for national agencies and government, corporate, and financial institutions for infrastructure spending, corporate and individual tax breaks, and social protection and safety nets intended to protect the poor from the impact of the crisis.

## Input to the ADB Country Partnership Strategy

Strategy 2020 is ADB's long-term strategic framework for 2008–2020 (ADB 2008c). Poverty reduction has been ADB's overarching goal since 1999; its mission is to help its developing member countries reduce poverty and improve

living conditions and quality of life. With the Government of the Philippines and ADB emphasizing poverty reduction, inclusive growth, and attainment of the MDGs, the need for deeper analysis of the causes of poverty and inequality in the country has become more urgent.

This study provides a comprehensive analysis of the causes of persistent poverty in the country and includes recommendations for reducing poverty more quickly through sustained and inclusive growth. It includes analytical work based on current literature and the latest available data, including the 2006 Family Income and Expenditure Survey (FIES). MDG accomplishments to date are assessed, with particular attention paid to financing gaps. The study also (i) provides an overview of current government responses, strategies, and achievements; (ii) identifies and prioritizes future needs and interventions; and (iii) examines the implications of the current financial crisis on poverty reduction. The study will inform the upcoming country partnership strategy for the Philippines, providing key insights into future needs for investment, capacity building, and research. The new strategy will be clearly linked to ADB's strategic priorities and

objectives under Strategy 2020, and its medium-term strategy. Poverty analysis and consideration of the MDGs are crucial elements in country partnership strategy formulation.

## **Methodology**

The study uses a comprehensive framework for assessing poverty in the country. It examines the key areas that are relevant to poverty reduction: increasing incomes, human capital, and capacity; risk protection; and voice and empowerment in governance and institutions (Appendix 1). It uses quantitative (trends in poverty and related indicators data, regression analysis for poverty correlates) and qualitative analysis (key informant interviews) to assess the poverty situation as it relates to the overall development of the country. A workshop was organized to discuss the findings of the study, to get feedback from key stakeholders, and to identify concrete and actionable recommendations. An institutional mapping analysis was also undertaken to assess the current responses to the state of poverty in the country.

# POVERTY PROFILE

This section examines the currently available poverty data and related indicators. Trends and patterns of poverty in the country are derived using information from various sources, particularly the National Statistics Office (NSO) and the National Statistical Coordination Board (NSCB).

## Status and Availability of Poverty Data

### Available Data on Poverty and Related Indicators

Effective policy formulation and successful program design and implementation for poverty reduction are contingent upon the accuracy, reliability, and timeliness of information available to policy makers. Given that the poverty problem is large and resources are limited, poverty alleviation programs need to be efficiently targeted, with minimal leakage to the nonpoor.

Official data on poverty are gathered by the NSO and measures are released by the NSCB. Every 3 years since 1985, the NSO has conducted a survey on family income and expenditure (FIES).<sup>5</sup> This data set, randomly collected from a sample of more than 40,000 households nationwide, is the major source of the Philippines' official poverty estimates. The survey provides

information on the levels of living and income disparities among Filipino families, as well as their spending patterns. The estimates for poverty incidence at the national, regional, and provincial levels are then developed by the NSCB following specific guidelines.<sup>6</sup>

In addition to the FIES, the National Statistics Office conducts the Annual Poverty Indicators Survey (APIS), which gathers information on income and expenditures for minimum basic needs. The data is then classified into multiple indicators (survival, security, and empowerment) for monitoring the poverty situation in various regions of the country. The APIS classifies families into two income groupings: the lower 40% of the income distribution (a proxy for those falling below the poverty line), and the upper 60%. Six rounds of the APIS have been undertaken: 1998, 1999, 2002, 2004, 2007,<sup>7</sup> and 2008.<sup>8</sup> However, only data up to 2004 are currently available in public use files.

The NSO gathers non-income poverty indicators as well. These indicators—such as health, education, population, demographics, and nutrition—are used to track the country's achievements of the Millennium Development Goals (MDGs). Private groups also generate data related to poverty, such as the Social Weather Stations, which conducts a quarterly survey on self-rated poverty, and the Human Development

<sup>5</sup> The Family Income and Expenditure Survey is a two-stage survey, enumerated in January and July with reference to the previous 6 months.

<sup>6</sup> As stipulated under Executive Order 352, Series of 1996, on the System of Designated Statistics.

<sup>7</sup> For 2007, the Philippine government spent P860 per household for this survey of 52,000 households, for a total cost of P44.7 million ([www.nscb.gov.ph](http://www.nscb.gov.ph)).

<sup>8</sup> The most current APIS (2008) includes a question on awareness of pro-poor government programs; the cost was P53.7 million.

Network, which computes the human development index, the human poverty index, and the gender development index of regions and provinces in the country. Aside from direct poverty measures, other statistics on the macroeconomy and the labor market are important for policy makers to adequately respond to the poverty problem. Recently, however, the reliability of these data has been questioned.

Overall, while the Philippine statistical agencies can provide important information on the poverty situation at various levels (including more recently for municipalities<sup>9</sup>) there is a need to enhance the quality and timeliness of poverty data to improve its use by government agencies for real-time interventions (Templo et al. 2006). For example, the most recent national, regional, and provincial poverty estimates available are for 2006 and, for municipalities, 2003. In addition, consistency in methodology must be pursued to facilitate analyses across time and space.<sup>10</sup> The methodological changes in determining the poverty line in 1992 and 2003 also make it difficult to do trend analysis:<sup>11</sup> the trend during 1985–2000, which used the 1992 methodology, must be examined separately from the trend of 2000–2006, when the current methodology came into effect.

## Poverty Lines and Related Issues

Under the current methodology adopted by the NSCB in 2003, the official poverty statistics include provincial statistics released every 3 years on food and poverty thresholds and incidence, income and poverty gaps, the Foster–Greer Thorbecke<sup>12</sup> measures (i.e., depth and severity), and annual statistics on food and poverty thresholds. The computation of the poverty threshold starts with formulating regional menus based on nutritional requirements of 100% of the recommended

dietary allowance (RDA) for protein and energy (equivalent to 2,000 kilocalories), and 80% of the RDA for other nutrients. These regional menus are then costed with urban–rural disaggregation. The total cost is the subsistence or food threshold.

For each province in a region, the cost of the regional menu is determined using prices for that province. Nonfood requirements are then estimated indirectly through an Engel coefficient<sup>13</sup> derived among households from the latest FIES within +/- 10 percentile of the food threshold. The thresholds are then compared with family income data from the FIES. The major changes incorporated in the new methodology from 1992 are as follows: generation of provincial instead of regional statistics; use of lower prices for rice; use of price data from the Ministry of Agriculture for agricultural products instead of from the NSO; and use of updated parameters (Virola [undated]).

Several issues have been raised about the determination of poverty lines. These include the following:

- The use of expenditures instead of income is, according to its advocates, a broader measure of welfare, reflects consumption smoothing better, and may be easier to collect (David and Maligalig 2001).
- The nutritional requirements on which the poverty lines are based may be more stringent than in other countries, as the Philippines also require 80% adequacy in RDA for vitamins, minerals, and other nutrients.
- The use of derived menus based on the food consumption of all families, instead of actual food consumption by a referenced poor population, may lead to inaccurate estimates.
- The value of the poverty line has not kept up with inflation; the current thresholds are smaller compared with previous thresholds adjusted by inflation.

<sup>9</sup> Using a methodology called small area estimates and funded by the World Bank.

<sup>10</sup> This is often mentioned by poverty researchers like Arsenio Balisacan; consistent estimates from Balisacan (2009) compared with the official numbers are in Appendix 1.

<sup>11</sup> In 1992, changes were introduced—a number of expenditure categories were no longer allowed to be included in computations of total household expenditure (focus was on basic expenditures) and the method of deriving the poverty threshold from the food threshold was changed to the “lower bound method” using only food spending patterns as base.

<sup>12</sup> A generalized measure of poverty within an economy combining information on the extent of poverty (as measured by the headcount ratio), the intensity of poverty (as measured by the poverty gap) and inequality among the poor (as measured by the squared poverty gap).

<sup>13</sup> Proportion of food expenditures to total basic expenditures.

- Urban poverty in the Philippines may be underestimated because the survey sample omits families without official and permanent residence; informal settlements are by definition unofficial, so residents of slums and squatter areas are likely to be underrepresented in the surveys (Balisacan, 1994).
- Poverty in the Philippines in general might be underestimated, as the pricing method for the food threshold (the basis of the overall poverty line) does not take into account that the poor pay more because they cannot afford to buy in bulk (ADB 2005).

Other measurement issues related to poverty data include the following:

- Inconsistency between per capita gross domestic product (GDP) derived from the

national income accounts and the per capita expenditures from the FIES (Medalla and Jandoc 2008).

- The FIES and APIS data are technically not comparable; their income and consumption modules are not the same.
- The changes in urban and rural population counts should be interpreted cautiously as they are complicated by the change in geographical coverage of urban and rural areas. Because of urban sprawl, areas that were initially rural may be classified as urban in later surveys. Therefore, producing a consistent series from 1985 will require reprocessing FIES surveys based on a constant urban–rural geographic classification, using a procedure that takes into account the differences in sampling designs of the various surveys (David and Maligalig 2001).

**Table 1: Official Sources of Poverty-Related Data**

Sources of Data	Institution Involved	Frequency of Collection <sup>a</sup>	Content of Data
Family Income and Expenditure Survey (FIES)	National Statistics Office	Triennial (1985–2006)	Sources of family income and living expenditures
Annual Poverty Indicator Survey	National Statistics Office	Years without FIES (1998, 1999, 2002, 2004, 2007, 2008)	Socioeconomic profile of families and related information
National Nutrition Survey	Food and Nutrition Research Institute	Every 5 years	Food situation and nutrition
National Demographic and Health Survey	National Statistics Office	Every 5 years	Demographic, maternal, and child health-related data
Functional Literacy, Education, and Mass Media Survey	National Statistics Office	Every 5 years	Functional literacy and socioeconomic characteristics
Census of Population and Housing	National Statistics Office	Every 5 years	Size, composition, and distribution of population
Labor Force Survey	National Statistics Office	Every quarter	Employment, unemployment, and underemployment data

<sup>a</sup> Sometimes not adhered to because of resource constraints.  
Source: National Statistics Office.

## Integrating Poverty Databases

Non-income indicators must also be examined to complete the picture on poverty. Integrated program interventions that encompass various dimensions of poverty also need such comprehensive data. There are few national surveys that collect information on the different dimensions of poverty. Surveys on income, expenditures, health, education, employment, and nutrition exist but the samples and reference periods vary (Reyes [undated]) (Table 1).

The integration of the databases could be facilitated with better coordination between (i) the statistical agencies on the collection of poverty-related statistics, (ii) the national policy makers and statistical agencies, (iii) the local government units and the statistical system, and (iv) government and the research and survey institutions. There is also a need for building capacity and mobilizing resources for generating and monitoring local poverty data. Local census surveys (e.g., the Barangay Registry) can also play a big role, as can administrative reports such as those from the local government performance monitoring system and health and social welfare officers. However, the quality, timeliness, documentation, and dissemination of this kind of data may not be reliable.

Also, as there are private initiatives coming out with data on poverty and social indicators (e.g., the community-based monitoring system of De La Salle University and self-rated poverty surveys by the Social Weather Stations), the national statistical agencies, led by the NSCB, can participate in coordination and oversight, share their expertise with other stakeholders, and help improve community survey instruments through capacity building.

### The Need for Better Information Flow

Effective development planning requires a smooth, timely flow of quality information from the people as feedback for effective plan-

ning and implementation. This information flow must start from the villages and local government units and continue to the higher levels of government—regional offices, national line agencies, and multi-agency bodies and structures—to ensure that policy making and programs at different levels sufficiently respond to the actual needs of households and communities. It is also important that adequate information flows from the state's upper echelons down to the lower units of governance. Because of decentralization, different types of data are being demanded by policy makers, local executives, researchers, nongovernment organizations, and other stakeholders. Most of them require more disaggregated data, while others need panel household data to analyze chronic and transient poverty to have more relevant programs for the poor (Reyes 2002).

In the current state of information flows, the local government units often do not use statistics generated by the national agencies; they either fail to collect data from their constituents or the data collected are unreliable. This does not mean that local government units are unable to locate their poor constituents.<sup>14</sup> Typically, their network of *barangay* (village) officials have informal information about poor households that is not documented or recorded due to lack of resources or technical expertise. They need more specific information on household needs and their detailed profiles in order to craft specific poverty alleviation strategies and programs. The community-based monitoring system may fill this gap at the local levels, although local government units might need assistance in terms of finances<sup>15</sup> and expertise to implement the system.

Aside from vertical information flows, horizontal flows are also needed especially in terms of convergence and coordination efforts at various levels of government. MDG and poverty-related programs need both types of information flows for effective monitoring and mapping and to prevent wasteful leakages and inefficiency in program implementation.

<sup>14</sup> According to Eddie Dorotan, former municipal mayor of Irosin, Sorsogon and executive director of the Galing Pook Foundation, local executives are mostly aware of the specific location of poor households.

<sup>15</sup> A community-based monitoring system survey in a province costs at least P1 million.



**Table 2: Poverty Incidence and Gini Coefficient, 1985–2000**

Year	Change in Poverty Incidence from Previous Survey Year	Poverty Incidence (%)	Gini Coefficient	Change in Gini Coefficient from Previous Survey Year	Average GDP Growth Rate (2 Previous Years)
1985		44.2	0.4466		
1988	(4.0)	40.2	0.4466	0.00	4.7% (1986–1988)
1991	(0.3)	39.9	0.4680	0.0214	3.0% (1989–1991)
1994	(4.4)	35.5	0.4507	(0.0173)	2.0% (1992–1994)
1997	(3.7)	31.8	0.4872	0.0365	5.3% (1995–1997)
2000	1.9	33.7	0.4822	(0.0050)	2.7% (1998–2000)

( ) = negative number, GDP = gross domestic product.  
Source: National Statistical Coordination Board, various years.

## Poverty Profile

### Historical Poverty, 1985–2000<sup>16</sup>

From 1985 to 2000, poverty was reduced at a slow rate of only 0.7% per year. The poverty incidence of families fell consistently by 12.4 percentage points over the period 1985–1997, but this progress was halted by the Asian financial crisis which saw an increase in poverty of 1.9 percentage points to 33.7% in 2000.

The periods of 1985–1988 and 1994–1997, when poverty incidence was dropping relatively quickly, were also years of high annual economic growth (4.67% during 1985–1988 and 5.33% during 1994–1997). However, the fastest decrease in poverty incidence was achieved during a period of relatively modest 2% growth, from 1992 to 1994. An explanation is that inequality was reduced during this time as the Gini coefficient fell by 0.0173 points. The poorest performance was 1988–1991, when growth was low and inequality high. At this time the country was also affected by political instability, natural disasters (volcanic eruption and earthquake), and an energy crisis (Table 2).

**Table 3: Magnitude of Poverty in the Philippines Population, 1985–2000**

Year	Poor Population	Change from Previous Survey
1985	26,674,645	
1988	25,385,200	(1,289,445)
1991	28,554,247	3,169,047
1994	27,372,971	(1,181,276)
1997	26,768,596	(604,375)
2000	30,850,262	4,081,666
1985–2000		<b>4,171,617</b>

( ) = negative number.  
Source: ADB (2005) citing National Statistics Office.

Overall, while the incidence of family poverty declined from 1985, the actual number of poor people increased significantly. There were almost 4.2 million more poor people in 2000 than there were in 1985 (Table 3). The biggest increase came in the aftermath of the East Asian crisis as the economy suffered from low growth and rising prices (Table 3).

<sup>16</sup> The trend of poverty incidence from 1985 to 2000 was calculated using the 1992 methodology.

**Table 4: Annual Per Capita Poverty Thresholds, Poverty Incidence, and Magnitude of Poor Families: 2000, 2003, and 2006**

Region	Annual Per Capita Poverty Threshold (pesos)			Poverty Incidence Among Families (%)			Magnitude of Poor Families (estimates)		
	2000	2003	2006	2000	2003	2006	2000	2003	2006
PHILIPPINES	11,458	12,309	15,057	27.5	24.4	26.9	4,146,663	4,022,695	4,677,305
NCR	15,722	16,737	20,566	5.8	4.8	7.1	127,655	110,864	167,316
Region I	12,687	13,281	15,956	29.5	24.4	26.2	237,910	213,846	248,443
Region II	11,128	11,417	13,791	25.3	19.3	20.5	143,421	113,298	126,726
Region III	13,760	14,378	17,298	17.3	13.4	16.8	268,558	242,820	320,109
Region IV-A	13,670	14,720	17,761	15.2	14.5	16.7	272,484	316,911	374,952
Region IV-B	12,013	12,402	14,800	36.4	39.9	43.7	162,668	199,485	238,489
Region V	11,375	12,379	15,015	45.3	40.6	41.8	407,176	383,625	422,278
Region VI	11,314	12,291	14,405	36.7	31.4	31.1	444,172	397,073	425,571
Region VII	9,659	9,805	13,390	31.5	23.6	30.3	348,154	286,478	391,484
Region VIII	9,530	10,804	13,974	37.6	35.3	40.7	276,878	266,423	331,426
Region IX <sup>a</sup>	9,128	10,407	13,219	38.6	44.0	40.2	209,842	258,497	250,696
Region X	10,509	11,605	14,199	38.0	37.7	36.1	261,501	278,538	285,054
Region XI	10,278	11,399	14,942	27.9	28.5	30.6	202,121	231,068	257,554
Region XII	10,458	11,328	14,225	40.7	32.1	33.8	264,301	227,093	253,009
CAR	13,071	14,033	16,081	30.8	25.8	28.8	84,717	72,084	87,050
ARMM <sup>b</sup>	12,199	12,733	15,533	53.8	45.4	55.3	255,879	228,970	295,220
Caraga	10,903	11,996	15,249	43.8	47.1	45.5	179,226	195,622	201,929

ARMM = Autonomous Region in Muslim Mindanao, CAR = Cordillera Administrative Region, NCR = National Capital Region.

<sup>a</sup> 2000 estimates do not include Isabela City.

<sup>b</sup> 2000 estimates include Isabela City.

Source: Family Income and Expenditure Survey.

### Current Poverty Profile: Thresholds, Incidence, and Magnitude, 2000–2006

Poverty incidence among households increased from 24.4% in 2003 to 26.9% in 2006 and the number of poor families increased from

4.02 million in 2003 to 4.68 million in 2006<sup>17</sup> despite an average GDP growth rate of 5.3% in the same period. In addition, inequality improved<sup>18</sup> and the annual per capita poverty threshold increased by 22.32% during the same period.

<sup>17</sup> The 2003 methodology was also applied consistently in 2000–2006. Thus, there are two sets of estimates for the year 2000.

<sup>18</sup> The improvement in inequality was in favor of the three richest deciles and two poorest deciles. The average incomes of the middle deciles actually decreased during the period.



**Table 5: Annual Per Capita Poverty Thresholds, Poverty Incidence, and Magnitude of Poor Population: 2000, 2003, and 2006**

Region	Annual Per Capita Poverty Threshold (pesos)			Poverty Incidence (% of Total Population)			Magnitude of Poor Population		
	2000	2003	2006	2000	2003	2006	2000	2003	2006
PHILIPPINES	11,458	12,309	15,057	33.0	30.0	32.9	25,472,782	23,836,104	27,616,888
NCR	15,722	16,737	20,566	7.8	6.9	10.4	860,934	742,549	1,156,313
Region I	12,687	13,281	15,956	35.3	30.2	32.7	1,452,222	1,262,799	1,464,245
Region II	11,128	11,417	13,791	30.4	24.5	25.5	821,294	659,666	721,036
Region III	13,760	14,378	17,298	21.4	17.5	20.7	1,695,227	1,535,784	1,914,590
Region IV-A	13,670	14,720	17,761	19.1	18.4	20.9	1,697,033	1,899,827	2,210,756
Region IV-B	12,013	12,402	14,800	45.3	48.1	52.7	1,032,123	1,163,867	1,400,417
Region V	11,375	12,379	15,015	52.6	48.5	51.1	2,540,660	2,332,719	2,643,799
Region VI	11,314	12,291	14,405	44.5	39.2	38.6	2,773,352	2,374,772	2,491,535
Region VII	9,659	9,805	13,390	36.2	28.3	35.4	2,016,910	1,652,316	2,213,167
Region VIII	9,530	10,804	13,974	45.1	43.0	48.5	1,649,582	1,619,731	1,947,323
Region IX <sup>a</sup>	9,128	10,407	13,219	44.8	49.2	45.3	1,257,210	1,427,722	1,404,098
Region X	10,509	11,605	14,199	43.8	44.0	43.1	1,582,225	1,567,963	1,663,283
Region XI	10,278	11,399	14,942	33.3	34.7	36.6	1,231,277	1,346,269	1,450,542
Region XII	10,458	11,328	14,225	46.8	38.4	40.8	1,595,474	1,319,563	1,482,130
CAR	13,071	14,033	16,810	37.7	32.2	34.5	537,975	445,036	506,823
ARMM <sup>b</sup>	12,199	12,733	15,533	60.0	52.8	61.8	1,652,890	1,373,620	1,778,262
Caraga	10,903	11,996	15,249	51.2	54.0	52.6	1,076,395	1,111,901	1,168,569

ARMM = Autonomous Region in Muslim Mindanao, CAR = Cordillera Administrative Region, NCR = National Capital Region.

<sup>a</sup> 2000 estimates do not include Isabela City.

<sup>b</sup> 2000 estimates include Isabela City.

Source: Family Income and Expenditure Survey.

In 2006, the threshold was highest in the National Capital Region (NCR) and lowest in Region IX. The NCR had the lowest poverty incidence among families at 7.1% in 2006 (up from 4.8% in 2003) while the Autonomous Region in Muslim Mindanao (ARMM) had the highest at 55.3% (up from 45.4% in 2003). The Cordillera Administrative Region has the least number of poor families—87,050—while Region VI has the most at 425,571 (Table 4).

The headcount index increased from 30.0% in 2003 to 32.9% in 2006 and the number of poor

people from 23.8 million in 2003 to 27.6 million in 2006. The NCR has the lowest incidence at 10.4% in 2006 (up from 6.9% in 2003) while the ARMM has the highest at 61.8% (up from 52.8% in 2003). The Cordillera Administrative Region has the fewest poor persons (506,823) while Region V has the most (2.64 million). Other regions with big numbers of poor people are Region VI with 2.49 million and Regions IV-A and VII with 2.21 million each (Table 5).

In terms of provinces, Tawi-tawi had the highest poverty incidence among households

**Table 6: Ranking of Poorest Provinces in the Philippines, 2003 and 2006<sup>a</sup>**

Rank	2003	2006
Poorest = 1		
1	Zamboanga del Norte	Tawi-tawi
2	Maguindanao	Zamboanga del Norte
3	Masbate	Maguindanao
4	Surigao del Norte	Apayao
5	Agusan del Sur	Surigao del Norte
6	Surigao del Sur	Lanao del Sur
7	Misamis Occidental	Northern Samar
8	Mt. Province	Masbate
9	Biliran	Abra
10	Lanao del Norte	Misamis Occidental

<sup>a</sup> The coefficient of variation of the estimates are not included in the table. See the National Statistical Coordination Board website for details ([www.nscb.gov.ph](http://www.nscb.gov.ph)).  
Source: National Statistical Coordination Board.

in 2006. More than 50% of the top 20 poorest provinces were from Mindanao in the years 2003 and 2006 (Table 6). This is probably due to the unceasing peace and order concerns confronting Mindanao. The various human development reports also rank provinces in Mindanao at or near the bottom (Appendix 1).

In terms of the poorest municipalities<sup>19</sup> in the country, Siayan in Zamboanga del Norte, Region IX, ranked first in 2003. Almost 80% of the 20 poorest municipalities in 2003 are in Mindanao (Table 7).

From the 2006 poverty data produced by the NSCB by island grouping, Mindanao has the highest poverty incidence at 38.8%, but Luzon has the highest number of poor families, accounting for 42.4% of the total<sup>20</sup> (Table 8). Poverty density seems to coincide with economic activity. For instance, Luzon, which accounted for 66.7% of the expansion in real gross regional development product between 2000 and 2006, contributed more than half of the increase in the number of poor families during the same period (Panadero 2009).

Provincial poverty data shows that Cebu and the NCR, which are classified as first-class provinces, are among the three provinces with the most poor families (Table 9). Both are progressive areas where migration from less-developed regions is high. The increased urbanization of major cities has been the key magnet for labor mobility from the less-developed regions.

### Subsistence Poverty

The incidence of subsistence poverty<sup>21</sup> has declined for the entire country, from 12.3% in 2000 to 11.0% in 2006 (Table 10). However, in absolute numbers, Filipino families with insufficient food increased by 3.4% from 2003 (1.7 million) and 2006 (1.9 million). Regions IX, the ARMM, and Caraga in Mindanao top the list. The number of food-poor Filipinos reached 12.2 million in 2006, almost 15% of the entire population (Appendix 2). An important factor affecting the high incidence of food poverty in Mindanao is the recurrent conflict as fighting and displacement in Mindanao have increased. From fewer than 100,000 in 2006, the number of people displaced by conflict reached 170,000 in 2007 and exceeded 290,000 during 2008. Most are in the southern region of Mindanao, where the government has been fighting secessionist Moro (Muslim) rebel groups for the past 30 years ([www.internal-displacement.org/countries/PHILIPPINES](http://www.internal-displacement.org/countries/PHILIPPINES)).

<sup>19</sup> Calculating the poverty incidence of municipalities was possible because of the small area estimate methodology used by the National Statistical Coordination Board. Only the 2003 estimates are available. Please note that the variation coefficient of the estimates is not included in the table. See the board website for more details ([www.nscb.gov.ph](http://www.nscb.gov.ph)).

<sup>20</sup> This section borrows heavily from Undersecretary Austere Panadero's presentation in the consultation workshop for this paper, Manila, Philippines; May 7, 2009.

<sup>21</sup> Subsistence incidence is computed based on a defined food threshold.

**Table 7: Poorest 20 Municipalities in the Philippines, 2003**

Rank Poorest = 1	Municipality	Poverty Incidence (%)	Province	Region
1	Siayan	97.46	Zamboanga del Norte	IX
2	Tanudan	88.60	Kalinga	CAR
3	Sominot	87.54	Zamboanga del Sur	IX
4	Tangcal	86.72	Lanao del Norte	X
5	Midsalip	86.32	Zamboanga del Sur	IX
6	Bagulin	85.50	La Union	I
7	Bacungan	85.17	Zamboanga del Norte	IX
8	Jose Abad Santos	84.63	Davao del Sur	XI
9	Godod	84.58	Zamboanga del Norte	IX
10	Lapuyan	84.35	Zamboanga del Sur	IX

CAR = Cordillera Administrative Region.  
Source: National Statistical Coordination Board.

**Table 8: Poverty Incidence and Magnitude by Island Grouping**

Island Group	Poverty Incidence (Poor Families %)	Magnitude of Poor Families (million)	Contribution to Total Poor (%)
Luzon	20.0	2.0	42.4
Visayas	33.0	1.2	24.6
Mindanao	38.8	1.5	33.0

Source: National Statistical Coordination Board as computed by Panadero (2009).

## Self-Rated Poverty and Hunger

The Social Weather Stations releases the results of its household survey every quarter. In its latest survey (second quarter 2009), 50% of Filipino families, or about 9.3 million, consider themselves poor, 27% put themselves on the borderline, and 22% consider themselves as not poor. The self-rated poverty rate peaked at 59% (an estimated 10.6 million families) in the second quarter of 2008. The 2008 average of 53% was similar to the 54% average of 2006, with a slight dip in

**Table 9: Provinces with the Largest Numbers of Poor People**

Province	Magnitude ('000)	Share (%)	Poverty Incidence (%)	Income Class <sup>a</sup>
Negros Occidental	190.4	4.1	33.4	First
Cebu	184.2	3.9	23.5	First
NCR	167.3	3.6	7.1	First
Pangasinan	151.7	3.2	27.6	First
Leyte	147.9	3.2	40.5	First

<sup>a</sup> Provinces are classified annually based on average annual income over the previous 3 calendar years.  
NCR = National Capital Region.  
Source: Panadero (2009).

2007 to 50%. The survey in the fourth quarter of 2008 also showed that 42% of Filipino families (an estimated 7.7 million people) considered themselves as food-poor, 30% put themselves as food-borderline, and 28% consider themselves as not food-poor (Appendixes 5 and 6). The self-rated poverty threshold, or the monthly budget that

**Table 10: Annual Per Capita Food Thresholds, Subsistence Incidence, and Magnitude of Subsistence of Poor Families: 2000, 2003, and 2006**

Region	Annual Per Capita Food Threshold (pesos)			Subsistence Incidence Among Families (%)			Magnitude of Subsistence Poor Families		
	2000	2003	2006	2000	2003	2006	2000	2003	2006
<b>PHILIPPINES</b>	<b>7,707</b>	<b>8,149</b>	<b>10,025</b>	<b>12.3</b>	<b>10.2</b>	<b>11.0</b>	<b>1,849,876</b>	<b>1,675,179</b>	<b>1,913,668</b>
NCR	9,570	9,974	11,807	0.7	0.4	0.7	15,818	8,919	17,214
Region I	8,552	8,898	10,608	11.4	8.1	8.4	91,945	70,620	79,447
Region II	7,560	8,010	9,346	9.3	5.5	6.3	52,947	32,452	38,920
Region III	8,764	9,347	10,897	4.2	2.8	3.4	64,886	50,674	65,746
Region IV-A	8,783	9,224	10,781	5.1	3.5	4.1	90,963	76,152	91,222
Region IV-B	8,078	8,328	9,781	17.4	17.7	19.9	77,842	88,435	108,391
Region V	8,047	8,379	10,174	23.3	20.3	19.0	209,289	192,390	192,298
Region VI	7,983	8,384	9,962	17.4	12.9	12.5	210,909	163,225	170,685
Region VII	6,759	7,016	9,502	16.9	11.1	14.5	187,280	134,560	187,804
Region VIII	7,080	7,689	9,671	19.1	15.4	19.6	140,967	116,276	159,702
Region IX	6,574	7,244	9,406	21.0	27.8	24.3	113,953	162,964	151,609
Region X	7,296	7,995	9,757	19.2	19.5	19.2	132,490	144,286	151,307
Region XI	7,087	7,856	10,283	12.8	13.9	14.7	92,900	112,936	123,800
Region XII	7,235	7,807	9,702	17.9	14.0	14.5	116,320	99,131	108,265
CAR	8,744	9,141	10,837	13.7	10.3	13.2	37,728	28,782	39,829
ARMM	8,313	8,730	10,318	23.9	18.2	22.5	113,831	91,760	119,917
Caraga	7,667	8,361	10,342	24.4	24.5	24.2	99,808	101,616	107,511

ARMM = Autonomous Region in Muslim Mindanao, CAR = Cordillera Administrative Region, NCR = National Capital Region.

poor households need in order not to consider themselves poor, has been stagnant for several years despite considerable inflation.

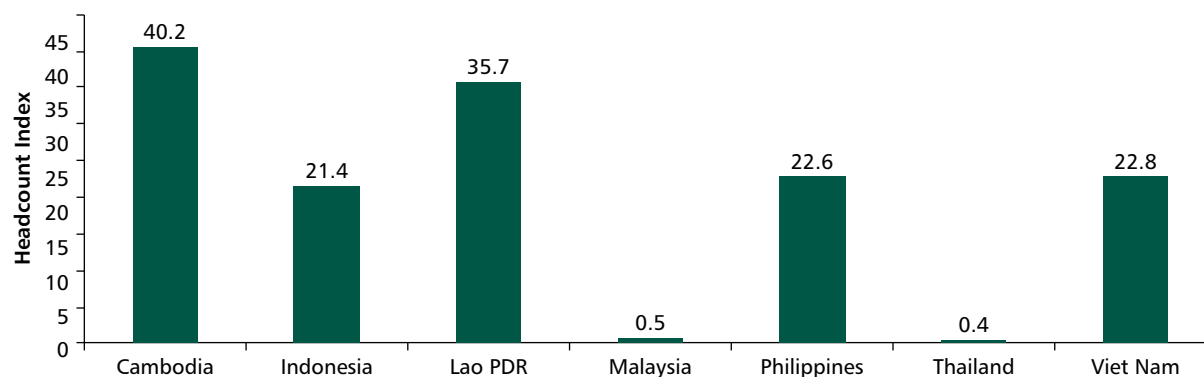
The proportion of families experiencing involuntary hunger at least once in the past 3 months reached a record high of 23.7%, or an estimated 4.3 million households, in the last quarter of 2008. The data from the first quarter of 2009 shows that the proportion of families experiencing involuntary hunger at least once in the preceding 3 months has eased to 15.5%, or an estimated 2.9 million families (Appendix B). Hunger has now been at double digits for more than 4 years, since June 2004. The 2008 hunger

average is 18.5%, higher than the 2007 average of 17.9%. The proportion of households experiencing hunger is now highest in Mindanao, at 33.7% (an estimated 1.4 million families). It is also at a record high 23.3% (an estimated 570,000 families) in the NCR, 20.7% (an estimated 750,000 families) in the Visayas, and 20.0% (estimated 1.6 million families) in Balance Luzon.

### International Comparisons: The \$1.25 a Day Poverty Line

To facilitate comparison of the poverty situation between countries, the World Bank introduced a

**Figure 1: Poverty Incidence in South East Asia**



Lao PDR = Lao People's Democratic Republic.  
Source: ADB. 2009.

common standard to differentiate the poor and nonpoor—a chosen poverty line that represents a threshold standard of living that is constant across countries. ADB has updated the indicators on poverty incidence for Southeast Asian countries based on the \$1 a day threshold, now \$1.25 at 2005 prices (Figure 1). The Philippines was able to reduce poverty incidence from 29.7% in 1990 to 22.6% in 2005, but the number of poor people increased from 18.2 million to 19.1 million (Appendix 7).<sup>22</sup>

### Rural and Urban Poverty

Poverty in the Philippines remains a predominantly rural phenomenon, which is partly attributable to decade-long problems in agriculture. Agricultural growth has not been sustained for many reasons—bad weather (typhoons), weak property rights (failure of agrarian reform), inadequate delivery of agricultural services, and weak governance. In 2006, almost 75% of the poor were found in the rural areas, where the poverty incidence was 37.84% compared with 14.3% in urban areas (Table 11).

While most poor households are in rural areas, the urban poor are concentrated in major urban areas in the country such as Metro Cebu, Metro Davao, and Metro Manila. According to the data from Family Income and Expenditure

Survey (FIES) 2006, there were 1.22 million poor households in urban areas around the country. These estimates may be understated as the urban poor without proper addresses (informal settlers) may not be captured by household surveys. Households in informal settlements also often reject household surveys as there are fears they may be used as justification for demolitions and resettlement.

The prospects of abundant employment and educational opportunities are the main attractions of mega cities such as Metro Manila, which is the most densely populated urban center, with a population of approximately 13 million. However, the rapid growth exerts tremendous pressure on the infrastructure and ability of these cities to provide basic services to their growing populations. This has led to increasing problems of informal settlements, particularly in Metro Manila.

From 1960 to 2000, the urban population grew at an average annual rate of more than 5%, and by 2010, 60% of the total population is expected to live in urban areas (ADB 2008). In 2000, an estimated 35% of Metro Manila's population, equivalent to 3.4 million Filipinos, lived in informal settlements. These dwellers and informal settlers experience no or insecure tenure; lack of adequate health and educational facilities; and inability to access capital, credit, and social safety nets. Deprivations associated with mega

<sup>22</sup> One should note that this estimate is much lower than the official NSCB estimate because if we convert the \$1.25 threshold into local currency, we need to use purchasing power parity (PPP), which is much lower than the current market exchange rate. PPP 2005 for the Philippines is only P21.75 to \$1.00.

**Table 11: Distribution of Poor and Nonpoor Households in Urban and Rural Areas, Philippines, 2006**

Place	Frequency			Poverty Incidence (%)	Percentage		
	Poor	Nonpoor	Total		Poor	Nonpoor	Total
Rural	3,309,273	5,437,302	<b>8,746,575</b>	37.84	73.06	42.69	<b>50.66</b>
Urban	1,220,314	7,298,205	<b>8,518,519</b>	14.32	26.94	57.31	<b>49.34</b>
<b>Total</b>	<b>4,529,587</b>	<b>12,735,507</b>	<b>17,265,094</b>	<b>26.24</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: 2006 Family Income and Expenditure Survey public use files; author's computations.

cities are characterized by exposure to public health risks due to makeshift housing, unsafe water and poor sanitation, insecure tenure, and vulnerability to crime, fire, and sudden flooding (Housing and Urban Development Coordinating Council 2008). Because many of the urban centers are also the leading areas for economic activity, it is inevitable that rural workers migrate in search of better job opportunities and higher wages. In addition, improved infrastructure and reduction in travel costs will draw more workers from rural areas to the cities. In the next few years, poverty incidence in the urban areas will continue to increase as rural-to-urban migration goes on. Government must be ready to provide basic social services and infrastructure to the urban poor.

### Income Gap, Poverty Gap, and Severity of Poverty in Regions

The income gap, poverty gap, and severity of poverty have varied in a narrow range from 2000 to 2006.<sup>23</sup> For income gap in 2006, Region IX recorded the highest at 35.7% with NCR having the lowest at 21.6%. For the poverty gap, NCR is the lowest at 1.5% as compared to the highest—Region IX (Table 12).

### Poverty Incidence in the Basic Sectors

Among the basic sectors, the highest incidence of poverty was among fishers (43.6%) and farmers (42.4%) in 2003.<sup>24</sup> This was a slight improvement over 2000, when almost 50% of the population of the two sectors was poor. Children had the third-highest incidence, with nearly 40% classified as poor, and were also the largest group in terms of absolute number at 13.5 million in 2003. Around 20% of the elderly were poor in 2003 (Table 13).

### Household Characteristics of the Poor

The following section describes the characteristics of poor households. The list of variables included in the regression analysis is presented in Appendix 3.

#### EDUCATIONAL ATTAINMENT OF HOUSEHOLD HEAD

As expected, poverty incidence is correlated with the educational attainment of the household head (Figure 2). Almost 50% of household heads who did not complete any formal schooling are poor while only 2% of college graduates have income below the poverty line. Almost 30% of those who

<sup>23</sup> **Income gap** refers to the average income shortfall (expressed in proportion to the poverty line) of families with income below the poverty threshold. **Poverty gap** is the total income shortfall (expressed in proportion to the poverty line) of families with income below the poverty threshold, divided by the total number of families. **Severity of poverty** is the total of the squared income shortfall (expressed in proportion to the poverty line) of families with income below the poverty threshold, divided by the total number of families, and is sensitive to the income distribution among the poor.

<sup>24</sup> Basic sectors refer to different vulnerable groups (e.g., fishers, farmers, informal sector). The National Statistical Coordination Board estimates the poverty incidence in these sectors. The most recent estimates are from 2003.



**Table 12: Income Gap, Poverty Gap, and Severity by Regions**

Region	Income Gap			Poverty Gap			Severity of Poverty		
	2000	2003	2006	2000	2003	2006	2000	2003	2006
PHILIPPINES	29.1	28.7	28.8	8.0	7.0	7.7	3.4	2.8	3.1
NCR	19.9	18.2	21.6	1.2	0.9	1.5	0.4	0.3	0.5
Region I	27.9	25.3	25.2	8.2	6.2	6.6	3.2	2.3	2.5
Region II	24.9	22.5	23.5	6.3	4.3	4.8	2.3	1.5	1.6
Region III	22.7	20.9	23.4	3.9	2.8	3.9	1.3	0.9	1.4
Region IV-A	26.0	23.9	24.5	4.0	3.5	4.1	1.5	1.2	1.5
Region IV-B	31.2	29.9	32.5	11.3	11.9	14.2	4.8	4.9	6.2
Region V	31.2	32.7	30.1	14.1	13.2	12.6	5.8	5.8	5.1
Region VI	29.0	28.8	26.6	10.6	9.0	8.2	4.2	3.6	3.1
Region VII	32.3	28.9	29.5	10.2	6.8	8.9	7.1	2.8	3.7
Region VIII	27.8	27.2	30.9	10.5	9.6	12.6	4.1	3.6	5.3
Region IX <sup>a</sup>	34.1	38.6	35.7	13.2	17.0	14.3	6.2	8.6	6.8
Region X	32.2	32.9	33.4	12.2	12.4	12.1	5.3	5.5	5.3
Region XI	28.5	29.8	30.0	8.0	8.5	9.2	3.2	3.5	3.7
Region XII	28.9	28.1	28.1	11.7	9.0	9.5	4.7	3.5	3.7
CAR	31.6	30.0	32.1	9.7	7.7	9.3	4.3	3.2	4.0
ARMM <sup>b</sup>	29.5	28.0	29.3	15.9	12.7	16.2	6.3	4.9	6.4
Caraga	32.5	32.5	34.4	14.3	15.3	15.6	6.2	6.6	7.0

ARMM = Autonomous Region in Muslim Mindanao, CAR = Cordillera Administrative Region, NCR = National Capital Region.

<sup>a</sup> 2000 estimates do not include Isabela City.

<sup>b</sup> 2000 estimates include Isabela City.

Source: National Statistical Coordination Board.

did not complete high school are poor. In terms of distribution, around 67% of the poor household heads were elementary school graduates or lower.

#### HOUSEHOLD SIZE OF THE POOR

Family size is also positively correlated with poverty incidence and vulnerability. Less than 20% of households with four members or less are poor. However, the percentage doubles to more than 40% when the household size is six or more (Table 14).

#### SECTOR OF WORK AND OCCUPATION OF HOUSEHOLD HEAD

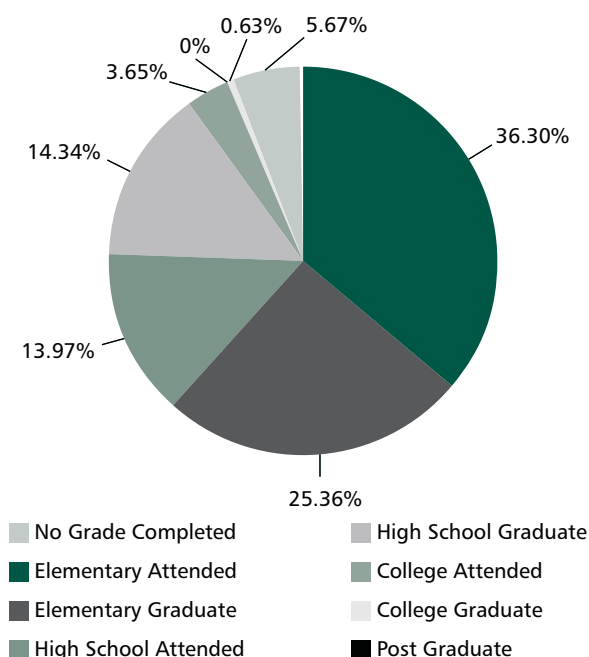
The 2006 FIES also shows that the highest percentage of the poor work in agriculture and forestry (52.49%) followed by fishing (8.83%), wholesale and retail trade (6.76%), and construction (6.55%). There are no poor households where the head is employed in an extraterritorial organization. Only 13.75% of unemployed household heads come from poor families; this is consistent with other studies that show the poor

**Table 13: Poverty Incidence and Magnitude of Poor Population by Sector, 2000 and 2003**

Sector	2000			Magnitude	2003	
	Poor	Total Population	Poverty Incidence		Total Population	Poverty Incidence
Women	12,227,315	37,906,245	32.3	11,602,634	40,028,115	29.0
Youth	5,476,061	22,379,332	24.5	5,293,223	22,510,297	23.5
Children	14,093,102	33,134,812	42.5	13,469,849	34,727,017	38.8
Senior citizens	1,277,139	4,557,134	29.0	969,906	5,266,509	18.4
Urban poor	6,784,016	39,145,194	17.3	6,360,978	39,885,020	15.9
Migrant and formal sector workers	2,622,324	14,012,846	18.7	2,886,445	15,645,632	18.4
Farmers	2,431,995	5,213,968	46.6	2,027,689	4,784,728	42.4
Fishers	450,020	885,272	50.8	440,579	1,009,808	43.6

Source: National Statistical Coordination Board.

**Figure 2: Educational Attainment of Heads of Poor Households**



Source: Family Income Expenditure Survey public use files; author's computations.

are underemployed rather than unemployed. The unemployment rates for household heads are 8.42% for the poor and 19.42% for the non-poor. The unemployment rate for all household heads is

16.53%, substantially above the official rates from the labor force surveys (Table 15).

In more than 70% of poor households, the head is employed as a farmer, forestry worker, fisher, laborer, or unskilled worker (Table 16).

### INCOME SOURCES OF THE POOR

The share of wages (both agriculture and non-agriculture) in per capita total household income has declined steadily, from 46.1% in 1997 to 44.8% in 2003. Meanwhile, the share of remittances—particularly foreign remittances—rose over the same period from 9.0% to 12.7% (Table 17). This suggests that remittances have become an important source of household income in the Philippines. As would be expected, remittances served as informal safety nets for average households during the Asian financial crisis period (1997–2000). The story is somewhat different for poor households. First, major sources of income for the poor are enterprise activities, not wages. This suggests that poor households are mainly working in the informal sector. The ratio of enterprise income to the total income of the poor has fallen steadily. Continuous reliance by the economy on foreign remittances may exacerbate inequality in the long run, as poor households have a very low percentage of their income coming from remittances.<sup>25</sup>

<sup>25</sup> Bird (2009) argues that this does not consider poverty dynamics since the nonpoor could have been poor without the remittances.



**Table 14: Distribution of Poor and Nonpoor Households by Family Size**

Household Size	Frequency			Percentage		
	Poor	Nonpoor	Total	Poor	Nonpoor	Total
1	30,724	636,682	667,407	0.68	5.00	3.87
2	147,360	1,346,072	1,493,432	3.25	10.57	8.65
3	294,225	2,115,177	2,409,402	6.50	16.61	13.96
4	590,330	2,734,242	3,324,572	13.03	21.47	19.26
5	881,005	2,374,242	3,255,634	19.45	18.65	18.86
>5	2,585,943	3,528,704	6,114,647	57.09	27.71	35.42
<b>Total</b>	<b>4,529,587</b>	<b>12,735,507</b>	<b>17,265,094</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: National Statistics Office 2006 Family Income and Expenditure Survey public use files; estimates by the author.

**Table 15: Distribution of Poor and Nonpoor Households by Sector of Work of Household Head**

Sector of Work	Frequency			%		
	Poor	Nonpoor	Total	Poor	Nonpoor	Total
Agriculture/hunting/forestry	2,377,594	2,731,172	5,108,766	52.49	21.45	29.59
Fishing	399,876	392,446	792,322	8.83	3.08	4.59
Mining/quarrying	27,804	49,272	77,076	0.61	0.39	0.45
Manufacturing	187,803	919,393	1,107,196	4.15	7.22	6.41
Electricity/gas/water	4,596	69,198	73,794	0.10	0.54	0.43
Construction	296,785	814,005	1,110,790	6.55	6.39	6.43
Wholesale/retail trade, rental services	306,380	1,789,647	2,096,026	6.76	14.05	12.14
Hotel and restaurants	9,161	218,226	227,387	0.20	1.71	1.32
Transport/communications	278,632	1,294,317	1,572,949	6.15	0.81	9.11
Financial intermediation	2,996	104,453	103,790	0.07	2.86	0.62
Real estate/business activities	27,930	364,136	392,066	1.88	5.70	4.70
Public administration	85,292	725,874	811,166	0.62	2.86	2.27
Education	5,905	236,838	242,743	0.13	1.86	1.41
Health and social work	8,277	104,936	113,213	0.18	0.82	0.66
Community, recreational, other services	70,197	261,724	331,921	1.55	2.06	1.92
Private households	58,795	186,951	245,747	1.30	1.47	1.42
Extraterritorial organizations	0	391	391	0.00	0.00	0.00
Not employed	381,564	2,473,194	2,854,757	8.42	19.42	16.53
<b>Total</b>	<b>4,529,587</b>	<b>12,735,507</b>	<b>17,265,094</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: National Statistics Office 2006 Family Income and Expenditure Survey public use files; estimates by the author.

**Table 16: Distribution of Poor and Nonpoor Households by Occupation of Household Head**

Occupation	Frequency			Percentage		
	Poor	Nonpoor	Total	Poor	Nonpoor	Total
Farmers, forestry workers, and fishers	2,079,936	2,460,602	4,540,538	45.92	19.32	26.30
Laborers and unskilled workers	1,108,409	1,721,032	2,829,441	24.47	13.51	16.39
Trades and related workers	359,923	1,215,491	1,575,413	7.95	9.54	9.12
Plant, machine operators, and assemblers	237,360	1,289,811	1,527,171	5.24	10.13	8.85
Managers, government officials, supervisors, executives, etc.	164,466	1,732,923	1,897,389	3.63	13.61	10.99
Service workers, shop/market sales workers	114,478	730,927	845,404	2.53	5.74	4.90
Technicians	38,592	325,892	364,484	0.85	2.56	2.11
Clerks	32,012	333,058	365,070	0.71	2.62	2.11
Professionals	2,575	371,116	373,691	0.06	2.91	2.16
Special occupations	10,273	81,463	91,736	0.23	0.64	0.53
Not applicable/no job	381,564	2,473,194	2,854,757	8.42	19.42	16.53
<b>Total</b>	<b>4,529,587</b>	<b>12,735,507</b>	<b>17,265,094</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: National Statistics Office 2006 Family Income and Expenditure Survey public use files; estimates by the author.

**Table 17: Components of Per Capita Income of Households, 1997–2006**

Income Component	Per Capita Income				Percentage Shares			
	1997	2000	2003	2006	1997	2000	2003	2006
<b>All households</b>								
Agriculture wage	761	775	939	1136	3.2	2.8	3.1	2.7
Non-agriculture wage	10,058	11,597	12,566	16,328	42.9	42.6	41.7	39.0
Enterprise income	6,097	6,664	7,185	8,917	26.0	24.5	23.9	21.3
Domestic remittance	502	681	809	1,642	2.1	2.5	2.7	3.9
Foreign remittance	1,612	2,332	3,009	5,095	6.9	8.6	10.0	12.2
Other income	4,388	5,149	5,607	8,720	18.7	18.9	18.6	20.8
<b>Total income</b>	<b>23,418</b>	<b>27,198</b>	<b>30,115</b>	<b>41,834</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

continued on next page

Table 17: Components of Per Capita Income of Households, 1997–2006 (*continued*)

Income Component	Per Capita Income				Percentage Shares			
	1997	2000	2003	2006	1997	2000	2003	2006
<b>Poor households</b>								
Agriculture wage	793	927	1,078	1,452	13.9	13.2	13.7	13.6
Non-agriculture wage	1,171	1,548	1,792	2,453	20.5	22.1	22.7	23.0
Enterprise income	2393	2,839	3,077	3,890	41.9	40.5	39.0	36.5
Domestic remittance	259	334	373	663	4.5	4.8	4.7	6.2
Foreign remittance	75	76	97	154	1.3	1.1	1.2	1.5
Other income	1,019	1,287	1,473	2,051	17.8	18.4	18.7	19.2
<b>Total income</b>	<b>5,710</b>	<b>7,012</b>	<b>7,889</b>	<b>10,663</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Notes for 2006:

(1) Total household income = total wage income + total income from entrepreneurial activities + total other income.

(2) Total wage income = total wages and salaries from agriculture activities + total wages and salaries from non-agriculture activities.

(3) Other income is the total of other income less domestic and foreign remittances.

Source: Son (2008b) for 1997–2003; author's estimate for 2006 from the National Statistics Office Family Income and Expenditure Survey public use files.

## LIMITED ACCESS OF THE POOR TO SOCIAL SERVICES

Table 18 shows the minimum basic needs indicators<sup>26</sup> for the lower and higher income strata. The poor are particularly disadvantaged in access to basic infrastructure and home ownership. However, in terms of employment, the bottom 30% has a higher employment rate, which is consistent with previous studies that correlate poverty with underemployment rather than unemployment. With regard to health insurance, only around 30% of the poor are PhilHealth members.

While the Philippines has achieved nearly universal enrollment in primary education, enrollment in secondary education is still low, at about 73%. In 2004, the average enrollment rate for the bottom 10% of the population was less than 55% compared with about 75% for the top 10%. Attendance in secondary education in the poorer regions is below the national average.

Disparities in access to health services among income groups are even more pronounced. The average access to health services was a little over 30% for the bottom 20% of the population, but close to 45% for the top 20% (ADB 2007).

## Income Inequality

In the latest poverty estimates, the Gini coefficient improved to 0.4580 in 2006 from 0.4605 in 2003 and 0.4822 in 2000. This indicates a relatively better distribution of income. Caraga, Central Visayas, Eastern Visayas, Northern Mindanao, and the Zamboanga Peninsula have Gini indices higher than 0.4400, showing that intraregional inequality remains a major problem for the country (Table 19).

Income inequality in the Philippines is also high compared with other countries in the region and is more comparable with Latin American countries than other Association of Southeast Asian Nations (ASEAN), with the exception of Malaysia (Table 20).

## The Chronic and Transient Poor

Poverty is dynamic and it is important to trace whether people actually move in and out of poverty.<sup>27</sup> Unfortunately, panel data to be able to do this is very limited. The most recent available is merged data from 1997 to 1999 which Reyes

<sup>26</sup> The most recent available data is for 2004.

<sup>27</sup> **Chronic poverty** refers to a situation where the poor remain poor for an extended period of time or are poor from birth (intergenerational poverty). **Transient poverty**, meanwhile, refers to a short period when a household or person falls below the poverty line. The distinction is important for formulating policies and programs for reducing poverty. Most social safety net interventions (e.g., cash transfers, relief, and rehabilitation) respond to transient poverty but not chronic poverty. Chronic poverty can be tackled by holistic programs that target chronically poor households for a longer time.

**Table 18: Percentage of Families with Access to Minimum Basic Needs, by Income Strata, 2002 and 2004**

Minimum Basic Needs Indicators	2004			2002		
	Both Income Strata	Lowest 30%	Highest 70%	Both Income Strata	Lowest 30%	Highest 70%
<b>Survival</b>						
- access to safe drinking water	80.2	65.4	86.5	80.0	67.5	85.4
- sanitary toilet	86.2	69.7	93.2	86.1	70.3	92.9
- electricity <sup>a</sup>	79.7	52.8	91.3	79.0	50.5	91.2
<b>Security</b>						
- strong housing unit <sup>b</sup>	70.5	43.4	82.2	70.4	42.6	82.2
- owned house and lot	64.4	60.7	65.9	66.5	61.9	68.5
- family head who is gainfully employed	84.2	91.8	80.9	81.2	88.3	78.1
- family member 18 years and over who is gainfully employed	93.8	97.1	92.4	93.5	95.8	92.5
<b>Enabling</b>						
- with children 6–12 years old in elementary school <sup>c</sup>	90.6	91.4	90.1	91.2	92.2	90.5
- with children 13–16 years old in high school <sup>d</sup>	74.5	63.0	82.0	77.0	66.8	83.3
- with working children 5–17 years old <sup>e</sup>	13.6	23.1	8.0	12.6	20.7	8.1
- with PhilHealth member	41.8	28.3	47.5	27.5	6.9	36.3

Note:

a Families with electricity at home, provided by national or community electric companies or generated by the household through the use of a generator and not including chargeable storage batteries (car or truck batteries) or dry cells (plainly known as batteries).

b A strong housing unit refers to one with roof and outer walls made of galvanized iron or aluminum, tile, concrete, brick, stone, or asbestos.

c Percentage of families with children 6–12 yrs old.

d Percentage of families with children 13–16 yrs old.

e Percentage of families with children 5–17 yrs old.

Source: National Statistics Office (2004) and 2002 Annual Poverty Indicators Surveys.

(2002) used to show that there were considerable movements in and out of poverty from 1997 to 1999, a period that included the Asian financial crisis and the worst episode of the El Niño phenomenon.<sup>28</sup> The Reyes study showed that 20% of families were found to be consistently poor in the 3 years covered. About 33% moved in and out

of poverty during the same period. In 1998 and 1999, only half of those considered poor in 1997 were consistently poor in 1998 and 1999. On the other hand, 15% who were nonpoor in 1997 became poor in 1998, indicating the vulnerability of these families to shocks. Pulse Asia (2005) estimates that 21%–23% of families in its July

<sup>28</sup> Heavy rains in usually dry areas and drought in normally wet regions.

**Table 19: Income Inequality, 1985–2006 (Gini Ratio)**

REGION	1985	1988	1991	1994	1997	2000	2003	2006
<b>Philippines—All</b>	<b>0.4466</b>	<b>0.4446</b>	<b>0.4680</b>	<b>0.4507</b>	<b>0.4872</b>	<b>0.4822</b>	<b>0.4605</b>	<b>0.4580</b>
National Capital Region	0.4146	0.4258	0.4282	0.3967	0.4622	0.4451	0.4021	0.3988
Cordillera Administrative Region <sup>a</sup>		0.3741	0.4372	0.4100	0.4640	0.4439	0.4296	0.4418
I Ilocos Region <sup>b</sup>	0.4011	0.3743	0.4039	0.3814	0.4257	0.4071	0.3926	0.3953
II Cagayan Valley <sup>b</sup>	0.3856	0.3962	0.4172	0.4056	0.4130	0.4227	0.4410	0.4216
III Central Luzon	0.3992	0.3861	0.3986	0.3630	0.3638	0.3591	0.3515	0.3994
IVA Calabarzon	0.4058	0.4034	0.4236	0.4016	0.4247	0.4086	0.4036	0.4082
IVB Mimaropa						0.4076	0.4358	0.4106
V Bicol Region	0.3798	0.3876	0.3910	0.4116	0.4362	0.4455	0.4660	0.4428
VI Western Visayas	0.4499	0.4080	0.4031	0.4063	0.4412	0.4594	0.4370	0.4326
VII Central Visayas	<b>0.4537</b>	<b>0.4602</b>	<b>0.4604</b>	<b>0.4417</b>	<b>0.4750</b>	<b>0.4691</b>	<b>0.4707</b>	<b>0.4639</b>
VIII Eastern Visayas	<b>0.3904</b>	<b>0.4041</b>	<b>0.4149</b>	<b>0.4198</b>	<b>0.4457</b>	<b>0.4807</b>	<b>0.4580</b>	<b>0.4828</b>
IX Zamboanga Peninsula	<b>0.3947</b>	<b>0.4087</b>	<b>0.4057</b>	<b>0.3861</b>	<b>0.4684</b>	<b>0.4732</b>	<b>0.5197</b>	<b>0.5054</b>
X Northern Mindanao	<b>0.4539</b>	<b>0.4424</b>	<b>0.4380</b>	<b>0.4157</b>	<b>0.4944</b>	<b>0.4794</b>	<b>0.4817</b>	<b>0.4806</b>
XI Davao Region <sup>c</sup>	0.3932	0.4019	0.4348	0.4114	0.4495 <sup>d</sup>	0.4318	0.4574	0.4225
XII Socsargen <sup>c</sup>	0.3709	0.3583	0.4050	0.4280	0.4491	0.4631	0.4774	0.4006
XIII Caraga <sup>f</sup>					<b>0.4387</b>	<b>0.4118</b>	<b>0.4303</b>	<b>0.4452</b>
Autonomous Region in Muslim Mindanao <sup>g</sup>			0.3197	0.3125	0.3406	0.3171	0.33578	0.3578

<sup>a</sup> Not yet generated in 1985.

<sup>b</sup> Includes Cordillera Administrative Region provinces in 1985.

<sup>c</sup> Includes CARAGA provinces in 1985 to 1994.

<sup>d</sup> In 1997, Region XI included Sultan Kudarat.

<sup>e</sup> Includes Autonomous Region in Muslim Mindanao provinces in 1985 and 1988.

<sup>f</sup> Not yet generated in 1985 to 1994.

<sup>g</sup> Not yet generated in 1985 and 1988.

Source: Family Income and Expenditure Survey, Income and Employment Statistics Division, Household Statistics Department, National Statistics Office.

2005 survey are chronically poor, which is similar to the estimate of Reyes (2002).

The Social Weather Stations also included questions in some of its surveys that give us additional and more recent information on chronic poverty. In 1997 and 1998, about 80% of respondents said that they had been poor for the entire 5 years (Mangahas 2008), but in the most recent survey done in September 2008, only about

41% of poor households stated they had been poor for the last 5 years (Table 21). While the level of chronic poverty remains high, it has been reduced by almost half in the last 18 years.

In another set of questions that the Social Weather Stations asked in 2005 and 2006, around 30% of poor households said that they were always poor and about 20% said they were poor before 2001. It is important to do more

research to accurately estimate chronic poverty in the country. Given that a sizeable segment of the population is chronically poor, economic growth potential may be severely inhibited.

### Vulnerability to Poverty

Albert (2007) gives an overall picture of income poverty and vulnerability<sup>29</sup> based on the 1997 FIES and 1998 Annual Poverty Indicators Survey (APIS) (Table 23).<sup>30</sup> The proportion of poor households (28%) is less than the proportion of vulnerable households (54%), which consists of the highly vulnerable (30%), and the relatively vulnerable (24%); 85% of poor households and a little more than 40% of nonpoor households are vulnerable. Regional disparities are also evident in terms of both poverty and vulnerability, with a correlation between poverty and vulnerability rates across the regions. Large disparities in poverty and vulnerability between urban and rural areas and across regions imply that the government should focus not only on poverty policies for regions but also on household vulnerability.

Bigger households are not just poorer but are also more vulnerable than smaller households (Table 24). This suggests that it is necessary to increase efforts in population management and reproductive health programs for the poor.

While poverty rates for households where the household head is unemployed are low, vulnerability rates for such households are much higher. This suggests a need for publicly provided safety nets for these households. Most heads of poor and vulnerable households are found in the agriculture sector. They have relatively few assets and have limited access to insurance and credit that would buffer them against income shocks resulting from bad harvests or bad weather (Tabunda and Albert 2002).

**Table 20: Comparative Inequality Indicators, Latin America versus Association of Southeast Asian Nations**

Country	Survey Year	Gini Index	Income variation from Richest 10% to Poorest 10%
Brazil	2004	0.570	51.3
El Salvador	2002	0.524	57.5
Argentina	2004	0.513	40.9
Malaysia	2004	0.410 <sup>a</sup>	22.1
Mexico	2004	0.461	24.6
Uruguay	2003	0.449	17.9
Philippines	2003	0.445	15.5
Nicaragua	2001	0.431	15.5
Thailand	2002	0.420	12.6
Cambodia	2004	0.417	12.2
Lao PDR	2002	0.346	8.3
Viet Nam	2004	0.344	6.9
Indonesia	2002	0.343	7.8

Lao PDR = Lao People's Democratic Republic.

<sup>a</sup> ADB *Key Indicators 2007*.

Source: Human Development Report 2007–2009.

### Alternative Measure of Well-Being

#### HUMAN DEVELOPMENT INDEX

The United Nations Development Programme (UNDP) human development index (HDI) uses a broader definition of well-being than do traditional measures such as GDP per capita.<sup>31</sup>

<sup>29</sup> Vulnerability is defined as the probability or risk **today** of being in poverty or to fall into deeper poverty in the future.

<sup>30</sup> The only available panel data for vulnerability analysis is the merged data of the 1997 FIES and the 1998 and 1999 APIS. According to Celia Reyes of the Philippine Institute for Development Studies (PIDS), the NSO is currently assembling panel data of recent years for analysis of chronic poverty and vulnerability.

<sup>31</sup> The Human Development Index is a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and enrollment at the primary, secondary and tertiary level), and having a decent standard of living (measured by purchasing power parity and income).

**Table 21: Chronic Poverty among Poor Filipino Households: Perceived Length of Poverty**

“During the past 5 years, how many years did you consider your family as poor?”	February 1990 (Self-Rated Poverty: 66.2%)	March 1997 (Self-Rated Poverty: 57.8%)	September 2008 (Self-Rated Poverty: 52.0%)
Less than a year	0.0	0.2	1.7
1 year	2.1	3.5	13.3
2 years	5.2	4.8	14.0
3 years	9.0	6.3	13.1
4 years	5.8	4.8	11.1
5 years	77.6	80.4	40.7
<b>Mean (in years)</b>	<b>4.5</b>	<b>4.5</b>	<b>3.5</b>

Source: Mangahas (2008) and Social Weather Stations (2008).

**Table 22: Survey Data on Chronic Poverty: Recency of Poverty**

“When was the last time you were not poor?”	Percentage of Households			
	Q3 2005	Q4 2005	Q1 2006	Q2 2006
Not poor	26	21	16	18
On the line	25	22	28	23
Never not poor	29	34	31	37
Poor since				
1970 and before	0.58	0.56	0.57	0.83
1985 and before	2.61	2.95	3.51	3.23
2000 and before	9.8	9.88	12.49	9.97
current and before	18.85	20.46	23.77	17.98

Q= quarter.

Source: Various Social Weather Stations various reports in 2005 and 2006.

The HDI for the Philippines increased from 0.68 in 1983 to 0.74 in 1997 to 0.77 in 2005 (UNDP 2008). This implies that the country belongs in the medium human development category (HDI values between 0.50 and 0.80). The current HDI for the Philippines is 0.77, which ranks the country 90th out of 177 countries with data (Table 25).

## HUMAN POVERTY INDEX

The Human poverty index (HPI)<sup>32</sup> for developing countries measures the proportion of people below a specified threshold in dimensions of human development: having a long and healthy life, access to education, and a decent standard of living. The HPI is a multidimensional alternative

<sup>32</sup> The human poverty index measures severe deprivation in health by the proportion of people who are not expected to survive age 40. Education is measured by the adult illiteracy rate. A decent standard of living is measured by the unweighted average of people without access to an improved water source and the proportion of children under age 5 who are underweight.



**Table 23: Distribution of Households by Poverty and Vulnerability Status (%)**

Vulnerability Status	Poverty Status		Total
	Poor	Nonpoor	
Highly vulnerable	17.3	12.7	30.0
Relatively vulnerable	6.5	17.6	24.1
Not vulnerable	4.2	41.7	45.9
<b>Total</b>	<b>28.1</b>	<b>71.9</b>	<b>100.0</b>

Source: Albert (2007).

**Table 24: Average Household Size by Poverty and Vulnerability Status, 1997 Philippines Family Income and Expenditures Survey**

Vulnerability Status	Poverty Status		Total
	Poor	Nonpoor	
Highly vulnerable	6.27	5.13	5.79
Relatively vulnerable	5.78	5.11	5.29
Not vulnerable	5.34	4.51	4.59
<b>Total</b>	<b>6.01</b>	<b>4.77</b>	<b>5.12</b>

Source: Albert (2007).

to the \$1 a day (PPP \$) poverty measure. With an HPI value of 15.3, the Philippines ranks 37th among 108 developing countries for which the index has been calculated. Table 26 shows the values for these variables for the Philippines and compares them with other countries.

## Current Progress in Millennium Development Goal Outcomes

The year 2007 was midway through the 15-year-long process of achieving the Millennium Development Goals (MDGs).<sup>33</sup> Below are the highlights of the Philippine government MDG progress report released by the National and

Economic Development Authority and the UNDP in 2007.

### Gains

The following key gains were achieved:

- Subsistence incidence decreased from the 1991 baseline figure of 24.3% to 13.5% in 2003, and household and population poverty incidence also showed visible improvement; the 2015 targets for all three areas are expected to be met.<sup>34</sup> However, Sawada and Estudillo (2005) and Balisacan (2009), using empirical results of earlier studies and assuming a growth trajectory for the economy to 2015,<sup>35</sup> found that the poverty reduction goal, in all likelihood, will not be met. Given the

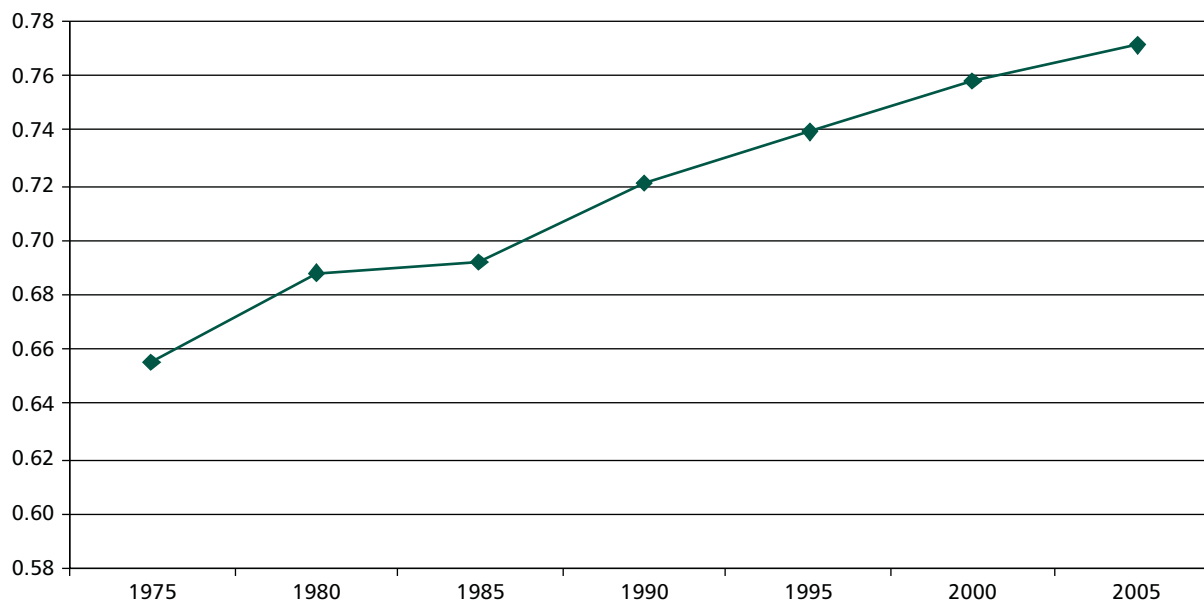
<sup>33</sup> The eight goals are to (1) eradicate extreme poverty and hunger; (2) achieve universal primary education; (3) promote gender equality; (4) reduce child mortality; (5) improve maternal health; (6) combat HIV, malaria, and other diseases; (7) ensure environmental sustainability; and (8) develop a global partnership for development.

<sup>34</sup> Please note that the methodologies for the 1991 and 2003 estimates differ.

<sup>35</sup> The growth rates assumed by Balisacan for 2009 to 2012 are 3.0% for 2009, 4.1% for 2010, 4.5% for 2011, and 5.0% for 2012 (from the World Bank). From 2013 to 2015, an annual growth rate of 6% has been assumed.



**Figure 3: Trends in Human Development Index, 1975–2005**



Source: Family Income Expenditure Survey public use files; author's computations.

**Table 25: Philippine Ranking Comparison with Other Countries, Human Development Index 2005**

HDI Value	Life Expectancy at Birth (Please give specific years.)	Adult Literacy Rate (% ages 15 and older)	Combined Primary, Secondary, and Tertiary Gross Enrollment Ratio (%)	GDP Per Capita (PPP \$)
1. Iceland Rank: 1 (0.968)	Japan Rank: 1 82.3	Georgia Rank: 1 HDI: 100.0	Australia Rank: 1 113.0	Luxembourg Rank: 1 60,228
90. Philippines (0.771)	Philippines Rank: 90 71.0	Philippines Rank: 46 HDI 92.6	Philippines Rank: 54 81.1	Philippines Rank: 101 5,137
177. Sierra Leone (0.336)	Zambia Rank: 177 HDI: 40.5	Burkina Faso Rank: 139 HDI 23.6	Niger Rank: 172 22.7	Malawi Rank: 174 667

GDP = gross domestic product, HDI = human development index, PPP = purchasing power parity.  
Source: United Nations Development Programme. 2008.

current global economic crisis, the prospects of achieving the poverty reduction goal have become even lower. Unless the country embarks on a more aggressive poverty reduction strategy where various stakeholders participate, the aim of decreasing poverty by 50% will not be achieved.

- Net enrollment rate for girls in elementary education in school year 2005–2006 was 85.4%, exceeding that of boys, which was 83.6%. Enrollment rates by sex were maintained at the secondary level—63.5% for females versus 53.7% for males. Achievement rates generally favored girls.<sup>36</sup>

<sup>36</sup> For the 2006–2007 school year, net enrollment rate for girls was 84.1% and for boys, 82.4% for elementary; for secondary, 63.4% for girls and 53.9% for boys.

**Table 26: Selected Indicators of Human Poverty for the Philippines, 2004**

Human Poverty Index	Probability of not surviving past age 40 (%)	Adult illiteracy rate (% ages 15 and older)	People without access to an improved water source (%)	Children underweight for age (% ages 0–5)
Barbados Rank: 1 3.0	Iceland Rank: 1 1.4	Estonia Rank: 1 0.2	Thailand Rank: 1 1	Czech Republic Rank: 1 1
Viet Nam Rank: 36 15.2	Fiji Rank: 78 6.9	Thailand Rank: 70 7.4	Viet Nam Rank: 55 15	Viet Nam Rank: 107 27
Philippines Rank: 37 15.3	Philippines Rank: 79 7.0	Philippines Rank: 71 7.4	Philippines Rank: 56 15	Philippines Rank: 108 28
Cape Verde Rank: 38 15.8	Sri Lanka Rank: 80 7.2	Singapore Rank: 72 7.5	Côte d'Ivoire Rank: 57 16	Indonesia Rank: 109 28
Chad Rank: 108 56.9	Zimbabwe Rank: 173 57.4	Burkina Faso Rank: 164 76.4	Ethiopia Rank: 125 78	Bangladesh Rank: 134 48

Source: United Nations Development Programme. 2008.

- Infant mortality rate declined from 57 deaths in 1990 to 24 in 2006.
- HIV/AIDS remains below the national target of 1% of the population.
- The number of protected areas under the National Integrated Protected Area System has expanded from 83 proclaimed areas in 2000 to 103 in 2006.
- The Philippines has been an active participant in the World Trade Organization and in regional trading arrangements committed to trade and investment facilitation on a global scale.
- Access to reproductive health care improved at a modest rate for currently married women ages 15–49, from 49.0% in 2001 to 50.6% in 2006. The 2015 target of 80% access will be difficult to achieve.

Tables 27 and 28 are detailed presentations of goals and targets, progress made so far, and the probability of attaining the 2015 target commitments at the national and regional levels.

### Subnational Progress

- In all goals and targets, existing indicators exhibited significant disparity by region. Six regions—the National Capital Region, Ilocos Region (Region I), Cagayan Valley (Region II), Western Visayas (Region VI), Central Visayas (Region VII), and Southern Mindanao (Region XI)—consistently pulled up national averages for many of the indicators. The rest of the country's regions were lagging behind in most of the targets, with large pockets of poverty in these areas.

### Need Improvement

- Access to primary education declined as the net enrollment rate dropped from 96.8% in 2000 to 83.2% in 2006.
- The decline in the number of maternal deaths has slowed from 209 deaths per 100,000 live births in 1993 to 162 deaths in 2006. It is unlikely that the target of 52 deaths per 100,000 live births will be met.

- Consistently on track in almost all regions were targets on poverty, nutrition, child mortality, and access to safe drinking water and sanitary toilet facilities. Consistently off track were dietary energy intake, elementary school participation, elementary cohort survival rate, ratio of boys to girls in elementary and secondary school, maternal mortality ratio, and contraceptive prevalence.
- Due to the unavailability or incompleteness of data in most of the regions, assessment was not done for HIV prevalence and malaria morbidity rate.

## Financing the Millennium Development Goals

Most MDGs entail activities devolved to local government units, many of which have little capacity to formulate, finance, and implement MDG programs and projects. For MDGs in poverty reduction, health, education, and water alone, the financing gap is estimated to be somewhere between \$12.2 billion and \$15.7 billion (Manasan 2007). The government is exploring options to bridge this gap by proposing a debt-for-MDG conversion scheme that involves swapping foreign debt or equity investments for MDG programs and projects.

### Box 1: Millennium Development Goals—Midterm Review from a Civil Society Perspective

Social Watch Philippines, a network of nongovernment organizations monitoring the attainment of Millennium Development Goals (MDGs), gathered civil society groups on 15–16 August 2008 to do their own midterm review and came up with the following conclusions and suggestions:

- Citizens should help monitor government performance and push for an alternative budget for the MDGs.
- Most of the goals will not be fully met. According to the 2006 report of UNESCAP, UNDP, and ADB, the Philippines was “falling further behind” in relation to countries in Asia and the Pacific.
- Social Watch International ranks the Philippines as “very low” in the Basic Capabilities Index (BCI) on a global scale. BCI is based on three indicators: percentage of children reaching grade 5, mortality of children under age 5, and percentage of births attended by health personnel.
- There is disparity between national data and regional data.
- Participation and cohort survival rates are going down in the elementary and secondary schools. Drop-out rates are rising and the number of out-of-school youth is among the highest in Asia, higher than in Indonesia and Viet Nam.
- Among the MDG goals, environmental sustainability remained the least funded, with less than 1% of the total budget.
- More civil society groups need to get involved on the ground.

ADB = Asian Development Bank, UNDP = United Nations Development Programme, UNESCAP = United Nations Economic and Social Commission for Asia and the Pacific.

**Table 27: Millennium Development Goals and Targets**

Goals and Targets	Baseline (1990 or year closest to 1990)	Current Level (2005/2006 or year closest to 2005/2006)	Target by 2015	Average Rate of Progress (1990– 2005/2006 or year closest to 2005/2006) (a)	Required Rate of Progress (2005/ 2006–2015) (b)	Ratio of Required Rate to Average Rate (1 = b/a)	Probability of Attaining the Targets
<b>Goal: Eradicate extreme poverty and hunger</b>							
<i>Proportion of families below</i>							
Subsistence threshold <sup>a</sup>	20.4	10.2 (2003)	10.20	(0.85)	0	0	High
Poverty threshold <sup>a</sup>	39.9	24.4 (2003)	19.95	(1.29)	(0.37)	0.29	High
<i>Proportion of population below</i>							
Subsistence threshold <sup>a</sup>	24.3	13.5 (2003)	12.15	(0.90)	(0.11)	0.13	High
Poverty threshold <sup>a</sup>	45.3	30.0 (2003)	22.65	(1.28)	(0.61)	0.48	High
Prevalence of malnutrition among children ages 0–5 (% underweight) based on international reference standards <sup>b</sup>	34.5	24.6 (2005)	17.25	(0.66)	(0.74)	1.11	High
Proportion of households with per capita intake below 100% dietary <sup>b</sup> energy requirement	69.4	56.9 (2003)	34.70	(1.25)	(1.85)	1.48	High
<b>Goal: Achieve universal primary education</b>							
Elementary participation rate <sup>c</sup>	85.1 <sup>c</sup>	84.44 <sup>d</sup> (2005–06)	100	(0.05)	1.37	28.98	Low
Elementary cohort survival rate	68.65 <sup>c</sup>	69.9 <sup>d</sup> (2005–06)	84.67 <sup>k</sup>	0.09	1.48	16.54	Low
Elementary completion rate	66.5 <sup>c</sup>	67.99 <sup>d</sup> (2005–06)	81.04 <sup>k</sup>	0.11	1.3	12.26	Low
<b>Goal: Improve maternal health</b>							
Maternal mortality ratio	209 <sup>e</sup>	162 <sup>f</sup> (2006)	52.20	(3.62)	(12.2)	3.37	Low
<b>Goal: Increase access to reproductive health services</b>							
Prevalence rate of men and women/couples practicing responsible parenthood	40.0 <sup>c</sup>	50.6 <sup>f</sup> (2006)	80	0.82	3.27	4.01	Low

*continued on next page*

Table 27: Millennium Development Goals and Targets (*continued*)

Goals and Targets	Baseline (1990 or year closest to 1990)	Current Level (2005/2006 or year closest to 2005/2006)	Target by 2015	Average Rate of Progress (1990– 2005/2006 or year closest to 2005/2006) (a)	Required Rate of Progress (2005/ 2006–2015) (b)	Ratio of Required Rate to Average Rate (1 = b/a)	Probability of Attaining the Targets
<b>Goal: Reduce child mortality</b>							
Mortality rate, children under age 5 (per 1000 live births)	80.0 <sup>g</sup>	32.0 <sup>f</sup> (2006)	26.70	(3.00)	(0.59)	0.20	High
Infant mortality rate (per 1,000 per live births)	57.0 <sup>g</sup>	24.0 <sup>f</sup> (2006)	19.00	(2.06)	(0.56)	0.27	High
<b>Goal: Combat HIV/AIDS, malaria, and other diseases</b>							
HIV prevalence	< 1%	< 1% (2005)	< 1% <sup>l</sup>	0	0	0	High
Malaria morbidity rate (per 100,000 population) <sup>h</sup>	123.0	59.0 (2004)	24.00	(4.57)	(5.83)	1.28	High
<b>Goal: Ensure environmental sustainability</b>							
Proportion of households with access to safe drinking water	73.7 <sup>i</sup>	80.2 (2004) <sup>j</sup>	86.80	0.50	0.60	1.20	High
Proportion of households with sanitary toilet facility	67.6 <sup>i</sup>	86.2 (2004) <sup>j</sup>	83.80	1.33	(0.22)	0.17	High
<p>( ) = negative number.  Note: Rate of progress needed to reach target/current rate of progress &lt;1.5=high; 1.5 to 2.0=medium; 2.0=low; beginning in the 2002–2003 school year, participation rate was derived based on the age group consisting of 6–11 years old for elementary and 12–15 years old for secondary.  Source:  <sup>a</sup> Technical Committee on Poverty Statistics (former Technical Working Group on Income Statistics, NSCB).  <sup>b</sup> National Nutrition Survey, Food and Nutrition Research Institute.  <sup>c</sup> Department of Education Statistical Bulletin for school year 1991–1992.  <sup>d</sup> Department of Education Basic Education Information System.  <sup>e</sup> 1993 National Demographic Survey, National Statistics Office (NSO).  <sup>f</sup> 2006 Family Planning Survey, NSO.  <sup>g</sup> National Demographic and Health Survey, NSO.  <sup>h</sup> Field Health Service Information System, Department of Health.  <sup>i</sup> 1990 Census of Population and Housing, NSO.  <sup>j</sup> Annual Poverty Indicators Survey, NSO.  <sup>k</sup> Target in the Philippines Education For All 2015 Plan.  <sup>l</sup> Target by 2010 based on the Mid-Term Development Plan, 2004–2010.</p>							

**Table 28: Status by Millennium Development Goals and Regions**

MDG Targets																
Region	Goal 1		Goal 2		Goal 3		Goal 4		Goal 5		Goal 6		Goal 7			
	Proportion of population below subsistence threshold <sup>a</sup>	Proportion of population below poverty threshold <sup>a</sup>	Prevalence of malnutrition among children ages 0–5 <sup>b</sup>	Proportion of households with per capita intake below 100% dietary energy requirement <sup>b</sup>	Elementary participation rate <sup>*** c</sup>	Elementary cohort survival rate <sup>c</sup>	Ratio of girls to 100 boys in elementary <sup>d</sup>	Ratio of girls to 100 boys in secondary <sup>d</sup>	Mortality rate age 0–5 (per 1,000 live births) <sup>e</sup>	Infant mortality rate (per 1,000 live births) <sup>e</sup>	Maternal mortality ratio <sup>f</sup>	Prevalence of men and women couples practicing responsible parenthood <sup>g</sup>	HIV prevalence <sup>f</sup>	Malaria morbidity rate (per 100,000 population) <sup>f</sup>	Proportion of households with no access to safe drinking water <sup>h</sup>	Proportion of households with access to sanitary toilet facility <sup>h</sup>
CAR	High	High	High	Low	Low	Low	Low	Low	High	Low	High	Low	*	High	High	High
I	High	High	Medium	High	High	High	High	High	High	High	High	Low	*	High	High	High
II	High	High	High	High	Low	Medium	Low	Low	High	High	High	Low	No data	Low	High	High
III	High	High	High	Medium	Low	Low	Medium	Medium	High	High	High	Low	*	**	High	High
IV-A <sup>1</sup>	High	Low	High <sup>5</sup>	Low <sup>5</sup>	Low <sup>5</sup>	Low <sup>5</sup>	Low <sup>5</sup>	Low <sup>5</sup>	High	High	High	Low <sup>5</sup>	*	**	High <sup>5</sup>	High <sup>5</sup>
IV-B <sup>1</sup>	Low	Low	Low <sup>5</sup>	High <sup>5</sup>	Low <sup>5</sup>	Low <sup>5</sup>	High <sup>5</sup>	High <sup>5</sup>	High	High	Low	Low <sup>5</sup>	No data	**	Low <sup>5</sup>	High <sup>5</sup>
V	High	High	High	Low	Low	Low	Medium	Medium	High	High	Low	Low	No data	High	High	High
VI	High	High	High	High	Low	Low	Low	Medium	High	High	Low	Low	*	**	High	High
VII	High	High	High	Low	Medium	Medium	Low	Low	High	High	High	Low	*	No baseline	High	High
VIII	High	Low	Low	Low	Low	Low	High	High	High	Low	Low	Medium	No data	No data	High	High
IX <sup>2</sup>	Low	Low	Low	Low	Low	Low	Low	Low	High	High	Low	Low	*	**	High	High
X	High	Medium	Medium	Medium	Low	Low	Low	Low	High	High	Low	Low	No data	High	High	High
XI <sup>3</sup>	High	High	High	High	Low	Low	Low	Low	High	High	High	Low	No baseline	High	High	High
XII <sup>4</sup>	High	High	Medium	Medium	Low	Low	Low	High	High	High	Medium	Low	*	No baseline	Low	High

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Table 28: Status by Millennium Development Goals and Regions (continued)

Region	MDG Targets						
	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5	Goal 6	Goal 7
	Proportion of population below subsistence threshold <sup>a</sup>						
	Proportion of population below poverty threshold <sup>a</sup>						
	Prevalence of malnutrition among children ages 0–5 <sup>b</sup>						
	Proportion of households with per capita intake below 100% dietary energy requirement <sup>b</sup>						
	Elementary participation rate <sup>***c</sup>						
	Elementary cohort survival rate <sup>c</sup>						
	Ratio of girls to 100 boys in elementary <sup>d</sup>						
	Ratio of girls to 100 boys in secondary <sup>d</sup>						
	Mortality rate age 0–5 (per 1,000 live births) <sup>e</sup>						
	Infant mortality rate (per 1,000 live births) <sup>e</sup>						
	Maternal mortality ratio <sup>f</sup>						
	Prevalence of men and women couples practicing responsible parenthood <sup>g</sup>						
	HIV prevalence <sup>f</sup>						
	Malaria morbidity rate (per 100,000 population) <sup>f</sup>						
	Proportion of households with no access to safe drinking water <sup>h</sup>						
	Proportion of households with access to sanitary toilet facility <sup>h</sup>						
XII <sup>4</sup>	High	High	Medium	Medium	Low	Low	High
Caraga	Low	High	No baseline	Low	Low	No baseline	No baseline
ARMM	High	Low	Low	High	High	**	No baseline
NCR	High	High	High	Medium	Low	No data	High

ARMM = Autonomous Region in Muslim Mindanao, CAR = Cordillera Administrative Region, MDG = Millennium Development Goals, NCR = National Capital Region.

<sup>a</sup> Proxy indicators were used (e.g., Sexually Transmitted Diseases cases, in the subnational reports).

<sup>b</sup> Proxy indicators were used (e.g., Annual Parasite Incidence, malaria, mortality rate, in the subnational reports).

<sup>c</sup> \*\*\* beginning in school year 2002–2003, participation rate was derived based on the age group consisting of 6–11 years old for elementary and 12–15 years old for secondary, whereas the previous system used 7–12 and 13–16 years old for elementary and secondary respectively.

<sup>1</sup> formerly Southern Tagalog Region.

<sup>2</sup> Formerly Western Mindanao Region.

<sup>3</sup> Formerly Southern Mindanao Region.

<sup>4</sup> formerly Central Mindanao Region.

<sup>5</sup> Southern Tagalog data are used as baseline.

Source:

<sup>a</sup> NSCB's estimates based on the results of the Family Income and Expenditure Surveys of the National Statistics Office.

<sup>b</sup> National Nutrition Surveys, Food and Nutrition Research Institute.

<sup>c</sup> Baseline based on DECS Statistical Bulletin 1991–1992 school year, current data based on Basic Education Information System of the Department of Education (DepEd); target based on the subnational report.

<sup>d</sup> Baseline based on DECS Statistical Bulletin 1993–1994 school year, current data based on Basic Education Information System of DepEd; target based on the national target.

<sup>e</sup> Baseline data are based on the National Demographic and Health Survey; current data are based on the 2006 Family Planning Survey.

<sup>f</sup> Subnational Progress Report on the MDGs.

<sup>g</sup> Family Planning Survey, NSO.

<sup>h</sup> Baseline data based on the 1990 Census of Population and Housing; current data based on the 2004 Annual Poverty Indicators Survey, National Statistics Office.





# CAUSES OF POVERTY

What is causing poverty in the Philippines and why has it been persistent over the years? While poverty incidence has been gradually declining over the last 25 years, existing levels remain high. Poverty in the Philippines has persisted for almost three decades even as Malaysia and Thailand, which had similar economies to the Philippines in the 1960s, have almost eradicated it. This section discusses the main factors that continue to bring deprivation to almost a third of the Philippines' population.

## Low to Moderate Economic Growth for the Past 40 Years

The main reason why poverty reduction in the country has been slow compared with other Asian countries (Table 29) is the failure of the economy to grow rapidly and generate quality employment in sectors with large numbers of the poor. This has constrained the poor in terms of opportunities to escape deprivation and increased the probability of the nonpoor to become poor. While the Philippines

**Table 29: Average Gross Domestic Product Growth Rates, 1960–2007**

Country	Average 1961–1970	Average 1971–1980	Average 1981–1990	Average 1991–1995	Average 1996–2000	Average 2001–2007
Cambodia	...	...		7.77	7.34	9.68
Indonesia	4.18	7.87	6.41	7.87	0.98	5.07
Lao PDR	NA	NA	4.54	6.42	6.17	6.56
Malaysia	6.49	7.87	6.03	9.47	4.99	4.79
Philippines	<b>4.93</b>	<b>5.92</b>	<b>1.80</b>	<b>2.19</b>	<b>3.96</b>	<b>5.02</b>
Singapore	9.88	8.83	7.49	8.87	6.40	5.34
Thailand	8.17	6.89	7.89	8.62	0.64	5.05
Viet Nam	NA	NA	4.63	8.21	6.96	7.74

... = data not available, Lao PDR = Lao People's Democratic Republic, NA = not applicable.  
 Source: World Bank Development Indicators; author's computations.

was on the upturn during the 1960s and 1970s with a 5%–6% growth rate, its economy slumped in the 1980s and mid-1990s when average real GDP growth was around 2%. Only recently has the Philippines returned to its moderate expansion trend of around 5%. However, its average rate during 2001–2007 is still among the lowest in ASEAN.

## Relatively Low Growth Elasticity of Poverty Reduction

The Philippines has also performed poorly in the fight against poverty during the last 25 years. The poverty reduction rate of 0.47% per year is slower than those of Cambodia, Indonesia, the Lao People’s Democratic Republic (Lao PDR), Thailand, and Viet Nam. It is only in the Philippines that the absolute number of poor people increased from 1990 to 2005 (Table 30). This might indicate that a segment of the household population has been chronically poor and underscores the fact that quality and inclusiveness of growth are vital for poverty reduction.

Table 31 shows how the Philippines fared in earlier years, when its reduction in poverty incidence started to lag behind. These were the years when most countries had sustained high levels of economic growth. Note that the Philippines’ 0.7% annual poverty reduction rate from the 1970s to the 1990s was higher than its more recent rate of 0.5%.

Recent economic growth has been confined to a few sectors, such as the export-oriented semiconductor industry, telecommunications, business process outsourcing, real estate, housing, and retail trade. Most of these are in the services sectors, which are being supported by remittances from overseas Filipino workers to their families in the Philippines operating small businesses. This is a major reason why not enough “quality”<sup>37</sup> jobs are created and why poverty incidence and inequality have not improved much in recent years. Sectors that will create more jobs have also not been performing well: agriculture, manufacturing, and industry. The economy needs sources of economic growth that are more diversified and will underpin higher levels of expansion and quality job creation. Hence, changes in poverty depend not only on the rate of economic growth but also on the type of growth.

**Table 30: Comparative Headcount Index and Number of Poor in the Association of Southeast Asian Nations**  
(\$1.25 at 2005 Purchasing Power Parity)

Country	Headcount Index (%)		Average Reduction Per Year (%)	Number of Poor (million)		Average Reduction Per Year (million)
	1990	2005		1990	2005	
Cambodia	77.3	40.2	2.47	7.5	5.6	0.13
Indonesia	51.3	21.4	1.99	96.7	47.3	3.29
Lao PDR	65.9	35.7	1.99	2.7	2.0	0.05
Malaysia	1.9	0.5	0.09	0.3	0.1	0.01
Philippines	29.7	22.6	0.47	18.2	19.1	(0.06)
Thailand	9.4	0.4	0.60	5.1	0.3	0.32
Viet Nam	34.2	22.8	0.76	22.6	19.0	0.24

( ) = negative number, Lao PDR = Lao People’s Democratic Republic.  
Source: ADB.

<sup>37</sup> In terms of security of tenure and higher wages and benefits.

**Table 31: Changes in Poverty Incidence for Selected Countries, 1960–1990**

Country	Years	Annual Reduction (%)	First Year (%)	Last Year (%)
Philippines	1971–1991	0.7	52	39
Indonesia	1970–1990	2.0	58	19
Korea	1970–1990	0.9	23	5
Malaysia	1973–1987	1.6	37	14
Thailand	1962–1988	1.4	59	22

Note: Poverty incidence is based on the official head count index calculated from family income in the respective countries (no common poverty line among them). Source: World Bank (1995); Balisacan (1994).

An indicator of whether an economic expansion has affected poverty positively is the “growth elasticity of poverty reduction” (Table 32). Using panel data for the Philippines from 1980 to the 1990s, Balisacan and Pernia (2002) noted that the average growth elasticity of poverty is 0.5, indicating that income growth does not correspond to changes in the welfare of the poor. More recently, Balisacan and Hill (2007) presented estimates of the growth elasticity of poverty reduction in the Philippines compared with other developing countries. This ranged from a low of 1.1 to a high of 2.2, the lowest among all the countries listed. Habito (2009) computed a similar elasticity but used the human poverty

index as the dependent poverty variable and found that the Philippines even had negative elasticity from 2000–2008, implying that the poverty index worsened by almost 1.0% for every 1.0% growth in GDP in the said period.

The ADB Key Indicators 2008 projects the headcount index in 2020 for various countries in Asia using the \$1.25 per day, 2005 PPP poverty lines (Table 33). For the Philippines, given the main assumption of GDP growth rates of 1.6% and considering three scenarios, the poverty incidence will still be in the range of 21.1% to 28.7% by 2020. Unless the Philippine economy is able to shift to a higher growth trajectory, it might be stuck in a poverty trap.

**Table 32: Growth Elasticity of Poverty Reduction**

Country	Growth Elasticity of Poverty Reduction	Source and Year
Philippines	1.1	Balisacan and Hill (2007)
Philippines	1.6	Balisacan and Hill (2003)
Average for 47 developing countries	2.5	Ravallion (2001)
Philippines	1.3	Balisacan (2001)
China	2.9	Cline (2004)
Indonesia	3.0	Cline (2004)
Thailand	3.5	Cline (2004)
Philippines	2.2	Cline (2004)
Thailand	2.2	Deolalikar (2002)

Source: Balisacan and Hill (2007).

**Table 33: ADB Projections for Poverty Incidence by 2020**

Country	Year	Headcount Index (%)					
		Latest Year	2005	Projected Annualized Growth Rates or GDP Per Capita	2020		
					Pro-Poor Distribution	Neutral Distribution	Pro-Rich Distribution
Bangladesh	2005	42.9	42.9	3.0	17.5	21.3	27.0
Bhutan	2003	31.8	31.5	4.9	7.0	8.2	13.7
Cambodia	2004	36.9	31.4	5.7	4.2	4.9	9.5
Fiji Islands	2002	28.9	30.1	1.6	23.9	25.4	30.1
India	2005	24.1	24.1	2.2	9.0	11.2	19.7
Lao PDR	2002	53.6	44.4	4.0	16.6	19.2	25.4
Malaysia	2005	0.0	0.0	3.2	0.0	0.0	0.0
Maldives	2003	12.6	10.7	5.2	0.0	0.0	0.0
Mongolia	2002	40.4	32.0	1.8	18.2	20.5	24.6
Nepal	2004	55.8	55.6	2.0	44.7	46.1	48.6
Pakistan	2005	24.9	24.9	1.5	11.5	14.0	19.9
<b>Philippines</b>	<b>2006</b>	<b>29.5</b>	<b>30.6</b>	<b>1.6</b>	<b>21.1</b>	<b>22.9</b>	<b>28.7</b>
Sri Lanka	2002	9.9	5.9	3.7	0.0	0.0	1.3
Thailand	2002	0.0	0.0	2.8	0.0	0.0	0.0
Viet Nam	2004	16.0	13.5	5.8	0.0	0.0	0.0

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.  
Source: ADB *Key Indicators 2008*.

The current financial crisis may further limit poverty reduction. While the domestic economy achieved a record high growth of 7.2% in 2007, growth declined to 4.6% in 2008. Exports may be greatly affected, as most of the country's major export partners are in recession (e.g., the European Union, Japan, and the United States). Remittances, the lifeline of the economy, will likely grow more slowly, while foreign and domestic investments will decrease with the cautious business climate. Recent consensus forecast for the GDP growth rate is around 2.0%–2.1%, substantially below the government's target of 3.1%–4.1%. Table 34 shows the growth forecasts of key institutions.

## Weakness in Employment Generation and Quality of Jobs Generated

The failure to sustain a high level of economic growth also explains the unavailability of jobs in the country. Without job opportunities, people will not be able to earn incomes and are vulnerable to poverty. The working age population in the Philippines was growing by 2.6% annually from 1997 to 2008 (Table 35). This translates to an average of 1 million new entrants and reentrants into the labor force each year. The labor force, which numbered 23.9 million in 1997, had increased by more than 50% to 37.1 million by October 2008.

**Table 34: Philippines Growth Forecast for 2009 (as of April)**

Institution	GDP Growth Rate (%)
ADB	2.5
World Bank	1.9
IMF	2.3
Economist	1.8
Moody's	2.0–3.0
Fitch	0.5
S&P	2.2
Credit Suisse	1.5
Goldman Sachs	(0.5)
PIDS	4.0
Average	2.0–2.1

( ) = negative number, ADB = Asian Development Bank, GDP = gross domestic product, IMF = International Monetary Fund, PIDS = Philippine Institute for Development Studies, S&P = Standard & Poor's.  
Source: Author's compilation.

**Table 35: Unemployment Rates in Southeast Asia, 2003–2007 (%)**

Country	2003	2004	2005	2006	2007
People's Republic of China	4.3	4.2	4.2	4.1	4.0
Hong Kong, China	7.9	6.8	5.6	4.8	4.0
Indonesia	9.5	9.9	11.2	10.3	9.1
Malaysia	3.6	3.5	3.5	3.4	3.1
Philippines <sup>a</sup>	11.3	11.8	11.5	8.0	7.3
Singapore	4.0	3.4	3.1	2.7	2.1
South Korea	3.6	3.7	3.7	3.5	3.2
Taipei, China	5.0	4.4	4.1	3.9	3.9
Thailand	2.2	2.1	1.8	1.5	1.4

<sup>a</sup> The official definition of unemployment was changed in 2006 resulting in lower rates.  
Source: ADB Outlook 2008.

This is not only due to high population growth but also to the steady increase in the participation of women in the workforce. Total labor force participation rose from only 49% in 1970 to almost 65% in 2008. Because of the boom and bust cycles of the Philippine economy in the last three decades and only moderate economic growth performance in recent years, employment opportunities have failed to keep up with this growth in the labor force. Despite the exodus of Filipinos to work abroad, unemployment rates remain high by Southeast Asian standards. Based on its December 2008 quarterly survey, the independent Social Weather Stations recently estimated that there are 11 million unemployed, corresponding to an unemployment rate of 27.9%.

The share of industrial and manufacturing employment, where relatively stable and higher quality jobs are usually found, has declined over the years. The agriculture sector's share in employment also fell significantly, from 61.2% in 1960 to 51.4% in 1980 and down to 36.1% in 2007. This shows that there has been a lack of

sustainable income opportunities, especially in the rural areas where most of the poor can be found. In contrast, the services sector, which is mostly urban-based and composed of informal workers, absorbed much of the labor force during the last two decades (Table 36).

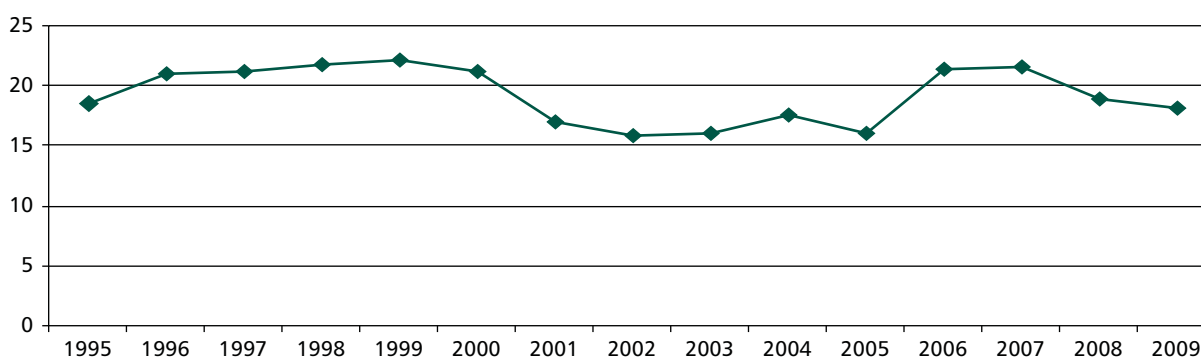
Agriculture has been neglected in past years. Lack of certain policies, inadequate infrastructure, and institutional weaknesses have decreased investor interest in improving agricultural productivity (Appendix 10).

Underemployment rates have remained relatively high for the past 15 years, ranging from 16% to 22%. This is consistent with the results of the 2008 Informal Sector Survey, which showed that there were about 10.5 million informal sector operators in the country with almost 90% as self-employed workers (Figure 4). Hasan and Jandoc (2009) found that employment in manufacturing, the sector where most quality permanent jobs are generated, has been stagnant, and it is the services sector that has absorbed the shift of employment from agriculture. They also found that the fastest-growing job type is not permanent-wage

**Table 36: Sector Employment Shares (%)**

Sector	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2007
Agriculture	61.2	56.7	53.7	53.5	51.4	49.0	45.2	43.4	37.1	35.9	36.1
Industry	12.6	11.3	12.6	12.1	11.6	10.7	10.7	5.9	6.2	10.0	9.5
Manufacturing	12.1	10.9	11.9	11.4	10.6	9.7	9.7	10.2	10.0	9.7	9.1
Services	26.2	31.5	32.1	34.1	36.5	40.2	44.0	40.5	46.7	53.9	54.4

Source: 2002 Philippine Statistical Yearbook and ADB *Key Indicators 2008*.

**Figure 4: Trend in Underemployment Rate, January 1995–2009**

Source: Family Income Expenditure Survey public use files; author's computations.

employment but casual-wage jobs, and that wages and earnings growth is weak for workers in general.

## Episodes of Food Inflation Increase the Number of Poor People

High inflation has further dampened the positive impact of economic growth on poverty. Son (2008a) estimates the price elasticity of poverty by commodity in the Philippines and finds that a 10% increase in food prices will create an additional 2.3 million poor people, while a 10% increase in nonfood prices will drive an additional 1.7 million people into poverty. A 10% increase in the price of rice will force an additional 0.7 million people into poverty, while a 10% increase in fuel prices will lead to an additional 0.2 million poor people. Using an alternative price index, Son contends that the inflation rate faced by the poor was higher than the official rate by 0.2 percentage

points during 2005–2006, 0.6 percentage points in 2006–2007, and 5.6 percentage points in 2007–2008.

The index considered the dominating effect of rising food prices on poverty during 2003–2006. In particular, the severity of poverty rose by 17% while the standard of living declined by about 1% over the period. Deterioration in living standards affected the poorest of the poor the most. Unable to afford rising food prices, their only option is to reduce spending on items such as health care and children's education.

## Failure to Manage Population Growth

Population growth remains rapid by Asian standards and has decreased slowly compared to other countries over the last three decades. Various studies have shown that larger family size is associated with higher poverty incidence, gap, and severity. This correlation is also shown to



**Table 37: Population Growth Rates in Association of Southeast Asian Nations Countries (%)**

Country	1990	1995	2000	2005	2007	Average (1990–2007)	Average (2000–2007)
Brunei Darussalam	3.1	2.9	2.5	2.9	1.8	2.4	2.6
Cambodia	3.6	5.2	1.8	2.1	1.9	2.9	1.9
Indonesia	2.0	1.7	0.9	1.3	1.3	1.3	1.2
Lao PDR	2.1	(0.3)	2.1	1.8	2.1	1.9	2.1
Malaysia	2.5	2.8	2.5	2.2	2.0	2.4	2.2
Myanmar	1.9	1.9	2.0	2.0	2.0	2.1	2.0
Philippines	1.4	2.3	2.5	2.0	2.0	2.1	2.1
Singapore	4.0	3.1	1.7	2.4	4.3	2.4	1.9
Thailand	1.1	1.2	0.7	0.9	0.8	0.9	0.8
Viet Nam	1.9	1.7	1.4	1.3	1.2	1.5	1.3

( ) = negative number, Lao PDR = Lao People's Democratic Republic.  
Source: ADB *Key Indicators 2008* and National Statistical Coordination Board.

be consistent over the 25 years for which family income and expenditure data is available. Larger family size has also been associated with higher vulnerability to poverty. Moreover, the high population growth rates exacerbated the poor performance of the economy because of the rapid expansion of the labor force, which increased more than 2.0% annually in the past 10 years. This resulted in double-digit unemployment and underemployment rates during that period, except when the definition of unemployment was altered in 2005.<sup>38</sup>

Table 37 shows the comparative performance of the Philippines on population management. It is still one of the countries with the highest increases in population, along with Brunei, Cambodia, and the Lao PDR. Malaysia and Singapore, while growing at similar rates as the Philippines, have higher levels of development and per capita income. Countries such as Indonesia,

Thailand, and Viet Nam were able to reduce their population momentum, and thus more quickly increased their income per person. Mapa and Balisacan (2004) claim that, if the Philippines followed Thailand's population growth path from 1975–2000, then

- the average income per capita could have grown by 0.76% more per year,
- the average income per person would have had a cumulative increase of about 22% in the year 2000,
- the average income per person in the year 2000 would have increased to \$4,839.00 (purchasing power parity), and
- poverty incidence would have been 5.5 percentage points less and 3.6 million more people would have been brought out of poverty.

<sup>38</sup> NSCB Resolution 15, Series of 2004 included the availability criterion in the definition of unemployment that was aligned with Resolution 1 of the 13th International Conference of Labor Statisticians in 1982.

**Table 38: Percentage Point Change in Income Share, 2003–2006**

Income Decile	2003	2006	Percentage Point Change 2003–2006
<b>First to Fourth</b>	<b>13.1309</b>	<b>13.2687</b>	<b>0.1378</b>
First	1.8055	1.8717	0.0662
Second	2.8724	2.9412	0.0688
Third	3.7751	3.7767	0.0016
Fourth	4.6779	4.6791	0.0013
<b>Fifth to Seventh</b>	<b>22.1584</b>	<b>22.0588</b>	<b>(0.0996)</b>
Fifth	5.8268	5.7821	(0.0448)
Sixth	7.2220	7.1858	(0.0362)
Seventh	9.1096	9.0909	(0.0187)
<b>Eighth to Tenth</b>	<b>64.7066</b>	<b>64.6767</b>	<b>(0.0299)</b>
Eighth	11.8588	11.8984	0.0396
Ninth	16.5778	16.8783	0.3006
Tenth	36.2700	35.9000	(0.3700)
<b>Ratio of top 30% to bottom 30%</b>	<b>7.6600</b>	<b>7.5300</b>	<b>(0.1300)</b>
<b>Ratio of top 10% to bottom 10%</b>	<b>20.0900</b>	<b>19.1800</b>	<b>(0.9100)</b>

( ) = negative number.

Note: Figures are based on computations made by the National Statistical Coordination Board technical staff. All computations are approximate, as the public use file of the 2006 Family Income and Expenditure Survey, which is needed to compute for each household's income in real terms, is not yet available. Source: National Statistics Office in Virola (2007).

## High and Persistent Levels of Inequality

### Income Inequality

Inequitable distribution of income and its persistence over the years is another reason for poverty in the Philippines. High levels of inequality were recorded for the past 20–25 years, which in turn have weakened the already-moderate economic growth. If examined through the contribution of each decile to total income, inequality remained severe in 2006, as the richest 20% of Filipino families (3.5 million) accounted for 53% of total family income, while the poorest 80% (13.9 million) had to share the remaining 47%. The income of the richest 10% of Filipino households

was equivalent to 19 times that of the poorest 10%. Thus, while there was economic growth from 2003 to 2006, the benefits accrued more to the top four deciles (Table 38). There was improvement in distribution but poverty still became worse.

Compared with its ASEAN neighbors, the Philippines has the highest level of inequality in terms of the Gini coefficient and the gap between the richest 20% and the poorest 20%. This is one reason why poverty reduction has been slow relative to these countries (Appendix 11).

### Inequitable Land Distribution

The Philippines has a skewed distribution of landholdings. Balisacan (1991) noted that the poorest in rural areas tend to be landless

**Table 39: Gini Ratio of Landholdings**

Year	Average Farm Size (ha)	Land-Labor ratio	Percent of Farms		Percent of Area		Gini Ratio
			Above 10 ha	Above 25 ha	Above 10 ha	Above 25 ha	
1960	3.6	1.34	5.5	0.5	38.3	15.4	0.53
1971	3.5	1.16	4.8	0.6	33.8	17.1	0.54
1980	2.8	1.08	3.5	...	26.0	...	0.54
1991	2.2	0.88	2.3	0.3	23.5	10.6	0.57
2002	2.0	0.69	1.8	0.2	19.4	8.1	0.57

... = data not available, ha = hectares.

Source: (Balisacan 2007b) citing Philippine Census of Agriculture, various years.

farmers, indicating a link between access to land resources and poverty alleviation. Balisacan and Pernia (2002) also found agrarian reform to be a significant variable that directly impacts the welfare of the poor. But despite years of implementation, the Philippines agrarian reform program has made little dent in the inequitable distribution of land.<sup>39</sup>

Various studies also assert that a country's initial land distribution influences its subsequent economic growth and human development performance (Deininger and Squire 1998). A typical developing country with initial high land inequality is expected to have a lower long-term income growth rate and slower pace of poverty reduction than a country with more equitable land distribution. Thus, aside from its direct effects on poverty, high land inequality also affects the poor indirectly through its negative impact on long-term economic growth. Land inequality has spawned a continuing rural insurgency, which adds to investment uncertainties in rural areas. Table 39 shows that land inequality has been a persistent situation over the last 40 years.

### Interregional and Intraregional Inequality and the Labor Market

Welfare and human development vary widely across regions and provinces.<sup>40</sup> Thus, over the past two decades policy makers have emphasized

the importance of promoting balanced growth and regional equity. However, Balisacan (2003) shows that intraregional inequality contributes 82% of overall inequality and thus policies must shift toward improving distribution within, rather than among, the regions. Son (2008b) analyzes the relationship between growth and inequality of factor income in the Philippines across regions and explores links between income growth and labor market performance in terms of labor force participation, employment, working hours, and productivity. She finds that the components that would reduce inequality include agriculture wage income, enterprise income, and domestic remittances, and those that would increase inequality are nonagriculture wage income, foreign remittances, and other income. The analysis makes the following findings:

- Since agriculture wage income has contributed to a reduction in inequality, and since its share has been declining over time, inequality may worsen in the near future.
- If the share of nonagriculture wage income, from which households derive a major source of their livelihoods, continues to increase, inequality is also expected to increase.
- As foreign remittances continue to increase as a share of household income, income inequality will worsen.
- As the share of other sources of income—which includes earnings from interest,

<sup>39</sup> This problem was inherited from Spanish colonial times and the resulting political economy has rendered inadequate reforms.

<sup>40</sup> This section borrows heavily from Son (2008b).

rents, pensions, dividends, etc.—continues to increase, inequality will also tend to increase.

Using the Theil Index, Son (2008b) analyzed the components of changes in the inequality of per capita labor income and found that regional differences explained only 11.54% in 1997, 10.70% in 2000, and 8.75% in 2003 (Table 40). There is a misconception that inequality is largely caused by disparity across regions. Inequality can be mostly explained by the disparity of specific labor market indicators **within**, not **across**, regions.

Table 41 shows the following labor market indicators and their contribution to intraregional inequality of per capita labor income:

- The per capita labor force participation rate contributed 15.9% to total inequality; inequality in per capita labor income can be decreased significantly by increasing the labor force participation rate among the poor.
- The employment rate's contribution is only 1.5%, which means that the disparity in employment rate between the poor and non-poor is very small. This implies that focusing on job creation for the poor will have minimal impact on inequality of per capita labor income.

- The factor that contributes most to inequality of per capita labor income is labor productivity (33.4%); this can be due to low levels of human capital.

## Regular Shocks and Exposure to Risks—Conflicts, Natural Disasters, and Environmental Poverty

### Long-Running Conflicts

Social conflicts prevent people from pursuing their livelihoods and economic activities as they are displaced from their homes and places of work. The Philippines is home to two of the longest-running armed conflicts in the world: against the communist insurgency and against the Bangsa Moro rebellion (Moro National Liberation Front and Moro Islamic Liberation Front), both having run for almost four decades. The Philippines Human Development Report 2005 estimates that during the periods of acute conflict—1970–1982 and 1997–2001—the Moro insurgency resulted in lost annual output valued at \$150 million, with a total loss of \$2 billion–\$3 billion over

**Table 40: Inequality in Labor Market Indicators**

Indicator	Theil Index			Change in Inequality	
	1997	2000	2003	1997–2000	2000–2003
Total Inequality					
Per capita employment	17.4	17.3	17.2	(0.1)	(0.1)
Per capita LFP	15.9	15.4	15.3	(0.5)	(0.1)
Per capita work hours	31.1	33.3	31.8	2.2	(1.5)
Per capita labor income	64.5	65.8	61.3	1.4	(4.5)
Percentage of Inequality Explained by Regional differences					
Per capita employment	1.40	1.72	1.39	0.3	(0.3)
Per capita LFP	1.41	1.62	0.90	0.2	(0.7)
Per capita work hours	0.92	0.69	0.43	(0.2)	(0.3)
Per capita labor income	11.50	10.70	8.80	(0.8)	(2.0)

( ) = negative number, LFP = labor force participation.  
Source: Son (2008b).

**Table 41: Explaining Inequality in Per Capita Labor Income (Theil Index)**

Indicator	Contribution to Inequality (%)			Contribution to Change in Inequality (%)	
	1997	2000	2003	1997–2000	2000–2003
Labor force participation	15.9	15.4	15.3	(0.49)	(0.14)
Employment rate	1.5	1.9	1.9	0.41	0.02
Work hours per employed	13.7	16.0	14.6	2.26	(1.33)
Productivity	33.4	32.6	29.5	(0.82)	(3.06)
Per capita labor income	<b>64.5</b>	<b>65.8</b>	<b>61.3</b>	<b>1.36</b>	<b>(4.51)</b>

( ) = negative number.  
Source: Son (2008b).

the entire period. The World Bank cites a total of 120,000 deaths (civilians and combatants) from the Mindanao conflict from the 1970s to the present. The total number of people displaced by armed conflict in the Philippines during 2000–2007 is estimated at 2.1 million.

### Natural Disasters and Environmental Poverty

From 1992 to 2001, 5,809,986 Filipinos were killed or injured as a result of natural disasters, war, and other calamities. The Philippines also ranks fourth in the global climate risk index, which identifies countries affected by extreme weather events in specific time periods. The geographic location of the Philippines makes it susceptible to natural hazards such as earthquakes, volcanic eruptions, environmental degradation, tropical cyclones, and flooding. Using full panel data, Balisacan and Fuwa (2001) noted that spatial isolation, landlocked areas, high transport cost, and the average frequency of typhoons or disasters hitting the province are positively related to poverty. Balisacan and Pernia (2002) likewise found the occurrence of typhoons as a significant variable affecting the poor's standard of living. Thus, areas frequently hit by natural disasters may lead to poverty traps, as people and communities are not able to recover easily from such shocks.

The poor suffer more losses, illnesses, injuries, and deaths than the rest of the population because they are the ones most likely to be dependent on natural systems for their livelihoods and health

(Bauer 2008). In rural areas, soil erosion, coastal and marine-system degradation, deforestation, and biodiversity are causing a decline in agricultural productivity that threatens the livelihoods of the poor. In cities, there has been exposure by the poor to congestion and polluted air and water. In Asia and the Pacific in 2005, about 53% of the extreme poor and 85% of the moderate poor (based on \$1 and \$2 poverty lines) lived in areas where the environment is the primary cause of poverty (Bauer 2008). It is likely that a similar pattern will also apply to the Philippines.

## Economic Crises Increase the Number of Poor People

### The Current Crisis: Impact on Poverty

While countries in East Asia were better prepared for the current global economic crisis than they were for the 1997 Asian financial crisis, there will be negative impacts. The Philippine government projects the economy to grow 3.7%–4.7% in 2009 after posting a three-decade high of 7.2% in 2007. Private think tanks and economists give a much lower projection for 2009 of 2.8%–3.0%. Weakening exports (maybe down to 0%–3% of growth this year) and reduced levels of investment and consumption (despite the continuous flow of remittances) will further constrain economic growth in 2009. Expected impacts include the following:



- **Lower labor demand and higher unemployment.** The contraction of the economy will raise unemployment and related indicators. According to the Department of Labor and Employment, around 39,000 workers are already affected by job cuts with more expected from the semiconductor industry and other export-oriented sectors.
- **Overseas workers returnees.** The recession in the developed economies will put some of the overseas workers out of work. The government must be able to monitor how large the numbers are and be prepared to absorb these workers.
- **Changes in poverty incidence and income distribution.** The incidence of poverty and inequality may rise as the global financial crisis deepens. The government must be able to identify vulnerable areas and households during these times. The National Household Targeting System, if implemented soon, will be able to help monitor the increasing poverty situation.

Policy makers in the Philippines and the rest of East Asia and the Pacific need to see the financial crisis as an opportunity to establish well-targeted social safety nets to protect the poor as well as heighten domestic demand. The Philippines is now in a much better position to handle challenges presented by the crisis because of the previous fiscal and economic reforms implemented by the administration. However, the government should also protect the sustainability of the fiscal sector to give it more flexibility in its future capital and social expenditures.

The Central Bank of the Philippines should continue ensuring that monetary policy is appropriate to control inflationary pressures that will impact more heavily on the poor. The labor market is also tightening, with the last labor force survey report showing that unemployment increased to 6.8% in early 2009. While the targeted remittance flow of \$17 billion could be reached in 2008, there may be little or no growth in 2009.

## Government Responses to the Crisis

The government's crisis response strategy primarily seeks to generate jobs, increase revenues, fast-track infrastructure spending, and reduce

the poverty level to mitigate the impact of the global slowdown. It recognizes that investment will most likely decelerate and that export performance will be weak this year and the next. Export-oriented firms and overseas Filipino workers will be affected the most. Business leaders have called on the government to support local firms by intensifying the promotion of exports and patronizing local suppliers for government purchases. The government has committed to a P330 billion (\$6.3 billion) stimulus package called the Philippine Economy Resiliency Plan, which includes the following:

- P160 billion to fund small, community-level infrastructure;
- P40 billion tax relief arising from an increase in personal exemptions (P20 billion) and the scheduled reduction in corporate tax rates (P20 billion) as provided in the Restructured Value Added Tax law;
- P100 billion for large infrastructure from government financial institutions and private commercial banks; and
- P30 billion from social security institutions in the form of additional benefits to members; this will be taken from the gap between contributions and claims.

Indonesia and the Philippines have each earmarked about \$6.3 billion to such a package. The Philippine allocation was equivalent to 4.0% of its 2008 GDP, while that of Indonesia was just 1.4%. According to the International Labour Organization, other countries that have prepared stimulus packages include the People's Republic of China, which has so far allocated \$586 billion, equivalent to 6.9% of its 2008 GDP; India, \$8.1 billion (0.7% of GDP); Republic of Korea, \$24.4 billion (3.5% of GDP); Malaysia, \$2.0 billion (or 1.0% of GDP); Singapore, \$13.7 billion (7.8% of GDP); Thailand, \$8.6 billion (3.3% of GDP); and Viet Nam, \$1.0 billion (1.1% of GDP).

**Conditional cash transfer program—the Pantawid Pamilyang Pilipino Program (4Ps).** The Department of Social Welfare and Development is implementing a targeted conditional cash transfer program to the poorest of the poor in return for sending their children to school, attending health centers, and having regular prenatal and postnatal care for mothers. The department will spend

P1 billion in 2009 for the National Household Targeting System for Poverty Reduction program and P5 billion–P10 billion for the conditional cash transfer program. At least 640,000 families—13% of poor families nationwide—will benefit from the program. The Government plans to scale up the program to cover 1 million households in 2010.

**Assisting small and medium-sized enterprises.**

The Department of Trade has laid out programs to strengthen and reinforce small and aspiring entrepreneurs through livelihood programs. Funds will be allocated to train displaced workers to become entrepreneurs. The department will also prioritize maximizing benefits from trade agreements and raising the country's competitiveness by cutting red tape.

**Improving tax collection.** The Department of Finance will focus on improving tax collection given the planned higher spending for infrastructure and social services. In particular, the department plans to raise excise taxes on cigarettes and alcohol to help increase tax revenues. This would yield P20 billion–P30 billion in additional tax receipts during the first year of implementation, and P60 billion–P70 billion annually starting in the fourth year. The finance department will also work on matching Bureau of Internal Revenue records with those of the Security and Exchange Commission and local government units, as many businesses are not registered with the bureau. Streamlined customs procedures through computerization, further privatization of state-owned corporations, and policy consultation with the private sector will also be conducted to improve tax collection. Increased government spending. Government spending will be strong in the first half of 2009 and current expenditures will increase from 20% of GDP to 40%. Procurement contracts will be awarded in the first quarter. The government will also shoulder half of the P100 billion public-private sector fund for infrastructure projects. Medalla and Jandoc (2009) believe that the government still has room to increase its deficit by as much as P200 billion every year and carry out several tax system reforms to improve the lives of the poor. They suggest that that the government

decompress public expenditures given that there is a global consensus for concerted fiscal stimulus in nearly all economies.

The House of Representatives plans to realign P15 billion from the proposed budget on top of the earmarked P117 billion for infrastructure and P433 billion for social services. About P6 billion of that P15 billion will be spent to build more classrooms. The balance will go to a wide variety of initiatives, such as financial assistance for training entrepreneurs; education and skills training programs for youth in welding, computer technology, farm machinery, home care, hotel and restaurant management, paramedic training, and language training; financial assistance to small and medium-sized enterprises; medical and dental supplies, drugs, and vaccinations; acquisition and operation of motorized boats for fishing communities; and development of renewable energy sources.

**Support for local government's anti-poverty projects.** Local government units can access P107.8 million in funds for anti-poverty projects in the first quarter of 2009 to counter the global economic slowdown's impact, according to the Department of the Interior and Local Government (DILG). Priority projects will be identified to create and preserve jobs and empower local governments to efficiently deliver basic services. Projects will include the construction of day care centers, hospitals, public markets, farm-to-market roads, and water systems, and procurement of agriculture equipment. Another DILG project is OYSTER (Out-of-School Youths Servicing Towards Economic Recovery). Launched in 2002, Project OYSTER is a nationwide job-generating initiative for out-of-school-youth. The DILG will implement a road cleaning and drainage maintenance project in Rizal and Quezon, which is expected to provide jobs for 6 months to 13,780 out-of-school youth in 37 villages in Rizal and 171 villages in Quezon. The DILG will also launch the Dagdag Puhunan Para sa Kabuhayan ng Pamilya (Micro Finance Assistance to Existing Livelihood Project) in Rizal and Quezon, which will provide additional funds to existing livelihood programs for 2,000 poor families.



## **Box 2: Critique of a Long-Term Government Subsidy Program**

*Rice Subsidy.* Jha and Mehta (2008) described the National Food Authority (NFA) rice program as unsuccessful in acting as a safety net against unemployment. Only 25% of the poor benefit from the program while 75% are excluded. At the same time, 48% of the beneficiaries were found to be nonpoor. They assert that leakage is particularly high in urban areas, where 68% of the participants are nonpoor compared with 39% in rural areas, implying misallocation of resources. They also find a gap of 64% between NFA supply and reported consumption in the household survey, which might suggest some pilferage, damage in storage, and/or loss in transit. The paper noted that the government spent an estimated P167 billion, or 2.5% of the country's gross domestic product, for the rice subsidy program in 2008.

# IMPACTS OF POVERTY ON ECONOMIC GROWTH AND DEVELOPMENT

This section examines how persistent poverty impacts negatively on economic growth. The chronic poverty experienced by a segment of the population might already be jeopardizing the Philippines' chances to achieve and sustain high levels of economic growth—a situation called a “poverty trap.” As we have seen in section IV, poverty incidence has only moderately declined in the past 25 years. While growth has helped reduce poverty, the slow rate of poverty reduction may have affected the country's level of economic expansion.

## Poverty and Economic Growth

Economic growth is a crucial factor in poverty reduction; however, other factors such as inequality affect its impact on poverty. Consistent failure to reduce poverty and inequality may also result in a lower economic growth trajectory (Lustig et al. 2001). There is theoretical and empirical evidence proving that the cause and effect runs in the opposite direction as well (i.e., reducing poverty can help boost economic growth rates). For example, Latin America's persistent poverty has been impeding the achievement of higher growth rates and there are reinforcing vicious circles that keep families, regions, and countries poor and unable to contribute to national growth (Perry et al. 2006). On the reverse side, there is a possibility of entering a virtuous circle where growth lowers poverty, which in turn results in faster growth.

Policies that increase the incomes of the poor—such as investments in primary education, rural infrastructure, health, and nutrition—tend to enhance the productive capacity of the whole economy, boosting the incomes of all groups (Rodrik 2000).

Although statistics on chronic poverty in the Philippines are still relatively limited, it may be construed that a significant segment of the population has contributed minimally to the country's economic growth. Negative spillover effects can occur from the impact such a situation creates for foreign and local investment decisions (e.g., lack of a skilled workforce, which has been exacerbated by massive overseas migration), and peace and order issues in certain parts of the country. In empirical terms, Tuano (2004–2005) ran a regression examining various determinants of regional per capita income. In one of the models tested, the elasticity of growth to poverty reduction is  $-0.7$ .<sup>40</sup> This means that a 1.0% increase in regional poverty incidence is correlated to a 0.7% decrease in regional per capita income. It is thus possible that poverty constrains economic growth and income.

The poor track record of the Philippines in terms of economic growth in the last three decades has often been compared with that of many Latin American countries. The failure of the Philippine economy to transition to a higher and sustained level of growth has been explained recently as the result of a sustained decline in domestic investments (Bocchi 2008), weaknesses in institutions and social infrastructure (Alba

<sup>40</sup> Tuano (2005) used Ordinary Least Squares which does not consider a possible reverse feedback effect. No causality test was done.

2007), institutional uncertainty (Pritchett 2003) and a history and culture that has negatively affected economic activities (Nelson 2007).

There are many conditions that may trap individuals, groups, and whole economies in poverty. Among these are social and political conditions such as corruption and kin systems (Bowles et al. 2006). For instance, inequality in the provinces of the Philippines has been empirically proven to have negatively affected their growth (Balisacan 2007). Inequality in the country has been rooted historically in the ownership of land (Corpuz 1997). Corruption has been described as “chronic” in the Philippines and has been a negative factor for investments. Influences such as networks, role models, beliefs, and aspirations can also transmit poverty or affluence from generation to generation (Ray 2006). There are several other factors, including economic, that have affected the poor Filipino’s attempt to escape the trap: (i) a large household size; (ii) a low educational attainment that deters one from finding a good job, if any at all; (iii) unavailability, insufficiency, or insecurity of employment; (iv) the rising cost of urban goods and services, without the corresponding increase in wages, salaries, and income; and (v) insecurity of land and housing tenure (Guevara 2007).

## How Poverty Constrains Economic Growth

In typical growth models, physical capital (investments), labor and human capital, and technology are key for sustained economic growth. Institutions, social capital, and economic and political stability are additional factors affecting long-term economic expansion. It is also through these same channels that poverty and deprivation can affect economic growth. The poor remain poor because they cannot borrow against future earnings to invest in education, skills, new crops, and entrepreneurial activities; they are cut off from economic activity because many collective goods (such as property rights, public safety, and infrastructure) are under-provided, and they lack information about market opportunities.

## Investment Capacity Constraints

Investment is critical to economic growth and for the poor to escape from poverty. Very low income levels are a fundamental reason why the poor cannot save enough money to finance productive investments. In many developing economies, large segments of the population may not have access to credit at all. For the poor, access to finance is key—not only for smoothing consumption during adverse shocks, but also for taking advantage of the opportunities arising from greater openness, new production technologies, and market diversification. The formal financial intermediary system tends to bypass the poor, especially in rural areas where agriculture is the main economic activity. Poor infrastructure combined with spatial dispersion and seasonality of agriculture production makes lending to small-scale farmers and fishers costly and risky. Access to credit is denied because the poor do not have the necessary collateral.

In the Philippines, while microfinance has spread considerably in the past 10 years to help fill the unmet need for financial services, a majority of poor families in the poorer regions still do not have access to credit and microfinance services. Moreover, because microfinance providers cater largely to nonfarm enterprises, poor agricultural households generally do not have access to microfinance services. *Sari-sari* stores (small convenience stores) and vending activities make up about 60% of microfinance clients in the country. The key challenge is to develop mechanisms that enable microfinance to reach agriculture and grow more quickly.

Poor people, who compose at least a third of the Philippine population, often have limited access to financial markets or other necessary complements to private investment (such as property rights and infrastructure) that are essential to accumulating physical and knowledge capital and participating in the growth process. Table 42 shows that access to financial markets<sup>42</sup> is very limited, even among nonpoor households (16.49% have access to financial markets), and is marginal for the poor (3.31%). Studies have also shown that

<sup>42</sup> Defined as households which have availed themselves of loans and have savings and investments in financial institutions.

**Table 42: Distribution of Poor and Nonpoor Households by Access to Financial Markets**

Access to Financial Markets	Frequency			Percentage		
	Poor	Nonpoor	Total	Poor	Nonpoor	Total
With Access	150,098	2,099,602	2,249,699	3.31	16.49	13.03
No Access	4,379,489	10,635,906	15,015,395	96.69	83.51	86.97
<b>Total</b>	<b>4,529,587</b>	<b>12,735,507</b>	<b>17,265,094</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Note: Financial markets comprise loans, savings, and investments.

Source: National Statistics Office Family Income and Expenditure Survey public use files; author's estimates.

underdevelopment of financial markets aggravates the impact of poverty on investment (Perry et al. 2006). Undeveloped financial markets are a major constraint on the poor engaging in productive activities. The impact of microfinance institutions, while positive, may still be limited since most are located in the urban areas. Credit availability, especially in the rural areas, will be a key factor in increasing the number of households—both poor and nonpoor—contributing to economic growth.

### Connectivity Constraints

The poor's access to markets also depends on key infrastructure such as roads, electricity, telecommunications, and irrigation. Infrastructure indicators generally follow per capita income ranking, with more prosperous regions having the capacity and political influence to fund better-quality physical facilities (Balisacan and Hill 2007) (Table 43). The Global Competitiveness Report<sup>43</sup> (which ranked the Philippines 71st out of 134 countries in terms of the overall criteria) ranked the country 92nd for infrastructure. According to Hill et al. (2007), the main reasons for the country's deficiency are as follows:

- It is underinvesting, with its infrastructure investment to GDP ratio only about half of the East Asian average. This is mainly due to chronic fiscal constraints.
- The overall regulatory framework lacks cohesion, coordination, and a clear division of responsibilities among national agencies and tiers of government.

- There is no assurance of long-term policy predictability and guarantees, which major private sector service providers require.<sup>44</sup>

As long as economic integration between leading and lagging regions remain weak, the possibilities of improving the welfare of the poor will also be low.

### Human Capital Constraints

Quimbo et al. (2008) introduce the idea of **poverty webs** to highlight the cycles and intricate pathways from adverse health and education conditions to poverty and back, within and across generations, labor productivity, quantity and quality of human capital investments (particularly health and education), and complementarities between human capital investments. Based on previous studies and data from the Philippines and other developing countries, the study reports evidence on the numerous ways by which health, education, and poverty are correlated, either through intra- or intergenerational effects. Additional evidence of intergenerational transmission of poverty in the Philippines was computed using data from the Quality Improvement Demonstration Study<sup>45</sup> on children under 5 years old residing in 10 provinces in the Visayas and one province in Northern Mindanao.

Parents who are poor may transmit poverty and disadvantage to their children during their earliest years of life. If a parent is too unhealthy and unskilled to be productive enough to support

<sup>43</sup> Released by the World Economic Forum.

<sup>44</sup> For example, there is great unpredictability in terms of the rules for build-operate-and-transfer schemes.

<sup>45</sup> Website: [qids.ph](http://qids.ph)

**Table 43: Infrastructure Indicators in the Philippines, by Region, 1988 and 2004 or 2005**

Region	Road Density (km per km <sup>2</sup> ) <sup>a</sup>		Access to Potable water (% of households)		Access to Electricity (% of households)		Telephone Line Density (per 100 households)		Irrigation Serviced (%) <sup>b</sup>	
	1988	2005	1988	2004	1988	2004	1988	2005	1988	2005
Philippines	0.27	0.78	71.9	80.1	59.9	79.5	1.6	7.8	46.4	45.2
NCR	4.29	15.55	92.0	85.7	97.6	99.0	10.1	25.2	...	...
CAR	0.12	0.33	66.2	76.2	51.7	75.5	0.6	5.7	35.3	75.5
Ilocos	0.53	1.12	83.9	89.5	70.0	86.2	0.3	4.3	67.4	64.5
Cagayan Valley	0.14	0.43	80.2	87.9	61.3	78.4	0.1	1.2	54.3	42.8
Central Luzon	0.61	0.94	96.0	96.2	83.4	94.4	0.5	4.8	64.7	53.8
Southern Tagalog	0.28	0.62	78.1	84.5	63.8	86.1	0.4	8.4	48.8	49.6
Bicol	0.14	0.43	80.2	87.9	61.3	78.4	0.1	1.2	54.3	42.8
Western Visayas	0.35	0.77	54.4	73.4	43.5	72.6	0.6	6.2	59.4	39.4
Western Visayas	0.35	0.77	54.4	73.4	43.5	72.6	0.6	6.2	59.4	39.4
Central Visayas	0.36	1.42	57.6	74.8	43.6	74.1	0.9	7.8	43.3	57.8
Eastern Visayas	0.37	0.75	60.9	79.5	33.2	68.4	0.1	3.7	45.4	59.4
Western Mindanao	0.10	1.11	40.8	59.7	43.4	54.5	0.3	1.0	58.5	48.4
Northern Mindanao	0.23	0.83	66.2	79.8	56.3	72.5	0.2	4.6	49.1	43.4
Southern Mindanao	0.12	0.32	73.6	69.9	52.1	70.9	0.5	5.5	41.0	36.3
Central Mindanao	0.12	0.56	69.7	74.3	46.6	66.8	0.1	2.8	34.6	28.3
ARMM	0.13	0.34	22.9	40.9	20.2	44.0	0.1	1.4	17.9	14.8
Caraga	0.15	0.36	77.7	79.7	61.1	69.2	0.1	5.1	33.0	24.7

... = data not available, ARMM = Autonomous Region in Muslim Mindanao, CAR = Cordillera Administrative Region, km = kilometers, km<sup>2</sup> = square kilometers, NCR = National Capital Region.

<sup>a</sup> Road density is adjusted for quality (concrete equivalent).

<sup>b</sup> Irrigation serviced refers to the ratio of total irrigated area to potential irrigable area.

Source: Balisacan et al. (forthcoming) based on data from Department of Public Works and Highways; National Statistics Office (NSO), Annual Poverty Indicators Survey (various years); NSO, Family Income and Expenditure Survey (various years); National Statistical Coordination Board, Philippine Statistical Yearbook (various years).

their family, the children may have to work, which means they will not get the education they need. When they themselves become adults, they may also have to send their own children to work. Even if the family does not need the

children's wages, parents may be unable to afford transportation, school uniforms, and school fees. Chronic poverty may therefore result in lower education, poor health, and malnutrition of children, all of which hamper their long-term

**Table 44: Pattern of Expenditures by Income Decile, Annual Poverty Indicators Survey, 2002 and 2004**

Income Decile	APIS 2002				APIS 2004			
	Food	Utilities	Education	Health	Food	Utilities	Education	Health
1	66.0	8.0	2.0	2.0	65.5	7.4	0.8	1.2
2	64.7	7.2	2.5	1.8	63.6	7.2	1.4	1.4
3	62.6	7.2	2.8	2.2	62.2	7.0	1.8	1.4
4	59.9	7.2	3.3	2.2	59.4	7.1	1.9	1.6
5	57.6	7.4	3.5	2.5	56.2	7.3	2.2	1.7
6	54.2	7.7	4.0	2.4	53.4	7.3	2.4	1.9
7	50.9	7.6	4.7	2.6	50.3	7.4	3.2	2.1
8	46.4	7.5	5.5	2.8	46.2	7.4	3.8	2.3
9	41.7	7.1	6.5	3.2	41.6	7.0	4.9	2.6
10	33.2	6.3	8.7	3.6	33.3	6.3	7.1	2.9
<b>Total</b>	<b>50.7</b>	<b>7.3</b>	<b>4.5</b>	<b>2.5</b>	<b>53.2</b>	<b>7.2</b>	<b>3.0</b>	<b>1.9</b>

APIS = Annual Poverty Indicators Survey.  
Source: Maligalig and Albert (2008).

productivity and impede their ability to manage and generate new knowledge. Given that 20% of households in the country live in chronic poverty, the economic growth potential of the country in the next decade or so is jeopardized with a lesser number of fully skilled and productive workers. Tables 44 and 45 show the expenditure patterns of Filipino households. In the FIES 2006 data, the lowest decile spent an average of 0.6% of their total income on education while the next two deciles only spent 1.1%–1.4%. Unless the primary education subsidy effectively reaches children from these lower deciles, poverty can be passed from generation to generation. As mentioned in our poverty profile, about 67% of the heads of poor households were grade school graduates and lower. The next generation may well attain the same level of educational attainment.

Key indicators of education in the country also show the increasing difficulty of producing an adequate number of healthy, skilled and knowledgeable workers (Bautista et al. 2008):

- Aggravated by increasing population, drop-out rates remain significant and have persisted for more than four decades.

**Table 45: Pattern of Expenditures by Income Decile, 2006 Family Income and Expenditures Survey, 2006**

Income Decile	Percent Share of Total Expenditures			
	Food	Utilities	Education	Health
1	61.7	7.6	0.6	1.4
2	60.2	7.2	1.1	1.6
3	58.2	7.2	1.4	1.7
4	55.8	7.4	1.7	1.8
5	53.0	7.6	2.1	2.0
6	50.3	7.9	2.3	2.1
7	46.9	8.3	2.6	2.3
8	42.8	8.0	3.8	2.6
9	38.4	8.0	4.8	2.9
10	31.1	7.3	6.1	3.5
<b>Total</b>	<b>49.8</b>	<b>7.7</b>	<b>2.5</b>	<b>2.2</b>

Source: Author's computations from 2006 Family Income and Expenditure Survey public use files.



- About 28%–34% of the population does not complete the sixth grade (Human Development Network 2000).
- The rate of high school completion for children who enroll in the first grade is less than 50%; in the Autonomous Region in Muslim Mindanao, the poorest region of the country in terms of human development, only 10% completed senior year.
- Both the Lao PDR and Cambodia had higher primary net enrollment rates and completion rates than the Philippines in 2006 and 2007, Indonesia and Malaysia have much higher primary enrollment rates (96% for Indonesia and almost 100% for Malaysia) and completion rates (99% for Indonesia and 95% for Malaysia).
- Only 15.3% of elementary schools crossed the 75% level in the 2006 National Achievement Test while 52% crossed the 60% level in the same year. For high school students, fewer than 1% crossed the 75% level in the 2005–2006 school year while only 13% crossed the 60% level.
- In terms of school governance, only 35% of the elementary schools and 70% of secondary schools had staffed principal positions in the 2007–2008 school year.

Chronically poor people also face problems of hunger and malnutrition for themselves and their children. They become less competitive in the workforce and those who do not find work or have to work for minimal wages have additional problems in finding enough food for their households. This again makes it more difficult for them to find work and can cause a poverty trap (Dasgupta 1997). Hunger is exacerbated by the higher number of children in poor households as compared with nonpoor ones. In the case of the Philippines, Social Weather Stations data shows that 7.3% of families with nine or more members experience severe hunger, more than double the national average of 3.2%.

Caloric deficiency and malnutrition in the early stages in life (in the womb and during the first 2 years) can result in permanent, irreversible damage to a child's mental and physical capacity. These may result in reduced productivity and sluggish economic growth, which perpetuate the cycle of poverty.

There are a number of areas through which health can affect growth and income levels (Perry et al. 2006):

- **Productive efficiency.** When health improves, more output can be produced with any given combination of skills, physical capital, and technical knowledge.
- **Learning capacity.** Health plays an important role in determining the rate of return on education; well-nourished children are focused, alert, and gain more from a given amount of education.
- **Creativity.** A healthier person is more efficient in producing goods, services, and new ideas, and hence in his or her ability to innovate.
- **Life expectancy.** Increases in life expectancy have a direct effect on the duration of the productive work of a person.

### Unprotected Risks and Shocks Causing Poverty Traps

Economic crises or large natural disasters can also cause poverty traps and dampen growth. Households, especially the poor ones, may cut back their productive and human capital or stop investing in these resources when confronted with perennial shocks. For example, Filipino families living in areas frequented by typhoons or prone to flooding (e.g., Bicol, Leyte, and Samar) are very vulnerable to chronic poverty. Balisacan (2003) identified frequency of typhoons as a statistically significant determinant of the average welfare of the poor. If not resettled in a new area where shocks are less frequent, these households may become dependent on relief and rehabilitation programs or become engaged in irregular, low-paying economic activities. Without an efficient social protection system comprising various kinds of insurance (crop in rural areas and health in general) or safety nets, these households can be trapped in chronic poverty.

### Conflicts and Disorder Resulting from High Inequality Hamper Investments and Destroy Social Capital

Inequality, particularly in terms of asset distribution, has been persistent in the Philippines. There



are two areas where initial inequality negatively affects economic growth:

- Concentration of assets leads to policies that protect vested interests and obstruct growth for the rest of society
- High inequality coupled with poverty may also fuel social discontent and disorder, thereby increasing sociopolitical instability, which, in turn, reduces investment (Balisacan 2007).

In addition, there is evidence that people tend to be more distrustful in more unequal

communities in the Philippines, and that in a given community poorer individuals are less likely to trust (Labonne et al. 2007). Trust is important for sustained collective action and fostering social capital. Labonne et al. (2007) emphasize that trust and civic cooperation positively impact a community's economic performance, its capacity to provide public goods and manage common resources, and the efficiency of its large organizations and institutions. Unless the two long-standing conflicts in the Philippines are settled, issues of social inequity will continue to erode the trust in many poor communities.



# INSTITUTIONS AND GOVERNANCE IN THE POVERTY RESPONSE

The state’s response to poverty is crucial in terms of how deeply and quickly poverty can be reduced. The following sections look at how the state, the private sector, civil society, and religious groups have responded to the poverty situation.

## The State Response

From pursuing economic growth in the period immediately following the Second World War, the Government of the Philippines shifted its development strategy toward poverty reduction in the 1970s and 1980s. Since then, succeeding administrations have launched flagship poverty programs. Despite these different interventions and approaches, various assessments<sup>46</sup> suggest that the government’s anti-poverty efforts have not made much impact in reducing the number of poor people in the country.

In 2001, the current president made it explicit that the Medium-Term Philippine Development Plan (MTPDP) itself would be the government’s poverty plan. The goal was to eliminate poverty in the next decade with four major strategies. Poverty was treated from a macro perspective, recognizing the roles played by growth, governance, agriculture modernization, and human development. The plan also recognized the problem of vulnerability and the sectors affected. The flagship program was the Kapit–Bisig Laban sa Kahirapan Comprehensive and Integrated Delivery of Social Services Project (KALAHÍ-CIDSS), which used a convergent

and participatory approach to community poverty reduction.

Under the MTPDP 2004–2010, the Arroyo administration vowed “to fight poverty by building prosperity for the greatest number of the Filipino people.” The five main parts of the plan cover (i) economic growth and job creation, (ii) energy, (iii) social justice and basic needs, (iv) education and youth opportunity, and (v) anticorruption and good governance. The specified target is to reduce the poverty incidence of families from 28.4% in 2000 to 17.9% by 2010.

Kapit–Bisig Laban sa Kahirapan (KALAHÍ) is still the current administration’s overarching framework and strategy aimed at reducing poverty, improving governance, and empowering communities. The KALAHÍ strategies were drawn from the social reform and antipoverty agendas that were articulated in consultations with the basic sectors. Its core strategies include the following:

- **Accelerated asset reform.** A redistribution of physical or financial assets to the poorest individuals, and programs that improve access to land and capital and sustain the long-term ownership of these productive factors to the marginalized groups.
- **Improved access to human development services.** Programs that provide basic human services (basic education, health and nutrition, shelter, water, and sanitation) to strengthen the human capital base.

<sup>46</sup> See Appendix 13 for an overview of previous poverty assessments.

- **Provision of employment and livelihood opportunities.** Provision of public avenues for job creation and microfinance services.
- **Security from violence and social protection (including safety nets for vulnerable groups).** Programs for the “poorest of the poor” and vulnerable groups outside of the asset reform and regular human development services; reduced vulnerability of the poor and marginalized sectors and strengthened opportunities for them to participate in mainstream economic and political processes.
- **Institutionalized and strengthened participation of the basic sectors in governance.** Enhanced abilities and capacities of the poor and marginalized groups, especially in policy and decision making.
- **Pro-poor infrastructure development.** Infrastructure development is beneficial to, and protects the rights of, the affected poor.

KALAHÍ also emphasizes the convergence of local poverty interventions. The National Anti-Poverty Commission (NAPC) serves as the lead agency in coordinating the convergence of programs. This task involves creating and mobilizing KALAHÍ convergence groups (national and regional) and supervising and coordinating the provision of asset reform,<sup>47</sup> human development services, livelihood, and social protection assistance to identified barangays in cities and municipalities in all 81 provinces. The NAPC is also responsible for convening the NAPC En Banc<sup>48</sup> and the Cabinet Group on Poverty Alleviation. In addition, it coordinates interventions on water, electricity, and the use of the local poverty monitoring indicators system; ensures allocation of funds for poverty reduction; mobilizes resources from donor agencies and the private sector; and coordinates microfinance programs and services for the poor.

### Current Major Government Programs

Table 46 briefly describes the major state programs for poverty reduction.<sup>49</sup> The two main

flagship programs are the 4Ps and the KALAHÍ-CIDSS. The 4Ps targets the very poor and grants cash allocations of P800–P1,400 per month to families on the condition that they meet certain requirements, including that their children attend school at least 85% of the time and receive vaccinations and health care. The KALAHÍ-CIDSS is a community-driven development program that organizes communities to prioritize their basic needs and gives grants to finance identified projects that communities themselves manage and implement.

For building human capital, the Department of Education (DepEd) and the Department of Health (DOH) are implementing strategic reforms to enhance the delivery of local education and health services in partnership with local executives and stakeholders in the communities. At the same time, the NAPC, the National Nutrition Council, the Population Commission, other national agencies, and targeted local government units implement the Accelerated Hunger Mitigation Program including natural family planning and responsible parenthood.

Asset reforms are anchored in three programs: the Comprehensive Agrarian Reform Program for farmers, the Community Mortgage Program for informal settlers and the urban poor, and the Indigenous People’s Rights Act. All three programs assist the mentioned sectors in securing property rights for the land they have been settling or tilling over the past several years.

Another set of interventions assists various groups that are vulnerable to regular risks and shocks. These programs include social welfare services and social safety nets implemented by the Department of Social Welfare and Development (DSWD); social insurance through targeted universal health insurance coverage for the poor through PhilHealth; labor market interventions to tackle unemployment and underemployment by the Department of Labor and Employment; and a multiagency disaster management, prevention, and response effort led by the National Disaster Coordinating Council. All of these programs, however, are implemented in partnership with the local government units.

<sup>47</sup> The Agrarian Reform Communities approach is an example of convergence in the implementation of land reform.

<sup>48</sup> Chaired by the president and includes sector representatives, the heads of the NAPC member agencies, and the leagues of LGUs.

<sup>49</sup> For a more detailed description of these programs, please see Annex 12.

**Table 46: Current Government Poverty-Related Programs**

Type of Program	Brief Description	Implementing Agencies
<b>Flagship/Special/Targeted Programs</b>		
Conditional cash transfer (4Ps)	Transfers to poor families conditional on, among others, school enrollment and immunization of children	Department of Social Welfare and Development in partnership with LGUs
KALAHI Comprehensive and Integrated Delivery of Social Services Project	Community-driven development project that seeks to improve local governance, empower communities, and improve access to services and basic infrastructure	Department of Social Welfare and Development in partnership with LGUs
<b>Human Development Services</b>		
Basic education sector reform agenda	Package of policy reforms aimed at systematically improving the institutional, structural, financial, cultural, physical, and informational conditions affecting basic education provision, access, and delivery	Department of Education in partnership with LGUs, communities, and other stakeholders
FOURmula ONE for Health	Implementation framework for health reforms covering 2005–2010 designed to implement critical health interventions as a single package, backed by effective management, infrastructure, and financing arrangements	Department of Health in partnership with LGUs, communities, and other stakeholders
Accelerated Hunger Mitigation Program	Interventions in both the supply side (production) of food and the demand side (the means of obtaining it)	Department of Social Welfare and Development, Department of Education, Department of Agriculture, National Food Authority
Responsible parenthood and natural family planning	Promotion of natural family planning, breastfeeding, and birth spacing	Department of Health and the Population Commission in partnership with LGUs and stakeholders
<b>Asset Reform</b>		
Comprehensive Agrarian Reform Program	Land redistribution and support services; development of agrarian reform communities	Department of Environment and Natural Resources and Department of Agrarian Reform
Community Mortgage Program	Innovative system of mortgage financing whereby the urban poor, through the concept of community ownership, may acquire a privately owned, undivided tract of land	Social Housing Finance Corporation
Indigenous Peoples Rights Act	Seeks to recognize, promote, and protect the rights of indigenous peoples	National Commission on Indigenous Peoples

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Table 46: Current Government Poverty-Related Programs (*continued*)

Type of Program	Brief Description	Implementing Agencies
<b>Social Protection</b>		
Social welfare services for vulnerable sectors	Preventive, rehabilitative, and developmental programs and initiatives that respond to a problem, need, issue, or concern of children, youth, women, persons with disabilities, older persons, and families who are in need and at risk	Department of Social Welfare and Development in partnership with LGUs
Social insurance (National Health Insurance Program)	Health insurance that will defray the cost of treatment for illnesses and the cost of preventive health care	PhilHealth
Labor market interventions	Support for employment generation (promotion of employment and human resources development), employment facilitation (promotion of employment and human resources development), employment preservation (maintenance of industrial peace), employment enhancement (worker protection and welfare)	Department of Labor and Employment
Disaster management	Mitigation, preparedness, response, and rehabilitation	National Disaster Coordinating Council in partnership with LGUs
<b>Participation in Governance</b>		
Sector participation	Sector representatives sit with key cabinet officials to discuss and deliberate on proposed poverty-related social policies	National Anti-Poverty Commission
Civil society participation	Representatives of civil society organizations discuss with government counterparts issues on sustainable development	Presidential Council for Sustainable Development, NEDA
Local development councils	Representatives of nongovernment organizations sit on the council with local government officials to discuss development plans	LGUs with oversight from the Department of the Interior and Local Government
<small>4Ps = Pantawid Pamilyang Pilipino Program, KALAHI = Kapit-Bisig Laban sa Kahirapan, LGU = local government unit, NEDA = National Economic and Development Authority.            Source: Author's compilation.</small>		

The state also provides venues for sector participation in policy and program formulation on poverty and development through the National Anti-Poverty Commission and the Presidential Council for Sustainable Development<sup>50</sup> at the

national level. At the local levels, the local development councils are the institutionalized mechanisms for participation by nongovernment organizations (NGOs) and civil society groups.

<sup>50</sup> The Presidential Council for Sustainable Development was mostly active during the Ramos administration.

Anti-poverty programs have been relatively weak due to poor targeting, lack of clear accountability mechanisms, and difficulties in coordination.<sup>51</sup> Furthermore, inadequate monitoring and evaluation systems have prevented the sustainability of good programs and the cancellation of bad programs. Formulating poverty strategies and plans has also been difficult, as every administration tends to introduce new programs or terminate those associated with the previous government, even if these were relatively successful.

Institutions that implement anti-poverty programs have also been weakened by turnover, politicization, and redundancy of high-level leadership and staff. In addition, chronic budget deficits mean that the government has less funds to allocate for poverty reduction and basic social services.

## The KALAHI Strategic Framework

The KALAHI framework covers many important areas of intervention and key processes to reduce poverty but there are some gaps that can still be overcome:

### The Importance of Macroeconomic Stability and Pro-Poor Growth In Poverty Reduction

There seems to be a missing link between macroeconomic stability, growth, and poverty reduction in the framework. As previously discussed, economic growth is necessary for poverty reduction. Similarly, the quality of growth matters greatly. The KALAHI strategic framework or any other poverty reduction plan should spell out how the economic growth to be pursued will benefit the poor. This is because the growth of certain sectors can have greater impact on poverty than others (e.g., agriculture, tourism, and construction) or because certain macroeconomic policies may hurt the poor more (e.g., decreased

spending or economic reforms that will dislocate workers in the short run).

Medalla (2007) suggested the following classifications as a benchmark for the NAPC to ensure that government programs, projects, and actions will promote pro-poor growth:

- provision of rule of law, which protects civil, human, and property rights and upholds contracts;
- provision of sound economic plans and policies;
- policies, programs, and projects that help people increase their ability to raise their incomes and productivity;
- policies, programs, and projects that directly improve people's quality of life through goods and services that are more efficiently provided (but not necessarily produced) by the public sector; and
- social protection and equitable income transfers.

The first two functions are prerequisites for sustained economic growth. The third and fourth often require human capital investments while the fifth improves the asset portfolio of households and the insurance and welfare systems that address the vulnerability of households to social risks such as economic crises and disasters.

### The Public-Good Aspect of Poverty and Inequality Reduction

While the KALAHI framework emphasizes convergence in the response, the rationale behind this must be further emphasized. Markets will not be able to solve the problems of poverty and inequality and government must play a major coordinating role. The "trickle down theory" of growth has long been discredited for poverty reduction strategies. Governments must strategize on how to make growth pro-poor and how to involve various stakeholders in the response. The benefits of poverty reduction redound not only to the households that escape poverty but for society as a whole in terms of more growth and stability.

<sup>51</sup> This is especially true for programs related to hunger and during relief and rehabilitation after disasters.



## **The Relevance of Institutions and Overall Governance in Implementing Poverty-Related Programs**

The political economy of poverty reduction and the role of institutions in the fight against poverty are not significantly factored into the government's strategic framework. While venues for participation by marginalized groups are institutionalized, the role of institutions and governance (or the political economy) in reducing poverty is given limited consideration. Governance itself impacts on how economic policies and programs are formulated, implemented, and maintained. For example, it may be hard for government to pursue policies that are pro-poor because there might be powerful interest groups that oppose them (Medalla 2007). Many economists have already pointed out that the National Food Authority must be reformed<sup>52</sup> and the subsidies it receives should be directed to better target pro-poor programs (David 2003, Medalla 2007). But because this is difficult politically due to entrenched lobby groups, reforms have not materialized. State capture by vested interests (exacerbated by clientelism), both nationally (Bocchi 2008) and locally (Balisacan and Fuwa 2003, Sidel 1997), can result in lower growth potential (dampened investments nationally and locally), leakages, and corruption, and allow fewer resources for direct services and poverty programs.

Local economies tend to be more homogeneous, more concentrated, and less competitive than the national economy, creating fertile ground for dominant economic participants to engage in state capture (Campos and Hellman 2005). The governance problem is exacerbated by the political culture of patronage. Given this system, the potential of local economies to expand and develop so that poverty can be eradicated may be severely constrained. Local politicians make wide use of the patronage system to stay in power, which may shift the use of resources toward personnel rather than poverty reduction programs. This is further aggravated by the current incentive structure for local governments, which may not support spending money on the poor.

Since taxpayers and the poor can transfer from one locality to another, it may be a disincentive for local government units to fund poverty projects from their own revenue collections (Medalla 2007). This means that political and institutional reforms (e.g., electoral reforms because of the link between politics and poverty reduction) are also needed in the fight against poverty.

## **The Coordination Problem in Poverty Reduction: Institutional and Structural Weaknesses of the National Anti-Poverty Commission as Main Coordinator**

The NAPC was created by virtue of the Social Reform and Poverty Alleviation Act (Republic Act 8425) as the coordinating and advisory body for implementing the Social Reform Agenda. It is mandated by law to formulate the National Anti-Poverty Action Agenda, which serves as the administration's poverty alleviation framework.

As an oversight agency, the NAPC is charged with overseeing, monitoring, and making recommendations for the government's actions on poverty alleviation. It consists of two entities: the secretariat and the commission. The commission comprises 23 heads of national government agencies, 4 presidents of the leagues of local government units, and 14 representatives of the basic sectors. The president of the Philippines chairs the commission and is assisted by two vice-chairpersons: one from the government sector who is designated by the president, and one from a basic sector who is elected by the basic sector representatives of the NAPC. The 14 basic sectors represented in the NAPC are those that are marginalized and heavily affected by poverty: farmers, landless rural workers, fishers, urban poor, indigenous peoples and cultural communities, workers in the informal sector, women, youth and students, persons with disabilities, victims of disasters and calamities, senior citizens, NGOs, children, and cooperatives. The president appoints the lead convener of the NAPC, who may come from either the government or the private sector. The lead convener serves as the

<sup>52</sup> Some even want it abolished.

head of the NAPC Secretariat and has the rank of cabinet secretary.<sup>53</sup> The NAPC has been challenged by various institutional and structural constraints<sup>54</sup> and a fast leadership turnover, which have negatively affected its coordinating and monitoring roles. The NAPC and the National Economic and Development Authority (NEDA) also have common mandates that require greater coordination between them. The NAPC relies on the presidential assistants for rural development from each region to act as focal points of the regional KALAHÍ convergence groups. Given these institutional constraints, Medalla (2007) recommends that the NAPC focus its monitoring and coordination activities on government agencies that serve the poor the most (Department of Agrarian Reform, Department of Education, Department of Health, National Housing Authority, and the Department of Social Welfare and Development) and on poverty-related projects and programs.

Table 47 presents the major institutions involved in the poverty reduction strategy and programs of the Government of the Philippines. Because poverty is multidimensional, the proper response usually takes the form of integrated or holistic packages of programs from health, education, shelter, nutrition, and community infrastructure. This requires various levels of coordination and collaboration to develop an effective response:

- horizontal coordination among key agencies involved in poverty and social development; DOH, DepEd, DSWD, NAPC, and NEDA are the key coordinating agencies although they have overlapping functions;<sup>55</sup>
- vertical coordination within agencies (national to regional offices) and from national and regional to local government units;
- sector coordination—there are a number of agencies in one sector that also need to

coordinate their actions (e.g., insurance, education); and

- multistakeholder coordination—both national and local agencies need to network with key stakeholders from civil society and the private sector.

Coordination consumes both time and resources, but is necessary in order to be able to craft well-designed and efficiently implemented programs. For example, many programs in the past were successful because of such coordination and complementation, which leads to optimized human and financial resources, smooth information flow, minimized waste and leakage in targeted programs, and avoidance of duplication of programs across national and local implementing agencies. However, insufficient resources constrain such coordinating mechanisms. For example, the NAPC convenes the different regional KALAHÍ convergence groups (RKCGs) but their funding is very limited.<sup>56</sup> It will also need additional resources to coordinate and monitor the implementation of policies and programs decided by the RKCGs in their respective localities (i.e., provinces and municipalities). With improved technologies for information and communication, innovations in coordinating mechanisms can be tapped by government to improve the response to the poverty problem.

## Crosscutting Concerns

### Resource Allocation

Over the years, persistent budget deficits have led the government to substantially reduce spending on social services. Resources for poverty reduction and attaining the MDGs will not be sufficient in the years to come. Table 48 shows the decreasing government expenditures for both social services and infrastructure (as a percent of GDP) from

<sup>53</sup> Currently held by Secretary Domingo Panganiban.

<sup>54</sup> The NAPC does not have a regional structure to directly monitor local poverty convergence efforts.

<sup>55</sup> During the term of Secretary Deles of the NAPC and Secretary Canlas of NEDA, there was a memorandum of agreement specifying the distinct roles of the NEDA and NAPC in poverty policy formulation and program monitoring. At present, the NAPC coordinates the poverty reduction programs while the NEDA coordinates all economic and social policies and programs. The Presidential Commission for the Urban Poor continues to perform its mandate of coordinating policies and programs for the urban poor. The heads of NEDA and Presidential Commission for the Urban Poor are members of the NAPC.

<sup>56</sup> In a previous interview by the author with NAPC Secretary Panganiban, it was explained that the initial meeting of regional KALAHÍ convergence group (RKCG) focal points, the Presidential Assistants for Rural Development was even funded by a multilateral donor.

**Table 47: Major Government Institutions Involved in Poverty Reduction**

Name of Agency	Role in Poverty Reduction	Specific Policies and Programs Implemented (2008 – present)	Civil Society and Private Sector Participation
National Economic and Development Authority	Macroeconomic planning; policy coordination for social development concerns (Social Development Committee) and regional development; secretariat for Investment Coordinating Council	Formulation of Medium-Term Philippine Development Plan (MTPDP)	MTPDP Steering and subcommittees
National Anti-Poverty Commission	Policy coordination for poverty and related programs	Coordination of KALAHI programs; promotion of community-based monitoring system	Basic sector representation in the NAPC sector councils
Department of Health	Coordination in the delivery of health and related services from national to local governments; policy formulation for health and related concerns	FOURmula One	Participation in selected programs and projects (e.g., HIV/AIDS)
Department of Education	Implementation and delivery of educational services and programs for basic and secondary levels; policy coordination for education-related issues	Basic Education Reform Agenda; Food for School; Adopt a School; programs for out-of-school-youth and adults	Private sector participation in specific programs
Commission on Higher Education	Policy coordination and regulation of tertiary educational services	Scholarship programs	Representatives from academic institutions in various committees
Department of Social Welfare and Development	Policy and program coordination in the delivery of social welfare services and other safety nets; relief and rehabilitation during natural and human disasters	KALAHI-CIDSS; Pantawid Pamilyang Pilipino Program (4Ps)	Accreditation of NGOs and people's organizations for social welfare related programs for children, women, people with disabilities, etc.

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Table 47: Major Government Institutions Involved in Poverty Reduction (*continued*)

Name of Agency	Role in Poverty Reduction	Specific Policies and Programs Implemented (2008 – present)	Civil Society and Private Sector Participation
Department of Trade	Policy coordination for investments toward job creation; price watch for consumer welfare	Credit to micro, small, and medium-sized enterprises (MSMEs) through the Small Business Corporation; livelihood and training programs (One Town One Product); technical assistance to MSMEs	Private sector participation in various councils
Department of Labor and Employment	Policy coordination related to labor market issues and delivery of services related to labor market (domestic and foreign)	Coordination of Public Employment Service Offices; coordination of emergency and public workfares; livelihood and training programs for displaced workers; technical and vocational programs through Technical Education and Skills Development Authority	Trade union and private sector representation in various Tripartite Councils
Department of Agriculture	Policy and program coordination related to agricultural services and development	Ginintuang Masaganang Ani for food security; organic farming	Farmers' organizations and NGOs in councils such as the National Agricultural and Fishery Council and sector councils
Department of Agrarian Reform (DAR) and Department of Environment and Natural Resources (DENR)	Policy and program implementation related to agrarian reform (private land distribution–DAR; public lands–DENR)	Agrarian reform communities	Farmers' organizations and NGOs in selected councils
Department of the Interior and Local Government	Policy and program coordination related to local government concerns	Minimum basic needs indicators; promotion of community-based monitoring system and local poverty action offices	NGO and private sector representatives in selected committees
Housing and Urban Development Coordinating Council	Policy and program coordination related to housing and shelter	Community Mortgage Program, resettlement programs	NGO and private sector representatives in the council

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Table 47: Major Government Institutions Involved in Poverty Reduction (*continued*)

Name of Agency	Role in Poverty Reduction	Specific Policies and Programs Implemented (2008 – present)	Civil Society and Private Sector Participation
National Disaster Coordinating Council	Policy and program coordination related to disaster response and management	Hazard mapping, disaster preparedness for LGUs	NGO and private sector representatives in selected committees
National Nutrition Council	Policy and program coordination related to nutrition and hunger	Philippine Plan of Action for Nutrition, 2004–2010; hunger mapping, <i>Lalakas ang Katawang Sapat sa Sustansya</i> program.	Civil society representatives in the council
PhilHealth	Government corporation in charge of the delivery of social health insurance and social security	Membership promotion with LGUs, cooperatives, and NGOs	Sector representatives on the board
Presidential Commission for the Urban Poor	Policy and program coordination related to urban poor	Antidemolition; community mortgage programs	Urban poor representatives in the council and selected committees
National Commission on Indigenous Peoples	Policy and program coordination and assistance related to indigenous people	Land Tenure Program; indigenous peoples' human rights	Indigenous people representatives in the council and selected committees
Cooperate Development Authority	Policy and program coordination related to cooperative programs	Registration of cooperatives; regulatory guidelines and standards setting	Representation of cooperatives in selected councils and committees
National Statistics Office/National Statistical Coordination Board	Policy and actual collection on poverty information across regional and local units	Barangay Registry; training and capacity building for LGUs	Representation of academe and researchers in selected committees
LGUs (province, city, municipality, barangay)	Forefront in the delivery of basic services and poverty reduction projects	Models found in <i>Galing Pook</i> awards: Bohol, Iloilo, Marikina, etc.	Representation in local development councils

KALAHÍ-CIDSS = Kapit-Bisig Laban sa Kahirapan Comprehensive and Integrated Delivery of Social Services Project, LGU = local government unit, NGO = nongovernment organization.  
Source: Author's compilation.



1998 to 2005. There were tight fiscal constraints during these years and a large share of revenues went to debt payments. Per capita expenditures, especially for education, also went down during the same period (Table 49). Lack of adequate financing partly explains the remaining challenges in social development.

Reyes (2004) notes the lack and ineffective utilization of resources as key reasons for the persistent poverty problem. Manasan (2007) estimates large gaps in financing the attainment of the MDG targets in 2006–2015. Although the Restructured Value Added Tax (cancellation of exemptions and an increase in the rate from 10% to 12%) alleviated the tight fiscal situation in 2006, the additional revenues were still insufficient to completely fund the MDG resource requirements, including the deficits of previous years. The budgets for education, health, and water and sanitation sectors for the MDGs were tightly constrained from 1998 to 2005 as a response to the continuous decline in the tax effort. The total resource gaps for critical MDGs range from P623.60 billion to P800.25 billion for 2007–2015 depending on the assumed growth rates (Appendixes 14 and 15).

### **Local Government’s Lack of Incentive and Weak Capacity to Combat Poverty**

LGUs play key roles in many poverty reduction programs. Several constraints confront an LGU combating poverty (i.e., insufficient data for effective strategizing, programming, and targeting; resource constraints on program and policy formulation; and technical capacity in incorporating people-centered development approaches in local planning and budgeting).

The existence of local political dynasties<sup>57</sup> may also perpetuate underdevelopment and poverty by not allowing markets to operate efficiently and deterring access of the poor to private goods. Balisacan and Pernia (2002) and Balisacan and Fuwa (2003, 2004) found in their

regression analyses that the more the elected officials are related with each other by blood or affinity (“political dynasty”), the lower the subsequent income growth would likely be.<sup>58</sup> In a decentralized setting, state capture may thrive more in local than national governments. State capture flourishes in an environment where highly concentrated interest groups—especially powerful firms and families—dominate the market for political influence, and where political competition is weak. At the local level, the political economy tends to be more concentrated and less competitive than the national economy, creating fertile ground for dominant economic actors to engage in state capture (Campos and Hellman 2005). Many of the institutions expected to counterbalance the local executives to avoid state capture are also weaker (e.g., local legislature, judiciary, and civil society organizations). Thus, further political reforms to deepen local democracy are still needed.<sup>59</sup>

Any national poverty reduction strategy would need to incorporate a clear vision of how LGUs can become more effective in tackling poverty. The national government through the Department of the Interior and Local Government has mandated LGUs to formulate their own local poverty reduction action plan and also to localize the goals of achieving the MDGs. With regard to financing, the allocation to LGUs has been increased in the form of unconditional block grants (internal revenue allotments) amounting to 17.5% in 2007 and 19.0% of the General Appropriations Act in 2008. According to Panadero (2009), the budgetary allocation of the national government in nominal terms for the social sector more than doubled from 2001 to 2009, accounting for 31.7% of the total national budget (obligation basis) in 2009, while at the local level LGUs allocate about 21.2% of their budget to the social sector. What may be needed is to provide performance-based grants for poverty programs to LGUs so that those LGUs that seriously commit part of their own resources (both financial and human) for this effort are given priority and more resources.

<sup>57</sup> Political dynasty is defined as “the proportion of local officials related to each other by blood or affinity out of total number of elective position” (De Dios et al. 1993).

<sup>58</sup> It must be noted that there are younger politicians belonging to these so-called dynasties who are performing well in their governance functions.

<sup>59</sup> An example is an enabling law for the anti-political dynasty provision in the constitution.

**Table 48: National Government Expenditures as a Percentage of Gross Domestic Product, 1990–2006**

Expenditure	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Social Services	4.2	4.0	3.9	3.6	3.7	4.4	4.9	5.4	5.5	5.2	4.9	4.4	4.4	4.3	3.4	3.1	3.7
Education	3.1	2.6	2.8	2.6	2.7	3.2	3.4	3.9	4.0	3.7	3.6	3.3	3.3	3.0	2.7	2.4	2.4
of which DepEd	2.6	2.2	2.3	2.2	2.2	2.4	2.6	3.0	3.1	2.9	2.8	2.7	2.7	2.5	2.2	2.0	2.0
Health	0.7	0.7	0.7	0.5	0.5	0.4	0.5	0.6	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3
of which DOH	0.7	0.7	0.7	0.4	0.4	0.4	0.4	0.5	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Infrastructure	2.9	3.4	2.5	2.3	2.8	2.7	2.2	2.5	2.4	2.3	2.5	2.1	1.6	1.7	1.6	1.2	1.4

DepEd = Department of Education, DOH = Department of Health.  
Source: Manasan (2007).

**Table 49: Real Per Capita National Government Expenditures in 1985 Prices, 1990–2006 (P)**

Expenditure	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Social Services	500	463	445	405	422	520	597	678	659	634	628	557	558	566	470	443	528
Education	367	304	314	297	306	380	418	488	481	457	439	415	416	395	637	344	341
of which DepEd	307	250	263	245	249	286	310	374	375	355	351	339	342	325	300	282	284
Health	87	85	83	53	54	52	63	73	60	61	55	45	47	38	42	36	38
of which DOH	80	78	76	45	41	41	52	62	50	51	42	37	38	30	31	27	28

DepEd = Department of Education, DOH = Department of Health.  
Source: Manasan (2007).



## Weaknesses in Targeting and Leakages in Poverty Programs

Proper targeting of the poor remains a challenge for poverty reduction programs. Administration of direct antipoverty programs—such as land tenure, food, credit, and housing subsidy programs—has been challenging, and many programs have experienced high leakages to the nonpoor, high administrative costs, and unintended rent-seeking processes (Balisacan and Edillon 2005). Poor targeting is to some extent a product of unreliable, inaccurate, and untimely poverty information, especially at the local level, and partly due to poor governance in terms of program design and implementation.

Weiss (2005) observes that location targeting has been dominant, with priority provinces identified for most schemes, and within these provinces the most depressed *barangays* (districts) identified. Where feasible, poverty has been defined in terms of unmet basic needs (shelter, health, and education, for example). Where data was unavailable, local social workers were consulted to identify the poor. More recent initiatives combine a location targeting approach with poverty mapping. Within provinces, the poorest municipalities are selected and all districts within the chosen municipalities can receive funds. However, corruption is often alleged and a number of targeting schemes are left with considerable discretion for politically determined allocations. For example, in the 1990s under the

Lingap Para sa Mahirap (Care for the Poor) program to meet basic needs of the poor, two-thirds of funds were reportedly allocated on the decision of congressmen, and not on the decision of implementing government agencies (Weiss 2005). More recently, an ADB study by Jha and Mehta (2008) found that only 25% of the poor benefit from the rice subsidy program while 75% are excluded. Also, 48% of the beneficiaries were found to be nonpoor. Reyes (2002) provides empirical evidence from APIS 1999 that subsidy programs seldom reach the poorest quintile of the population. Table 50 demonstrates that the government subsidy programs in education and shelter are regressive, with the highest quintile garnering most of the available financing.

Reyes (2004) and Capones (2007) find the community-based monitoring system a feasible tool for local governments in targeting and monitoring poverty. The method has already been mandated by various government agencies such as the NEDA, DILG, and the National Statistical Coordination Board. The community-based monitoring system is currently implemented in 20 provinces, 347 municipalities, 24 cities, and 9,116 *barangays*. However, the system is relatively costly and current resources may not be enough for it to be implemented nationwide.

The DSWD has proposed a P2.87 billion budget for implementing a national household targeting system for poverty reduction. Using a proxy means test, the projects seek to

**Table 50: Access to Selected Programs by Quintile**

Programs Accessed	Quintile					Total
	1st (poorest)	2nd	3rd	4th	5th (richest)	
Tertiary scholarship programs (number of households and % to total)	5,281 2.0	23,901 9.2	47,229 18.2	74,701 28.8	108,592 41.8	259,704 100.00
Housing and financing program (number of households and % to total)	45,438 7.5	68,352 11.3	80,771 13.4	118,352 19.6	289,580 48.1	602,493 100.00

Source: Reyes (2002); raw data from APIS 1999.

- unify criteria for the selection of the poorest population,
- create a database of poor households as a reference in identifying beneficiaries of social protection programs, and
- reduce leakage to nonpoor and under-coverage or exclusion of the poor in social protection services.

This national targeting system will start with the municipalities and cities in the poorest 20 provinces in the Philippines but will be able to cover all areas after the third phase (DSWD 2008). All agencies (e.g., NEDA, DSWD, DILG, NAPC, the statistical agencies) involved in poverty reduction should agree on this common targeting system and advocate having resources to sustain this effort.

### Corruption and Poverty

The Philippines ranked 141st out of 180 countries in the 2008 Transparency International corruption perceptions index. It is tied with Cameroon, Iran, and Yemen with a score of 2.3. The scores range from 10 (squeaky clean) to 0 (highly corrupt). A score of 5.0 is the number Transparency International considers the borderline figure distinguishing countries that do and do not have a serious corruption problem. Indonesia, Malaysia, Singapore, Thailand, and Viet Nam have higher ratings than the Philippines and only Cambodia, the Lao PDR, and Myanmar are lower among the ASEAN neighbors. Table 51 shows the downward movement in the ranking of the Philippines since 1998.

The United Nations Development Programme (UNDP) estimated in 2004 that \$1.8 billion a year, or about 13% of the government's annual budget, is lost to corruption in the Philippines.<sup>60</sup> Corruption not only damages and weakens national institutions and results in inequitable social services, it has also resulted in judicial "injustice," economic inefficiencies, and unchecked environmental exploitations.

Chua (1999) investigates various areas where corruption occurs in the delivery of public education in the Philippines. Money changes hands at nearly every stage of procurement, from the accreditation to the payment of suppliers.

**Table 51: Corruption Perception Index, 1998–2008**

Year	Rank	Number of Countries	Relative Place out of 100	Score
1998	55	85	65	3.3
1999	54	99	55	3.6
2000	69	90	77	2.8
2001	65	91	71	2.9
2002	77	102	75	2.6
2003	92	133	69	2.5
2004	102	146	70	2.6
2005	117	159	74	2.5
2006	121	163	74	2.5
2007	131	180	73	2.5
2008	141	180	78	2.3

Source: Transparency International, various years.

Money is also given out from the time a teacher applies for a job up to the time he or she requests a change in assignment or works for a promotion. With regard to health services, Azfar and Gurgur (2007) find that corruption in the health care sector reduces immunization rates, delays the vaccination of newborn babies, discourages the use of public health clinics, reduces satisfaction of households with public health services, and increases waiting time at health clinics. In particular, the study found that, for every 10% increase in corruption, immunization rates dropped as much as 20%, waiting time in public clinics increased as much as 30%, user satisfaction dropped 30%, and children were only 25% as likely to complete their courses of vaccination. It was also found that corruption affects public services in rural areas in different ways than in urban areas, and that corruption harms the poor more than the wealthy. More recently, the World Bank has banned three private contractors of public works projects in the Philippines because of rigged bidding. The Millennium Challenge Corporation has also

<sup>60</sup> Seth Mydans (www.iht.com/articles/2006/04/25).

delayed the approval of around \$700 million worth of projects in the country because of the government's failure to comply with requirements for reduction of corruption and increases in spending for health and education.

The Social Weather Stations survey gauges businesses' perception of corruption. Three agencies were perceived to be the most corrupt: the Bureau of Internal Revenue, the Bureau of Customs, and the Department of Public Works and Highways. The perception of corruption in the public sector did not improve, with 60% of those surveyed seeing "a lot" of corruption in the public sector. The usual allotment for a bribe in a private deal is still 10%, versus 20% in a public deal (Social Weather Stations 2008 Survey of Enterprises on Corruption).

The impact of corruption on the poor can be determined through its direct impact (increased costs of social services, reduced quality of social services, poor infrastructure, and restricted access to basic services such as water, electricity, health, and education) and indirect impact (by redirecting public finances away from social sectors and constraining economic growth and poverty reduction). In a cross-section of 37 countries, Gupta et al (1998) found a significant impact of corruption on inequality and poverty. The paper notes that corruption affects income inequality and poverty by reducing economic growth, limiting the level and effectiveness of social programs, and perpetuating an unequal distribution of asset ownership and unequal access to education. The poor are also more vulnerable, both in terms of being victims of corruption as well as in bearing the brunt of the negative impact of corruption on the country's overall development trajectory. Corruption can also affect the poor's political choices and participation as votes are bought during elections.<sup>61</sup>

### **Weak Monitoring and Evaluation of Major Poverty Programs**

To be able to continue good programs and reform or discontinue unsuccessful ones, an effective monitoring and evaluation system must be in

place, especially for the various poverty programs implemented in the country. Currently, monitoring and evaluation systems are usually lodged in the implementing agencies themselves and oversight for projects funded with official development assistance is done by NEDA. As the lead coordinating body, the NAPC is also mandated to track these major poverty programs. However, a more independent, systematic monitoring and evaluation mechanism staffed by competent and well-equipped technical personnel is needed to sustain or cancel poverty programs. Canlas (2009) suggests that all major government programs must seek fresh authorization from Congress every 5 years. He further adds that every major program or project must be screened well, requiring feasibility studies that have clear beneficiaries and desired social and economic rates of return. Baseline and benchmark data must also be well established to facilitate monitoring and evaluation during the life of the program or project.

### **Social Protection**

The poor and nonpoor are confronted with various risks,<sup>62</sup> and for poverty incidence to be reduced the government must provide an effective social protection system. Despite the presence of various programs and responses to major risks, these have remained fragmented and there is a need for better cohesion and convergence among key agencies and programs (e.g., livelihood, hunger mitigation, and disaster preparedness programs). While the government has already come up with a common definition for social protection and its main components, there is a need to formulate a national strategy, build local capacity, and enhance the ability of national agencies to effectively link with LGUs in delivering social protection systems. Multistakeholder partnerships are also required for resource mobilization since government resources are limited.

### **Effective Participation**

Participation by the poor should in theory make the government response to poverty more effective

<sup>61</sup> In the rural areas, votes can be bought for \$10–\$20.

<sup>62</sup> Health risks such as sickness and diseases, environmental risks such as natural disasters, and political risks such as conflicts and rebellions.

and accountable.<sup>63</sup> However, while mechanisms exist for such participation among organized basic sector groups at various levels of governance, effective participation is still constrained by several factors. At the national level, the NAPC is the main venue for participation but there are issues in the appointment of representatives (e.g., “representativeness,” political and ideological affiliation, etc.); infrequent meetings of the council (due to quick leadership changes in the commission); and capacity and resource constraints of representatives. Other venues for participation include various subcommittees, the steering committee for the formulation of the MTPDP, and the Philippine Council for Sustainable Development facilitated by the NEDA.

The creation of the NAPC institutionalizes the venue for 14 basic sectors to participate in poverty reduction policy making. However, several factors have been identified that hinder the inclusiveness of the process. One is political dynamics among basic sector organizations, which tend to protect specific organizational interests and agendas. The problem is further aggravated by the limited number of organizations that are willing and able to engage government through the NAPC. Another issue is whether NAPC promotes effective, substantive, and meaningful participation and representation in governance. Sector representatives must have the required capacities, capabilities, and sufficient support to enable meaningful participation; however, insufficient technical, logistical, and financial support from the government are commonly referred to as key constraints on their sustained and effective participation. The support provided by the NAPC secretariat is also limited, since the NAPC only has budget allocated for sector council meetings, which are not regularly conducted. Moreover, the basic sectors do not have the authority to reallocate the funds for sector council meetings, even if there are extra funds. Another point of contention is government–civil society cooperation in the NAPC, which remains fragile due to differences in orientation and mutual distrust. As a result, the process of engagement is constantly marked by dynamics and tension.

## The Role of the Private Sector and Civil Society Groups

### The Private Sector

Private companies spent P26.0 billion on social projects in the last decade, mostly on widening the poor’s access to quality primary education.<sup>64</sup> P18.4 billion were spent for poverty alleviation projects. Education projects accounted for 77.0% of the total amount, and livelihood projects 16.0%. Around 100 members of the League of Corporate Foundations (LCF) created an “education roadmap” in 2006 to consolidate private sector support for education. This roadmap led to formation of the 57–75 movement, where private firms hope to increase the score of public students in the national test from 57 (below average) to at least 75.

Concerns about global warming have also turned private firms’ attention to environmental concerns and the LCF, along with the Philippine Business for Social Progress (PBSP) and other organizations, has created an “environmental roadmap” to improve energy efficiency in corporations, water and sanitation quality, carbon footprint reduction, biodiversity, products and services supply chain management, and waste management. The private sector is also funding the effort of former President Corazon C. Aquino to raise P5.0 billion in funding for microfinance institutions through the organization Pinoy Micro Enterprise. The PBSP has committed P3.2 billion for 2004–2009 to scale up successful MDG-related programs. These include poverty reduction under the area resource management program in Luzon, Mindanao, and Visayas (P1.13 billion); small and medium-sized enterprise development (P1.12 billion); basic education (P0.83 billion); and water and health (P0.12 billion).

There is a need for the private sector to get more involved, not only out of corporate social responsibility but also for its own welfare. There is a clear link between poverty reduction efforts and companies’ competitiveness. Philippine Business for Education is a good example of a project where the business sector assists the public education system. The growing lack of skilled and

<sup>63</sup> This section borrows from Ateneo School of Government (2006) where the author was team leader.

<sup>64</sup> According to the League of Corporate Foundations (LCF), a network of foundations established by firms mostly belonging to the Top 1,000 corporations in terms of assets or net income.



### Box 3: PhilDHRRRA Asset Reform Report Card

An example of a civil society initiative as a watchdog is the assessment of the government's asset reform programs through a "report card." This was spearheaded by the Philippine Partnership for the Development of Human Resources in Rural Areas (PhilDHRRRA), which utilized its wide network of NGOs and academics to undertake a scientifically designed statistical survey of thousands of beneficiaries of four programs nationwide. The report card generally showed that asset reform processes have been woefully slow, participatory and management mechanisms highly inadequate, support services deficient, and threats of reversal persistent. Taken together, the asset reform performance after 20 years of the Comprehensive Agrarian Reform Program, 16 years of the Urban Development and Housing Act, 11 years of Indigenous Peoples' Rights Act, and 10 years of the Fisheries Code merited a rating of "poor." Notwithstanding this, the bulk of respondents attested that their families became better off after the asset reform. All these reinforce the need to sustain asset reform efforts, while identifying key areas for improvement to further optimize their benefits (Habito 2008).

professional workers has pushed firms to increase investments in education.

### Civil Society as Implementers of Poverty Programs and Watchdogs

Civil society groups—including NGOs, peoples' organizations, and community associations—also play various roles in poverty reduction

- as alternative providers of public goods—some NGOs and voluntary organizations are involved in the delivery of education (usually technical vocational training), health (immunization, reproductive health, primary health care, HIV), and social welfare services (child sponsorship programs, youth counseling, job placement for persons with disabilities, rehabilitation for battered women, and services for the elderly);
- as providers of credit—microfinance organizations and private cooperatives provide small loans to individuals and microenterprises involved in agriculture or non-agriculture activities;
- as community or sector organizers and advocates of issues related to poverty; and
- as watchdogs—ensuring the delivery of social services such as education (NGOs involved in monitoring delivery of textbooks) or proposing alternative budgets.

Some NGOs claim they have the comparative advantage in delivery of programs to the poor

because of lower costs and proximity to the poor. However, there is a need for NGOs to coordinate more closely with government so that their resources and programs complement those of the government. At the local levels, their expertise and funds can augment the limited resources and constrained manpower of LGUs. Coordination among NGOs, especially at the local levels, can also be enhanced (e.g., ABSNET by the Department of Social Welfare and Development).

While the church and other religious groups can summon the moral responsibility of their followers to "share prosperity," they are also directly involved in poverty alleviation in various ways, including soup kitchens, rice distribution, medical and funeral assistance, livelihood programs, and microfinance. For the Catholic Bishops' Conference of the Philippines, the network of social action centers in parishes nationwide are the conduits where such programs are implemented. Caritas Manila, a center of the Archdiocese of Manila, has been conducting programs on livelihood, health care, restorative justice, and disaster management in all urban poor communities in Metro Manila and have reached out to almost 125,000 urban poor families. It distributed NFA rice to 120,000 urban families and were able to feed 60,000 children and conduct housing projects in some parts of Manila. Another church-related group is Gawad-Kalinga, which aims to transform poverty-stricken areas by building 700,000 homes in 7 years (2003–2010). At present, it is in more than 900 communities throughout

the Philippines and has raised resources from all over the world for its work with the poor. Other religious groups, such as the National Council of Churches of the Philippines, also have social development units working with the poor.

## **The Need for Multistakeholder Coordination and Collective Action**

There have been several programs and projects to address poverty in the Philippines in the past

decades; however, impacts and outcomes remain limited. Coordination failure is a key factor for not being able to harmonize these separate responses. While it is the government's primary role to intervene in the poverty problem, other sectors also need to augment the state's response capacity in terms of resources and outreach. Poverty reduction will not only benefit the poor themselves but society as a whole, and thus a number of stakeholders should be involved in the effort. The social gains from eradicating poverty will ultimately be greater than the combined costs and investments contributed by these stakeholders.

# SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS

## Key Findings

1. **Economic growth did not translate into poverty reduction in recent years.** While the country experienced moderate economic growth in recent years, poverty reduction has been slow. The quality of growth matters and persistent inequality mitigates the positive impact of growth on poverty reduction. Chronic poverty is a concern, and poverty has become a major constraint on the attainment of high levels of sustained growth and the overall development of the country. The solution to poverty is thus of public interest. Benefits will not only accrue to those who get out of poverty but also to society as at large.
2. **Poverty levels vary greatly by regions.** There are regions where poverty incidence has been persistently high (Autonomous Region in Muslim Mindanao, Caraga, Region IV-B, Region V, and Region IX). Regions with the most poor people include Regions V, VI, VII and IV-A. The rates of poverty reduction also vary widely across regions.
3. **Poverty remains a mainly rural phenomenon though urban poverty is on the rise.** The majority of the poor are still found in rural areas and in the agriculture sector. They are mostly farmers and fishers. However, there is an increasing number of poor households in urban areas, typically found in the informal sector.
4. **Poverty levels are strongly linked to educational attainment.** The heads of two of three poor households have only reached elementary education and below.
5. **The poor have large families, with six or more members.** Population management will be critical for an effective poverty reduction strategy.
6. **Many Filipino households remain vulnerable to shocks and risks.** This is highlighted by the escalating conflict in Mindanao and the current global financial crisis. An effective poverty strategy must incorporate social protection.
7. **Governance and institutional constraints remain in the poverty response.** Measures to improve this must be an important focus of attention in formulating a revised government strategy.
8. **There is weak local government capacity for implementing poverty reduction programs.** Effective delivery of basic social services and poverty-related programs at the local levels will hasten poverty eradication.
9. **Deficient targeting in various poverty programs.** This is often related to unreliable, inaccurate, and untimely poverty information, especially at the local level, and partly due to poor governance in terms of program design and implementation.



10. **There are serious resource gaps for poverty reduction and the attainment of the MDGs by 2015.** A collective approach to resource mobilization should be undertaken.
  11. **Multidimensional responses to poverty reduction are needed.** The poverty problem is multidimensional, and thus the response should be multiagency and multisector and involve multiple stakeholders. Convergence has been the right approach and this must continue to be practiced more effectively.
  12. **Further research on chronic poverty is needed.** There are very few micro studies that examine chronic poverty and how the poor escape poverty traps. These studies are important in the formulation of more effective policies and programs.
- roles of each agency; the new poverty strategy and plan of action should incorporate the specific roles of agencies and key stakeholders at various levels of intervention;
  - continuing to reform the educational system (through the Basic Education Sector Reform Agenda), the health system through (FOURmula One), and the social welfare system;
  - accessing more NGOs and civil society sectors to monitor the delivery of poverty programs and social services;
  - mapping key stakeholders and their roles in poverty alleviation at all levels of governance;
  - examining the political economy of poverty programs before implementation; and
  - strengthening safeguard mechanisms (e.g., civil society watchdogs such as the textbook watch of the DepEd) against leakages and corruption in large poverty programs.

## Key Recommendations

### Immediate and Short Term: Enhance Poverty Framework and Strategy

There is an urgent need to enhance government's strategy and to involve key sectors of society for a collective and coordinated response to persistent poverty. This would entail the following:

1. Revisiting the poverty framework to include a strategy to address vulnerability. This should be formulated in a national social protection strategy which in turn, would be a major component of the fight against poverty. The framework and strategy should also tackle chronic poverty (and pathways out of a poverty trap) and give serious attention to population management.
2. Reforming institutions that coordinate poverty policy and implement poverty programs to enhance coordination, improve efficiency and monitoring, and reduce corruption by
  - renewing the memorandum of agreement between the NAPC and NEDA to clarify the coordination
3. Considering regional and local characteristics more specifically (e.g., prone to disaster or conflict) in poverty program interventions. Interventions should also take into account factors affecting intra-regional inequality, which would imply equalizing access to quality health, education, and infrastructure service within regions (Balisacan 2003).
4. Improving coordination and complementary action among government agencies and key stakeholders such as NGOs and corporations in clearly targeted localities and communities (from targeting to actual implementation of programs to monitoring and evaluation).
5. Allocating more funds from the budget and raising money from other sources (civil society, religious, business, bilateral and multilateral agencies) for the fight against poverty, vulnerability, and inequality. A fund-raising mechanism for a national poverty fund with clear government counterpart and accountability can be set

up for this purpose. The government can also set a distinct budget line for poverty reduction, especially for LGUs.

6. Improving poverty targeting, monitoring, and evaluation, especially at the local government level; there should also be increased funds for data collection, processing, and management. Specific activities may include the following:

- The national government should assist in increasing local government's capacity for targeting and monitoring (e.g., a community-based monitoring system) through funding and training schemes designed for poor localities already identified by nationwide household surveys.
- Various efforts in integrating databases and establishing a sound targeting system at the local levels (e.g., the DSWD National Household Targeting System for Poverty Reduction and the community-based monitoring system of NEDA, NAPC, and DILG) should be coordinated.
- Funding for the National Statistical Coordination Board and the National Statistics Office must be sufficiently increased to provide a more regularly updated database for targeting (e.g., the small area estimates determining poverty incidence at the municipal levels).

### **Medium and Long Term: Sustain Efforts for Economic and Institutional Reforms**

Governance of poverty reduction must be strengthened through sustained economic and institutional reforms.

1. Government should continue to pursue the following key economic reforms for sustained and inclusive growth:

- increasing available resources for social services, poverty reduction, and infrastructure through fiscal reforms;

- maintaining price stability to protect the poor from the negative impact of increasing food prices;
- improving the investment environment (through developing major infrastructure, and decreasing red tape and corruption);
- promoting higher growth and productivity of the agriculture sector;
- continuing to strengthen tourism, as this is an important sector for rural employment;
- closely examining proposed macro-economic policies and large investment projects terms of their impact on poverty (NEDA); and
- scrutinizing proposed budgets in term of their pro-poor bias (NAPC can lead this effort).

2. Interventions and programs to fight poverty should incorporate both growth and distribution factors to maximize impact:

- Continued and improved implementation of the Comprehensive Agrarian Reform Program should remain a government priority.
- The Community Mortgage Program should be given more resources and implemented more widely in key cities and major urban areas.

The government should further expand its efforts in dealing with the informal sector; its initiatives in microfinance can further be strengthened.

3. Local government resources and capacity for fighting poverty should be enhanced, including improvements in national agency–local government coordination. Such activities may include

- establishing an incentive system on allocation to better motivate LGUs in the fight against poverty;
- promoting inter-LGU cooperation in implementing antipoverty programs and projects including reforms in health, education, and population management;

- learning how select local governments successfully implement poverty reduction programs (e.g., Galing Pook awardees Bohol, Concepcion, Iloilo, and Naga City);
  - continuing advocacy for more democratic and people-centered processes at the local levels;
  - reviewing the 14 core poverty indicators, reviewing available local poverty indicators, and simplifying local data collection systems; and
  - making provinces focal points for coordinating poverty-related programs and projects for local implementation (Panadero 2009).
4. Conducting more multidisciplinary research on the process, factors, and

dynamics of “moving in and out of poverty” and “household poverty traps” to inform policies and programs targeting chronic poverty (similar to Narayan and Petesh 2007) and helping people escape them. This research may include

- in-depth studies of how chronic poverty and persistent poverty negatively impact economic growth, especially, the deterioration of human and social capital; and
- reviving the NAPC database of poverty studies in the country and networking with academics and experts to share findings of their various studies.

Tables 52 and 53 summarize potential government action points and possible options for support and investments.

**Table 52: Summary of Action Points for Government and Possible Options for Support Immediate and Short Term: Enhance Poverty Framework and Strategy**

Areas for Intervention	Key Findings of the Study	Recommended Responses	Possible Options for Support and Investments
Strategy and policy	<p>Slow poverty reduction has become a constraint on the attainment of higher levels of sustained growth.</p> <p>High inequality mitigates the positive impact of growth on poverty reduction.</p> <p>The majority of the poor are found in rural areas and in the agriculture sector, and are mostly farmers and fishers.</p> <p>There is an increasing number of poor households in urban areas, typically found in the informal sector.</p> <p>The poor have limited access to health and education services.</p> <p>The poor have large families, with six or more members. Population management will be critical for an effective poverty reduction strategy.</p>	<p>Enhancement of overall poverty framework and strategy, including responses to vulnerability, risks, and chronic poverty, and define roles of various stakeholders</p> <p>Continue effective implementation of key asset reforms (e.g., CARP, UDHA, IFPRA)</p> <p>Rural development is still a major pathway out of poverty, and thus promotion of the agriculture sector is key</p> <p>The increasing number of the urban poor and informal settlers must be a major consideration for urban and development planning</p> <p>Continue reforms in the human capital sector: education, health, and social welfare systems</p> <p>Enhance population management as an important component of poverty reduction strategy</p>	<p>Technical assistance and policy support for the formulation of an enhanced poverty framework and strategy</p> <p>Technical assistance and policy support for asset reforms</p> <p>Support for rural development initiatives (agriculture, infrastructure, agrarian reform, non-farm rural enterprises, etc.)</p> <p>Support for urban and housing development (Community Mortgage Program, basic social services and infrastructure for informal settlements)</p> <p>Support for Basic Education Reform Agenda (DepEd), FOURmula One (DOH), Social Welfare Sector Reform (DSWD), and CCTs (DSWD), especially in promoting key reforms at the local government level</p> <p>Support for reproductive health programs</p>
Programs and projects	<p>Successful poverty programs are difficult to sustain because of governance issues.</p> <p>Chronic and intergenerational poverty has become a major constraint on the attainment of high levels of sustained growth and the overall development of the country.</p>	<p>Governance reforms; expansion and replication of successful programs and projects at the national and local levels</p> <p>Design and implementation of projects responding to vulnerability and chronic poverty</p>	<p>Support for replication and expansion of successful national and LGU poverty programs (e.g., KALAHI-CIDSS, Galing Pook awardees)</p> <p>Support for community-based social protection systems (e.g., disaster preparedness and management in localities with chronic poverty, expansion of 4Ps in other poor areas)</p>

continued on next page

Table 52: Summary of Action Points for Government and Possible Options for Support Immediate and Short Term: Enhance Poverty Framework and Strategy (*continued*)

Areas for Intervention	Key Findings of the Study	Recommended Responses	Possible Options for Support and Investments
<b>Institutional mechanisms</b>	<p>The poverty problem is multidimensional and the response should be multiagency and multisector and should involve multiple stakeholders.</p> <p>Governance and institutional constraints in the fight against poverty must be an important focus of attention in the formulation of a revised government strategy.</p> <p>There is deficient targeting in various poverty-related programs due to unreliable, inaccurate, and untimely poverty information, especially at the local level, and to poor governance in terms of program design and implementation.</p>	<p>Strengthening coordination and participatory mechanisms at the national and local levels (NAPC and regional KALAHI convergence groups) and with other stakeholders</p> <p>Reforming institutions that coordinate poverty policy and implement poverty programs to enhance coordination, improve efficiency and reduce corruption; the political economy of poverty programs must be examined before implementation</p> <p>Improving poverty monitoring and targeting and enhance capacity in information and data gathering at national and local levels</p>	<p>Support for strengthening of NAPC coordination and M&amp;E roles and mapping of responses of major stakeholders</p> <p>Support for governance reforms in key agencies involved in poverty reduction, such as DepEd, DOH, DSWD, NAPC, and NEDA</p> <p>Support for enhancing the capacity of statistical agencies</p> <p>Financial assistance to augment funding of the national household targeting and M&amp;E systems for poverty reduction</p> <p>Investments in a system for targeting the chronic poor</p> <p>Technical assistance in setting up a National Poverty Fund and mobilizing resources</p>
<b>Human resources and capacity building</b>	<p>There are serious resource gaps for poverty reduction and the attainment of the Millennium Development Goals in 2015. A collective approach to resource mobilization may be a feasible response.</p> <p>Key governance constraints and human resource constraints must be addressed.</p>	<p>Allocating more funds from the budget and raising money from other sources (civil society, religious, business, bilateral and multilateral agencies) for the fight against poverty, vulnerability, and inequality; examining feasibility of setting up a national poverty fund</p> <p>Capacity building for better coordination, program implementation, poverty targeting and monitoring</p>	<p>Support for capacity building for key areas</p>

CCT = conditional cash transfer, CARP = Comprehensive Agrarian Reform Program, DepEd = Department of Education, DOH = Department of Health, DSWD = Department of Social Welfare and Development, IFPRA = International Federation of Park and Recreation Administration, KALAHI-CIDSS = Kapit-Bisig Laban sa Kahirapan Comprehensive and Integrated Delivery of Social Services Project, LGU = local government unit, M&E = monitoring and evaluation, NAPC = National Anti-Poverty Commission, NEDA = National Economic and Development Authority, UDHA = Urban Development and Housing Act.

**Table 53: Summary of Action Points for Government and Possible Options for Support Medium and Long Term: Sustain Efforts for Economic and Institutional Reforms**

Areas for Intervention	Key Findings of the Study	Recommended Responses	Possible Support and/or Investments
Strategy and policy	Slow poverty reduction slow despite moderate economic growth	<p>Sustain efforts in key economic reform areas:</p> <ul style="list-style-type: none"> <li>• fiscal reforms to increase available resources for social services poverty reduction, and infrastructure</li> <li>• maintain price stability to protect the poor from the negative impact of increasing food prices</li> <li>• improve investment environment (major infrastructure, decreased red tape and corruption)</li> <li>• promote higher growth and productivity of the agriculture sector</li> <li>• tourism should be further strengthened as this sector contributes significantly to rural employment</li> </ul>	Technical assistance in the key reform areas and sectors identified
Programs and projects	<p>There are regions where poverty incidence has been persistently high (Autonomous Region of Muslim Mindanao, Caraga, Region V, Region IX, Region IV-B). The rates of poverty reduction also vary widely across regions.</p> <p>In Mindanao, conflict is a major factor.</p>	<p>The design of the enhanced national framework and strategy on poverty reduction must consider differences in regional and local characteristics.</p> <p>Settlement of conflict in Mindanao through continued dialogue and negotiations</p>	<p>Technical assistance in the situation analysis and formulation of strategic regional and local programs in poverty reduction (aligned with the enhanced national poverty framework and strategy)</p> <p>Support for peace and development initiatives in Mindanao (especially in areas with high poverty incidence)</p>

*continued on next page*



Table 53: Summary of Action Points for Government and Possible Options for Support Medium and Long Term: Sustain Efforts for Economic and Institutional Reforms (*continued*)

Areas for Intervention	Key Findings of the Study	Recommended Responses	Possible Support and/or Investments
Institutional mechanisms	<p>Governance and institutional constraints in the fight against poverty must be an important focus of attention in the formulation of a revised government strategy.</p> <p>Further enhance knowledge sharing among various stakeholders.</p>	<p>Improvement in national–local and interlocal coordination in poverty reduction efforts</p> <p>Mechanism for sharing knowledge and information on the poverty response (studies, researches, best practices, etc.)</p>	<p>Technical assistance and institutional reforms for improved governance, coordination, and complementation (especially a monitoring and evaluation mechanism) in poverty programs across national agencies and LGUs (e.g., learning from successful poverty projects and successful local governments)</p> <p>Support for poverty information database initiatives of NAPC and NEDA</p>
Human resources and capacity building	<p>Weak local government capacity in implementing poverty programs</p> <p>There are very few micro studies on chronic poverty and how the poor escape poverty traps.</p>	<p>Examine establishment of a national poverty fund and an allocation incentive system to better motivate LGUs in the fight against poverty</p> <p>Promote inter-LGU cooperation in implementing anti-poverty programs and projects including reforms in health, education, and population management</p> <p>Learn from good practices of local governments in poverty reduction programs</p> <p>Continue advocacy for more democratic and people-centered processes at the local levels</p> <p>Multidisciplinary research on the process, factors, and dynamics of “moving in and out of poverty” and “household poverty traps” to inform policies and programs targeting chronic poverty</p>	<p>Support capacity building for LGUs in the poverty response</p> <p>Support for situation analysis, design, implementation, and monitoring and evaluation of poverty programs and projects</p> <p>Support complementary poverty-reduction initiatives by private sector civil society at the local levels through documentation and replication of good practices</p> <p>Technical assistance to undertake studies on chronic poverty</p>

LGU = local government unit; NAPC = National Anti-Poverty Commission; NEDA = National Economic and Development Authority.



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## APPENDIX 1

# Framework for Assessing Poverty in the Philippines

This appendix presents a framework that describes the key elements that affect poverty incidence among households. This was utilized in identifying the causes of poverty in the Philippines.

## Incomes and Economic Opportunities

A major factor in reducing poverty is economic expansion, and an economy's size and growth are central forces behind the mobility of its citizens, particularly the poor. In many studies, it has been shown that economic growth is an important condition for a decrease in poverty incidence (Dollar and Kray 2004, Rodrik 2000). All developing countries that have experienced sustained high growth over the last few decades have reduced their absolute poverty levels. Countries in East Asia like the People's Republic of China, Malaysia, Thailand, and Viet Nam are concrete examples where large drops in the number of poor people accompanied economic progress. However, the quality of growth, the initial distribution of income, and inequality itself also matter. As many studies have concluded, growth alone is not enough, especially when inequalities are large. Thus, there are types of growth that impact less on poverty reduction.

Job generation typically goes together with growth. At the micro and household levels, an important pathway out of poverty is through quality employment. Only through increased production will there be increasing demand for workers. With employment, workers earn incomes. Sustained production and increasing labor productivity eventually increase workers' wages. In the Philippines, it was during recent episodes of growth that poverty incidence went down (i.e., 1987–1989, 1994–1997, and 2000–2003).

A prerequisite for sustained economic growth is good macroeconomic management through fiscal balance, price stability, and a conducive

investment regime. De Dios et al. (1993) gave recommendations to this effect during the early 1990s—the need for a sustained revival of economic growth to increase incomes for the majority, and at the same time the need to undertake fiscal reforms to increase government spending for social services, safety nets, and the necessary infrastructure for the operation of markets. More recently, Medalla (2007) reiterates the need for government to push the economy toward a significantly higher and sustained growth trajectory for poverty to be reduced.

## Asset and Capacity Build up

Households will be able to respond to economic growth and job opportunities if they have adequate human and physical capital. Typically, the right kind of education provides the necessary skills for the population to be able to obtain jobs available in an expanding economy. The lack of such skills will trap an individual in unemployment or a low quality job. With a mismatch between demand and supply for labor, unemployment and poverty might not be reduced.

Health and nutrition also play critical roles in ensuring the productivity of workers and studies have also shown the importance of illness to poverty descents (Narayan and Petesh 2007). Together these findings point to the relevance of helping poor people access health care, social services, and life insurance. Therefore, any poverty reduction strategy should require the build up of essential assets that include but go beyond income. Access to these assets helps reduce vulnerability and keep people out of poverty. ADB (2005) identifies these five essential assets:

- human capital (health and education);
- physical capital (water, housing, and infrastructure);
- natural capital (land, environment);
- financial capital (access to credit); and
- social capital (networks).

Another type of response to increased economic activity is the need for entrepreneurship, where people are able to combine the assets mentioned above and offer products and services for sale in a market. This would require them to be “connected” or have access to important physical infrastructure (roads, transportation, telecommunications, energy, water); physical capital (equipment, machines, buildings); and resources (land, credit) to effectively participate in the expansion of markets and benefit from them.

## Risk Protection

People exist in a milieu where there are risks and shocks that can affect their livelihoods and jeopardize their participation in the labor market and the economy in general. Specific examples include the impact of disease or sickness on one’s work and income, the effect of a disaster on one’s physical capital, or the instability produced by an ongoing conflict escalation. While a person’s stock of assets may be able to cushion such shocks or the occurrence of risks, these may not be enough. Many people do not possess such assets, and thus their situation may become worse in the event of a negative shock. There is a need for a responsive and adequate system of social protection, safety nets, and insurance.

## Voice and Empowerment

People are not only excluded in society because of their income status but also because they belong to a certain group, sex, or tribe. Economic and social discrimination heighten inequality and promote marginalization for these groups. Economic opportunities are also shaped by the rules, norms, and values that make up the institutional climate; by social structures; and by the possibilities for exercising individual and collective agency.

Government may respond better to the demands of disadvantaged groups if the latter is organized and strong or if the government itself has set up mechanisms where citizens can articulate their needs. Without being able to ascertain such

needs, government cannot adequately respond in terms of programs and projects for these marginalized groups. For example, most workers in the developing world are in the informal economy, while the attention of policy makers and the design of safety nets are most often focused on the small share of the labor force with formal jobs. Workers in the informal sectors do not have strong organizations to represent themselves. There is a need for strengthening communities and people’s organizations of poor and marginalized sectors and for establishing and/or strengthening mechanisms for their participation in the design and implementation of programs and policies.

## Governance and Institutions

How state institutions, both national and local, operate in the political and economic milieu will greatly affect the prospect of reducing poverty. Medalla (2007) claims that the difficulty in attaining a high growth trajectory is due to poor governance and weak institutions. An illegitimate state or one that is not recognized by the majority is prone to instability.<sup>1</sup> It is also shown that the dominance of political dynasties, especially at the local level, is highly associated with corruption, and thus leakage from poverty programs and projects may increase (Campos and Hellman 2005).

Most of the factors that affect poverty reduction need effective governance by national agencies in charge of human capital formation (e.g., Department of Education, Department of Health, Department of Social Welfare and Development). Aside from direct poverty reduction programs and projects, government must be able to efficiently manage the macroeconomy so that it will be suitable for sustained economic growth. This will require effective fiscal management to raise revenues<sup>2</sup> for social services and poverty reduction and good monetary management to maintain price stability. In addition to this, the state must be able to establish the rule of law and secure property rights to attract both domestic and foreign investments. In many economic and social endeavors, the state acts as the key planner, coordinator, and facilitator.

<sup>1</sup> A regime not duly elected by the people and able to assume office because of a power grab (coup d’etat) or through election fraud.

<sup>2</sup> Again corruption constrains the collection of tax revenues.

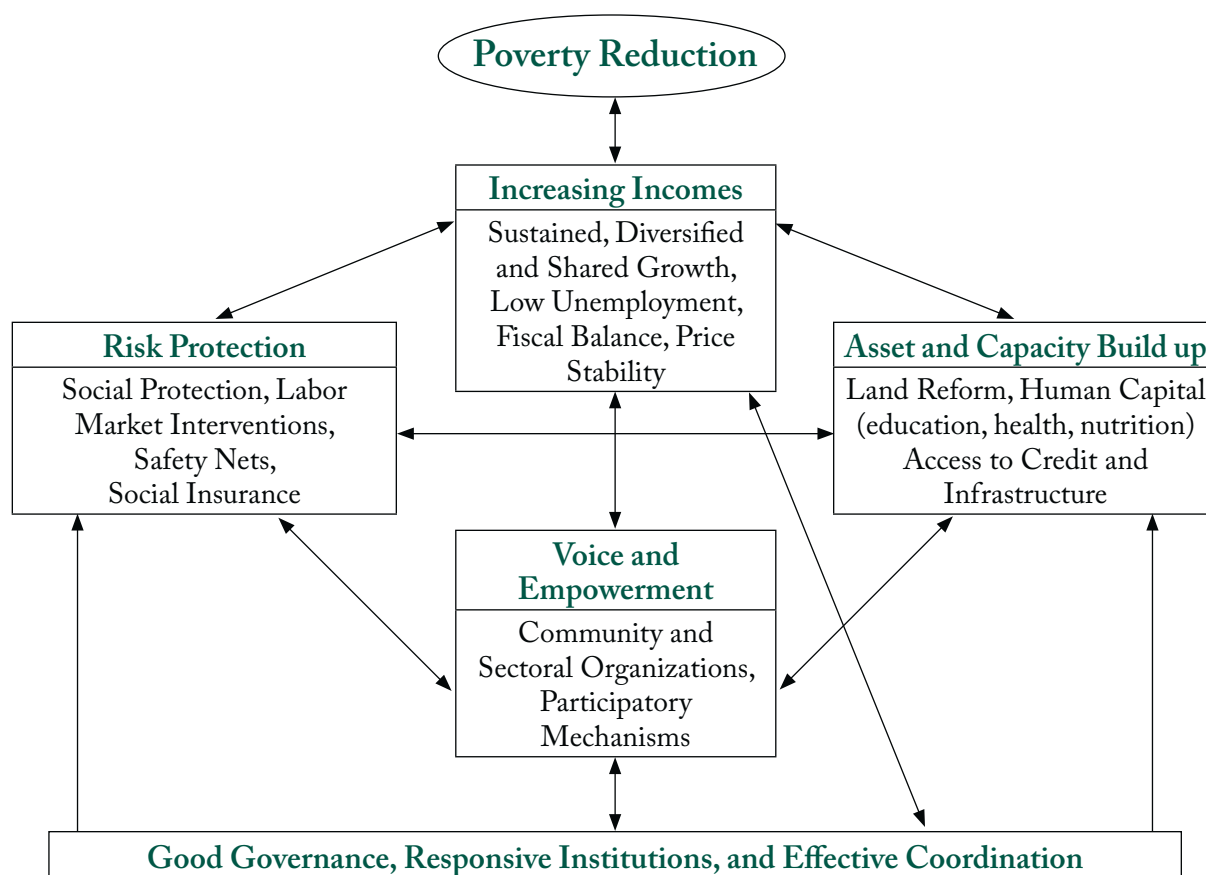
Networking and complementary action among various stakeholders (including private and civil society sectors) and institutions will be required for successful programs. These include inter-agency cooperation, national–local linkages, and multistakeholder initiatives.

## Dual Causality between Poverty Reduction and Economic Growth

The relationship between growth and poverty reduction is two way. Often, what is thoroughly

dissected is the impact of growth on poverty. However, it must also be emphasized that in many developing country contexts, poverty and inequality can constrain growth and lead to poverty traps, and are therefore equally important. A critical implication is that poverty cannot be a simple sectoral concern—it needs urgent collective attention. It is a social problem and everyone in society is accountable for its solution. Once solved, everyone benefits, including the nonpoor. If government action is delayed, the trap may become deeper and inescapable. On the positive side, reduced poverty might lead to a virtuous cycle of economic growth and higher levels of human development.

**Figure A1.1: Analytical Framework for Poverty Reduction**



Source: Author.

## APPENDIX 2

### Poverty Incidence Among Population: Balisacan Estimates vis-à-vis National Statistical Coordination Board

Year	NSCB		Balisacan	Difference	
	(1992)	(2003)		(1992)	(2003)
1985	44.2		40.9	3.3	
1988	40.2		34.4	5.8	
1991	39.9		34.3	5.6	
1994	35.5		32.1	3.4	
1997	31.8		25.0	6.8	
2000	33.7	33.0	27.5	6.2	5.5
2003		30.0	26.1		3.9
2006		32.9	28.1		4.8

Source: National Statistical Coordination Board, Balisacan (2003b).

By construction, the official methodology uses poverty lines that are not quite consistent; that is, the standard of living implied by the poverty lines varies for each of the regions as well as over time. In contrast, Balisacan (2003b) uses poverty lines that are fixed for various subpopulation groups

and periods in terms of the level of living they imply. Moreover, he uses expenditure per capita as a proxy measure for individual welfare, while the official methodology uses income per capita as the relevant indicator.



## APPENDIX 3

### Annual Per Capita Food Thresholds, Subsistence Incidence, and Magnitude of Subsistence of Poor Population: 2000, 2003, and 2006

Region/Province	Annual Per Capita Food Threshold (pesos)			Subsistence Incidence Among the Population (%)			Magnitude of Subsistence Poor Population		
	2000	2003	2006	Estimates			Estimates		
				2000	2003	2006	2000	2003	2006
PHILIPPINES	7,707	8,149	10,025	15.8	13.5	14.6	12,200,041	10,751,883	12,227,312
Region I	8,552	8,898	10,608	15.2	11.2	11.8	627,524	469,733	527,014
Region II	7,560	8,010	9,346	11.8	7.6	8.9	318,266	204,177	250,235
Region III	8,764	9,347	10,897	5.5	4.1	4.6	436,961	361,040	422,138
Region IV-A	8,783	9,224	10,781	6.5	4.7	5.7	582,248	482,177	601,999
Region IV-B	8,078	8,328	9,781	24.1	23.0	26.2	548,806	556,010	695,421
Region V	8,047	8,379	10,174	29.3	26.6	25.5	1,416,821	1,278,526	1,318,175
Region VI	7,983	8,384	9,962	23.1	17.8	16.9	1,436,703	1,075,621	1,094,201
Region VII	6,759	7,016	9,502	20.7	14.5	18.2	1,153,790	847,167	1,138,576
Region VIII	7,080	7,689	9,671	24.8	20.8	25.7	906,085	783,762	1,029,295
Region IX	6,574	7,244	9,406	25.8	32.7	29.2	723,122	947,462	905,294
Region X	7,296	7,995	9,757	23.8	25.2	25.0	859,049	897,663	963,760
Region XI	7,087	7,856	10,283	16.7	18.0	18.9	618,519	698,790	748,399
Region XII	7,235	7,807	9,702	22.6	18.4	18.9	769,780	633,489	687,096
CAR	8,744	9,141	10,837	17.9	14.1	16.9	255,524	194,386	248,476
ARMM	8,313	8,730	10,318	28.5	23.6	27.5	786,595	614,285	790,381
Caraga	7,667	8,361	10,342	30.7	30.9	30.3	645,100	635,781	674,306

ARMM = Autonomous Region in Muslim Mindanao, CAR = Cordillera Administrative Region.  
Source: Family Income and Expenditure Survey.

## APPENDIX 4

### List of Variables for Regression on Poverty Correlates

Variable	Description	Remarks
<b>Dependent</b>		
hpovstat (Logit)	poverty status (based on income)	1 if nonpoor; 0 if poor
<b>Independent</b>		
<i>Ownership</i>		
hwtv	ownership of television set	1 if own; 0 otherwise
hvwvs	ownership of VHS/VCD/DVD player	
hwref	ownership of refrigerator	
hwwash	ownership of washing machine	
hwaircon	ownership of air conditioner	
hwvehicle	ownership of car/jeep/motorcycle/ other vehicle	
hwphone	ownership of telephone	
hwcomputer	ownership of computer	
hwoven	ownership of microwave oven	
<i>Access</i>		
htoilet	access to sanitary toilet facilities	1 if with access; 0 otherwise
hwater	access to safe water supply	
helec	access to electricity	
hfinance	access to financial market	
<i>Housing Attributes</i>		
hmkshft	housing type	1 if not living in makeshift housing; 0 otherwise
hsquat	housing tenure	1 if not living as informal settler/squatter; 0 otherwise
<i>Location</i>		
hurb	urban/rural	1 if urban; 0 if rural
<i>Household Profile</i>		
hsize	household size	average number of household members during the first and second visits
dep_ratio	dependency ratio	number of dependents (members aged below 15) <sup>a</sup> over total number of household members
<i>Household Head Profile</i>		
age	age	as of last birthday, in years
sex	sex	1 if male; 0 if female
educ	highest educational attainment	0, if no grade completed; 1, if elementary undergraduate; 2, if elementary graduate; 3, if high school undergraduate; 4, if high school graduate; 5, if college undergraduate; 6, if at least college graduate; 7, if post graduate
hnagri	sector of job/business	1 if nonagriculture; 0 if agriculture
hjob (alternate with hnagri)	job/business indicator	1 if with job/business; 0 otherwise

<sup>a</sup> Should have included members aged 65 and over if available. Family Income and Expenditure Survey data set has this variable.

Source: Author.

## APPENDIX 5

Top and Bottom 10 Provinces, Human Development Index 2003							
Top 10	Index	Per Capita Income Rank Minus HDI		Bottom 10	Index	Per Capita Income Rank Minus HDI	
		Rank	Rank			Rank	
Benguet	0.738	1		Lanao del Sur	0.480	(20)	
Laguna	0.717	1		Eastern Samar	0.474	(15)	
Batanes	0.711	1		Western Samar	0.469	(26)	
Rizal	0.708	3		Sarangani	0.448	0	
Cavite	0.704	1		Zamboanga del Norte	0.446	1	
Nueva Vizcaya	0.686	(5)		Masbate	0.442	(1)	
Pampanga	0.685	1		Basilan	0.409	1	
Bataan	0.679	1		Tawi-Tawi	0.364	1	
Bulacan	0.663	5		Maguindanao	0.360	(2)	
Ilocos Norte	0.659	2		Sulu	0.301	0	

( ) = negative number, HDI = human development index.  
 Note: Metro Manila: 0.793.  
 Source: Philippine Human Development Report 2005.

## APPENDIX 6

<b>Self-rated Poverty: Households Who Are Poor (<i>Mahirap</i>): Philippines</b>											
Month/ Year	SRP (%)	Official Poverty (%)	Month/ Year	SRP (%)	Official Poverty (%)	Month/ Year	SRP (%)	Official Poverty (%)	Month/ Year	SRP (%)	Official Poverty (%)
<b>MARCOS</b>			<b>RAMOS (cont)</b>			<b>ESTRADA</b>			<b>ARROYO (cont)</b>		
Apr 83	55		Jul 93	59		Jul 98	61		Jun 03	53	24
Jun 85		44	Sep 93	68		Sep 98	65		Sep 03	62	
Jul 85	74		Dec 93	68		Nov 98	59		Nov 03	64	
<b>AQUINO</b>			Apr 94	70		Mar 99	62		Mar 04	58	
May 86	66		Jun 94		36	Jun 99	60		Jun 04	46	
Oct 86	67		Aug 94	67		Oct 99	63		Aug 04	53	
Mar 87	43		Nov 94	68		Dec 99	59		Dec 04	48	
Oct 87	51		Dec 94	68		Mar 00	59		Mar 05	48	
Jun 88		40	Mar 95	63		Apr 00	60		May 05	57	
Sep 88	66		Jun 95	66		Jun 00		28	Aug 05	49	
Feb 89	63		Oct 95	62		Jul 00	54		Dec 05	57	
Sep 89	60		Dec 95	61		Sep 00	57		Mar 06	55	
Apr 90	66		Apr 96	59		Dec 00	56		Jun 06	59	27
Nov 90	70		Jun 96	57		<b>ARROYO</b>			Sep 06	51	
Jun 91		40	Sep 96	58		Mar 01	59		Nov 06	52	
Jul 91	71		Dec 96	61		Jul 01	66		Feb 07	53	
Nov 91	62		Apr 97	58		Sep 01	63		Jun 07	47	
Feb 92	72		Jun 97	58	33	Nov 01	60		Sep 07	52	
Apr 92	68		Sep 97	58		Mar 02	58		Dec 07	46	
<b>RAMOS</b>			Dec 97	63		May 02	66		Mar 08	50	
Sep 92	65		Feb 98	57		Sep 02	66		Jun 08	59	
Dec 92	58		Mar 98	64		Nov 02	61		Sep 08	52	
Apr 93	65		Apr 98	60		Mar 03	59		Dec 08	52	

SRP = self-rated poverty.

Source: Social Weather Stations, December 2008.

## APPENDIX 7

Degree of Hunger in Households, Philippines: July 1998 to December 2008 (%)							
Date	Total	Moderate	Severe	Date	Total	Moderate	Severe
July 98	8.9	5.7	3.2	Mar 04	7.4	4.6	2.8
Sep 98	9.7	6.0	3.7	Jun 04	13.0	9.2	3.7
Nov 98	14.5	9.2	5.3	Aug 04	15.1	11.8	3.3
Mar 99	7.7	5.0	2.7	Dec 04	11.5	9.1	2.2
Jun 99	8.1	5.4	2.7	Mar 05	13.0	10.4	2.5
Oct 99	6.5	5.1	1.5	May 05	12.0	9.2	2.9
Dec 99	11.0	7.6	3.4	Aug 05	15.5	12.9	2.6
Mar 00	10.5	4.9	5.4	Dec 05	16.7	12.8	3.9
Jul 00	11.2	6.3	5.0	Mar 06	16.9	12.7	4.2
Sep 00	8.8	5.0	3.8	Jun 06	13.9	10.1	3.4
Dec 00	12.7	8.5	4.2	Sep 06	16.9	12.3	4.6
Mar 01	16.1	10.1	6.0	Nov 06	19.0	15.1	3.9
July 01	9.8	6.1	3.7	Feb 07	19.0	15.0	4.0
Sep 01	9.3	5.7	3.6	Jun 07	14.7	12.5	2.2
Nov 01	10.4	7.1	3.3	Sep 07	21.5	17.4	4.1
Mar 02	11.1	7.5	3.6	Dec 07	16.2	12.9	3.3
May 02	11.5	8.4	3.1	Mar 08	15.7	12.5	3.2
Sep 02	8.8	7.3	1.6	Jun 08	16.3	12.1	4.2
Nov 02	9.0	7.3	1.7	Sep 08	18.4	15.2	3.2
Mar 03	6.7	5.9	0.8	Dec 08	23.7	18.5	5.2
Jun 03	6.6	5.1	1.5	<b>AVERAGE</b>			
Sep 03	5.1	4.0	1.2	<b>HUNGER</b>			
Nov 03	9.4	6.8	2.6	<b>(Jul 08—</b>	<b>12.6</b>	<b>9.2</b>	<b>3.3</b>
				<b>Dec 08)</b>			

Source: Social Weather Stations, December 2008.

## APPENDIX 8

<b>Headcount Indexes: Percentage of Population Living Below the Asian Poverty Line Versus \$1.08 a Day and \$1.25 a Day (%)</b>								
Country	<b>\$1.08 at 1993 PPP</b>				<b>\$1.25 at 2005 PPP</b>			
	Headcount Index (%)		Number of Poor (millions)		Headcount Index (%)		Number of Poor (millions)	
	1990	2005	1990	2005	1990	2005	1990	2005
<b>Central Asia</b>								
Pakistan	47.8	10.2	51.6	15.9	58.47	22.59	63.15	35.19
<b>East Asia</b>								
People's Republic of China	32.5	7.1	369.5	92.6	60.2	15.9	683.1	207.7
Mongolia	28.0	10.5	0.6	0.3	34.9	22.4	0.7	0.6
<b>South Asia</b>								
Bangladesh	34.0	36.0	38.4	55.2	49.9	50.5	56.4	77.4
India	42.1	35.0	357.4	383.1	51.3	41.6	435.5	455.8
Nepal	44.1	26.0	8.4	7.0	77.0	54.7	14.7	14.8
Sri Lanka	3.8	2.0	0.6	0.4	15.0	10.3	2.6	2.0
<b>South East Asia</b>								
Cambodia	46.0	12.7	4.5	1.8	77.3	40.2	7.5	5.6
Indonesia	20.5	7.4	36.5	16.3	54.3	21.4	96.7	47.3
Lao PDR	52.7	21.4	2.2	1.2	65.9	35.7	2.7	2.0
Malaysia	0.6	0.0	0.1	0.0	1.9	0.5	0.3	0.1
Philippines	19.7	10.9	12.1	9.2	29.7	22.6	18.2	19.1
Thailand	10.1	0.0	5.5	0.0	9.4	0.4	5.1	0.3
Viet Nam	50.7	6.5	33.5	5.4	34.2	22.8	22.6	19.0
<b>Total Developing Asia (based on 14 countries)</b>	<b>34.9</b>	<b>18.1</b>	<b>920.9</b>	<b>588.4</b>	<b>53.5</b>	<b>27.3</b>	<b>1,409.3</b>	<b>886.9</b>
<b>Total Developing Asia (based on 25 countries)</b>					<b>52.3</b>	<b>27.1</b>	<b>1,416.0</b>	<b>903.4</b>

Lao PDR = Lao People's Democratic Republic, PPP = purchasing power parity.  
Source: ADB staff estimates, 2009.



## APPENDIX 9

Poverty Incidence by Highest Educational Attainment of Household Head							
Highest Educational Attainment of Household Head	Frequency			Dist'n	Percentage		
	Poor	Nonpoor	Total		Poor	Nonpoor	Total
No grade completed	256,649	219,452	476,102	5.67	53.91	46.09	100.00
Elementary undergraduate	1,648,167	2,152,860	3,801,027	36.39	43.36	56.64	100.00
Elementary graduate	1,148,827	2,119,744	3,268,571	25.36	36.15	63.85	100.00
High school undergraduate	632,724	1,499,189	2,131,913	13.97	29.68	70.32	100.00
High school graduate	649,449	3,095,055	3,744,503	14.34	17.34	82.66	100.00
College undergraduate	165,449	1,861,106	2,026,555	3.65	8.16	91.84	100.00
College graduate	28,323	1,754,642	1,782,965	0.63	1.61	98.39	100.00
Post graduate	0	33,459	33,450	0.00	0.00	100.00	100.00
<b>Total</b>	<b>4,529,587</b>	<b>12,735,507</b>	<b>17,265,094</b>	<b>100.00</b>	<b>27.20</b>	<b>72.80</b>	<b>100.00</b>

Source: National Statistics Office 2006 Family Income and Expenditure Survey public use files; estimates by the author.

## APPENDIX 10

Impediments to Investments in Agriculture and Agribusiness		
Factor	Details	Nature
Lack of access to public lands	• 60:40 domestic ownership (Section 2, Chapter XII of the Constitution)	P
	• 25 + 25 years of lease (Section 2, Chapter XII of the Constitution)	P
	• Tenurial instruments limit on crop mix	P
	• Frequent changes in forestry policies	P
Lack of access to private lands	CARP provisions on:	
	• Land ownership ceiling	P
	• Transferability and holding period	P
	• Uncertainties of slow CARP implementation	I
	• Effects of the above on land consolidation and collateral value of agricultural lands	I, P
• Construction and maintenance of access infrastructure	I	
Inadequate infrastructure	• Availability of production infrastructure: irrigation, water supply, and reliable power	I
	• Quality of infrastructure (related to regular and periodic maintenance)	I
Local governance weaknesses	• Limited development outlook of LGU officials	C
	• Misuse of IRA	G
	• Lack of cost sharing by LGU in infrastructure and agriculture projects	I
	• The need for continuity of local policies in spite of frequent elections	I
	• Limited supply of loans for long gestating projects	M
Limited access to long-term financing	• Lack of appropriate provisions on grace and repayment periods	M
	• No capitalization of interest during the crop gestation period	M
Limited access to technology	• Lack of funds for research and development	M
	• Insufficient access to technology information	I
	• Lack of skills to evaluate alternative technologies and to adopt new technologies	C
	• Entrepreneurial inertia (lack of perceived need for technology)	C
	• Difficulty in meeting government requirements to avail of technical assistance	C
	• Inadequate mechanisms for technology transfer from abroad	P
Limited access to raw materials	• Inaccessibility of raw materials due to poor transport and communication infrastructure	I
	• Increased cost of raw materials due to government policies (e.g., high tariffs on protected agricultural products like sugar)	P
	• Instability and/or unreliability of raw material supplies due to household/backyard production structure	M

*continued on next page*

Impediments to Investments in Agriculture and Agribusiness (*continued*)

Factor	Details	Nature
Lack of global market access	• Nontariff barriers on export of banana and pineapples to some countries	E
	• Discriminatory tariffs on export of canned tuna to European Union	E
	• Lack of bilateral fishing rights to support domestic tuna industry (Kiribati, Federated States of Micronesia, Palau, and Papua New Guinea—all Pacific countries)	E C
	• Inability to respond to increased volume demands (e.g., individualism and unwillingness to team up with competitors)	I
	• Lack of quality standardization arising from lack of systems and institutions for assessing and maintaining quality standards	
Unstable peace (law and order)	• Perceived risk to life and property	I
	• Theft of agriculture produce and inputs	I
	• Tolerance of local officials for lawless elements	G
Widespread corruption	• Irregular payments to various government agencies	G
Weak enforcement of contracts and laws	• Favoritism in decisions of government officials	G
	• Judicial interference	G
	• Weak enforcement of property rights	I
	• Organized crime	I,G

C = weak capacity (on the part of either government or private enterprise), CARP = Comprehensive Agrarian Reform Program, E = external factors (e.g., policies of trading partners), G = weak governance/corruption, I = implementation weaknesses, IRA = Internal Revenue Allotment, LGU = local government unit, M = market realities, P = government policies.  
Source: Habito and Briones (2005).

## APPENDIX 11

Gini Coefficients and Ratio of Expenditures to Incomes of Top 20% to Bottom 20% of Income Group			
Country	Latest Year	Gini Coefficient	Top 20% : Bottom 20%
Cambodia	2004	38.05	7.04
Indonesia	2002	34.30	5.13
Lao PDR	2002	34.68	5.40
Malaysia	2004	40.33	7.70
Philippines	2003	43.97	9.11
Thailand	2002	41.96	7.72
Viet Nam	2004	37.08	6.24

Lao PDR = Lao People's Democratic Republic.  
Source: ADB *Key Indicators 2007*.

## APPENDIX 12

# Current Government Poverty and Poverty Related Programs

## Flagship Poverty Programs

### Pantawid Pamilyang Pilipino Program (4Ps)

#### CONDITIONAL CASH TRANSFERS (CCTS)

The 4Ps is a CCT program aimed at addressing poverty and supporting improved health and education outcomes of poor children and pregnant women. The 4Ps provides cash grants to poor households subject to their meeting certain conditions in health and education. These conditions include parents ensuring that their children attend school at least 85% of the time and receive vaccinations and health care.<sup>3</sup>

CCT programs implemented in some Latin American countries have been touted as relatively successful (e.g., Bolsa de Familia in Brazil and Oportunidades in Mexico).

Since the implementation of CCT in the Philippines, self-rated poverty and hunger incidence has decreased as recorded by the Social Weather Stations in areas where it was implemented.

### Asset Reforms

Agrarian reform has proven to be an effective tool for poverty reduction as confirmed by several evaluation studies (e.g., Reyes 2002, Balisacan 2007b, and others). These studies found that agrarian reform has following impacts:

- significant increase in numbers of owner-cultivators;
- lower incidence of owner non-cultivators;
- agrarian reform beneficiaries (ARBs) invest more in on-farm assets compared with non-ARBs;
- ARBs have better perceptions of their economic and social conditions and are more optimistic about their future;

- between 1990 and 2000, poverty incidence among ARBs declined from 47.6% to 45.2%, while it increased among non-ARBs from 55.1% to 56.4%; and
- agrarian reform contributed to the reduction of social conflicts and promoted peace and order in the areas studied.

While the intention was that inequitable land distribution would be corrected through the full implementation of the Comprehensive Agrarian Reform Program (CARP), delays plagued its implementation. In Phase I of land redistribution, about 1 million hectares including rice and corn lands, idle lands, and certain agricultural lands held by the government were transferred to private owners. Phase II implemented only 23% of the targeted 7.66 million hectares, including other public agricultural lands and all private agricultural holdings in excess of 50 hectares. The third and final phase of the program (5 to 50 hectares of private lands) is yet to be fully implemented but the possible extension of the program has been stalled in Congress.

Table A12.1 shows the net satisfaction ratings in the Philippine Asset Reform Report Card by the Philippine Partnership for the Development of Human Resources in Rural Areas (PhilDHRRA).

Two main conclusions emerged from the PhilDHRRA study that released the above findings. First, various asset reforms have been positive and beneficial and the bulk of beneficiaries positively indicated attaining better lives with asset reform. Second, effective asset reform ultimately hinges on good governance and political will. Governance weaknesses, including weak coordination, overlapping mandates, conflicting laws, lack of clear accountability, and poor interagency communication have been the typical hurdles to more expeditious conduct of various processes and the delivery of services.

<sup>3</sup> Information in this appendix was gathered mostly from the websites of concerned agencies.

**Table A12.1 PhilDHRRRA Asset Reform Report Card**  
(%)

Category	Agrarian Reform	Ancestral Domain	Fisheries	Socialized Housing
Satisfied with the process of securing tenurial arrangement	55.6	48.2	28.3	56.0
Satisfied with basic support and services	35.2	44.4	18.5	26.0
Felt better off now than before the issuance of tenurial instrument	80.9	69.4	56.5	75.0

PhilDHRRRA: Philippines Partnership for the Development of Human Resources in Rural Areas.  
Source: PhilDHRRRA, May 2008.

Overall, the report asserts that asset reform processes have been slow, reflecting a need for deliberate efforts by the government to expedite processes to be more responsive to targeted beneficiaries. An example is the delay in individual titling of distributed land.<sup>4</sup> In processes that involve more than one agency, difficulty in interagency coordination, including duplication of certain tasks, was a common reason for undue process delays.

In some cases, problems arise due to conflicting provisions of various laws. For example, certain provisions of the mining code directly conflicted with provisions of the Indigenous People's Rights Act (IPRA), which led to time-consuming stalemates in the required processes for dealing with ancestral domains. The PhilDHRRRA report also found support services to be highly deficient, indicating great potential for expanding the benefits from the government's asset reform programs.

### Community Mortgage Program

The Community Mortgage Program (CMP) is a highly innovative program for the urban poor and regarded by many nongovernment organizations (NGOs) as a model. From 1989 to 2003, the CMP has financed 1,109 projects nationwide, benefiting 138,871 households. The total loan released in mortgage take-out amounted to P4.3 billion and the average loan size per household is about P30,000. The overall collection efficiency ratio of the CMP was 80.2% at the end 2002, but the general pattern shows repayments below 80% in most years and the program has

yet to achieve the minimum ratio of 85% to be sustainable (Ballesteros and Vertido 2004). In 2004, the government created the Social Housing Finance Corporation to be the agency mandated to implement the community mortgage program. CMP marked its 20th year of operation in 2008. With around P7.4 billion worth of loans made available to organized urban poor communities, CMP has helped provide security of tenure to 202,088 families (Karaos and Nicolas 2009). However, the key issues that continually hound the program are insufficient funding requirements, delays in the processing of CMP projects, the need to establish and strengthen collective action and joint liability in CMP community organizations, and the need to resolve land issues in group lending for housing.

### Community-Driven Development (the KALAHÍ-CIDSS)

The Kapit-Bisig Laban sa Kahirapan Comprehensive and Integrated Delivery of Social Services Project (KALAHÍ-CIDSS) is a community-driven development project that aims to empower communities through their enhanced participation in projects that reduce poverty. It strengthens community participation in local governance and develops local capacity to design, implement, and manage development activities. Community grants are used to support the building of low-cost, productive infrastructure such as roads, water systems, clinics, and schools.

The KALAHÍ-CIDSS implementation experience confirms that the most important risk

<sup>4</sup> This is highlighted by Balisacan (2009) as a great disincentive for further investments.

management strategies are strong supervision, structured learning, and the flexibility to adjust actions to fit experience. Despite its success, the project achievements need to be strengthened and sustained over time. This is being done through strict adherence to project rules, strengthening stakeholder networks, ongoing constituency-building efforts, and continuous impact assessment.

The project has achieved efficient local-resource mobilization demonstrated by the high counterpart funding of villagers and their local governments. KALAHY-CIDSS has trained thousands of residents in project planning, technical design, and financial management and procurement, providing a core of potential leaders at the local level and provided villagers with structured opportunities for accessing information, expressing their opinions, and influencing local governance.<sup>5</sup>

KALAHY-CIDSS proves that a state agency can coordinate and mobilize other public institutions and different stakeholders in the fight against poverty both nationally and locally. The project also has carefully targeted localities using criteria developed with empirical support and perceived by many as successful. An evaluation of the program's economic effects concluded that it is beneficial with an internal rate of return of 21%, which clears the hurdle for economically justifiable investments placed by the National Economic and Development Authority. It found that unit costs under KALAHY-CIDSS are lower than those of comparable projects and that the capacity building and participatory processes have been beneficial to the program.

On income and other economic welfare measures, an evaluation conducted by the Asia Pacific Policy Center (APPC) shows that results are mixed. The "treatment municipalities" were not consistently better off than their control municipality counterparts. In cases where the gains are significantly higher for the "treatment municipalities," the benefits were perceived to have occurred due to the projects that were supported by the program (basic infrastructure and essential community services), not from empowerment and participation in governance. However, its study clarified that it might be too early in the project implementation to verify such linkage.

<sup>5</sup> KALAHY-CIDSS website.

## Education: Reforming Basic Education through Decentralization

The Basic Education Sector Reform Agenda (BESRA) is a package of policy reforms aimed at systematically improving the institutional, structural, financial, cultural, physical, and informational conditions affecting basic education provision, access, and delivery. The policy actions comprising the BESRA seek to create a basic education sector that is capable of attaining the country's Education for All objectives by 2015. In summary, these objectives are as follows:

- **Universal coverage of out-of-school youths and adults in the provision of basic learning needs:** All persons beyond school age, regardless of their levels of schooling, should acquire the essential competence to be considered functionally literate in their native tongue, in Filipino, or in English.
- **Universal school participation and elimination of dropouts and repetition in the first three grades:** All children aged six should enter school ready to learn and prepared to achieve the required competencies for grades 1 to 3.
- **Universal completion of the full cycle of basic education schooling with satisfactory achievement levels by all at every grade or year:** All children aged 6 to 11 should be on track to complete elementary schooling with satisfactory achievement at every grade, and all children aged 12 to 15 should be on track to complete secondary schooling with similarly satisfactory achievement.
- **Total community commitment to attaining basic education competencies for all:** every community should mobilize all its social, political, cultural, and economic resources and capabilities to support the universal attainment of basic education competencies in Filipino and English. In order for the basic education sector to achieve the desired educational outcomes for all Filipinos, the BESRA focuses on specific policy actions within the following five key reform thrusts:
  - School level stakeholders improve their own schools continuously.



- Teachers raise the prevailing standards of their profession to meet demands for better learning outcomes.
- Influential social institutions and key social processes are engaged by the Department of Education (DepED) to support national attainment of desired learning outcomes.
- Providers of early childhood care, development, and alternative learning systems, as well as the private sector, increase their complementary contributions to national basic education outcomes.
- The DepED changes its own institutional culture toward greater responsiveness to the key reform thrusts of BESRA.

The focus on basic education reform at the local level is a step in the right direction, as BESRA hopes to invigorate the large network of public schools with measures such as decentralization, quality assurance, performance-oriented resource mobilization, instructional innovations, and supportive social structures (Taguiwalo 2008). Improved basic education outcomes can be best achieved at the local level, especially if the communities themselves take on the task of meeting them. Public schools are part of the local setting, and educational outcomes must come from a collective effort of the various stakeholders in the community. Taguiwalo (2008) also proposes that the DepED consider the linkages of early childhood care and development efforts, including basic health and nutrition of children from pregnancy to school age with school-based instruction. The reforms must include a more holistic and integrated approach to local governments in the sense that basic education must be delivered in tandem with providers of health care and nutrition to mothers and children; teachers; and other institutions of learning such as churches, media, local enterprises.

### **FOURmula ONE for Health: Strengthening Local Health Services**

In 2005, the Department of Health (DOH) embarked on an implementation framework for health sector reform labeled FOURmula ONE for Health. It is designed to undertake critical

reforms with speed, precision, and effective coordination, with the end goal of improving the efficiency, effectiveness, and equity of the health system. FOURmula ONE for Health intends to implement critical interventions as a single package, backed by effective management infrastructure and financing arrangements and following a sectorwide approach. This implies that the management perspective covers the entire health sector, and that financing portfolio management encompasses all sources.

The four elements of the strategy are

- Health financing—The goal of this reform area is to foster greater, better, and sustainable investments in health. The Philippine Health Insurance Corporation, and the DOH will lead this component jointly.
- Health regulation—The goal is to ensure the quality and affordability of health goods and services.
- Health service delivery—The goal is to improve and ensure the accessibility and availability of essential health care in both public and private facilities and services.
- Good governance—The goal is to enhance health system performance at the national and local levels.

A key feature of the FOURmula ONE for Health implementation strategy is the engagement of the National Health Insurance Program (NHIP) as the main lever to effect desired changes and outcomes in each of the four implementation components:

- financing, as it reduces the financial burden placed on Filipinos by health care costs;
- governance, as it is a prudent purchaser of health care, thereby influencing the health care market and related institutions;
- regulation, as the NHIP's role in accreditation and payments based on quality acts as a driver for improved performance in the health sector; and
- service delivery, as the NHIP demands fair compensation for the costs of providing essential health goods and services.

The program focuses on improved delivery and performance of local health services. Because so many local expenditures are related to health,



LGUs must learn to better manage health objectives and promote complementation with the private sector. It may also be more efficient and effective if the reforms pay more attention to improving the quality of inter-LGU coordination against health risks shared by neighboring communities (Taguiwalo 2008). Reforms must also be able to address the availability of quality human resources in the local health systems (e.g., local health officers), as there is increased migration of nurses and doctors. The reforms must also be able to catalyze greater private sector participation and engagement in local health systems. Like the DepEd reforms, health reforms must be done in conjunction with improvements in water, sanitation, housing, and urban planning. Also, the expansion and strengthening of PhilHealth as social insurance for all poor households must be an important part of the reforms.

### **Accelerated Hunger Mitigation Program—Food for School Program and Tindahan Natin**

The Accelerated Hunger Mitigation Program aims to intervene in both the supply side (production) of food and the demand side (the means of people to obtain sufficient food). The program's strategies on the supply side are the increased production of food and the enhancement of logistics and food delivery. Strategies for the demand side are generation of income and employment, promotion of good nutrition, and population management.

Many of the projects included in the program are already being implemented. For the supply side, there is the Food for School Program of the DOH, an immediate intervention that provides a daily ration of one kilo of rice to families of children in grade 1, preschool, and day care. In 2006, about 294,172 day care children and 609,252 grade 1 children benefited from the program. Another program is the Tindahan Natin project of the National Food Authority and the Department of Social Work and Development. A "tindahan" sells low-priced but good quality rice and noodles and can serve 250 families. As of December 2006, there were already 2,394 tindahans in operation, translating to 598,500 families served. There is also the Gulayan ng Masa, or backyard gardening, as well as the Barangay Food Terminal program

of the Department of Agriculture, both of which aim to provide alternative food sources. For the demand side, there are the emergency public work (workers from poor areas are hired to clean and maintain the country's roads and highways) and food for work programs of the Department of Public Works and Highways.

### **Responsible Parenthood and Natural Family Planning**

The DOH, in partnership with the LGUs, also has been promoting responsible parenthood to encourage family planning. Use of modern contraceptive methods thus increased to 36% in 2006 from 35.1% the previous year. Moreover, the Philippine Responsible Parenthood Program was revised to highlight natural family planning, breastfeeding, and birth spacing to aid the government's population program. It is implemented by the Population Commission in partnership with the local government units.

The programs are anchored on the following basic principles:

- Responsible parenthood. This means that each family has the right and duty to determine the desired number of children they might have and when they might have them. Beyond responsible parenthood is responsible parenting—the proper upbringing and education of children.
- Respect for life. The 1987 Constitution states that the government protects the sanctity of life. Abortion is not a recognized family planning method.
- Birth spacing. This refers to interval between pregnancies.
- Informed choice.

With the LGUs designated as the main actors in the government's contraceptive self-reliance strategy, they must be assisted in the transition to that role. However, current government programs have been limited to responsible parenthood and natural family planning programs, which limits the choice of both LGUs and households in managing population growth. What is important is how the DOH and the Population Commission effectively integrate family planning services (the whole range of choices) as an important and critical part of locally provided health care. It will also

be more effective to promote inter-LGU cooperation in the delivery of family planning services. At the national level, the passage of the Reproductive Health Bill will provide a viable framework for an effective response at the local levels.

## **Asset Reforms**

### **Comprehensive Agrarian Reform Program**

The Comprehensive Agrarian Reform Program (CARP) created through Republic Act 6657, also known as the Comprehensive Agrarian Reform Law of 1988, is a state policy that promotes the rights and welfare of landless Filipino farmers and farm workers, as well as social justice in pursuit of sound rural development and industrialization. It is established to help landless Filipino farmers directly or collectively own the lands they till or, in the case of farm workers, to have a share of the fruits harvested or produced.

The hope was that inequitable land distribution would be corrected through legislation. In 1987, CARP was implemented. In phase I of land redistribution, about 1 million hectares including rice and corn lands, idle lands, and certain agricultural lands held by government were transferred to private owners. Phase II implemented only 23% of the targeted 7.66 million hectares, including other public agricultural lands and all private agricultural holdings in excess of 50 hectares. The third and final phase of the program (5 to 50 hectares of private lands) is still to be implemented. The possible extension of the program has been stalled in Congress.

### **Community Mortgage Program in the Urban Areas**

The CMP uses an innovative system of mortgage financing whereby beneficiaries, through the concept of community ownership, may acquire a privately owned undivided tract of land. Financing through the CMP is intended primarily to assist residents of blighted or depressed areas or the urban poor.

The CMP, implemented by the Social Housing Finance Corporation, is a three-stage loan program: land purchase, site development, and house

construction or improvement. Depending on its present capacity and needs, the community association may avail itself of the CMP loan for all three stages or on a one-time basis. The maximum loan amount per beneficiary family is P120,000 for those located in Metro Manila and other highly urbanized areas, and up to P100,000 per family in other areas, repayable up to 25 years at 6% interest per year.

The program was started in August 1988 and began implementation in 1989. Since then, the CMP has granted a total of P6.4 billion in loans to secure the tenure of 182,800 informal settler families nationwide. It is the fruit of collaboration between community-based organizations, non-government organizations, and the government. Social organizations find land for sale on the private market, then develop their proposal and gain access to credit. NGOs have significantly contributed to the evolution of this program, which has benefited more than 90,000 families.

CMP is cost effective. Its loan collection efficiency as of July 1995 was 64%, which is much higher than other government loan programs.

CMP has shown that it is possible to give the informal sector access to formal housing finance systems. The program is financially viable and provides the urban poor with security of land tenure at an average cost of P21,000 loan per family. The program has also encouraged the urban poor to improve the quality of their homes and to develop their neighborhoods, usually through their own initiative and at their own expense. It has also shown the importance of supporting a collective approach to housing production—not just projects aimed at individual households extending collective credits to the community. Community management of individual household repayments reduces administrative costs and also improves repayment and strengthens the internal organization of the community.

### **The Indigenous People's Rights Act: Protecting Ancestral Domain**

The Indigenous People's Rights Act (IPRA) was signed into law on 29 October 1997 by then-President Ramos. It is the result of various consultations, consolidated bills related to ancestral domains and lands, and international agreements on the recognition of land and domain

rights of indigenous peoples. In general, IPRA seeks to recognize, promote, and protect the rights of indigenous peoples. These include

- the right to ancestral domain and lands;
- the right to self-governance and empowerment
- the right to social justice and human rights; and
- the right to cultural integrity.

A heavy focus on empowerment and upland development by the administration has made the Indigenous people major players and partners, with the government and international funding institutions promising to provide basic services on a need-driven basis. Local indigenous resources serve as the indigenous peoples' counterparts for facilitating the implementation of key programs and projects, while the LGUs assist by providing corresponding resources.

## Social Welfare Programs

### Social Welfare Services for Vulnerable Sectors

**Community and Center Based Services:** Preventive, rehabilitative and developmental programs and initiatives that respond to a problem, need, issue, or concern of children, youth, women, persons with disabilities, the elderly, and families who are in need and at risk both at the community level or center-based.

### Children and Youth

**Child Protective Services:** Preventive and rehabilitation services provided to children who are victims of abuse, neglect, or exploitation. These include provision of immediate intervention for children's early recovery and reintegration with their families.

**Therapy Services for Abused Children:** Therapeutic interventions and approaches provided to children to overcome the negative effects of abuse. These aim to maximize their potential for living a normal and productive life.

**Alternative Family Care:** Provides permanent or temporary family care arrangements for

children whose parents are temporarily or permanently unable to provide for their basic needs.

**Travel Clearance to Minors:** Issuance of clearance to a child under age 18 who is traveling alone or accompanied by somebody other than a parent. This aims to protect children from abuse, exploitation, and trafficking by ensuring they are traveling for a legitimate reason and with an authorized person.

**Special Social Services for Children in Armed Conflict:** Provision of a package of social services and interventions designed to protect and rehabilitate children affected directly or indirectly by armed conflict.

**Government Internship Program:** A program that gives youth the opportunity to participate in government service by giving them summer jobs. It is a program component of the Kabataan 2000 that aims to initiate youth to public service.

**Rehabilitation Services for Children in Conflict with the Law:** The Department of Social Welfare and Development provides a package of rehabilitation services through its residential care facilities such as the Regional Rehabilitation Center, the National Training School for Boys, and the National Training School for Girls (Marillac Hills) to enable children to improve their social functioning and reintegrate with their families and the community. Areas of service include psychosocial care, education, home life, diet and nutrition, health, recreation, and other cultural activities and spiritual enhancement.

### Women

**Services for Women in Especially Difficult Circumstances:** Provision of community-based residential care services to enable women to resolve their problems and prepare them for eventual return to their families and communities.

### Older Persons

**Neighborhood Support Services for Older Persons:** The community helps family members enhance ability to care for a sick, frail, or bedridden older person. This involves training volunteers who are willing to share their skills and serve as a resource on the proper care of older persons.

## Persons with Disabilities

**Sheltered Workshop for Persons with Disabilities:** A community-based facility that provides livelihood training and productive employment to disabled persons to help them earn income. This involves producing and selling goods or services for income or profit.

## Families and Communities

**Self-Employment Assistance—Kaunlaran:** A capability-building program conducted in coordination with the LGUs, designed to enhance the socioeconomic skills of poor families and help them establish and self-manage a sustainable community-based micro-credit organization for entrepreneurial development.

**Tindahan Natin Project:** A national government initiative for job generation, livelihood, and food security. It provides low-priced but good quality rice noodles to low-income families through a store jointly endorsed by the Department of Social Welfare and Development and LGU social welfare and development offices in coordination with the barangay, and which are subsequently accredited by the National Food Authority.

**Social Insurance—National Health Insurance Program:** The program is the “new Medicare” with an expanded health package from the Philippine Health Insurance Corporation (PhilHealth). Through PhilHealth, local governments can give universal coverage to their citizens. PhilHealth aims for universal coverage of all Filipino citizens. For a minimum cost of P3.35 a day, Filipinos across all social and economic boundaries and their immediate families can avail themselves of health insurance that will defray the cost of treatment for illnesses and the cost of preventive healthcare. This is crucial to ensuring economic stability from the household level to the national level.

Reimbursements to hospitals and other health service providers are fast and orderly. Rural health units are paid through capitation by PhilHealth to provide quality outpatient benefits to indigent families. Its universal family health insurance program, an expanded service of PhilHealth, provides free or subsidized hospital expenses and medicines for 5 million households. PhilHealth promotes preventive health care as

well as assistance in times of illness by subsidizing prenatal care for expecting mothers, well-baby checkups, annual physical exams, and health education for its members and their families.

Over the last 14 years, PhilHealth’s membership base has grown to 69 million Filipinos. PhilHealth now covers 31 million employees from both the public and private sectors, including 12.5 million self-paying members from the ranks of the self-employed, 16.5 underprivileged families, and almost 700,000 retirees and pensioners under their Lifetime Member program, pegging the total number of Filipinos covered by PhilHealth at 60,700,000. Under the law that created it, PhilHealth uses part of the premiums paid by its employed and paying members, as well as contributions from overseas Filipino workers (OFWs), to shoulder the cost of insuring non-paying members, mainly indigent Filipinos and senior citizens living on their pensions. Indigent Filipinos can also avail themselves of PhilHealth coverage through their LGUs), which shoulder part of the cost of their premiums, which totals P1,200 annually per nonpaying member. The amount of the premium paid by the LGU depends on its status—the wealthier an LGU is, the larger the premium payment they shoulder.

PhilHealth benefits include the absorption of hospitalization costs that range between P200 and P1,035 per illness for room and board, plus P1,500 to P35,655 for medicines and P350 to P29,430 for laboratory and diagnostic procedures. The cost of surgery, particularly the use of an operating room, is also offset by PhilHealth, as are doctors’ fees ranging from P150 a day for general practitioners and P250–P450 a day for specialists. PhilHealth also pays 30% of surgeons’ fees. Besides these benefits, PhilHealth also offers an enhanced outpatient benefit package for OFWs, which provides coverage for consultations, diagnostics, preventive services, and treatment.

## Labor Market Interventions

The DOLE has adopted as its unifying program theme the promotion of Employment. Under Chapter 9 (Labor) of the Medium-Term Philippine Development Plan 2004–2010, the Department adopted four major strategies:



- Support for Employment Generation (Promotion of Employment and Manpower Development)
- Employment Facilitation (Promotion of Employment and Manpower Development)
- Employment Preservation (Maintenance of Industrial Peace)
- Employment Enhancement (Workers Protection and Welfare)

### **Support for Employment Generation**

While the DOLE recognizes that the private sector is the primary engine of economic growth and that other government agencies that promote development through investments and infrastructure are the more significant employment generators, it still contributes in this area by providing bridging or transition opportunities, especially to the vulnerable sectors, to help them graduate into more productive, remunerative, secure, or formal employment or livelihood.

#### **Major Programs:**

- Research and policy advocacy for employment generation
- Capacity building for specific sectors
- Promotion of rural and emergency employment

#### **Contributing Agencies:**

- Institute for Labor Studies (ILS)
- Bureau of Local Employment (BLE)
- Bureau of Rural Workers (BRW)
- Workers Amelioration and Welfare Divisions (WAWD) of the DOLE regional offices

#### **Key Projects/Activities:**

- Employment policy review, development and advocacy (ILS, BLE)
- Employment planning (BLE, Regional Offices [ROs])
- Kasanayan at Hanapbuhay (BLE, Technical Education and Skills Development Authority, ROs)
- Special Program for Employment of Students (BLE, ROs)
- Work Appreciation Program (BLE, ROs)

- Tulong Alalay sa Taong May Kapansanan (BLE, ROs)
- Emergency employment for out-of-school-youth and out-of-work youth in Metro Manila (BLE, National Capital Region)
- Poverty-free zones (Aksyon ng Sambayanan Laban sa Kahirapan) (BRW, ROs)
- Promotion of Rural Employment Through Self-Employment and Entrepreneurship Development (BRW, ROs)
- Self-reliant organizations for CARP (BRW, ROs)
- Prevention of job loss and assistance to displaced workers (ROs)

### **Employment Facilitation**

Under this strategy, the DOLE provides employment facilitation and regulation services for local and overseas employment. It also harnesses modern technology to more efficiently match job vacancies with skills supply.

#### **Major programs:**

- Local Employment Facilitation Program
- Overseas Employment Facilitation Program

#### **Operating agencies:**

- Bureau of Local Employment (BLE),
- Employment Promotion Divisions (EPD) of DOLE regional offices, and
- Philippine Overseas Employment Administration (POEA)

#### **Key projects and activities:**

- Public Employment Service Office (PESO) (BLE, ROs, LGUs)
- Labor Market Information System Phil-JOBNET (BLE, ROs, PESOs)
- Overseas employment (POEA)

### **Employment Preservation**

DOLE supports the promotion of industrial peace through education, expeditious and fair resolution of labor disputes, enhancement of labor-management cooperation, and promotion of tripartism in policy and decision making in

order to preserve jobs and enhance the quality of employment in the country.

#### **Major programs:**

- Dispute Prevention and Settlement Program
- Workers Organization, Tripartism, and Empowerment Program

#### **Operating agencies:**

- Bureau of Labor Relations (BLR)
- Tripartite Industrial Peace Council Secretariat
- Labor Relations Divisions and the Med-Arbitration Units of the regional offices
- Legal Service
- National Conciliation and Mediation Board (NCMB)
- National Labor Relations Commission (NLRC) and their regional units

#### **Key projects and activities:**

- Administrative Intervention for Dispute Avoidance
- Labor dispute settlement and prevention
- Conciliation and mediation (NCMB)
- Voluntary arbitration (NCMB)
- Compulsory arbitration (NLRC)
- Promotion of labor and management cooperation and grievance machinery (NCMB)
- Labor education (BLR, ROs)
- Tripartite Industrial Peace Council
- Promotion of unionism and collective bargaining (BLR, ROs)
- Workers Organization and Development Program (BLR, ROs)

### **Employment Enhancement**

Through this strategy, DOLE will provide greater access to human resource development programs and protective and welfare services to safeguard workers from hazardous and unhealthy working conditions, both in-country and overseas, particularly the most vulnerable groups.

Goals are to be achieved through the conscientious implementation of the labor inspectorate function, the furtherance of development programs, and contract verification and worker assistance functions for OFWs.

#### **Major programs:**

- Technical Education and Skills Training Program
- Standard Setting and Enforcement Program
- Productivity and Wage Setting Program
- Social Protection and Welfare Program

#### **Operating units:**

- Technical Education and Skills Development Authority (TESDA) and their regional units
- National Maritime Polytechnic (NMP)
- Maritime Training Council (MTC)
- Bureau of Working Conditions (BWC)
- Bureau of Rural Workers (BRW)
- Bureau of Women and Young Workers (BWYW)
- Philippine Overseas Labor Officers (POLOs)
- Labor Standards Enforcement Divisions (LSED), and the Workers Amelioration and Welfare Divisions (WAWD) of the Regional Offices
- Occupational Safety and Health Center (OSHC)
- Employees Compensation Commission (ECC)
- National Wages and Productivity Commission (NWPC) and its Regional Wages and Productivity Boards and
- Overseas Workers Welfare Administration (OWWA)

#### **Key projects and activities:**

- Human resource development (TESDA)
- Maritime training (NMP, MTC)
- Labor standards enforcement (BWC, ROs)
- Occupational safety and health (OSHC)
- Wage setting and productivity awareness (NWPC)
- Employees compensation (ECC)
- Social Amelioration Program (BRW, ROs)
- Working Youth Centers (BWYW, ROs)
- National Program Against Child Labor (BWYW, ROs)
- Labor attaché services, including verification fee project (ILAS, POLOs)
- Welfare program for overseas Filipino workers (OWWA)
- Reintegration program for OFWs

- Women workers employment and entrepreneurship development (BWYW, ROs)
- Gender and development (BWYW, all Offices)

## Disaster Management

The National Disaster Coordinating Council (NDCC) has formulated the Philippine Disaster Management Framework, which consists of four main areas: mitigation, preparedness, response, and rehabilitation. Mitigation refers to measures and programs aimed at minimizing the impact of a natural or a man-made hazard in terms of casualties and damages. It also refers to measures designed to prevent a natural phenomenon from causing disasters or other emergency situations. Measures for mitigation include

- insurance—property, personal accident, fire, earthquake, etc.;
- regulations—safety regulations, land use, zoning, etc.;
- codes—building and fire codes implementation relevant to the safety of communities.

Preparedness refers to pre-disaster actions and measures undertaken to avert or minimize loss of lives and properties, such as, but not limited to, community organizing, training, planning, equipping, stockpiling, hazard mapping, and public information and education initiatives. These include

- plans—contingency plans, fire and earthquake plans, etc.;
- information—public information, rapid dissemination of information through mass media, population awareness, etc.;
- resources—available response units, capabilities, equipment, manpower, location, contact names and numbers, etc. ; and
- education and training—training local chief executives, LGU deputized coordinators, auxiliaries, volunteers, organic personnel, etc.

Response refers to any concerted effort by two or more agencies, public or private, to provide emergency assistance or relief to victims of disasters or calamities, and to restore essential

public activities and facilities. Rehabilitation refers to the process by which the affected communities or damaged public infrastructures are restored to their normal level or their actual condition prior to the occurrence of the disaster or calamity.

## The National Calamity and Disaster Preparedness Plan

The NDCC member agencies led by DSWD, and the Department of Interior and Local Government are responsible for carrying out respective tasks and responsibilities, which include preparedness, mitigation, response, and rehabilitation. Subcommittees were created under the NDCC to respond to these four phases. Since the NDCC does not have a regular budget, it operates through member agencies and their local networks, namely the regional and local disaster coordinating councils.

The departments' regional offices shall provide support and assistance to the Regional Disaster Coordinating Council. This relationship shall be maintained down the line to the Barangay Disaster Coordinating Councils and their respective disaster operations centers. Disaster councils at the regional, provincial, municipal, and barangay levels shall be established to complement the NDCC.

Currently, the NDCC is also implementing a four-point action plan which includes

- upgrading the forecasting and warning capability of the Philippine Atmospheric, Geophysical, and Astronomical Services Administration and the Philippine Institute of Volcanology and Seismology, which are the warning agencies for natural hazards;
- public information campaign on disaster preparedness;
- capacity building for local government units in identified vulnerable areas; and
- mechanisms for government and private sector partnership in relief and rehabilitation.

## National Calamity Fund

The NDCC administers the National Calamity Fund under the Philippines' General Appropriation Act. The fund shall be used for aid, relief,



and rehabilitation services to areas affected by man-made and natural calamities and for repair and reconstruction of permanent structures. The limited budget allocation of the fund prompted the NDCC to rationalize its use so that urgent and immediate needs in affected areas are prioritized.

### **Other Sources of Post-Disaster Funding**

Other sources of funding have also been drawn up upon—and sometimes specifically created—for use in responding to more severe events that are beyond the capacity of the National Calamity Fund. These include special rehabilitation funds, property replacement fund, line agency standby funds, reserves control account, and the Presidential Social Fund. Upon declaration of a calamity, concerned national agencies and LGUs are permitted to program or reprogram funds for the repair and safe upgrading of public infrastructures and facilities, with yearly reallocations. LGUs are mandated under the 1991 Local Government Code to set aside 5% of their estimated revenue from regular sources as an annual lump sum appropriation for use in relief, rehabilitation, reconstruction, and other works or services in connection with calamities affecting the LGU during the budget year.<sup>6</sup>

## **Participation in Governance**

The National Anti-Poverty Commission is the main venue for participation but there are issues in the appointment of representatives (e.g., “representativeness,” political and ideological affiliation, etc.) and council meetings are infrequent due to quick leadership changes in the commission and because of capacity and resource constraints of representatives. Other venues include various subcommittees and the steering committee for the formulation of the Medium-Term Philippine Development Plan facilitated by the National Economic and Development Authority. Participation in these committees peaked during the Ramos administration and has not been matched in recent years.

Another venue was the Philippine Council for Sustainable Development, but interest in regularly convening this council waned after the Ramos administration. At the local level, there is civil society sector participation in regional development councils but the intensity varies across regions. The same is true with the provincial and municipal development councils. Effective participation of basic sectors are contingent on many factors, which include, for example, the presence of people’s organizations and NGOs in the area, the interest of the chief executive to promote participation, and the capacity and resource constraints of basic sector organizations (Aldaba and Sescon 2008). There are also various sector councils where groups may participate in policy discussions, though the final policy decisions are often made by the government.

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<sup>6</sup> World Bank and NDCC. 2003. *Enhancing Poverty Alleviation Through Disaster Reduction*.

## APPENDIX 13

# Overview of Previous Poverty Assessments 1990–2007

The poverty situation has been the focus of various assessments by research and aid institutions for the past several years, suggesting its persistence in the country's development challenges. It is interesting to note that many of these assessments' findings remain valid after years of publication. This appendix briefly describes these studies and culls the key trends and issues emerging from them.

### Poverty and the Fiscal Crisis (De Dios et al. 1993)

After 1988, economic growth slackened continuously until the country finally slid into a recession in the last quarter of 1990, extending through most of 1992. It was not surprising, then, that the 1991 Family Income and Expenditure Survey (FIES)<sup>7</sup> showed that the number of poor families actually increased and poverty incidence worsened between 1988 and 1991.

Such was the context of the De Dios et al. (1993) compilation of studies commissioned by the Philippine Institute for Development Studies (PIDS). The government during that time was focused on meeting their fiscal and financial commitments in a stabilization program. Even worse, according to De Dios et al., the steps taken by government to address the deficit—such as large cutbacks on infrastructure spending and heavy indirect taxes—exacerbated the poverty problem by stifling growth further and compromising the chances for future development.

The integration chapter also outlines the main causes of poverty, which include the failure of growth and lack of employment opportunities, inequality of incomes, high population growth, declining productivity, and inadequate provision of social services.

Three main cross cutting issues highlighted in the book are the need for economic restructuring

to promote efficiency and competitiveness and the negative impact of such for the poor; the significance of infrastructure, energy, and other utilities on the lives of the poor; and that environmental degradation aggravates, and even partly causes, poverty.

The main message of the studies was that measures to redress poverty should not be regarded merely as a “special” or sectoral concern, especially in the context of a recurrent fiscal constraint. Mainstream development and macroeconomic policies are ultimately the main determinants on whether poverty alleviation efforts will succeed or fail. De Dios et al. therefore recommend policies geared toward a sustained revival of economic growth leading to rising incomes for the majority, and identify the need for fiscal reforms to increase government spending for social services and safety nets and the necessary infrastructure for market operations.

### Structural Reforms: The Key to Poverty Reduction (World Bank 1995)

During the early years of the Ramos administration, the proportion of households living below the official poverty line continued to decline from 39% in 1991 to around 36% in 1994. Poverty was mainly rural, with a 53% incidence as compared with 23% in the urban areas. Around 67% of the poor were engaged in agriculture, fishing, or forestry and had an elementary school education or less. However, the depth of poverty was relatively small (the poverty gap index was only 17% in 1991, having fallen by 40% since 1961), and income disparities among the poor had declined noticeably. It was during this time that the 1995 World Bank study entitled *A Strategy to Fight Poverty* came out.

<sup>7</sup> The poverty incidence in this year was computed on a different basis.

The assessment highlighted that Philippine performance on poverty reduction had been disappointing compared with the rest of East Asia, and the Philippines had not been able to sustain growth long enough to reduce its incidence of poverty to the levels attained by its neighbors. Gross domestic product growth averaged only 1.1% per year in the 1980s. Further, the past pattern of growth tended to accentuate rather than reduce income disparities. Slow growth of higher-productivity sectors resulted in the absorption of labor in low productivity employment in the 1970s and 1980s. The industrial sector shrank over this period, and agricultural growth slowed dramatically. According to the study, government interventions, especially in the 1970s and early 1980s, tended to diminish the role of market mechanisms in favor of regulation by government-controlled entities and promoted oligopolistic control in important sectors of the economy.

This inward-looking strategy was inherently unstable, and so the economy lurched from balance of payments crisis to crisis. Problems in the structure of the economy resulted in slow poverty reduction in the previous decades. De Dios et al. (1993) also cited the need for economic restructuring to promote efficiency in poverty reduction. The study recommended that policy makers focus on maintaining an outward-oriented economy geared toward competition to sustain the rapid and smooth rate of growth that is fundamental to improving the welfare of the poor.

To reach the government's target of reducing the number of families living below the poverty line from 39% in 1991 (by official measures) to 30% by 1998, it was estimated that gross national product will need to grow by about 6.5% annually for 1996 to 1998. However, it added that giving the rural poor access to the means of production is crucial. Rural progress requires greater opportunities provided by higher overall economic growth, combined with increased emphasis on human capital development and provision of infrastructure in rural areas, increased research and extension, and improved access to land and modern inputs.

Rural land reform must also be reassessed so that the plight of poorest of farmers and landless agricultural workers may be improved. In urban areas, the shortage of affordable housing

and environmental risks to health must also be addressed. Investment in human capital must also be increased through improvements in the quantity and the quality of primary education and greater access to primary education in rural areas. Primary health services must also be enhanced, especially immunization and prevention of water-borne and respiratory diseases. Existing social safety nets must be consolidated and targeted.

## **A Framework for Attacking Poverty: Opportunities, Security, and Empowerment (World Bank 2001)**

Poverty incidence remained relatively high; in 1997, more than 25% of the population still had consumption levels below the poverty threshold. Poverty declined when the Philippine economy grew. The incidence of poverty has decreased significantly from 41% in 1985, but much of the improvement during 1985–1997 was limited to the first and last 3 years when growth was strong. Between 1988 and 1994, the headcount index was almost stationary—from 34% in 1988 to 32% by 1994—reflecting the country's feeble growth during these years.

The report observed that growth, while moderate, seemed to have been broadly shared across income groups. Inequality fluctuated without a significant trend. There were notable regional disparities in growth and poverty reduction. Poverty was still highest in the agriculture sector. Educational attainment was a key determinant of household welfare. In 1997, 75% of the poor lived in households where the head had no more than an elementary education.

It was in this context the World Bank proposed a comprehensive framework for attacking poverty built on three pillars:

- Providing opportunities for the poor by creating the conditions for economic growth and enhancing the ability of the poor to participate in that growth by building up their assets through investments in their human capital and their physical environment. It also notes that growth is the engine of poverty production, but the nature of the growth matters.

- Enhancing security of poor people—response to vulnerability must be aimed at helping the poor by preventing and mitigating risk and lessening the impact of shocks. Sound macroeconomic policies reduce vulnerability, private transfers and informal safety nets help reduce poverty, public safety nets are important for systemic shocks, and public spending for the social sectors must be protected during crises.
- Facilitating empowerment of poor people to ensure the accountability of institutions and making them work for the poor. Good governance and less corruption will help the poor, civil society groups can help ensure government accountability, and intergovernmental transfers can equalize regional disparities
- weak macroeconomic management;
- employment issues;
- high population growth rates;
- an underperforming agriculture sector and an unfinished land reform agenda;
- governance issues including corruption and a weak state;
- conflict and security issues, particularly in Mindanao; and
- disability.

Poverty is also a deprivation of essential assets that include but go beyond income. Access to various assets helps to reduce vulnerability and to keep people out of poverty. Five essential assets are

- **Human capital (health and education).** Three main challenges persist in the Philippine education system: declining participation rates, poor quality of education, and low cohort survival rates. Health challenges include high maternal mortality rates, a very high incidence of tuberculosis, and prohibitively expensive private health care for the poor. Access to health services is a major issue as a result of urban bias.
- **Physical capital (water, housing, and infrastructure).** Only 70% of the poorest households have access to safe drinking water. Housing the poor is a major challenge, particularly in urban areas. Improving or building rural roads can be especially beneficial, providing access to services such as health and education, increasing market access, and reducing transaction costs.
- **Natural capital.** In rural areas, access to land is one of the main determinants of welfare. The environment is another important form of natural capital and poor environmental conditions adversely affect human capital, growth, and distributional equity.
- **Financial capital.** The poorest are unable to save, so access to credit and remittances become important areas of financial capital; research shows that despite high and growing levels of remittances, the poorest are largely excluded from the benefits of overseas migration.
- **Social capital.** This comprises the social resources on which people are able to draw: networks, connectedness, and relationships of trust and reciprocity. It is the foundation for informal safety nets among the poor.

## Access Poverty (ADB 2005)

The poverty incidence of families fell by 10.5% over 1985–2000, but this progress was made marginal by a very high population growth rate (2.4% per year). While poverty incidence declined, the actual number of poor people increased substantially. There were over 4 million more poor people in 2000 than there were in 1985. Sustained economic growth from 2000 to 2003 has not been pro-poor; though the Philippines experienced sustained gross domestic product growth during this period, the 2003 FIES results indicated a 10% drop in real average family incomes. The total income accruing to the bottom decile of the population stagnated over these 3 years. For the bottom 30% of the population, the real average income contracted by about 6.0% from 2000 to 2003.

These national figures also masked substantial regional and provincial differences in the Philippines. The rural poverty incidence (47.0% of families in 2000) remained virtually unchanged since 1988 (46.3% of families). The urban poverty incidence fell from 30.1% of families in 1988 to 19.9% in 2000. However, the absolute number or the magnitude of urban poor families grew by nearly 11% nationwide between 1997 and 2000. There are seven regions in which the number of urban poor families grew by more than 20%.

The major causes of poverty in the Philippines fall into seven broad categories:



## Critical Constraints to Poverty Reduction (ADB 2007)

Using the country diagnostics framework of Harvard economist Dani Rodrik, ADB embarked on identifying the critical development constraints for both economic growth and poverty reduction in the country. The poverty reduction paper notes that the response of poverty to economic growth in the Philippines is slower in relation to its Asian neighbors, especially Indonesia, Thailand, and Viet Nam (Balisacan 2003; Balisacan and Fuwa 2004). These studies suggest that the growth elasticity of poverty reduction for the Philippines is only about 1.3, which is low in comparison to 3.5 for Thailand and 3.0 for Indonesia. Increasing inequalities was the main culprit for this muted impact on poverty. Balisacan (2007) indicates that factors like inadequate human capabilities and poor access to the means to achieving these capabilities are the key determinants of poverty and inequality. Improving these factors can increase the poor's opportunity to benefit from growth, while poor or nonexistent access to these factors can limit their chances of getting out of a poverty trap. The economic expansion of the past 5 years could have delivered more in terms of poverty reduction.

For poverty reduction, the following were found to be the relevant constraints:

- **Access to economic opportunities.** Because of slow growth in productive employment opportunities since the early 1990s, unemployment and underemployment rates in the Philippines have remained persistently high compared with neighboring countries, while labor productivity has lingered at lower levels. Access to productive employment opportunities is also biased against the poor (Son 2007).
- **Access to primary education** is at near-universal levels but access to secondary education is lower and not equitable. The country has enrollment rates of over 96% in primary education and only 73% for secondary education. Significant inequality among income groups exists in the access to secondary education (Son 2007).
- **Access to health services** is low and not equitable. Access to health services declined during 1998–2004 and the decline was far greater at the bottom end of the income distribution than at the top. Private health facilities, which were considered by clients as providing better quality of services, were more heavily used by patients from the higher income groups (about 15%) than from the lower ones (about 5%).
- **Access to basic infrastructure and services** is low and not equitable. During 1998–2004, access to electricity for the lowest 10th percentile of the population was about 35%, to safe drinking water was 25%, and to safe sanitation was a little over 40%, while the corresponding figures for the top two 10th percentiles were 100%, 80%, and 100%. Access across regions was also highly unequal, with the National Capital Region far better served than the Autonomous Region of Muslim Mindanao.
- **The poor have limited access to finance and land.** A majority of poor families in the poorer regions still do not have access to microfinance services; these largely cater to nonfarm enterprises, limiting access by poor agricultural households. The Gini coefficient of land distribution has increased from about 0.53 in 1960 to about 0.57 in 2002, which compares unfavorably with a decline in the coefficients over the same period for East Asia (0.47) and the Pacific (0.41).
- **Coverage by social protection programs is low and the level of benefits is inadequate.** Although the Philippines has a wide range of social protection programs, the programs are not well coordinated and are often implemented piecemeal due to their individual mandates.
- **The Philippines is prone to disasters for which relief is inadequate.** An average of 20 typhoons—accompanied by strong winds, intense rainfall, and flooding—buffet the country every year, and in recent years hydrologic events have become more intense and more frequent.

## APPENDIX 14

### Resource Gaps: Medium-Term Philippine Development Plan Growth Rates (millions of pesos)

Year	Education	Health	Water and Sanitation	Poverty Reduction*	Total	Percent to GDP
2007	30,592	5,126	171	59,131	95,020	1.46
2008	33,131	5,015	135	55,874	94,156	1.36
2009	38,517	4,840	91	51,949	95,397	1.29
2010	44,373	4,735	55	48,598	97,761	1.23
2011	41,812	4,443	(3)	28,891	75,144	0.88
2012	38,153	4,184	(60)	23,299	65,576	0.72
2013	28,402	3,891	(122)	17,276	49,446	0.51
2014	20,201	3,561	(190)	10,792	34,364	0.33
2015	9,971	3,197	(263)	3,879	16,784	0.15
<b>Total</b>	<b>285,153</b>	<b>38,992</b>	<b>(186)</b>	<b>299,689</b>	<b>623,647</b>	<b>0.80</b>

( ) = negative number, GDP = gross domestic product.

\* investments in roads, electrification, and land redistribution.

Source: Manasan (2006).

## APPENDIX 15

### Resource Gaps: Low Growth Rates (millions of pesos)

Year	Education	Health	Water and Sanitation	Poverty Reduction*	Total	Percent to GDP
2007	33,666	5,535	183	59,318	98,702	1.54
2008	38,011	5,514	156	56,856	100,537	1.48
2009	45,693	5,453	123	53,944	105,213	1.47
2010	54,000	5,463	99	51,707	111,270	1.48
2011	54,336	5,314	55	33,277	92,983	1.17
2012	53,902	5,211	14	29,118	88,244	1.05
2013	47,755	5,091	(31)	24,699	77,514	0.88
2014	43,574	4,953	(80)	20,006	68,453	0.73
2015	37,643	4,795	(132)	15,023	57,330	0.58
<b>Total</b>	<b>408,579</b>	<b>47,330</b>	<b>388</b>	<b>343,949</b>	<b>800,246</b>	<b>1.11</b>

( ) = negative number, GDP = gross domestic product.

\* investments in road, electrification and land redistribution.

Source: Manasan (2006).





## Poverty in the Philippines: Causes, Constraints, and Opportunities

Against the backdrop of the global financial crisis and rising food, fuel, and commodity prices, addressing poverty and inequality in the Philippines remains a challenge. The proportion of households living below the official poverty line has declined slowly and unevenly in the past four decades, and poverty reduction has been much slower than in neighboring countries such as the People's Republic of China, Indonesia, Thailand, and Viet Nam. Economic growth has gone through boom and bust cycles, and recent episodes of moderate economic expansion have had limited impact on the poor. Great inequality across income brackets, regions, and sectors, as well as unmanaged population growth, are considered some of the key factors constraining poverty reduction efforts.

*Poverty in the Philippines: Causes, Constraints, and Opportunities* comprehensively analyzes the causes of poverty and recommends ways to accelerate poverty reduction and achieve more inclusive growth. The report provides an overview of current government responses, strategies, and achievements in the fight against poverty and identifies and prioritizes future needs and interventions. The analysis is based on current literature and the latest available data, including the 2006 Family Income and Expenditure Survey.

### About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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