



Chronic Poverty
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Evaluating (chronic) poverty reduction strategies in the Philippines

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What is Chronic Poverty?

The distinguishing feature of chronic poverty is extended duration in absolute poverty.

Therefore, chronically poor people always, or usually, live below a poverty line, which is normally defined in terms of a money indicator (e.g. consumption, income, etc.), but could also be defined in terms of wider or subjective aspects of deprivation.

This is different from the transitorily poor, who move in and out of poverty, or only occasionally fall below the poverty line.

Abstract

This paper discusses the statistics, determinants and responses to poverty – especially chronic poverty – in the Philippines. The diverse issues covered include economic conditions (periodic recessions) and the need for a national development strategy, income and asset distribution, weaknesses in the government’s anti-poverty programs as well as social and subsidy programs, the lack of a cohesive social contract conducive to poverty eradication, and social conflicts and war in some regions with extreme chronic poverty.

Keywords: poverty, chronic poverty, Philippines, anti-poverty programmes, poverty reduction

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1 The latest Philippine poverty data

Before 2007, the Philippines seemed on track to reaching the Millennium Development Goal (MDG) of reducing poverty incidence in 2015 by half of what it was in 1990. The poverty incidence of the population, using the Philippine-defined poverty threshold, was at 45.3 percent in 1991¹ and at 30 percent in 2003² (see Table 1). With these figures, achieving a poverty rate of 22.65 percent in 2015 seemed achievable. In 2007, however, the 2006 Family Income and Expenditure Survey (FIES) showed a surprising increase in the national poverty rate from 30 percent in 2003 to almost 33 percent in 2006. It must be pointed out that in 1997, the national poverty rate was 31.8 percent and in 2006, it deteriorated to 32.9 percent, showing that the Philippines lost a decade in its battle to reduce poverty. This puts in question whether the country can achieve its MDG goal in 2015. The difficulty in reducing poverty is partly due to the boom-bust cycle that the Philippines has gone through. The Asian crisis in the late 1990s increased poverty in 1997 to 2000. And while moderate recovery from the crisis between 2001 and 2003 showed some improvement in the poverty situation, the latest increase in poverty incidence despite the country's strong economic growth in 2004 to 2006 is disturbing, and challenges us to find the reasons for growing poverty in the midst of high economic growth.

Similarly, the Philippines before 2007 seemed on track in meeting the MDG goal of halving the proportion of the population below subsistence (food) threshold (see Table 1). From 24.3 percent of the population in 1991 who fall below the food subsistence level, the percentage declined to 13.8 percent in 2003, which is within reach of the 2015 target of 12.15 percent. But this percentage deteriorated to 14.6 percent in 2006, again despite high growth.

Table 1: Philippine track to meeting the Millennium Development Goal One

Eradicating poverty	Baseline (1991)	1994	1997	2000	2003	2006	Target by 2015
Percentage of population below:*							
Poverty threshold	45.3	35.5	31.8	33.0	30.0	32.9	22.7
Subsistence (food) threshold	24.3	21.8	16.9	15.8	13.8	14.6	12.2

* The estimations of poverty threshold and subsistence (food) threshold are different from 1991 and 1994 compared to 1997 to 2006, but the MDG goal for 2015 is still based on the two incompatible information.

Source: Family and Income Expenditure Survey (FIES), National Statistics Office

1 There were no poverty figures for the 1990 baseline year for the Millennium Development Goals, so the nearest year (1991) with data had been used as the baseline.

2 Actually, the national poverty rate used in 1990 is no longer comparable with poverty rates used starting in 1997 since the methodology of determining the poverty threshold was changed in 2003, and worked backwards only up to 1997.

Table 2 gives a general poverty picture for the Philippines' three island groups – Luzon, Visayas and Mindanao. It will be seen that all three island groups suffered increases in poverty – from the economically better off Luzon to the worst off Mindanao islands. Table 3 gives a more detailed picture for all the regions and provinces of the Philippines. Again, the picture shows an increase in poverty incidence across most regions and provinces. The number of poor people increased by almost 3.8 million from 2003 to 2006. This is in striking contrast to the decrease of around 1.6 million between 2000 and 2003.

Table 2: Poverty incidence, magnitude of poor and share to the total poor in Luzon, Visayas and Mindanao, 2000, 2003, and 2006

Island	Poverty Incidence Among the Population (%)				
	2000	2003	2006	Inc/Dec	
				00-03	03-06
PHILIPPINES	33.0	30.0	32.9	-3.0	2.9
Luzon	24.6	22.2	25.3	-2.4	3.1
Visayas	41.7	36.1	39.8	-5.6	3.7
Mindanao	45.7	44.2	45.5	-1.5	1.3

	Magnitude of Poor Population				
	2000	2003	2006	Inc/Dec (%)	
				00-03	03-06
PHILIPPINES	25,472,782	23,836,104	27,616,888	-6.4	15.9
Luzon	10,637,468	10,042,248	12,017,979	-5.6	19.7
Visayas	6,439,844	5,646,819	6,652,025	-12.3	17.8
Mindanao	8,395,470	8,147,038	8,946,884	-3	9.8

	Share to the Total Poor (%)		
	2000	2003	2006
	PHILIPPINES	100.0	100.0
Luzon	41.8	42.1	43.5
Visayas	25.3	23.7	24.1
Mindanao	33.0	34.2	32.4

Source: Family and Income Expenditure Survey (FIES), National Statistics Office

Table 3 gives a more detailed picture of the deterioration in the poverty situation across the regions and provinces of the country. It will be seen that the increase in poverty incidence is widespread and cuts across most regions and provinces. The deterioration in the quality of life from 2003 to 2006 can be very severe as in the case of a Muslim and war-torn Tawi-Tawi, where poverty incidence shot up from 40.2 percent in 2003 to 78.2 percent in 2006.

Table 3: Annual per capita poverty thresholds, poverty incidence and magnitude of poor population: 2000, 2003 and 2006

Region/Province	Annual Per Capita Poverty Threshold (in Pesos)			Poverty Incidence Among the 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
LUZON				24.6	22.2	25.3	10,637,468	10,042,248	12,017,979
Cordillera Autonomous Region (CAR)	13,071	14,033	16,810	37.7	32.2	34.5	537,975	445,036	506,823
Abra	13,426	14,654	17,900	57.6	50.2	60.7	113,326	100,013	128,614
Apayao	11,368	12,256	17,837	34.1	23.2	63.1	28,770	22,815	67,907
Benguet	14,014	14,447	17,483	18.8	15.0	11.1	122,178	89,132	71,190
Ifugao	11,809	13,148	15,556	64.1	35.5	40.3	113,719	60,226	69,605
Kalinga	11,652	13,284	15,031	45.7	52.0	51.9	83,844	93,693	94,995
Mt. Province	15,122	14,855	16,785	57.1	57.0	50.4	76,137	79,157	74,512
NCR - Metro Manila	15,722	16,737	20,566	7.8	6.9	10.4	860,934	742,549	1,156,313
1st District	16,218	17,223	20,868	7.3	5.5	11.0	120,663	90,446	198,391
2nd District	15,727	16,715	20,085	6.0	8.6	9.5	229,301	202,197	365,169
3rd District	15,090	16,298	20,908	12.1	6.9	12.8	304,583	261,328	325,964
4th District	16,359	17,137	20,582	6.7	6.5	9.2	206,387	188,578	266,789
Region I	12,687	13,281	15,956	35.3	30.2	32.7	1,452,222	1,262,799	1,464,245
Ilocos Norte*	13,143	12,893	16,024	22.8	24.6	21.2	115,116	120,945	112,835
Ilocos Sur	13,515	12,824	16,922	35.2	28.4	32.6	194,881	154,922	184,397
La Union	12,978	13,356	16,372	38.4	30.2	32.6	253,382	198,307	229,739
Pangasinan	12,363	13,412	15,656	37.0	31.7	35.0	888,844	788,625	937,274
Region II	11,128	11,417	13,791	30.4	24.5	25.5	821,294	659,666	721,036
Batanes	15,264	12,279	14,970	18.1	9.0	a	2,535	1,459	a
Cagayan	10,209	10,320	12,928	27.0	21.4	23.1	252,930	196,014	227,454
Isabela	11,616	11,808	14,124	34.6	30.1	30.7	424,580	372,429	396,608
Nueva Vizcaya*	11,611	11,880	14,325	22.2	12.1	16.7	81,696	44,502	61,153
Quirino*	10,713	12,463	14,665	38.2	29.2	22.4	59,555	45,262	35,821
Region III	13,760	14,378	17,298	21.4	17.5	20.7	1,695,227	1,535,784	1,914,590
Aurora*	11,405	12,898	16,275	33.6	39.0	36.8	59,985	66,417	66,701
Bataan*	12,434	13,607	15,538	12.1	13.9	10.5	68,659	79,841	62,022
Bulacan	13,882	15,027	17,768	7.5	12.3	13.4	147,812	307,762	358,012
Nueva Ecija	14,750	14,394	17,830	32.7	27.1	37.7	532,961	484,106	662,742
Pampanga	14,698	15,148	17,243	18.2	14.7	10.8	331,739	289,106	234,820
Tarlac	12,578	13,866	16,463	33.6	18.4	27.6	360,109	208,104	328,428
Zambales	12,733	12,754	16,685	28.2	15.5	28.9	193,962	100,447	201,864

Region IV-A	13,670	14,720	17,761	19.1	18.4	20.9	1,697,033	1,899,827	2,210,756
Batangas	15,192	15,957	19,616	25.8	30.4	30.7	440,603	602,557	618,297
Cavite	14,742	16,150	18,718	13.0	12.5	11.2	244,712	300,636	287,292
Laguna	12,937	13,921	17,724	10.8	10.6	13.2	207,184	236,460	297,648
Quezon	12,501	13,349	16,125	39.3	39.8	47.7	668,237	660,224	829,802
Rizal	13,676	13,903	17,464	8.1	4.9	8.9	136,296	99,950	177,718
Region IV-B	12,013	12,402	14,800	45.3	48.1	52.7	1,032,123	1,163,867	1,400,417
Marinduque	11,553	11,781	14,041	52.7	47.4	50.6	113,553	101,271	118,365
Occidental Mindoro	11,745	12,522	14,219	46.2	50.5	57.0	176,790	203,741	263,965
Oriental Mindoro	13,510	13,813	16,723	48.9	44.3	55.1	340,690	321,441	422,103
Palawan	11,163	11,591	13,850	31.9	52.0	49.3	230,174	419,389	445,097
Romblon	10,758	11,769	13,832	64.4	43.6	51.7	170,917	118,026	150,889
Region V	11,375	12,379	15,015	52.6	48.5	51.1	2,540,660	2,332,719	2,643,799
Albay	12,144	12,915	16,128	48.4	42.7	46.2	553,629	464,510	552,881
Camarines Norte	11,505	12,727	14,854	57.3	55.5	49.3	301,147	269,604	256,708
Camarines Sur	11,054	11,873	14,634	47.2	47.1	49.9	765,373	750,674	846,030
Catanduanes	11,587	11,815	13,654	51.9	36.8	46.8	117,740	76,609	105,075
Masbate	11,019	12,504	14,248	70.2	63.4	59.5	482,818	470,670	487,672
Sorsogon	11,146	12,452	15,687	51.4	43.5	55.3	319,952	300,652	395,434
VISAYAS				41.7	36.1	39.8	6,439,844	5,646,819	6,652,025
Region VI	11,314	12,291	14,405	44.5	39.2	38.6	2,773,352	2,374,772	2,491,535
Aklan	11,527	11,980	15,150	42.9	41.8	52.0	190,470	173,340	242,249
Antique	10,938	11,377	14,650	45.9	48.9	51.6	208,169	232,602	255,321
Capiz	10,536	11,298	14,242	47.2	29.2	30.2	328,635	194,558	205,168
Guimaras	10,759	11,694	14,811	28.3	49.5	39.6	37,838	66,944	59,001
Iloilo	12,122	13,221	14,810	36.9	38.6	30.4	695,280	708,899	609,625
Negros Occidental	11,126	12,131	13,975	50.2	39.5	42.0	1,312,961	998,429	1,120,171
Region VII	9,659	9,805	13,390	36.2	28.3	35.4	2,016,910	1,652,316	2,213,167
Bohol	9,762	10,032	13,610	56.7	34.9	46.9	590,926	375,277	532,711
Cebu	9,914	10,222	13,960	29.5	21.1	28.2	973,490	746,100	1,077,492
Negros Oriental	8,981	9,017	12,159	37.1	43.4	48.1	427,509	502,825	584,695
Siquijor*	8,892	9,767	12,733	32.7	37.4	21.5	24,984	28,114	18,269
Region VIII	9,530	10,804	13,974	45.1	43.0	48.5	1,649,582	1,619,731	1,947,323
Biliran	9,858	11,144	12,028	43.4	55.6	42.2	58,135	77,193	66,781
Eastern Samar	9,108	11,025	13,873	55.6	41.1	51.9	203,104	159,184	224,755
Leyte	9,447	10,600	13,919	40.8	42.3	47.3	680,536	692,391	846,526
Northern Samar	8,898	9,945	14,275	49.5	40.8	61.1	240,228	215,859	339,232
Southern Leyte	9,459	10,668	13,998	35.1	41.2	36.0	116,738	147,484	131,172
Western Samar	10,338	11,675	13,869	52.4	45.9	47.6	350,841	327,620	338,857
MINDANAO				45.7	44.2	45.5	8,395,470	8,147,038	8,946,884
Region IXb	9,128	10,407	13,219	44.8	49.2	45.3	1,257,210	1,427,722	1,404,098
Zamboanga del Norte	9,417	10,871	13,947	53.3	68.5	67.5	433,091	573,506	614,876
Zamboanga del Sur	8,975	10,310	12,741	41.4	38.8	33.8	824,119	571,833	527,005
Zamboanga Sibugay	d	9,580	12,188	d	50.3	40.5	d	256,705	223,429
Isabela City*	e	10,429	14,115	e	33.5	51.9	e	25,677	38,788

Region X	10,509	11,605	14,199	43.8	44.0	43.1	1,582,225	1,567,963	1,663,283
Bukidnon	9,201	11,083	12,186	41.0	42.9	37.2	449,647	460,292	438,293
Camiguin	12,155	12,109	16,145	57.0	39.7	42.1	41,465	29,420	35,265
Lanao del Norte	11,296	12,103	15,225	54.2	54.0	52.2	426,347	404,674	416,532
Misamis Occidental	10,184	11,711	14,555	53.0	54.3	56.3	260,764	263,398	294,806
Misamis Oriental	11,176	11,594	14,787	34.8	34.8	37.5	404,002	410,180	478,387
Region XI	10,278	11,399	14,942	33.3	34.7	36.6	1,231,277	1,346,269	1,450,542
Davao del Norte ^f	10,566	11,833	15,753	46.5	36.8	44.8	642,900	287,572	353,366
Davao del Sur	9,987	11,470	14,452	21.9	28.9	27.4	412,442	591,886	568,808
Davao Oriental	9,906	10,580	13,741	40.8	47.9	48.8	175,934	210,903	227,287
Compostela Valley	g	11,422	15,822	g	41.9	47.1	g	255,909	301,081
Region XII	10,458	11,328	14,225	46.8	38.4	40.8	1,595,474	1,319,563	1,482,130
North Cotabato	9,990	10,972	13,315	50.1	32.1	34.6	511,353	317,424	350,178
Sarangani	10,419	10,846	13,746	52.3	51.0	52.0	220,079	241,641	271,713
South Cotabato	10,686	11,741	15,431	39.1	31.8	37.3	469,874	380,204	469,717
Sultan Kudarat	10,544	10,870	13,036	56.4	49.4	47.4	344,172	296,215	309,887
Cotabato City*	12,670	13,805	17,335	31.3	48.3	44.1	49,997	84,079	80,636
Autonomous Region of Muslim Mindanao (ARMM) ^h	12,199	12,733	15,533	60.0	52.8	61.8	1,652,890	1,373,620	1,778,262
Basilan* ^h	9,509	10,987	13,255	39.1	42.0	43.7	123,825	101,504	118,183
Lanao del Sur	13,892	13,702	16,567	61.6	44.6	58.5	432,307	301,215	442,338
Maguindanao	11,906	12,322	15,556	65.1	68.1	69.3	536,479	527,225	596,464
Sulu	11,672	13,473	15,651	63.3	53.5	52.2	397,119	315,635	310,140
Tawi-tawi	12,003	11,707	14,765	57.2	40.2	78.2	163,160	128,041	311,137
Caraga	10,903	11,996	15,249	51.2	54.0	52.6	1,076,395	1,111,901	1,168,569
Agusan del Norte	10,933	11,460	13,986	46.3	40.0	40.0	259,475	219,514	236,297
Agusan del Sur	11,017	12,150	14,544	60.1	60.3	56.2	359,215	337,889	334,069
Surigao Del Norte	11,160	12,998	16,961	51.3	59.8	60.2	232,065	277,763	309,540
Surigao Del Sur	10,421	11,227	15,264	45.8	57.1	55.1	225,640	276,735	288,664

a - Only one sample household was classified as poor in 2003 and none in 2006.

b - 2000 estimates do not include Isabela City.

c - 2000 estimates still include Zamboanga Sibugay

d - No separate estimate yet; still included in Zamboanga del Sur.

e - No separate estimate yet; still included in Basilan

f - 2000 estimates include Compostela Valley

g - No separate estimate yet; still included in Davao del Norte

h - 2000 estimates include Isabela City

* Coefficient of Variation (CV) of 2006 poverty incidence is greater than 20%

Source: Family and Income Expenditure Survey (FIES), National Statistics Office

Table 4 gives similar statistics as Table 3, except that the statistics are for the percent of the population below the food threshold. Again, there was a general increase in the percentage and magnitude of food-poor people across regions and provinces.

Table 4: Annual per capita food thresholds, subsistence incidence and magnitude of subsistence poor population: 2000, 2003 and 2006

Region/Province	Annual Per Capita Food Threshold (in Pesos)			Subsistence Incidence Among the Population (%) Estimates (%)			Magnitude of Subsistence Poor Population Estimates		
	2000	2003	2006	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
NCR*	9,570	9,974	11,807	1	0.7	1.2	115,148	71,813	132,547
1st District*	9,570	9,974	11,807	0.9	0.1	1.4	14,782	2,349	25,582
2nd District*	9,570	9,974	11,807	0.5	0.6	0.7	20,710	13,135	27,628
3rd District*	9,570	9,974	11,807	2.4	1	1.5	59,737	39,101	37,377
4th District*	9,570	9,974	11,807	0.6	0.6	1.4	19,919	17,227	41,960
Region I	8,552	8,898	10,608	15.2	11.2	11.8	627,524	469,733	527,014
Ilocos Norte*	8,997	9,505	11,106	6	10.7	8.9	30,216	52,849	47,424
Ilocos Sur*	8,937	9,098	10,788	14.8	13.1	7.1	81,958	71,131	40,143
La Union	8,797	9,045	10,839	14.9	10.6	12.9	98,471	69,387	91,194
Pangasinan	8,386	8,693	10,459	17.4	11.1	13.0	416,878	276,367	348,253
Region II	7,560	8,010	9,346	11.8	7.6	8.9	318,266	204,177	250,235
Batanes	9,973	8,328	10,680	0	0	0	0	0	-
Cagayan*	7,210	7,497	9,018	7.6	5.6	8.3	71,242	51,415	81,616
Isabela	7,674	8,212	9,564	16.1	11	11.5	197,362	136,630	148,496
Nueva Vizcaya*	8,021	7,991	8,939	5.7	1.9	3.5	21,000	7,135	12,696
Quirino*	7,305	7,881	9,266	18.4	5.8	4.6	28,662	8,997	7,427
Region III	8,764	9,347	10,897	5.5	4.1	4.6	436,961	361,040	422,138
Aurora*	8,281	8,795	10,303	16.5	21.9	20.8	29,373	37,308	37,664
Bataan*	8,366	8,565	9,741	1.4	4.2	1.4	8,075	24,340	8,283.00
Bulacan*	8,760	9,661	11,124	0.8	2	1.8	16,341	49,985	49,359.1
Nueva Ecija	9,389	9,636	11,248	4.1	7.6	10.7	66,898	135,299	187,417.20
Pampanga*	9,336	9,719	10,835	4.5	1.7	0.6	82,871	32,574	13,997.6
Tarlac*	8,455	8,824	10,307	15.7	4.1	6.3	168,350	46,010	75,246.3
Zambales*	8,461	9,259	10,898	9.5	5.5	7.2	65,052	35,525	50,170.2
Region IV-A	8,783	9,224	10,781	6.5	4.7	5.7	582,248	482,177	601,999
Batangas	9,399	9,787	11,299	6.5	8	8.4	111,539	159,346	169,757
Cavite*	9,316	10,300	11,530	1.9	1.3	1.1	35,818	30,554	27,958
Laguna*	8,793	8,970	10,768	1.8	2.4	2.9	33,698	52,913	65,342
Quezon	8,543	8,764	10,447	21.8	12.9	18.3	371,039	213,040	317,426
Rizal*	8,815	8,802	10,707	1.8	1.3	1.1	30,154	26,323	21,516

Region IV-B	8,078	8,328	9,781	24.1	23	26.2	548,806	556,010	695,421
Marinduque*	8,152	8,209	9,532	21.6	14.2	18.6	46,476	30,344	43,351
Occidental Mindoro	7,820	8,235	9,599	16.6	25.6	33.5	63,396	103,390	155,438
Oriental Mindoro	8,356	9,043	10,673	28.3	20.5	29.6	197,338	148,688	226,851
Palawan	7,816	7,843	9,067	17.4	25.5	21.5	125,270	205,901	194,410
Romblon	7,999	8,426	9,453	43.8	25	25.8	116,326	67,687	75,370
Region V	8,047	8,379	10,174	29.3	26.6	25.5	1,416,821	1,278,526	1,318,175
Albay	8,265	8,646	10,497	19.3	22.1	20.7	221,046	240,983	247,565
Camarines Norte*	7,929	8,514	10,165	34.6	35.4	23.3	181,572	172,098	121,425
Camarines Sur	7,836	8,008	9,615	26.1	23.9	22.2	423,627	380,588	376,571
Catanduanes*	7,951	7,828	9,527	32.9	17.4	22.2	74,666	36,337	49,970
Masbate	8,172	8,500	10,276	48.6	43.1	38.6	334,659	320,241	316,299
Sorsogon	8,200	8,649	10,812	29.1	18.6	28.9	181,250	128,279	206,346
Region VI	7,983	8,384	9,962	23.1	17.8	16.9	1,436,703	1,075,621	1,094,201
Aklan	7,987	8,161	9,914	21	19.3	24.2	93,183	80,035	112,533
Antique	7,916	8,193	10,216	22.2	25.6	30.2	100,582	121,946	149,346
Capiz	7,297	7,737	9,638	21.8	9.4	8.8	151,521	62,725	59,861
Guimaras	7,714	7,982	10,229	10.7	29.5	13.2	14,240	39,908	19,665
Iloilo	8,227	8,463	9,861	18.7	17.3	11.8	351,741	318,077	235,780
Negros Occidental	8,021	8,544	9,973	27.7	17.9	19.4	725,437	452,930	517,016
Region VII	6,759	7,016	9,502	20.7	14.5	18.2	1,153,790	847,167	1,138,576
Bohol	6,851	7,424	9,803	39.7	19	28.7	414,239	204,694	325,839
Cebu	6,732	7,147	9,696	14.3	9.2	12.3	473,212	325,342	469,978
Negros Oriental	6,670	6,612	8,959	22.1	26.4	27.7	255,449	306,568	336,983
Siquijor	6,497	6,832	8,414	14.3	14.1	6.8	10,889	10,563	5,776
Region VIII	7,080	7,689	9,671	24.8	20.8	25.7	906,085	783,762	1,029,295
Biliran	7,271	7,992	8,837	24	28.6	14.7	32,154	39,680	23,329
Eastern Samar*	7,162	7,936	9,414	32	22.9	29.2	117,011	88,695	126,587
Leyte	6,933	7,486	9,501	21.3	21.1	22.9	355,708	344,336	410,696
Northern Samar*	6,717	7,331	10,115	30.9	19.1	42.4	150,155	100,901	235,257
Southern Leyte*	7,026	7,673	9,638	14.4	16.7	13.3	47,968	59,851	48,365
Western Samar	7,542	8,177	9,775	30.4	21	26.0	203,088	150,299	185,062
Region IX /c	6,574	7,244	9,406	25.8	32.7	29.2	723,122	947,462	905,294
Zamboanga del Norte	6,914	7,473	9,787	37.7	54.2	51.0	306,376	453,738	464,334
Zamboanga del Sur /d	6,325	7,046	8,978	20.9	21.2	20.1	416,746	313,336	313,546
Zamboanga Sibugay*	e	7,003	9,095	e	33.4	19.7	e	170,820	108,969
Isabela City*	f	7,205	8,913	f	12.5	24.7	f	9,568	18,445
Region X	7,296	7,995	9,757	23.8	25.2	25.0	859,049	897,663	963,760
Bukidnon	6,706	7,693	9,219	21.2	28.1	21.2	232,055	301,056	249,117
Camiguin	7,950	8,617	10,418	23.5	19.9	23.3	17,067	14,760	19,525
Lanao del Norte	7,692	8,381	10,196	34.7	33.2	30.9	272,911	248,582	246,440
Misamis Occidental	7,304	7,906	9,717	30.5	28.1	33.3	150,036	136,234	174,336
Misamis Oriental	7,385	7,987	9,830	16.1	16.7	21.5	186,981	197,030	274,342

Region XI	7,087	7,856	10,283	16.7	18	18.9	618,519	698,790	748,399
Davao del Norte	7,207	8,063	10,792	25.2	19	22.3	348,821	148,356	175,828
Davao del Sur	6,880	7,601	9,784	9.3	12.6	14.5	175,471	257,708	300,236
Davao Oriental	7,027	7,799	10,061	21.8	29.2	25.6	94,226	128,715	119,021
Compostela Valley	h	8,116	10,848	h	26.9	24.0	h	164,011	153,314
Region XII	7,235	7,807	9,702	22.6	18.4	18.9	769,780	633,489	687,096
North Cotabato	7,188	7,528	8,994	28.4	13	14.9	290,222	128,332	151,080
Saranggani	7,204	7,860	9,694	36	32.8	27.1	151,421	155,562	141,375
South Cotabato	7,114	7,932	10,190	15	14.8	16.1	180,061	177,504	203,494
Sultan Kudarat	7,454	7,706	9,616	21.8	23.2	24.3	133,251	139,088	158,748
Cotabato City*	7,965	8,402	10,385	9.3	19	17.7	14,825	33,002	32,399
CAR	8,744	9,141	10,837	17.9	14.1	16.9	255,524	194,386	248,476
Abra	8,845	9,410	11,505	32	22.4	33.3	62,949	44,566	70,554
Apayao*	7,919	8,347	11,099	14.7	6.9	37.7	12,352	6,777	40,562
Benguet*	8,846	8,980	10,325	4.6	3	1.9	29,964	17,739	12,214
Ifugao*	8,490	8,623	9,919	39.3	14	10.1	69,704	23,691	17,517
Kalinga	8,194	8,620	10,234	21.5	26.3	33.6	39,481	47,393	61,497
Mt. Province*	9,726	9,755	10,874	30.8	39	31.2	41,073	54,219	46,132
ARMM /i	8,313	8,730	10,318	28.5	23.6	27.5	786,595	614,285	790,381
Basilan* /i	6,956	7,336	9,256	13.6	7.1	6.6	43,034	17,119	17,724
Lanao del Sur	8,635	9,119	10,571	22.5	22.6	28.3	158,055	152,807	213,555
Maguindanao	8,242	8,496	10,190	40	38.4	34.1	329,647	297,428	293,528
Sulu	8,615	9,322	11,085	32.1	18.6	17.5	201,252	109,645	103,992
Tawi-tawi*	7,769	7,900	9,839	19.2	11.7	40.6	54,607	37,285	161,583
Caraga	7,667	8,361	10,342	30.7	30.9	30.3	645,100	635,781	674,306
Agusan del Norte	7,542	7,969	9,429	26.4	23.1	19.2	147,719	126,844	113,658
Agusan del Sur	7,655	8,288	10,080	40.7	34.9	33.9	243,302	195,407	201,135
Surigao Del Norte	7,998	8,988	10,830	27.1	33.9	34.5	122,865	157,702	177,695
Surigao Del Sur	7,519	8,136	10,724	26.7	32.1	34.7	131,215	155,828	181,817

a - The provincial rural food threshold was used as the estimate of the overall provincial food threshold for the 5 provinces with no sample from the urban areas, namely, Batanes, Marinduque, Siquijor, Southern Leyte and Abra.

b - No sample household were classified as food poor.

c - 2000 estimates do not include Isabela City.

d - 2000 estimates still include Zamboanga Sibugay

e - No separate estimate yet; still included in Zamboanga del Sur.

f - No separate estimate yet; still included in Basilan

g - 2000 estimates include Compostela Valley

h - No separate estimate yet; still included in Davao del Norte

i - 2000 estimates include Isabela City

Source: Family and Income Expenditure Survey (FIES), National Statistics Office

Table 5 shows that the depth of poverty also deteriorated from 2003 to 2006. The measures used are the income gap, the poverty gap and the severity of poverty. The Income Gap Index refers to the figure which gives, on average, how far the income of a poor person is from the poverty threshold (as a percent of the poverty threshold). The Poverty Gap Index is the mean shortfall from the poverty line (counting the non-poor as having zero shortfall), expressed as a percentage of the poverty line. The shortfall is calculated by taking the average of incomes and subtracting that average from the poverty line. This measure reflects the depth of poverty as well as its incidence. The Severity of Poverty Index is the average of the square of the difference between the poverty line and income per capita per person (with those above the poverty line getting a zero shortfall), as a ratio of the poverty line. This index is also a measure of the inequality among poor people. Poorer people (i.e. people with lower income levels) are given more weight in the calculation of this measure. Table 4 shows the poverty gap, the severity of poverty and the income gap deteriorating on the average and across many regions and provinces.

It must be pointed out that there are some regions where the poverty incidence is not too bad but whose poverty depth (income gap, poverty gap and severity of poverty) is very high. This is true for Region IX and Region X, Region XI (all in Mindanao) as well as the Cordillera Autonomous Region (an indigenous peoples' region in the mountains of Luzon). This shows that some regions with a not-so-high poverty incidence may have serious problems of poverty depth and chronic poverty (see last three paragraphs of this section). Most regions that have serious poverty incidence also have serious poverty depth problems, such as in Caraga, Muslim Mindanao (ARMM), Region VIII, Region V and Region IV-b.

Table 5: Income gap, poverty gap and severity of poverty by province 2000, 2003 and 2006

Region/Province	Income Gap			Inc/Dec (%)			Poverty Gap			Inc/Dec			Severity of Poverty			Inc/Dec (%)								
	2000	2003	2006	00-03	03-06	2000	2003	2006	00-03	03-06	2000	2003	2006	00-03	03-06	2000	2003	2006	00-03	03-06	2000	2003	2006	
PHILIPPINES	29.1	28.7	28.8	-0.4	0.1	8.0	7.0	7.7	-1.0	0.7	3.4	2.8	3.1	-0.6	0.3									
NCR	19.9	18.2	21.6	-1.6	3.3	1.2	0.9	1.5	-0.3	0.6	0.4	0.3	0.5	-0.1	0.3									
1st District	20.8	19.6	21.9	-1.2	2.3	1.2	0.7	1.6	-0.5	0.9	0.4	0.2	0.6	-0.1	0.3									
2nd District	16.9	17.8	21.4	0.9	3.7	0.7	1.0	1.4	0.3	0.3	0.2	0.3	0.4	0.1	0.1									
3rd District	22.6	18.4	20.2	-4.2	1.7	2.1	0.9	2.0	-1.2	1.0	0.7	0.3	0.7	-0.4	0.4									
4th District	18.1	17.8	23.6	-0.3	5.8	0.9	0.8	1.3	-0.1	0.5	0.3	0.2	0.5	0.0	0.3									
Region I	27.9	25.3	25.2	-2.5	-0.1	8.2	6.2	6.6	-2.0	0.4	3.2	2.3	2.5	-0.9	0.2									
Ilocos Norte*	24.0	22.4	25.3	-1.6	2.9	4.4	4.4	4.3	0.0	-0.1	1.4	1.3	1.6	-0.1	0.3									
Ilocos Sur	26.5	28.2	20.0	1.7	-8.2	8.1	6.4	5.4	-1.6	-1.0	3.1	2.6	1.8	-0.5	-0.8									
La Union	29.8	24.9	26.5	-4.9	1.6	9.9	6.1	7.3	-3.8	1.2	4.2	2.3	2.8	-1.9	0.6									
Pangasinan	28.1	25.3	26.1	-2.8	0.8	8.7	6.5	7.2	-2.1	0.7	3.3	2.4	2.7	-0.9	0.3									
Region II	24.9	22.5	23.5	-2.4	1.1	6.3	4.3	4.8	-2.0	0.5	2.3	1.5	1.6	-0.8	0.2									
Batanes	12.7	29.6		17.0	-29.6	1.3	1.9	-	0.5	-1.9	0.2	0.5		0.3	-0.5									
Cagayan	20.9	18.7	22.6	-2.2	3.9	4.5	3.1	4.4	-1.4	1.3	1.3	0.9	1.4	-0.4	0.5									
Isabela	27.4	24.7	25.0	-2.7	0.2	8.3	5.9	6.1	-2.4	0.2	3.2	2.1	2.1	-1.1	0.0									
Nueva Vizcaya*	21.3	18.0	20.3	-3.3	2.4	3.5	1.6	2.6	-1.9	0.9	1.2	0.6	0.8	-0.6	0.1									
Quirino*	26.9	24.2	18.8	-2.7	-5.3	8.4	5.8	3.0	-2.6	-2.8	3.2	1.9	0.9	-1.4	-1.0									
Region III	22.7	20.9	23.4	-1.8	2.5	3.9	2.8	3.9	-1.1	1.1	1.3	0.9	1.4	-0.4	0.5									
Aurora*	28.0	28.5	39.9	0.5	11.5	7.5	8.3	12.6	0.8	4.3	3.0	3.4	6.1	0.3	2.7									
Bataan*	15.3	20.7	23.2	5.4	2.5	1.5	2.1	1.6	0.6	-0.5	0.4	0.7	0.5	0.3	-0.3									
Bulacan	19.8	18.2	18.8	-1.6	0.6	1.1	1.6	1.9	0.5	0.3	0.3	0.4	0.6	0.1	0.1									
Nueva Ecija	20.5	22.4	25.1	1.9	2.6	5.7	5.0	8.0	-0.7	3.0	1.7	1.6	2.8	0.0	1.2									
Pampanga	21.5	16.5	13.3	-5.1	-3.2	3.1	1.7	1.1	-1.4	-0.6	1.0	0.5	0.3	-0.6	-0.2									
Tarlac	29.1	24.4	25.2	-4.7	0.7	8.0	3.6	5.6	-4.4	1.9	3.4	1.2	2.0	-2.1	0.7									
Zambales	22.3	20.0	26.6	-2.3	6.6	5.3	2.7	6.0	-2.6	3.3	1.8	0.8	2.5	-1.0	1.6									

Evaluating (chronic) poverty reduction strategies in the Philippines

Region IV-A	26.0	23.9	24.5	-2.1	0.6	4.0	3.5	4.1	-0.5	0.6	1.5	1.2	1.5	-0.3	0.3
Batangas	24.3	25.9	27.4	1.6	1.5	5.0	6.3	7.0	1.3	0.7	1.8	2.4	2.8	0.6	0.5
Cavite	20.2	18.6	16.7	-1.6	-1.9	2.1	1.6	1.3	-0.4	-0.3	0.7	0.5	0.4	-0.2	-0.1
Laguna	18.8	20.0	20.6	1.2	0.7	1.5	1.7	2.2	0.2	0.5	0.4	0.5	0.7	0.1	0.2
Quezon	32.3	26.0	27.3	-6.4	1.3	10.6	8.5	10.5	-2.1	2.0	4.6	3.2	3.9	-1.4	0.7
Rizal	18.8	19.7	17.1	1.0	-2.6	1.1	0.7	1.1	-0.4	0.4	0.4	0.2	0.3	-0.2	0.1
Region IV-B	31.2	29.9	32.5	-1.3	2.6	11.3	11.9	14.2	0.6	2.3	4.8	4.9	6.2	0.0	1.3
Marinduque	24.8	24.3	25.9	-0.6	1.6	10.6	9.3	10.6	-1.3	1.2	3.6	3.1	4.0	-0.6	0.9
Occidental Mindoro	27.3	33.3	33.0	6.1	-0.3	10.4	13.6	15.4	3.2	1.8	4.1	6.0	6.6	1.9	0.6
Oriental Mindoro	35.2	30.0	35.5	-5.1	5.5	14.0	11.1	16.7	-2.9	5.6	6.5	4.7	7.8	-1.8	3.1
Palawan	29.6	29.8	32.0	0.2	2.2	7.3	12.9	13.1	5.5	0.2	2.9	5.2	5.6	2.3	0.4
Romblon	33.8	28.4	29.4	-5.4	0.9	17.7	10.7	12.3	-7.0	1.7	7.7	3.9	4.7	-3.8	0.9
Region V	31.2	32.7	30.1	1.5	-2.6	14.1	13.2	12.6	-0.9	-0.7	5.8	5.8	5.1	-0.1	-0.7
Albay	27.9	30.3	30.2	2.3	-0.1	11.3	10.4	11.4	-0.8	1.0	4.3	4.3	4.6	0.0	0.3
Camarines Norte	33.2	34.7	27.3	1.5	-7.4	17.5	16.0	10.5	-1.5	-5.5	7.5	7.1	4.0	-0.4	-3.1
Camarines Sur	31.3	31.0	30.6	-0.4	-0.4	12.8	12.4	12.6	-0.4	0.2	5.4	5.1	5.1	-0.3	0.0
Catanduanes*	35.0	27.3	25.0	-7.7	-2.3	15.4	8.7	9.3	-6.7	0.7	6.7	3.5	3.3	-3.2	-0.2
Masbate	34.0	40.6	33.0	6.6	-7.6	20.9	22.7	16.8	1.9	-5.9	9.1	11.4	7.4	2.3	-4.1
Sorsogon	28.1	26.5	28.1	-1.6	1.6	11.6	8.9	12.2	-2.7	3.3	4.2	3.3	4.6	-0.9	1.3
Region VI	29.0	28.8	26.6	-0.3	-2.2	10.6	9.0	8.2	-1.6	-0.8	4.2	3.6	3.1	-0.6	-0.5
Aklan	27.7	26.4	27.4	-1.4	1.0	10.1	8.8	11.7	-1.2	2.9	4.0	3.1	4.5	-0.8	1.4
Antique	27.4	28.6	32.4	1.2	3.8	9.6	12.4	13.9	2.8	1.5	3.7	5.0	5.7	1.4	0.7
Capiz	26.8	23.8	22.4	-3.0	-1.4	11.0	5.1	5.4	-5.8	0.3	4.0	1.7	1.8	-2.4	0.1
Guimaras	19.8	32.0	21.2	12.2	-10.8	4.5	10.5	7.5	6.0	-3.0	1.4	4.2	2.3	2.8	-1.9
Iloilo	30.4	32.0	26.6	1.6	-5.4	9.0	9.9	6.4	0.9	-3.5	3.5	4.4	2.5	0.9	-2.0
Negros Occidental	29.6	27.6	26.0	-2.0	-1.6	12.3	8.7	8.7	-3.6	0.0	5.0	3.3	3.2	-1.7	-0.1
Region VII	32.3	28.9	29.5	-3.4	0.6	10.2	6.8	8.9	-3.4	2.1	7.1	2.8	3.7	-4.3	0.9
Bohol	34.7	27.5	32.5	-7.2	5.0	17.4	8.0	12.6	-9.4	4.6	7.5	3.0	5.5	-4.4	2.4
Cebu	31.0	27.1	27.5	-4.0	0.4	8.1	4.6	6.5	-3.5	1.8	3.5	1.9	2.6	-1.6	0.7
Negros Oriental	32.1	32.5	30.2	0.4	-2.3	9.5	12.1	13.2	2.5	1.1	4.4	5.4	5.6	1.0	0.2
Siquijor*	24.9	25.7	31.9	0.8	6.2	7.1	7.9	7.1	0.8	-0.8	2.6	2.3	2.6	-0.3	0.3

Region VIII	27.8	27.2	30.9	-0.7	3.7	10.5	9.6	12.6	-0.9	3.0	4.1	3.6	5.3	-0.4	1.7
Biliran*	27.0	28.4	21.5	1.4	-6.9	9.0	13.2	6.8	4.2	-6.5	3.7	5.1	2.1	1.5	-3.0
Eastern Samar	25.8	30.5	34.8	4.8	4.3	11.8	10.3	14.9	-1.5	4.5	4.3	4.2	6.8	0.0	2.6
Leyte	27.4	28.7	29.8	1.3	1.1	9.6	9.9	12.1	0.3	2.1	3.8	3.9	5.0	0.1	1.2
Northern Samar	31.9	22.3	35.0	-9.6	12.7	12.7	7.6	18.3	-5.2	10.7	5.3	2.4	8.3	-2.8	5.9
Southern Leyte	22.8	23.0	25.1	0.2	2.1	6.0	7.3	7.3	1.3	-0.1	1.9	2.5	2.6	0.6	0.2
Western Samar	28.9	26.9	31.1	-2.0	4.2	13.2	10.4	12.5	-2.8	2.1	5.0	3.9	5.1	-1.1	1.1
Region IX <i>la</i>	34.1	38.6	35.7	4.5	-2.9	13.2	17.0	14.3	3.8	-2.6	6.2	8.6	6.8	2.4	-1.8
Zamboanga del Norte	38.9	45.9	41.9	7.0	-4.0	18.3	29.6	26.4	11.3	-3.2	9.3	16.5	13.9	7.2	-2.6
Zamboanga del Sur <i>b</i>	31.2	33.8	32.2	2.6	-1.6	10.9	11.6	9.3	0.7	-2.3	4.8	5.4	4.0	0.6	-1.4
Zamboanga Sibugay	c	32.1	26.7	c	-5.5	c	13.1	9.1	c	-4.0	d	5.6	3.4	d	-2.2
Isabela City*	d	23.3	25.2	d	2.0	d	5.7	10.9	d	5.1	d	1.9	4.5	d	2.5
Region X	32.2	32.9	33.4	0.6	0.5	12.2	12.4	12.1	0.1	-0.3	5.3	5.5	5.3	0.2	-0.2
Bukidnon	28.5	35.5	28.4	7.0	-7.0	9.5	13.1	8.4	3.6	-4.7	3.7	6.1	3.4	2.4	-2.7
Camiguin	28.7	29.3	36.3	0.5	7.1	15.6	10.1	14.3	-5.5	4.2	6.2	4.1	6.2	-2.1	2.1
Lanao del Norte	36.8	35.7	35.4	-1.1	-0.3	18.1	16.6	15.6	-1.6	-1.0	8.5	7.7	7.0	-0.8	-0.7
Misamis Occidental	31.8	30.6	34.3	-1.1	3.7	14.9	14.7	16.7	-0.1	2.0	6.2	6.1	7.4	-0.1	1.3
Misamis Oriental	31.7	28.8	35.0	-2.8	6.2	9.3	8.2	11.0	-1.1	2.8	4.0	3.5	5.1	-0.6	1.6
Region XI	28.5	29.8	30.0	1.3	0.2	8.0	8.5	9.2	0.5	0.7	3.2	3.5	3.7	0.3	0.2
Davao del Norte	31.2	30.7	30.9	-0.5	0.2	12.3	9.3	11.6	-3.0	2.3	5.2	4.2	4.8	-1.1	0.7
Davao del Sur	24.8	27.4	30.0	2.6	2.6	4.5	6.6	6.9	2.1	0.3	1.7	2.5	2.7	0.8	0.2
Davao Oriental	27.5	30.1	27.8	2.6	-2.3	9.3	11.2	11.3	2.0	0.1	3.5	4.5	4.5	0.9	0.0
Compostela Valley	f	34.4	30.7	f	-3.7	f	11.8	12.2	f	0.4	f	5.3	5.1	f	-0.2
Region XII	28.9	28.1	28.1	-0.8	0.0	11.7	9.0	9.5	-2.7	0.5	4.7	3.5	3.7	-1.2	0.2
North Cotabato	29.7	26.8	27.4	-3.0	0.6	12.4	7.0	7.6	-5.4	0.6	5.1	2.6	3.0	-2.5	0.3
Sarangani	39.9	30.9	28.3	-9.0	-2.7	19.3	13.7	12.7	-5.6	-1.1	9.7	5.9	4.9	-3.8	-1.0
South Cotabato	26.3	28.5	28.7	2.2	0.2	9.1	7.5	8.8	-1.6	1.3	3.3	3.0	3.5	-0.3	0.5
Sultan Kudarat	24.1	26.2	27.5	2.0	1.3	11.8	10.9	11.2	-0.9	0.3	4.0	3.7	4.1	-0.3	0.4
Cotabato City*	24.8	30.4	29.7	5.6	-0.7	6.6	12.5	11.3	6.0	-1.3	2.2	5.1	4.9	2.9	-0.1

CAR	31.6	30.0	32.1	-1.6	2.1	9.7	7.7	9.3	-2.0	1.5	4.3	3.2	4.0	-1.0	0.8
Abra	35.4	30.6	36.4	-4.8	5.8	16.9	12.5	18.2	-4.3	5.7	7.8	5.2	8.4	-2.6	3.2
Apayao	26.1	21.3	38.1	-4.8	16.8	6.9	3.6	21.9	-3.4	18.3	2.5	1.1	10.6	-1.4	9.5
Benguet	23.6	21.4	24.0	-2.2	2.6	3.3	2.3	2.0	-0.9	-0.4	1.2	0.8	0.7	-0.4	-0.1
Ifugao	32.5	27.2	19.2	-5.3	-7.9	18.1	7.6	6.0	-10.5	-1.6	7.8	2.6	2.1	-5.2	-0.5
Kalinga	31.4	32.9	35.1	1.5	2.1	12.3	15.2	16.0	2.9	0.9	5.5	6.8	7.2	1.2	0.4
Mt. Province	37.8	38.4	33.4	0.6	-5.0	18.3	17.9	15.0	-0.4	-2.9	9.1	8.8	6.5	-0.3	-2.3
ARMMg	29.5	28.0	29.3	-1.5	1.3	15.9	12.7	16.2	-3.2	3.5	6.3	4.9	6.4	-1.4	1.5
Basilan*g	21.2	22.4	17.6	1.1	-4.8	6.7	7.5	5.6	0.8	-1.9	2.2	2.2	1.4	0.0	-0.8
Lanao del Sur	29.9	33.3	32.3	3.4	-1.0	16.4	12.5	17.0	-3.9	4.5	6.2	5.4	6.8	-0.8	1.5
Maguindano	35.3	30.3	31.2	-5.0	0.9	20.9	18.3	19.3	-2.7	1.0	9.6	7.4	8.0	-2.3	0.6
Sulu	25.3	23.0	24.8	-2.3	1.7	14.9	10.4	11.5	-4.5	1.1	4.7	3.6	4.1	-1.1	0.5
Tawi-tawi	24.7	22.1	29.9	-2.6	7.8	13.0	7.7	23.6	-5.3	15.9	4.4	2.2	9.1	-2.3	6.9
Caraga	32.5	32.5	34.4	0.0	1.9	14.3	15.3	15.6	1.0	0.3	6.2	6.6	7.0	0.4	0.4
Agusan del Norte	34.3	33.0	31.0	-1.3	-2.0	14.0	11.0	10.9	-3.1	-0.1	6.6	4.9	4.6	-1.7	-0.3
Agusan del Sur	35.2	35.1	35.5	-0.2	0.4	18.4	18.5	17.3	0.1	-1.2	8.3	8.4	8.1	0.1	-0.3
Surigao Del Norte	28.7	33.0	37.1	4.3	4.1	12.2	18.0	19.7	5.8	1.7	4.8	7.9	9.2	3.0	1.3
Surigao Del Sur	30.1	28.4	33.0	-1.7	4.6	11.5	13.8	15.0	2.3	1.2	4.6	5.2	6.3	0.6	1.1

a - 2000 estimates do not include Isabela City.

b - 2000 estimates still include Zamboanga Sibugay

c - No separate estimate yet; still included in Zamboanga del Sur.

d - No separate estimate yet; still included in Basilan

e - 2000 estimates include Compostela Valley

f - No separate estimate yet; still included in Davao del Norte

g - 2000 estimates include Isabela City

Source: Family and Income Expenditure Survey (FIES), National Statistics Office

Another set of estimates of poverty incidence using consumption as basis rather than income is shown in Table 6 (this is called the Consistent Basic Needs (CBN) method and was undertaken by Balisacan (2007). The data are consistent and comparable across years. Note that the poverty estimates are expectedly lower but consistent with the trends in Table 1. Table 6 shows that around 75 percent of the poor are in rural areas which underscores the lack of rural development and neglect of the more far-flung provinces.

Table 6: Consistent Poverty Rate Estimates Using Consumption as Basis of Determining Poverty (Consistent Basic Needs Method)

	1985	1988	1991	1994	1997	2000	2003	2006
Philippines	40.9	34.4	34.3	32.1	25.0	27.5	26.0	28.1
Urban	21.7	16.0	20.1	18.6	11.9	13.2	12.1	14.4
Rural	53.1	45.7	48.6	45.4	36.9	41.3	39.5	41.5
Contribution to Total Poverty								
Urban	20.5	17.7	29.3	28.8	22.6	23.5	22.7	25.2
Rural	79.5	82.3	70.7	71.2	77.4	76.5	77.3	74.8

Source: Balisacan (2008)

Achieving the MDG Goal One in 2015 is made even more difficult since 2008, and most likely in 2009. Poverty worsened significantly as prices of food (especially rice) and crude oil/gasoline soared to unprecedented heights leading inflation to hover around double-digit figures in the mid-year and third quarter of 2008. Inflation tapered off by the fourth quarter of 2008 due to easing food supply and lower world fuel prices – but in 2009, there remains a threat from the economic recession centered in the US and Europe

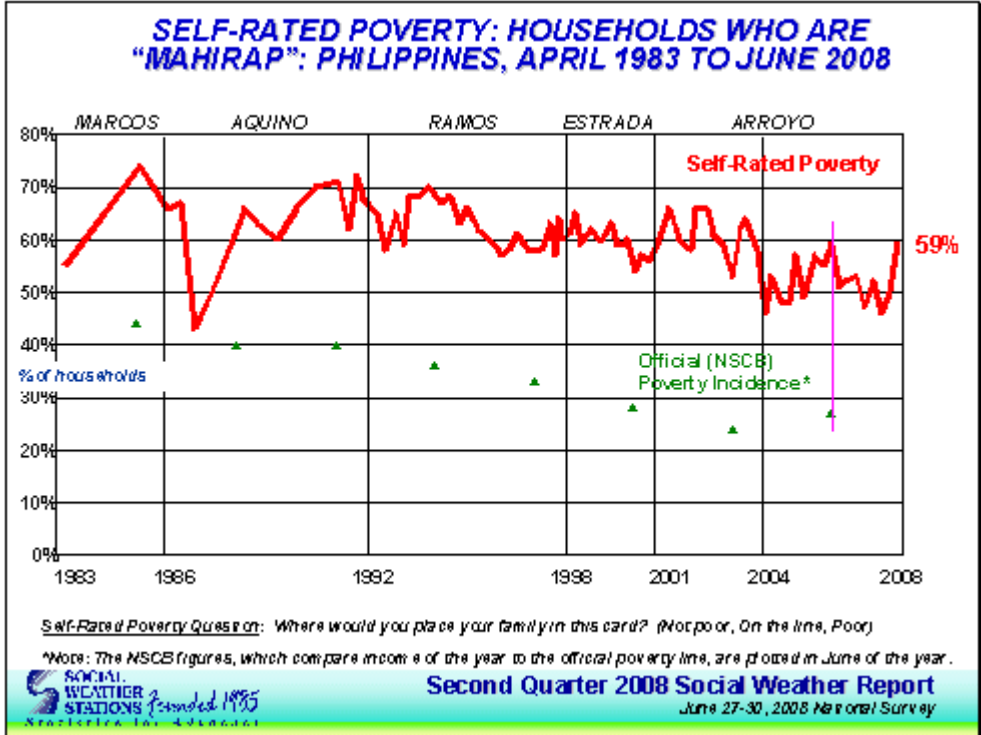
The period from 2004 to 2006 was a period of relatively high growth for the Philippine economy, with GNP growth rate averaging at 6.1 percent whereas the corresponding growth between 2001 and 2003 averaged only 4.1 percent. The high economic growth from 2004 to 2007 is proclaimed by the current Arroyo government as its main achievement. But growth had not filtered down to lower income groups since poverty incidence increased from 2003 to 2006³.

The Social Weather Station (SWS) based in the Philippines has been doing quarterly national household surveys of self-rated poverty perception since 1988. A household head is presented with a chart containing a line that indicates the poverty threshold, and is asked to point where her/his family is situated on the chart (above, on or below the line). There are two subjective thresholds posed by the SWS: the general poverty ('mahirap') threshold and

³ 2007 was the highest growth year in the period 2004 to 2007. Unfortunately, the latest national poverty data would be for 2006 and there are no available national poverty data for 2007 and thereafter..

the food poverty threshold⁴. At the same time, the respondent is asked if s/he or any member of the family had experienced hunger during the quarter being covered. The result of the self-rated general poverty perception from April 1983 to June 2008 is shown in Fig.1a. It shows that the percentage of households rate themselves as poor; this continues on a downward trend from the beginning of the Arroyo administration in 2001 to December 2007, and spikes upwards in March and June 2008. The self-rated poverty rate went up nationally from 50 percent in March 2008 to 59 percent in June 2008. This was almost certainly due to the external shocks of food and fuel price inflation and the slowdown of the economy as it followed the world and US trend. Most affected was the Visayas region where the self-rated poverty rate went up from 47 percent in March 2008 to 66 percent in June 2008. In the poorest area, conflict-ridden Mindanao, self-rated poverty went up from 59 percent to 68 percent during the same period. Metro Manila fared best with the self-rated poverty rate increasing from 44 percent to 51 percent. The rest of the Luzon region increased its self-rated poverty from 48 percent to 53 percent. Note that in all mentioned aggregates, those who rated themselves as poor in June 2008 were over 50 percent of the population (as opposed to just 3 months before) and two-thirds or more rated themselves poor in Mindanao and Visayas. Sixty-four percent of rural households declared themselves poor in June 2008 as compared to 55 percent in March 2008.

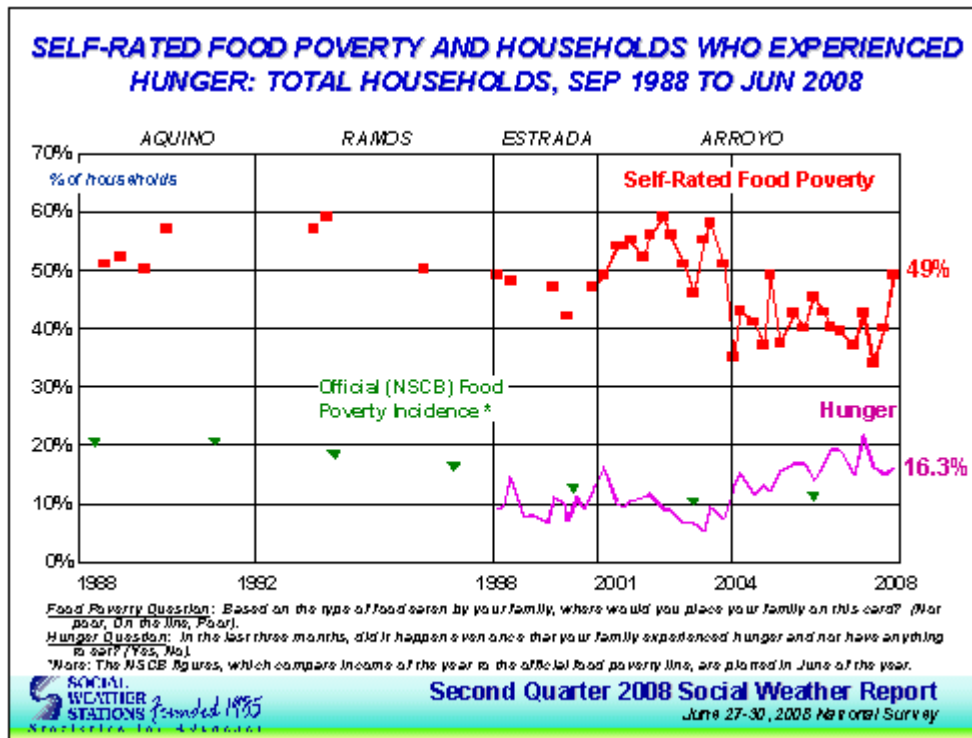
Fig. 1a: Self-rated poverty of households who are poor



Source: Social Weather Stations (2008),

⁴ General poverty threshold includes all expenses for all basic necessities in order to be just in the borderline of being poor and not-poor. Food poverty threshold refers to just the food expenses required for a family to survive and not go hungry and starve.

Fig. 1b: Self-rated food poverty



Source: Social Weather Stations (2008)

The results for the self-rated food-poverty perception and incidence of hunger are shown in Figure 1b. Again, the figure shows that the percentage of households rating themselves as food-poor goes on a downward trend from 2003 to December 2007, with a significant spike upwards in March and June 2008. The national average in March 2008 was 40 percent and the percentage in June 2008 was 49 percent. The Self-rated food-poverty rates increased from 32 percent, 50 percent, 35 percent and 39 percent in Visayas, Mindanao, Metro Manila and the rest of Luzon, respectively, in March 2008 to 53 percent, 57 percent, 43 percent and 44 percent, respectively, in June 2008. Like before, food-poverty was most prevalent in war-torn Mindanao, but Visayas had the worst deterioration. Both Mindanao and Visayas had more than 50 percent of their population declaring themselves as food-poor (as opposed to Luzon, where below 50 percent declared themselves as food-poor in June 2008).

The incidence of self-declared hunger, shown in Fig. 1b, has been on an upward trend since 2004, indicating increasing chronic poverty from 2004 to June 2008. The temporary downward movement in March 2008 was partly offset by an increase from 15.7 percent in March 2008 to 16.3 percent in June 2008. The worst period in the figure, however, was in early 2007 and September 2007 when incidence of self-declared hunger hovered around 20 percent.

Although the two sets of surveys are not consistent, they do point to an increase in hunger in the latest years and also point to large regional disparities. They also point to hard times in 2008 and most likely beyond.

Finally, we discuss the issue of chronic poverty. Chronic poverty is supposed to exist if there is persistence in poverty for extended periods for the same set of poor people (as opposed to transient poverty, when a family or individual enters poverty and gets out of it through some coping mechanism or improvement of economic conditions). The only rigorous study on this was undertaken by Reyes (2002). Using the Family Income and Expenditure Survey (FIES) in 1997 together with the Annual Poverty Indicators Survey (APIS) of 1998 and 1999, Reyes took samples of households that were common to all three surveys. She found that out that 40.7 percent of the families were poor in 1999. More than half of them – 21.7 percent of the families – were chronically poor (defined by Reyes as poor in all years – 1997, 1998 and 1999). Another study on chronic poverty is by Malapit *et al.* (2003), which links chronic poverty with war and conflict in Muslim Mindanao.

Since regular data on chronic poverty is hard to obtain, the information in the tables presented in this section is useful for gauging the extent of chronic poverty. First, poverty depth can point to the extent of chronic poverty. The measure of income gap is especially crucial since it tells us, on the average, how far below the poverty threshold the average poor person is. The bigger the gap, we expect it to be more difficult for many poor people to go up beyond the poverty threshold. Another important gauge of the extent of chronic poverty is the percentage of the population falling below the food (subsistence) threshold. Tables 3 and 4 show that the food (subsistence) threshold is around 40 percent to 50 percent below that of the poverty threshold. So, it is more difficult for a person earning less than the food (subsistence) threshold to go up beyond the poverty threshold.

But there are other factors causing chronic poverty, and this will be discussed in section 3. The link between chronic poverty and war is discussed in detail in Appendix A.

The next section discusses government poverty programmes and other stakeholders and participants in obtaining the poverty reduction objective. The final section will assess poverty reduction efforts and give constructive recommendations to achieve genuine and significant poverty eradication in the country.

2 Poverty reduction in national programmes and the roles of other stakeholders and participants:

2.1 Government response and program for poverty reduction

2.1.1 *Medium Term Development Plans*

This section documents the government's poverty reduction programmes and policies from the Marcos government to the current Arroyo government. Table 7 gives a summary of the anti-poverty content of the medium term development plans (MTDP) of the various governments from 1971 to 2004, as analysed by Reyes (2002).

Note that the different Philippine governments' MTDP give some emphasis to poverty reduction since it is popular to the general public, especially in a society that is increasingly critical of its government, and with the rise of civil society organisations (CSOs), people's organisations, sectoral organisations and non-government organisations (NGOs). Poverty reduction is also popular with United Nations agencies, multilateral and bilateral donors, especially in the latest period when human development goals and the Millennium Development Goals have been accepted by mainstream multilateral agencies. It is also a popular issue with the academic community as much data shows widespread poverty even during times of economic growth.

Criticism of the successive government's implementation and achievements on the poverty reduction front mostly comes from these CSOs and NGOs, the academic community, UN agencies and the donor community. These criticisms and debates will be discussed in the third section of the paper.

Table 7: Poverty targets based on the different Medium Term Development Plans (MTDP)

Plan	Poverty Targets
Four-Year Development Plan, 1971-1974 (Marcos Administration)	No specific target for poverty reduction was mentioned in the Plan.
1978-1982 Five Year Philippine Development Plan (Including the Ten-Year Development Plan, 1978-1987) (Marcos Administration)	The Plan did not mention of any poverty target, however, it did mention that overcoming poverty, underemployment and unemployment was one of the national goals and policies. The Plan also targeted to cover in an outreach program of the Department of Social Services and Development (DSSD) approximately 15 million individuals (31.2 percent of the 1980 population) belonging to the bottom 30 percent of the income classes by 1982. The target groups include disadvantaged groups (family heads, preschoolers, youth, disabled and distressed), cultural minorities, industrial and agricultural workers and social security workers. Communities such as distressed barangays, municipalities and cities were also included as target areas.
Five Year Philippine Development Plan, 1978-1982 (Updated for 1981 and 1982) (Marcos Administration)	The Plan did not mention of a target on poverty itself but on social development. The Plan targeted for lower population growth, improved health and nutrition status, higher educational performance, better housing and other social services and community development.
Five Year Philippine Development Plan, 1983-1987 (Marcos Administration)	The Plan did not mention specific poverty reduction targets but it stated that human development was a major national goal and one of the priorities was to set programs that directly attack poverty. The Plan did mention its target for the delivery of social services. It was expected that the social sector will have reached out to 9.6 million needy individuals (or 13.3 percent of the population) by 1987. The self-employment assistance program was designed to benefit these economically and socially needy individuals in the working age group.
Philippine Development Plan, 1987-1992 (Aquino Administration)	The poverty incidence is targeted to fall from 59 percent in 1985 to 45.4 percent in 1992. Geographically, poverty incidence in the rural sector is targeted to decline from 63% in 1985 to 48% in 1992. NCR's poverty is also targeted to fall from 44% to 40% within the same period while that of the urban areas outside NCR is expected to decline from 56 to 49 percent.
Updates of the Philippine Development Plan, 1990-1992 (Aquino Administration)	From a poverty incidence of 58.9 in 1985, the government's target for 1992 ranged at 46.1% to 49.3%.
Medium-Term Philippine Development Plan, 1993-1998 (Ramos Administration)	Poverty shall be reduced from 39.2% in 1991 to about 30% by 1998.
Medium-Term Philippine Development Plan, 1999-2004 (Estrada Administration)	Poverty incidence shall be reduced from 32 percent in 1997 to 25-28% by 2004. Regional targets were also included.
Medium-Term Philippine Development Plan, 2001-2004 (Arroyo Administration)	In the "Healing the Nation: The First 100 Days of the Macapagal-Arroyo Administration," it was mentioned that the MTPDP incorporated the goal of reducing poverty incidence to 28% by 2004. However, the final version of the 2001-2004 MTPDP failed to mention any target for reducing poverty incidence.

Source: Reyes (2002)

The latest MTDP for 2004 to 2010 by the Arroyo administration declares the basic task is "to fight poverty by building prosperity for the greatest number of the Filipino people." It outlines the main programmes to achieve this, which are: a) economic growth and job creation, b) a good energy programme, c) a programme for social justice and basic needs, d) programmes enhancing education and youth opportunities, e) anti-corruption and good governance programmes. The specified target is to reduce the poverty incidence of families from 28.4 percent in 2000 to 17.9 percent by 2010.

2.1.2 Poverty reduction programs

The Marcos government's main approach to poverty reduction was: 1) a land reform programme in the rice and corn areas and boosting agricultural productivity with the 'Green Revolution' technology.; 2) improving urban and rural infrastructure throughout the country;

3) social welfare outreach programme and targeting disadvantaged groups; 4) self-employment programmes; 5) a population control programme.

The succeeding Aquino government (1986-1992) had three main programmes related to poverty reduction and asset distribution. First was the Comprehensive Agrarian Reform Programme (CARP) enacted into law by Congress in the second year of the Aquino government (after its overthrow of the Marcos government). This expanded the agrarian reform programme to all lands beyond rice and corn lands⁵, including export crops, public lands and idle lands. Second was the Community Employment and Development Programme (CEDP) aimed at pump-priming an economy in recession by generating one million jobs in an 18-month period starting July 1986. Related to the CEDP was the *Tulong Sa Tao* (Help the People) Programme which, through a presidential executive order, aimed at poverty reduction by creating employment in low income municipalities. The programme was supposed to have generated 183,500 new jobs and improved living conditions of 111,000 beneficiaries with 1,500 NGOs strengthened in the process.

The CARP was supposed to be a ten-year programme of land reform and support service provision for farmers and agricultural workers. It had to be extended for another 10 years in 1998 by the Ramos administration due to an unfinished land distribution and support service provision. By the year this paper was written, 2008, the reform had still not been completed (see section 3) and the CARP extension is currently being debated (again) in Congress pending the accounting of funds used by the Department of Agrarian Reform (DAR).

The Ramos administration's (1992-1998) main programme was the Social Reform Agenda (SRA). It focused on poverty alleviation and countryside development, and identified the basic sectors – farmers, fisher folk, indigenous peoples, the urban poor, workers in the informal sector, women, persons with disabilities, youth, disadvantaged students, the elderly and victims of disasters. The programme also targeted the country's twenty poorest provinces.

The Estrada government (1998-2001) created the *Lingap Para sa Mahirap* (Care for the Poor) programme which identified the 100 poorest families in each local government unit (LGU) nationwide. A Php2.5 billion poverty alleviation fund was provided under the 1999 General Appropriations Act.

The Arroyo government's current main poverty reduction programme is the KALAHI Program, which will be described in detail in the following section.

⁵ Rice and corn are domestic-oriented agricultural products whose lands were already largely land-reformed under the Marcos government as well as governments before it.

Table 8 gives us a summary of the objectives and components of the poverty reduction programmes of the four administrations, the Aquino, Ramos, Estrada and Arroyo government. Each administration consistently changed the poverty reduction approach of the previous government, causing criticism of a lack of continuity in the overall strategy of poverty reduction (see section 3 and Reyes, 2002).

Since this paper would like to focus on constructive policy recommendations, it will concentrate on the current poverty reduction programme of the Arroyo government, although lessons drawn from the previous poverty reduction programmes will also be discussed based on analyses from various sources.

Table 8: Objectives and components of government reduction programmes

Objectives and Components of Government Poverty Reduction Programs, 1986–2004

	Tulong sa Tao	Social Reform Agenda (SRA)	Lingap Para sa Mahihirap (Lingap)	Kapit-Bisig Laban sa Kahirapan (KALAHI)
Key Objectives	<ul style="list-style-type: none"> To increase employment and income of low-income groups To strengthen self-help groups To encourage savings mobilization among low-income groups To increase production of goods and services by members of the low-income groups To strengthen NGOs to service credit needs of low-income groups 	<ul style="list-style-type: none"> Poverty alleviation Quality basic social services Institutional development 	<ul style="list-style-type: none"> For government and private sector to converge efforts and resources for poverty alleviation 	<ul style="list-style-type: none"> To address inequities in ownership, distribution, management, and control over productive resources To meet basic human needs To strengthen the capacities of marginalized groups to engage in productive enterprises and livelihood To eliminate all forms of discrimination To institutionalize and strengthen participation of basic sectors in all levels of governance

	Tulong sa Tao	Social Reform Agenda (SRA)	Lingap Para sa Mahihirap (Lingap)	Kapit-Bisig Laban sa Kahirapan (KALAHI)
Program Components		Flagship programs: Agricultural development Fisheries and aquatic resources management Ancestral domains Socialized housing Workers' welfare and protection Livelihood Credit Institution building and effective participation in governance	Potable water Socialized housing Health care Protective services for children Livelihood/cooperative development Food subsidy	Asset Reform Human Development Services Employment and Livelihood Social Protection Participation of the poor in Governance
Poverty Reduction Target	Not explicit	Reduce poverty incidence to 30%	Reduce poverty incidence to 25-28 %	Win the war against poverty within the decade
Coordinating Agency	Department of Trade and Industry	Social Reform Council	National Anti-Poverty Commission	National Anti-Poverty Commission

	Tulong sa Tao	Social Reform Agenda (SRA)	Lingap Para sa Mahihirap (Lingap)	Kapit-Bisig Laban sa Kahirapan (KALAHI)
Target Area	Low-income municipalities	Special priority areas: 20 poorest provinces 5 th and 6 th class municipalities Special Zones of Peace & Development (Mindanao & Palawan)	Nationwide	Poorest barangays in the KALAHI convergence areas
Target Beneficiaries	Low income groups in rural areas	Poor and vulnerable groups	100 poorest families in every province and city	14 "basic sectors": children, women, urban poor, persons with disabilities, farmers, fisherfolk, indigenous peoples, informal labor, formal labor and migrant workers, youth and students, senior citizens, victims of disasters and calamities, cooperatives, NGOs
Delivery Mechanism	National government agencies with NGOs as conduits	Flagship program agencies	National government agencies	National government agencies

Source: Reyes (2002)

2.1.3 *The KALAHI Program*

The current Arroyo government's main national strategy against poverty reduction is the KALAHI Program – Kapit Bisig Laban sa Kahirapan (Linking Arms Against Poverty) Program. The main planning and coordinating agency for this programme is the National Anti-Poverty Commission (NAPC) which was created in 1998 as part of the Social Reform Agenda (SRA) enacted into law.

The following is taken from the NAPC concerning the KALAHI Program:⁶

The KALAHI has five (5) core strategies based on the redistribution of economic opportunities and empowerment of the poor, to ensure the delivery of social services to vulnerable sectors:

- 1) ***Accelerated asset reform*** – Provide the poor with the opportunity to own land/lot through agrarian reform, urban land reform and ancestral domain.
- 2) ***Improved access to human development services*** – Provide the poor with a decent way of living through enhanced access to basic services such as education, health and sanitation, electrification, water and housing.
- 3) ***Provision of employment and livelihood opportunities*** – Provide the poor with employment opportunities, micro credit and assistance in micro enterprise development.
- 4) ***Security from violence and social protection*** – Provide the vulnerable sector with safety nets as protection from all forms of discrimination and the severe impact of man-made and natural disasters.
- 5) ***Institutionalised and strengthened participation, especially of the basic sectors, in governance*** – Provide the poor with venues for participation in decision-making and management processes.

Its projects include infrastructure development of the following:

- Water systems for safe and potable water in far-flung areas;
- farm-to-market roads and box culverts to facilitate transport of farm products;
- daycare centers for the basic education of toddlers;
- barangay⁷ health centers for free health services;
- barangay electrification;
- footbridges for residents in mountainous areas;

⁶ National Anti-Poverty Commission (n.d)

⁷ 'Barangay' refers to the smallest legal geographic unit in the Philippines. It used to be called 'barrio'.

¹⁰ Except for the power subsidy and rice subsidy programmes, the social assistance programmes had been quite variable until the President's SONA, and the programmes might still be subject to changes.

- flood control systems to prevent crop damage in easily flooded areas;
- public markets for easy market access;
- core shelter assistance for low-cost housing for poor rural families;
- pump irrigation for increased productivity of farmers.

KALAHI also provides opportunities through the following:

- Animal dispersal to beef up farmers' income;
- agro-forestry to create livelihood and optimise use of idle lands for farmers;
- fish culture to generate livelihood for indigenous people.

KALAHI projects are undertaken according to a community's priority needs, which the community itself has identified. The projects are not dole-outs but are driven by public demand based on the most urgent deprivations that need to be addressed.

In serving communities and cities throughout the country, KALAHI adopts various modes that have high impact potential in improving people's lives.

In recognition of the multifaceted nature of poverty, KALAHI adheres to the following FACE approach:

- **Focused.** KALAHI targets the poorest and most vulnerable barangays and sectors in communities. Specific criteria are established to ensure that poverty reduction efforts provide maximum impact and benefit those who need them the most.
- **Accelerated.** KALAHI immediately addresses the communities' need and fast-tracks processes by cutting channels and serving target groups directly.
- **Convergent.** KALAHI converges the poverty reduction efforts of the government bureaucracy at all levels, as well as those of the private sector, the civil society, and most especially, the basic sectors to address the economic, political and socio-cultural dimensions of poverty concurrently.
- **Expanded.** KALAHI recognises the need for multi-themed and integrated approaches in addressing the multi-dimensional nature of poverty by attending to human development concerns, asset reform, livelihood and employment.

The KALAHI approach believes in converging various stakeholders from government and civil society for a more comprehensive and holistic poverty reduction scheme. Certain criteria are also used to prioritise and cover most depressed areas in the country under various reasons and conditions.

As of 12 July 2006, a total of 12,896 barangays (or barrios) out of the country's 42,000 barangays were already considered as KALAHI barangays.

Following the NAPC's footsteps and based on their respective mandates, the following government agencies are also implementing their own KALAH I programmes as part of the multi-leveled and multi-stranded intervention to reduce poverty:

- **KALAH I-KALAYAAN** of the Department of National Defense (DND), the Armed Forces of the Philippines (AFP), and the Office of the Presidential Adviser on the Peace Process (OPAPP) aims to address the needs of the poor communities in conflict areas, which have peace and order issues. It has so far benefited a total of 600 barangays.
- **KALAH I-CIDSS** of the Department of Social Welfare and Development (DSWD) seeks to empower poor communities through enhanced participation in barangay governance and involvement in the design, implementation and management of anti-poverty initiatives. It aims to reach 5,378 barangays in five years. As of 12 July 2006, it has already covered 3,759 barangays.
- **KALAH I-Agrarian Reform Zone** of the Department of Agrarian Reform (DAR) is a development intervention focusing on the need of Agrarian Reform Communities to help qualified beneficiaries acquire land, improve tenancy, enhance productivity, generate income, provide physical infrastructure and micro-credit, and manage the environment, among others. It has a total of 9,130 barangay beneficiaries.
- **KALAH I-Poverty Free Zones** of the Department of Labor and Employment (DOLE) provides livelihood opportunities for people in targeted areas. It covers a total of 44 barangays.

Of the 12,826 identified KALAH I barangays, 100 barangays are beneficiaries of at least three (3) different KALAH I agency programmes; 1,210 barangays have at least two (2) KALAH I agency programmes; and 11,249 barangays have one (1) KALAH I agency programme.

The National KALAH I Convergence Group (NKCG) is composed of heads/or focal persons of the national government agencies, presidential assistants or Regional KALAH I Convergence Group (RKCG) Chairpersons and the national representatives of the 14 basic sectors identified as key to poverty reduction. The 14 basic sectors are: 1) farmers and rural landless workers, b) artisans and fisherfolk, c) urban poor, d) indigenous peoples, e) workers in the formal sector and migrant workers, f) workers in the informal sector, g) women, h) children, i) youth and students, j) victims of disasters and calamities, k) physically challenged persons, l) senior citizens, m) NGOs, n) cooperatives. Note that these sectors are largely similar to the basic sectors of Ramos' SRA since President Arroyo was the vice-president and ally of President Ramos.

2.2 Microfinance as a major government program for poverty reduction

Consistent with the KALAH I Program, Arroyo's current poverty reduction programme is heavily focused on providing microfinance for the poor and vulnerable sectors. Many government created funds, such as the Land Bank of the Philippines (LBP), the People's Development Trust Fund (PDTF) and the National Livelihood Support Fund (NLSF) are used for this purpose. Except for the LBP (whose loans cater to agrarian reform beneficiaries), the NAPC oversees these funds. The Department of Social Welfare and Development (DSWD) also has special funds for credit for the extremely poor and vulnerable sectors. In her State of the Nation Address (SONA) on July 28, 2008, President Arroyo claimed to have given out Php102 billion for microfinance during her term from 2001 to 2008. This, she claims, is an increase of more than 30 times from before her government. The government was able to get a \$150 million (around Php 7 billion) soft loan for microfinance from the Asian Development Bank (ADB). Most of the funds, aside from being seed funds for the lending programmes, are used for capacity building of microfinance financial institutions (MFIs), financial literacy for the poor and vulnerable sector, consumer protection of the borrowers of microfinance and providing support for the regulatory framework of microfinance. The government was also able to get grants from the United National Development Programme (UNDP) and the Australian Agency for International Development (AusAID) to enhance the capabilities of MFIs to be cost-efficient and to improve their services. The beneficiaries of microfinance are mainly small farmers, fisher folks, informal workers, the urban poor, indigenous peoples and the youth sector. The government assumes that the provision of microfinance is part of its employment generation programme (for the self-employed).

2.2.1 *'One-town one-product'*

As a strategy to promote local economic development and employment generation, the Department of Trade and Industry – using the 'convergence' approach of KALAH I – is promoting, starting in 2004, the 'one-town one-product' approach of promoting and providing technical and capability support to successfully market a 'champion' product for each town, which is supposed to lead to local economy development and employment generation. As of the current writing, the author knows of no document evaluating the implementation and outcome of the programme.

2.2.2 *A short evaluation of the KALAH I Program*

A more detailed evaluation of the KALAH I Program is done in section 3.6 and Appendix B. The following summarise the points:

- (1) The KALAH I Program looks good on paper since it combines infrastructure and social service provision with local economies development and social protection

programmes using the convergence approach where various government agencies collaborate at the local and regional levels. However, the social compact (detailed in Appendix B) and lack of development strategy (detailed in section 3.1) is such that there is no coherent plan and mutually supporting projects that may lead to a more permanent and more effective push towards reducing poverty.

- (2) In particular, the social protection programmes are not widely implemented and do not have a view of providing permanent economic opportunities for the poor households to accumulate assets and to engage in permanent income generating activities.
- (3) The microfinance component does not use the BRAC (a Bangladeshi poverty reduction NGO) approach of having a 'push out' – 'push down' strategy. The DSWD microfinance for the ultra-poor is seen more as a coping mechanism rather than an asset accumulation approach for the ultra-poor. Just like the cash transfer programmes, there is a lack of objective targeting mechanisms for beneficiaries. Finally, many microfinance schemes in many areas fail to use the 'convergence' approach of simultaneously delivering credit, infrastructure, social services and employment generating / local economies development so that mutually self-enforcing economic activities and provisions will lead to a more permanent and effective outcome.
- (4) The lack of development strategy makes the one-town one-product approach an isolated and uncoordinated initiative in terms of its choice of products, market outlets and interlinking of towns, provinces and regions. This makes it more difficult for the scheme to succeed. In this context, the one-town one-product approach may not yield optimal results as other activities in the local areas (not chosen as the choice product of the town) are stifled due to lack of resources and infrastructure/ institutional/ market support.
- (5) It is only recently that objective targeting systems for social protection and social assistance beneficiaries have been experimented with (see section 3.6). More often than not, politicisation of poverty reduction programmes produces a large leakage of funds that do not benefit the poor. It is estimated that 62 percent of the food-for-school programme (aimed at keeping poor children in school and at the same time improving their nutritional status) do not reach the targeted poor. Other leakages are mentioned in section 3.6.

2.2.3 *The government's response to the food and fuel inflation and economic slowdown in 2008*

The current government admits that it is facing a serious situation starting in 2008 as world food and fuel inflation as well as the world economic slowdown (due to the subprime crisis) engulf the international setting. Already, the GDP growth in the first three quarters of 2008 fell to around 4.5 percent to 4.6 percent compared to more than 7 percent in the same period

of 2007. This fall is led by significant declines in private consumption due to high food and fuel inflation in the first three quarters and due to declines in the export of electronics (the Philippine's prime export). As with most developing countries, the problem of a contracting economy – especially due to export collapse -- cannot be resolved unless global conditions substantially improve. So far, regional cooperative efforts to minimize the adverse impact of the global economic slowdown are simply nominal lip-service.

The government's efforts to address the current economic slowdown could have been easier considering the estimated Php80 billion windfall tax revenue from value-added taxes and from the increase in oil and gasoline prices in the first three quarters of 2008. But the actual programme assistance for the poor and vulnerable came quite late (it started only in June 2008 despite the tax windfall occurring as early as January 2008), at least two months after a food and fuel inflation hit the country. The amount provided for the programmes was also quite small compared to the windfall revenues. In her State of the Nation Address (SONA) before Congress on 28 July 2008, President Arroyo announced previous programmes that were started in June and future social assistance programmes:¹⁰

- (1) A Php2 billion power subsidy programme which offers a one-shot Php500 cash dole out to four million families using less than 100 kilowatt hours of electricity monthly;
- (2) Php1 billion for scholarship or loans to 70,000 low-income college students;
- (3) Php500 million to subsidise jeepneys (a common public transportation vehicle in the country) to convert their motor engine so that its fuel source will change from gasoline to LPG (liquefied petroleum gas), CNG (compressed natural gas) or biofuel, which are cheaper and more environmentally friendly;
- (4) Php500 million to change the bulbs in public places to florescent (which is expected to save Php2 billion annually).

In future programmes, the President promised the following:

- (1) An additional Php1 billion for another round of the power subsidy programme;
- (2) Php500 million for poor senior citizens not covered by the Social Security System (SSS) or the Government Service Insurance System (GSIS);
- (3) Php500 million of capital for families whose income source is the public transport sector (the transportation fare increases allowed by the government for the public transport vehicles lag very much behind the actual fuel price increases);
- (4) Php500 million to upgrade public hospitals and their equipments;
- (5) unspecified amount for victims of calamities and disasters.

The President mentioned the need to extend the Comprehensive Agrarian Reform Programme (CARP) but focused on productivity improvements and erasing anomalies in the

programme (attempts to overvalue large landowners' land and undervalue owner cultivators' land – leading to easy mortgage and taking over of their land). The President failed to mention the failure to distribute more than 80 percent of lands under compulsory acquisition. The latest bill extending CARP had scrapped the component of the programme distributing these lands under compulsory acquisition.

The President also mentioned a pilot programme of the Department of Social Welfare and Development (DSWD) called Pantawid Pamilya (Allowing Families to Cope) wherein 300,000 poor families are targeted to be given a monthly allowance of Php500 per household and a Php300 education stipend per child (for a maximum of three children per family) on the condition that the child regularly attends school. However, DSWD Secretary Esperanza Cabral admitted that there were problems with significant money going to the non-poor while many poor families were unable to avail of the subsidies.

The World Bank is thus helping and funding DSWD with Conditional Cash Transfer (CCT) Programmes in the Philippines with pilot tests in Agusan del Sur and Misamis Occidental (two poor non-Muslim provinces in Mindanao), Pasay City and Caloocan City in Metro Manila. Poor families are first targeted geographically with poverty maps based on supply side assessments. Household targeting uses the objective criteria of the proxy means testing approach which is described in a later section. Poor families are 'enrolled' in the programme and 'graduate' in five years. They receive a bi-monthly allowance based on co-responsibilities of the families which include the following conditionalities (called co-responsibilities): 1) regular school attendance of children aged six to 14; 2) regular health check-ups of children aged zero to five; 3) vaccination and immunisation of children; 4) pregnant women do prenatal and postnatal check-ups in health centers and subject themselves to delivery by skilled health professionals.

The Philippines has very little experience with continuous (not one-shot) cash transfers and the spread of such social protection and social assistance programmes into poor areas (including and especially conflict-ridden areas described in Appendix A) is essential. Objective targeting procedures and the participation of genuine civil society and church groups and international agencies (such as the UN) will minimise leakages and politicisation of the funding and implementation processes.

An evaluation of the government's poverty reduction programmes and the current social protection programmes is undertaken in section 3.6 and Appendix B.

2.2.4 Other stakeholders' response to poverty reduction and human development

2.2.4.1 The Human Development, MDG Reports and Social Watch: monitoring human and social development indicators

The United Nations Development Programme (UNDP) regularly comes up and updates a Philippine Human Development Report and an MDG Progress Report. This receives much

attention from CSOs and NGOs since the reports always show some disturbing poverty or social welfare statistics.

The latest *Philippine Human Development Report (2005)* ranks the Philippines as 84th among 177 countries (ranked by the highest to lowest Human Development Index score) and its human development index (HDI) improved slightly from a score of 0.736 in 1995 to 0.758 in 2003. The Philippines' rank declined to the 90th place out of 177 countries in 2005, but its HDI improved to 0.771. The latest report had not included the newest increase in poverty incidence and poverty depth in 2006 vis-à-vis 2003. Taking this into account (and also since many developing and developed countries experienced a high growth period from 2004 to 2006), would surely lower the rank of the Philippines and would decrease its HDI.

The latest Midterm MDG Progress Report (2007, which is midway between 1990 to 2015) also does not incorporate in its analysis the unexpected increase in poverty incidence and poverty depth between 2003 and 2006. Even then, it identifies six regions (Region IV-A, Region IV-B, Region VIII, Region IX, Caraga and ARMM) as having a low probability of achieving the MDG Goal One of halving poverty between 1991 and 2015. A cursory look at Table 2 shows that these are some of the poorest regions in the country in terms of incidence or magnitude. One region – Region X – has a medium probability of achieving MDG Goal One.

The latest MDG Progress Report also shows the Philippines lagging in its targets to reduce malnutrition (underweight condition) among children aged zero to five years and to reduce the proportion of households with per capita intake below the dietary needs. It is also doing very badly in the goals of improving elementary participation rate, elementary cohort survival rate and elementary completion rate. The 2005/6 data on these three rates show a deterioration over previous years and hardly any change from the 1990 figures. This is very disturbing since children who drop out of school usually end up as child labourers. Reducing maternal mortality rate also has a low chance of achieving the MDG goal set for 2015 (using the latest figure in 2006). Also doing badly is the goal of increasing the prevalence of responsible parenthood (family planning and population control) since both the Arroyo government and the Catholic Church frown on all sorts of family planning methods except the rhythm method. The low possibility of achieving some of the MDG targets point to the continuation of severe and chronic poverty or prevalence and the persistence of a low quality of life.

The emphasis on measuring human development and achieving basic needs for the masses spawned Social Watch Philippines (SWP), a member of Social Watch International, which is made up of a coalition of Philippine CSOs that monitor and evaluate poverty reduction and social/human development indicators and programmes. Convened in early 1997 by the Action for Economic Reforms (AER), Social Watch also includes the organisations,

Accessing Support Services and Entrepreneurial Technology, Inc. (ASSET) and Philippine Rural Reconstruction Movement (PRRM), as convenors.

The following quotes what SWP does:

Since it was set-up in 1997, SWP has annually put forward a strategy of advocacy, awareness-building, monitoring, organisational development and networking. Series of national and island consultations were organised with the objectives of increasing people's awareness and participation in promoting social development concerns with government. The network started with 27 CSOs and individuals and by this time it has grown to more or less 100 CSOs and individuals.

SWP has likewise faithfully submitted an annual Philippine country report to the Global Social Watch Report, which in turn is submitted to the United Nations Social Development Commission. The Social Watch global report is essentially a progress report on the accomplishments, or the lack of them, of different countries in the implementation of their social development commitments.¹¹

Social Watch Philippines has helped some key provinces, such as Negros Oriental and Bohol, in developing local monitoring and tracking systems toward achieving the MDGs. SWP is also active in the discussion concerning the financing of MDGs. It has also helped develop the Quality of Life Index (QLI) together with Action for Economic Reforms. Provinces are ranked based on QLI similar to the Human Development Index. SWP is also active in developing an alternative budget that is more sensitive to poverty reduction and social development.

2.2.4.2 Civil society organisations involved in community and sectoral development towards poverty reduction

There are also myriads of CSOs, national and local, that undertake actual community development work towards poverty eradication. Various sectoral and people's organisations – organisations of peasants, fisher folks, formal sector workers, informal sector workers, urban poor, women's groups, youth organisations, health sector groups also undertake programmes towards poverty reduction and delivery of basic social services. Though oftentimes splintered into various opposing groups, all these groups have grassroots organisations that help in community development and delivery of basic social services.¹²

¹¹ "Social Watch Philippines: About Us," <http://socialwatchphilippines.org/aboutus.htm>

¹² The author is reluctant to mention names of organisations since it is impossible to list all the organisations and groups, and any selective listing can be charged as biased towards a political group of a particular leaning, bent or ideology.

2.2.4.3 Participation of business and church organisations

While poverty reduction and the MDGs are public goods and governments are primarily responsible for meeting the MDG targets, public-private sector partnership is crucial to meeting the challenge, especially in a period of fiscal constraint as the Philippines had faced and may be facing again because of the impending lower growth and adverse global conditions. In the Philippines, the potential for private sector involvement in MDG attainment is evident in the significant social investments made by the corporate sector. From 2002 to 2004, combined social investments from corporations were supposed to have amounted to over Php2.6 billion. This amount includes commitments of members of the Philippine Business for Social Progress (PBSP), the League of Corporate Foundations (LCF) and the Mirant Foundation.

For 2005 to 2009, business sector spending is estimated by the National Economic Development Authority (NEDA) at Php3.2 billion. To ensure that the available resources contribute to the achievement of the MDG targets, business leaders in the Philippines had agreed on a strategy to align the social investments of the business sector with the MDGs (PBSP, 2004). The framework clusters the MDGs into four areas: poverty, education, health and environment. It identifies three modes of business involvement: own core business activity, social investment, and policy advocacy/dialogue. Clearly, the private sector also contributes to other related goals, such as the integration of the environmental agenda in mainstream business operations such as adopting green technologies and cleaner production.

Despite significant contributions of the business sector, there had been no evaluation on the impact of the funds they contributed, and whether the right communities and families benefited from the projects and programmes. (This is also true for most government programmes, as will be pointed out in section 3).

Apart from the business sector, the church sector (of different faiths), civil society organisations, community organisations and people's organisations have all contributed to providing basic social services and financing the MDGs.

2.3 Financing poverty reduction and the MDGs

One big area of discussion and interest in the Philippines is the financing of poverty reduction and the MDGs. Appendix C gives us the government funded and unfunded projects classified by MDG goals. While it is clear that there is a myriad of projects and programmes lined up, there does not seem to be a consistent framework or coherence to the projects and programmes, and to the selection of areas.

Manasan (2007) gives us an estimate of the financing gaps or resource shortfalls to achieve poverty reduction (MDG Goal One) and the other MDGs. For MDG 1, the assumptions of Manasan (2007) were based on an econometric study (Edillon, 2006) that showed asset

distribution and investments in infrastructure (especially in depressed and lagging regions) were significant determinants of poverty reduction. The infrastructure investments identified were paved roads and provision of electricity. Table 9 shows that a total of Php418 billion was still needed to be generated from 2007 to 2015 to achieve the poverty reduction goal of the MDG, comprising an average of 0.44 percent of GDP for the period. If one deducts the figures for 2007 from the table, Manasan’s estimated resource gap needs for 2008 to 2015 will be more than Php360 billion.

Table 9: MDG 1 (Poverty Reduction) requirements and gaps in current prices, 2007-2015 (in million pesos): assumption is 5.5 percent GDP growth in 2008 to 2015¹³

Year	Investment needs				Available resource			Gap	Percent to GDP
	Roads	Electrification	Land redistn	Total	NG	LGU	Total		
2007	110,110	274	10,824	121,208	48,404	17,363	65,767	55,440	0.82
2008	116,070	287	11,365	127,723	53,099	19,234	72,333	55,389	0.74
2009	122,353	302	11,933	134,588	58,637	21,306	79,943	54,645	0.66
2010	128,976	317	12,530	141,822	63,777	23,602	87,380	54,443	0.59
2011	135,944		7,563	143,507	70,961	26,145	97,106	46,401	0.45
2012	143,301		7,941	151,242	78,500	28,963	107,462	43,780	0.39
2013	151,057		8,338	159,395	86,889	32,083	118,972	40,423	0.32
2014	159,232		8,755	167,988	96,224	35,540	131,764	36,223	0.26
2015	167,850		9,193	177,043	106,611	39,370	145,980	31,063	0.20
2007-2015	1,234,893	1,179	88,444	1,324,516	663,102	243,607	906,709	417,807	0.44

Source: Manasan (2007)

Manasan (2007) also estimated the resource gaps to achieve the other MDGs, most of which are related to poverty reduction. This is shown in Table 10. The paper again uses Manasan’s assumption of 5.5 percent growth rate from 2008 to 2015, and a more practical cost assumption (assuming the usual government inefficiencies and leakages).¹⁴

¹³ Manasan (2007) also has a high growth scenario based on the MTDP but this most likely will not be achieved due to the adverse global conditions that exist in 2008 and, most likely, beyond.

¹⁴ Manasan (2007) has a lower cost assumption assuming improved government efficiency, less corruption and less leakages.

Table 10: Summary of resource gaps in current prices, 2007-2015 (in million pesos)

	Educ	Health	Watsan	Poverty red'n	Total	Percent to GDP
2007	34,253	8,325	380	55,440	98,398	1.45
2008	40,618	8,799	376	55,389	105,182	1.40
2009	51,353	9,330	363	54,645	115,690	1.39
2010	63,786	9,984	359	54,443	128,572	1.39
2011	67,150	10,450	329	46,401	124,330	1.22
2012	69,657	11,043	297	43,780	124,778	1.10
2013	64,198	11,653	257	40,423	116,531	0.93
2014	60,913	12,278	207	36,223	109,622	0.79
2015	54,426	12,916	146	31,063	98,551	0.64
2007-2010	190,010	36,438	1,477	219,917	447,842	1.41
2007-2015	506,355	94,778	2,713	417,807	1,021,654	1.07

Notes: 'Watsan' refers to water and sanitation

Source: Manasan (2007)

If one excludes 2007, the amount will be around Php350 billion for 2008 to 2010 (much more than one percent of GDP), and Php920 billion for 2008-2015, around one percent of GDP of the period.

Whether one agrees with Manasan's estimates and their assumptions, her exercise emphasises the financing needs and resource gaps for achieving poverty reduction and improving human and social development. Her estimates are widely used by Social Watch and UNDP. (Manasan's MDG financing gap project is funded by UNDP as a grant to support the Philippine government's National Economic Development Authority planning processes to achieve the MDGs.)

2.4 Donors' responses

Developed countries had been criticised for not giving enough funds for poverty reduction and for the MDGs. Their contribution had been well below their promised 0.7 percent of Gross National Income. While insufficient, there are various bilateral and multilateral loans and grants towards poverty reduction such as in microfinance, infrastructure building and livelihood programmes, environmental protection, financing for victims of natural disasters and conflict. Some active donors are the US Agency for International Development, Japan International Coordinating Agency (JICA), and AusAid. Various international CSOs also fund various community development, livelihood, microfinance and environmental protection programmes. Multilateral agencies, such as the Asian Development Bank (ADB) and the World Bank also give to infrastructure development, microfinance and livelihood programmes.

In the evaluation front, the World Bank and ADB had evaluated, criticised and given recommendations to improve the poverty reduction and human development programmes of the Philippines, especially in the realm of governance. The latest World Bank (2008) and

ADB (2005) evaluation of the country's poverty reduction programmes will be discussed in the next section.

In summary, there are a lot of data, projects and programmes, debates and discussions on poverty reduction in the Philippines. But having this issue in the forefront of national discussion does not ensure adequate and sufficient policies and efforts towards poverty reduction, especially from national and local governments. The fact that poverty incidence and poverty depth increased during the latest period of high growth (from 2004 to 2006) shows some basic flaw and inadequacy in the Philippines' fight against poverty. The next section evaluates the current efforts and programmes to eradicate poverty and give recommendations on how to achieve this more effectively and comprehensively. It incorporates the national discussion and debates on the approach to poverty reduction by the different stakeholders.

3 Evaluation of the country's poverty education programmes

Poverty is a multi-dimensional problem with various roots and causes. To evaluate the programmes and efforts toward poverty reduction, one has to look at the roots and causes and analyse if there are feasible programmes and efforts to tackle these.

3.1 The macroeconomy: crisis proneness and lack of development strategy

It is known that the Philippines lags behind its more successful East Asian neighbours. Fig. 1 shows the poverty reduction achievements of the Philippines compared with other low income countries of East Asia – Indonesia, China and Vietnam. It is seen that the other countries achieved more success in the reduction of poverty than the Philippines from the 1990s to the 2000s.

One of the reasons for this is in Fig. 2, which shows the GDP growth rate of the Philippines from 1949 to 2007.

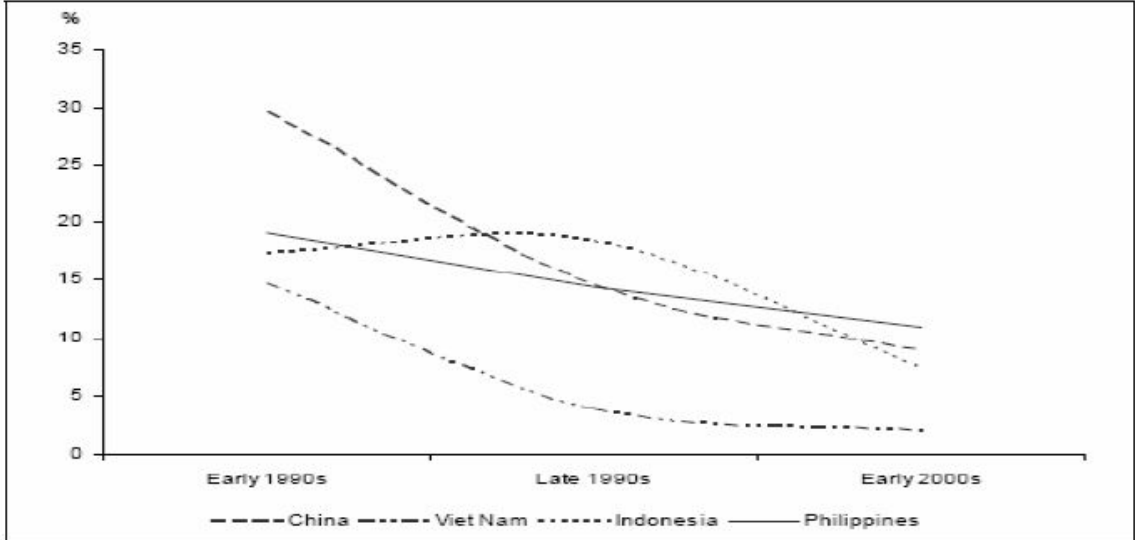
The figure shows a boom-bust cycle in Philippine growth, especially from the mid-1980s onwards. It must be pointed out that this volatility from the 1980s onwards is very much associated with increasing globalisation and capital account opening of the economy. All economic recessions or slowdowns (in 1983-85, 1991, 2001 and 2009) were caused by both external and domestic factors except for the Asian crisis in 1998, which was mainly an externally generated crisis. The mid-1980s collapse was an offshoot of the Latin American debt crisis, which the Philippines was part of. The collapse was deepened by the Aquino assassination, the political chaos that ensued and the final long-drawn popular efforts to overthrow the Marcos government. The 1991 recession was due partly to an adverse

external environment (oil price shocks due to the Kuwait invasion and rising world interest rates), political instability and (unsuccessful) military revolts against the Aquino government. The 1998 downturn in the Philippine economy was caused by the Asian crisis phenomenon, and in 2001, it was partly due to a worldwide recession (and the effects of September 11) and the political instabilities during the Estrada administration, which finally led to a change of government.

Global and external factors made a big dent in Philippine economy partly because the opening up of the economy to capital flows – first via commercial sovereign and private debts, and later on via portfolio flows or ‘hot money’ – led to to capital flights which resulted in significant currency depreciation and contractionary (high interest rates, tight fiscal) measures.

Each crisis and economic downturn has led to substantial increase in poverty incidence and poverty depth. This, in turn, has held back the country’s efforts to eradicate poverty.

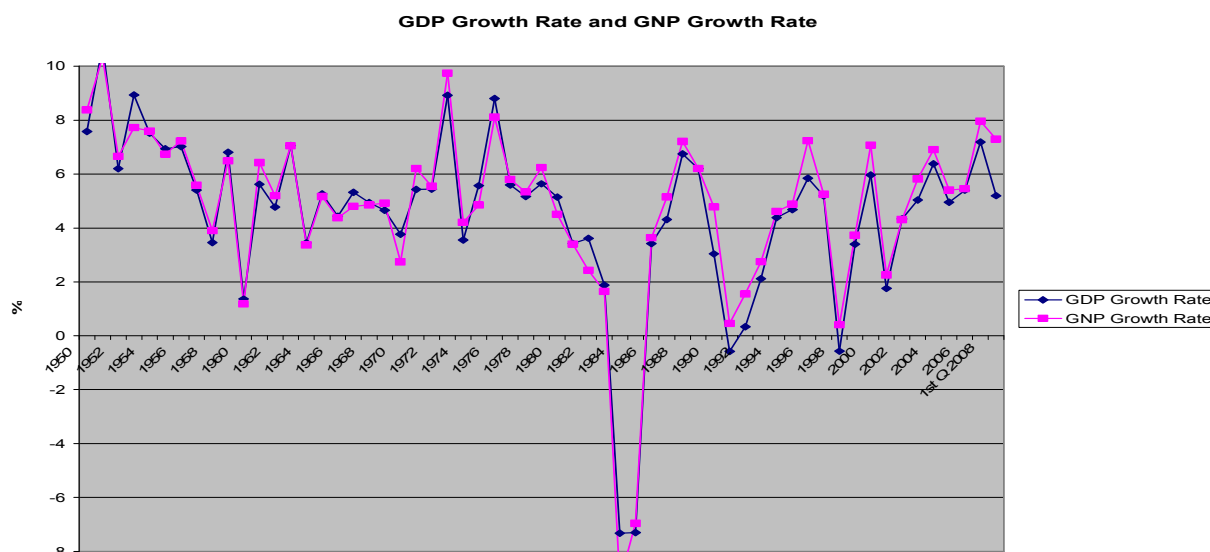
Fig. 1: Ppoverty incidence of South Asian Economies, 1990-2000



Note: Figures pertain to proportion of population with income per capita below US\$ 1 a day (in PPP). Sources of data: World Bank and ESCAP.

Source of Figure: Balisacan (2007)

Fig. 2: GDP Growth rate and GNP growth rate



Source: IMF, *International Financial Statistics and National Statistics Coordination Board*

Philippine economic growth also is beset by a lack of a continuing development strategy. Even the World Bank (2008), in its paper on ‘inclusive growth’, criticised the Philippine government for not promoting innovative activities and support for research and development and science and technology research. (The World Bank and Asian Development Bank had recently been influenced by and adopted the framework of Hausmann and Rodrik (2006) and Hausmann, Hwang and Rodrik (2005) on the need for industrial policy and the advantages of production in sectors with increasing returns to scale.)

Fig. 3 shows us that a result of the economic collapse and the periodic crises after that was a sharp and continuing fall in the investment share to GDP¹⁵. Because of this low investment – especially the lack of investments in lagging and depressed areas – the poor are hindered from access to transportation, markets, economic opportunities and social services.

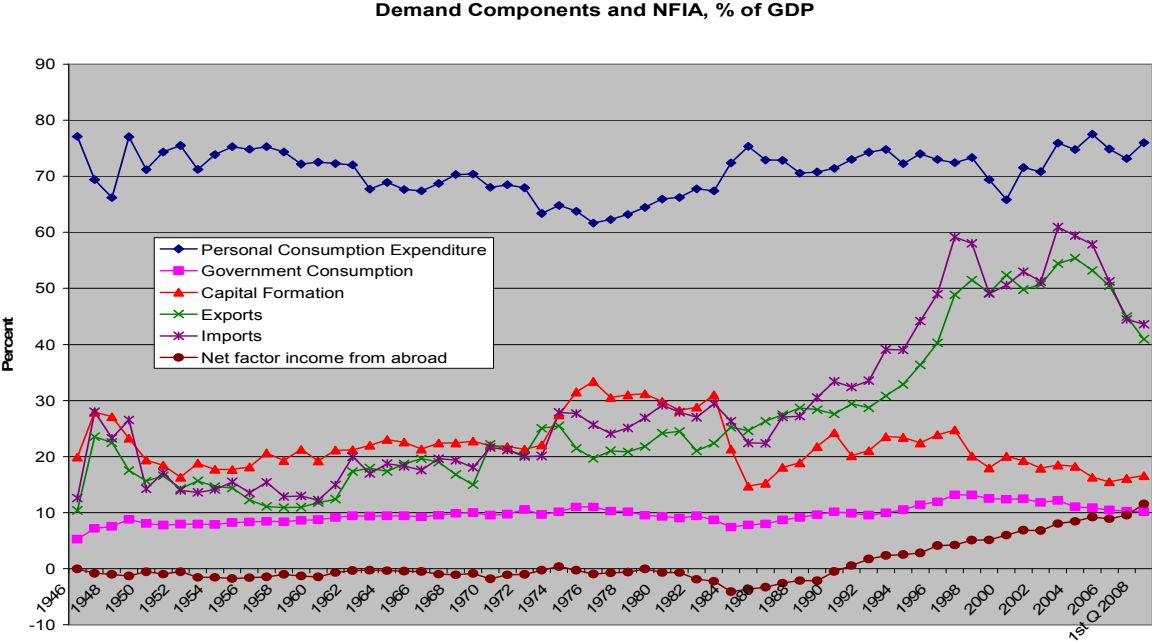
3.2 Investment-deficient, fiscally constrained and jobless growth in the recent period

Now, we try to explain why the latest growth period in the Philippines, between 2004 and 2006, saw a deterioration in poverty incidence and poverty depth. First, we describe the drivers of the latest growth period from 2003 to 2007. Fig. 3 shows that the latest growth period 2003 to first quarter of 2008 saw increases in the share of consumption and in the

¹⁵ The share to GDP figures shown in Fig. 3 are based on ratios of the nominal values and also use as base the GDP excluding the statistical discrepancy, so that the demand components will add up to 100 percent. The net factor income from abroad (NFIA) is of course not a part of GDP (but a part of GNP), but its ratio to GDP is a measure of the size of the NFIA vis-à-vis the entire economy.

size of the net factor income from abroad (NFIA) vis-à-vis GDP. This is a clear indication that the latest growth period was spurred by a large inflow and remittances from overseas workers, which mainly went to consumption spending. Fig. 3 shows that investment share was very low during the period (around 16 percent in 2007 and first quarter of 2008) and even went down from the early 2000s. Thus the latest growth period did not provide the opportunity for investments to grow significantly, especially in lagging and depressed areas. The consumption-led growth could not have helped the poor sector much unless if it generated much employment.

Fig. 3: Demand components and NFIA, percent of GDP



Source: IMF, International Financial Statistics and National Statistics Coordination Board

Unfortunately, the latest growth did not contribute to employment generation. In fact, the employment situation deteriorated as shown in Table 11. Because the labour force figures are easily influenced by the ‘discouraged worker’ and ‘overseas worker’ effect¹⁶, the first column of the table uses as employment measure the number of employed to the working age population (15 years and above), as the working age population is a more stable base than the more volatile labour force (defined as those who want to work). One can see from the table that the ratio moves within a very narrow range and does not grow over time. In

¹⁶ The ‘discouraged worker’ effect is the result of people who originally wanted to work but give up due to the lack of employment opportunities and long periods of being unable to find work. This reduces the labour force estimates since if asked if they are looking for work, they answer no, although they would accept work if it is offered to them. The ‘overseas worker’ effect refers to people applying and looking for work abroad (which is quite significant in the Philippines) and so will declare that they are not looking for work in the Philippines.

fact, after 2003, there was a decrease in this ratio – especially during the period when growth was higher but when poverty deteriorated. What is worrisome is that the worst figures for this ratio in the table are in early 2008, when the ratio decreased to around 58 percent in April 2008. This is supported by the second column, which shows the growth rate of employment. One can see that the growth rate of employment was much higher in the 1990s than in the 2000s. Again, very disturbing is the lack of growth in employment in January and April 2008. Finally, the last column gives us the underemployment rate, which is the percentage of employed people who are looking for better employment. This is a measure of workers' perceived need to earn more income. One can see that the underemployment rate was poor during the recession years of 1990 to 1992 and during the Asian crisis period (from 1997 to 1999). A disturbing trend is that the underemployment rate also increased substantially in 2005 and 2006, which is a period of high GDP growth, and again increases in January and April 2008.

Table 11: Employment statistics for the Philippines: 1990 to April 2008

	Ratio of Employed to Working Age Population (%)	Growth Rate of Employment	Underemployment Rate
1990	59.0	1.38	22.4
1991	59.4	3.16	22.3
1992	59.5	3.41	20.5
1993	59.5	2.90	21.7
1994	59.0	3.21	20.9
1995	60.1	2.11	19.8
1996	60.9	6.79	19.4
1997	60.3	1.63	22.8
1998	59.6	1.34	23.7
1999	59.6	2.62	22.1
2000	na /1	na /2	19.9
2001	na /1	na /2	16.6
2002	59.5	0.55	15.3
2003	60.3	4.30	15.8
2004	59.3	0.60	16.9
2005	59.4	2.48	21.2
2006	59.1	1.10	20.4
2007	59.3	2.39	18.1
Jan-08	58.7	0.44 /3	18.9
Apr-08	58.1	-0.43 /4	19.8

1. The figures would be inaccurate since the working age population either declined or was stagnant during these years, which contradicts the basic fact that the Philippines always had relatively high population growth.

2. The figures for employment and working age population in 2000 are deficient because both employment and working age population declined in 2000, which is implausible

3. The growth rate here is Jan. 2007 to Jan. 2008

4. The growth rate is from April 2007 to April 2008

Source: Labor Force Survey, National Statistics Office

How can economic growth not generate sufficient employment? The author would speculate on two possible reasons. First, although there was significant growth in 2004 to 2007, this period was accompanied by political instability, as President Arroyo faced large successive scandals: a taped conversation allegedly pointing to the President's involvement in rigging the 2004 Presidential elections; allegations of the First Family's involvement in illegal gambling; and allegations implicating the President and the First Gentleman in receiving large commissions from a China-based company that won a bid to provide telecommunication services to the entire government bureaucracy— a project that was to be funded by a loan from the People's Republic of China. The political instability that ensued from these scandals may have deterred firms from committing themselves to large investments and from hiring regular workers.

Secondly, in an increasingly competitive global trade market, Philippine exports have struggled against competition from low-wage countries and domestic market products face competition from cheap imports. Because of these, employment in the tradable sector was very limited. Fig. 4 shows a decline in the employment absorption (measured as employed persons as percentage of the working age population) in agriculture over the years. Manufacturing (plus mining¹⁷) is stagnant in its employment absorption. It is only the non-tradable service sector (comprising of 'others'¹⁸) that increases its employment absorption over the years. Thus, we now face a growth phenomenon that is not employment generating over time. This is a situation that many developing countries are experiencing (e.g. Turkey and Pakistan). The latest figures in April 2008 saw a rise in the unemployment rate and a lower employment absorption in both manufacturing and the service ('other') sector compared to 2007. This gives a bad omen on the employment situation in 2008 as economic growth slows down mainly because of adverse global conditions (an economic slowdown in the US and in the developed world, high and rising food and oil prices) discussed earlier.

Without much safety net (except for the remittances of overseas workers), the lack of employment absorption and underemployment most likely contributed to the increased poverty incidence and poverty depth during the high growth years of 2004 to 2006. The 7.3 percent GDP growth in 2007 improved employment absorption and investments for that year, and so poverty may have improved in 2007¹⁹. Unfortunately, with the economic slowdown in 2008, the poverty situation will certainly worsen. Already, there is a deteriorating employment situation (as shown in our January and April 2008 in Table 11 and Fig. 4), and a decline in

¹⁷ Mining's share in employment is very minute (around 0.4 percent.)

¹⁸ 'Others' also include electricity/gas/water (EGW) and construction classified under industry. These are non-tradeables too and there is very little employment in EGW since it is very capital-intensive.

¹⁹ The poverty estimates are based on the Family Income and Expenditure Survey, which is taken only every 3 years. The next survey will be in 2009.

exports and unprecedented rise in food and oil prices in the first three quarters of the year that point to aggravating poverty.

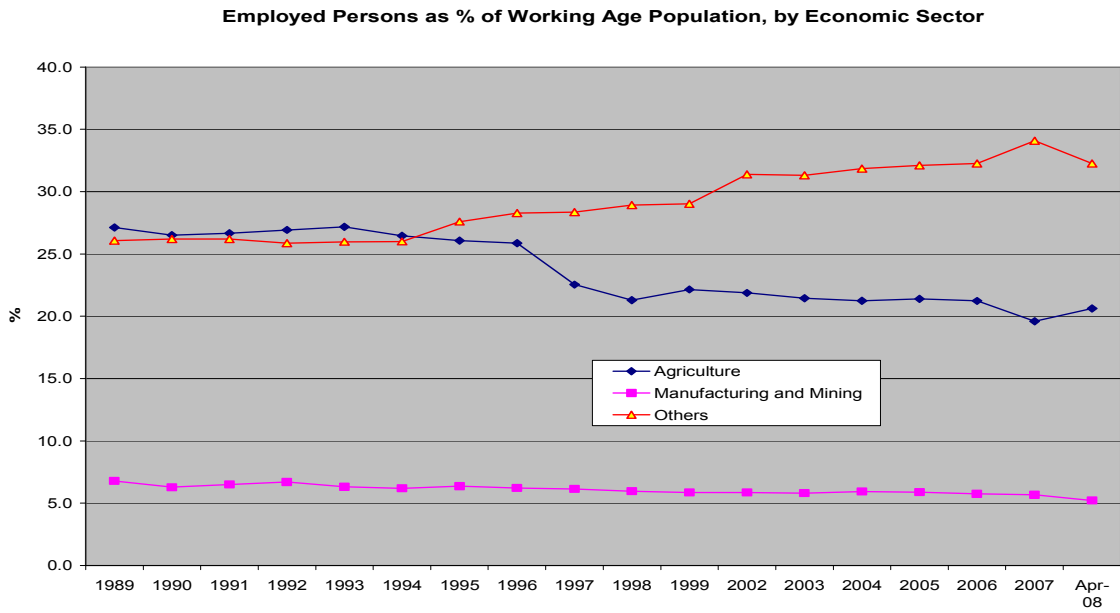
Furthermore, the World Bank (2008) claims that between 2004 and 2006 (when poverty worsened in the Philippines), the corporate sector grew 27.7 percent (in nominal terms) while the household grew only 3.6 percent. This brought the corporate sector share in GDP from 43 percent to 55 percent while the household share fell from 47 percent to 37 percent. Factor income distribution thus plays a crucial role in the worsening of poverty in recent years. This is consistent with the jobless growth story we had described earlier. But more than this is the negative relationship between real wage and labour productivity. Throughout the 1990s and up to the present, real wage has been declining as labour productivity increased²⁰. This aggravates the unequal factor income distribution and contributes to the increase in poverty incidence and depth.

Finally, the growth in 2003 to 2006 was fiscally constrained as expenditures for social services and infrastructure deteriorated. The Philippines went from a slightly positive fiscal position in the mid-1990s to fiscal deficit in 1998 because of the Asian crisis. The national government deficit deteriorated even after the economic recovery as the tax effort (tax revenue to GDP ratio) worsened until 2005 (see Fig. 5). Fig. 5 does not adequately show the fiscal crisis from 2002 to 2005 since it does not include the large deficits and losses of the government corporate sector, especially the National Power Corporation during this period. From 2003 to 2006, the government reduced the fiscal deficit by cutting expenditures, which is shown in both Figures 5 and 6.

Fig. 6 shows that expenditures for social services, education, health and infrastructure mainly went consistently down since 1999. This was accompanied by the sharp rise in interest payments which squeezed the fiscal funds for vital services and public goods. Thus, it is safe to say that contributing to the poverty situation is the fall in spending for social services and infrastructure. Note that the decline for total social services including education as well as infrastructure was quite steep in 2004 and 2005. This is much of the period when poverty incidence and poverty depth increased based on our discussion in section 1. Cutbacks in social spending and infrastructure naturally adversely affect the poor and vulnerable more than the other sectors of the population.

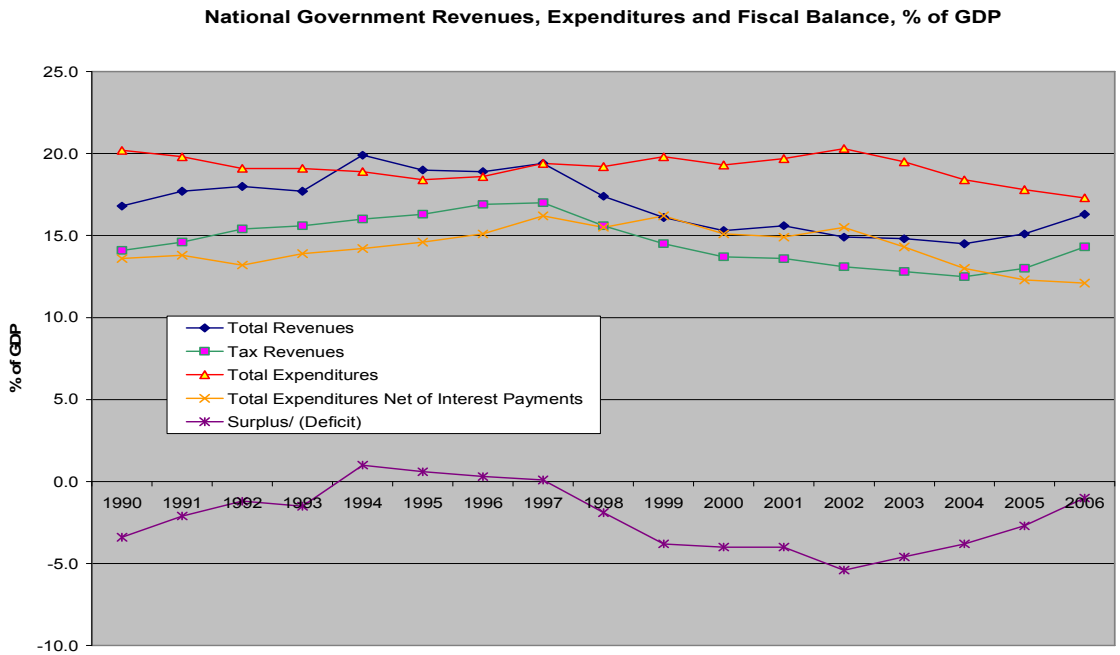
²⁰ The government has discontinued (since the Marcos period) publication of the actual real wage series from the Labor Force Survey. But CPI inflation had exceeded minimum wage increases, which suggest a decline in real wages over the last decade.

Fig. 4: Employed persons as % of working age population by economic sector



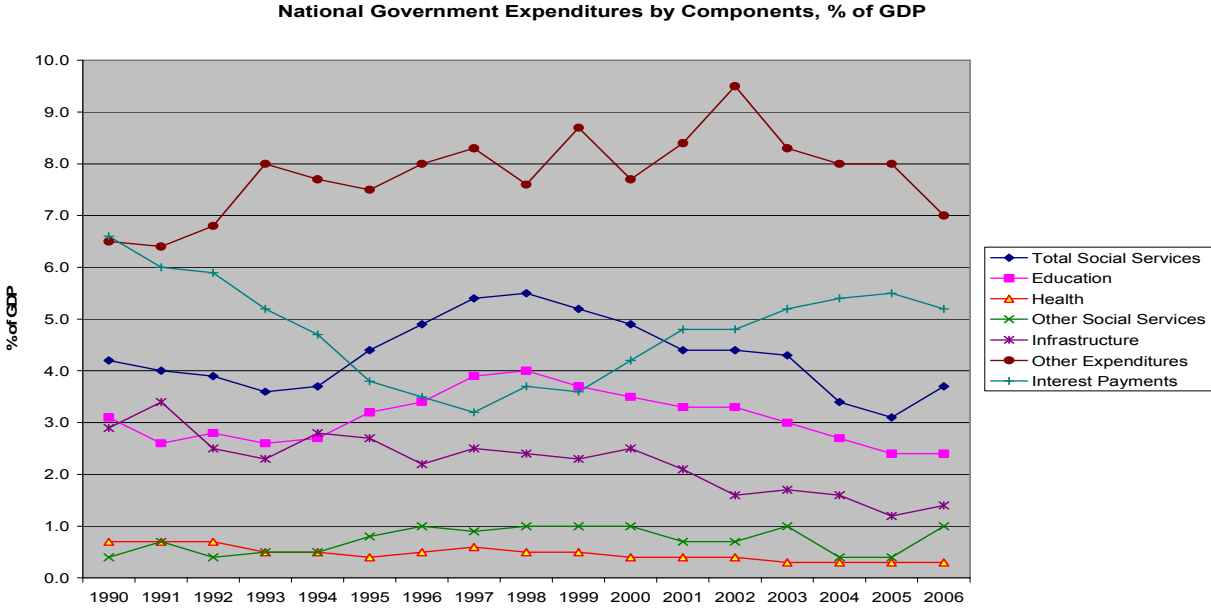
Source: Author's calculations of data from the Labor Force Survey, National Statistics Office

Fig. 5: National government revenues, expenditures and fiscal balance % of GDP



Source: Manasan (2007)

Fig. 6: National government expenditures by components % of GDP



Source: Manasan (2007)

3.3 Regional disparities and uneven growth across regions

Another aspect of the current growth period is uneven spatial growth across regions. As implied in section 1, there are large regional disparities in poverty incidence and poverty depth. This leads us directly to investigate the composition of GDP by regions (Table 12).

The table shows that regions with a higher share of GDP, especially Metro Manila, have the lowest poverty incidence (shown in Table 12) and poverty depth (see Table 4). The concentration on Metro Manila is such that a full one-third of GDP in 2006 came from the metropolis. CALABARZON and Central Luzon, two regions adjacent to Metro Manila also have the next biggest share of GDP, and they too have the lowest poverty incidence and poverty gap next to Metro Manila. The regions with the lowest share to GDP – Muslim Mindanao, Caraga, Eastern Visayas, MIMAROPA, and Bicol – have some of the highest poverty incidence and poverty depth figures. It must also be pointed out that between 2005 and 2006, it is only Metro Manila that significantly increased its share to GDP (from 32 percent to 32.5 percent). The other regions’ share did not move so much. This just points to the growth being very much concentrated on Metro Manila.

Again, those regions that have GDP much lower than the national average – Muslim Mindanao, Eastern Visayas, Bicol and Caraga are some of the regions with the highest poverty incidence and poverty depth.

Table 12: Gross regional product of the different regions, their share to GDP and poverty incidence

LEVELS AT CONSTANT 1985 PRICES GROSS REGIONAL DOMESTIC PRODUCT (GRDP) 2005 and 2006			Share of Region's GRDP to Total GDP		Poverty Incidence of Population (%)		
REGION / YEAR		2005	2006	2005	2006	2003	2006
PHILIPPINES		1,210,497,421	1,276,435,452	100.0	100.0	30.0	32.9
NCR	METRO MANILA	387,751,888	414,292,958	32.0	32.5	6.9	10.4
CAR	CORDILLERA	27,390,829	28,338,279	2.3	2.2	32.2	34.5
I	ILOCOS	35,927,006	38,136,691	3.0	3.0	30.2	32.7
II	CAGAYAN VALLEY	23,701,925	25,419,614	2.0	2.0	24.5	25.5
III	CENTRAL LUZON	102,428,717	107,385,259	8.5	8.4	17.5	20.7
IVA	CALABARZON	150,502,498	157,406,451	12.4	12.3	18.4	20.9
IVB	MIMAROPA	33,740,765	34,526,488	2.8	2.7	48.1	52.7
V	BICOL	34,453,986	35,358,229	2.8	2.8	48.5	51.1
VI	WESTERN VISAYAS	87,498,594	91,806,935	7.2	7.2	39.2	38.6
VII	CENTRAL VISAYAS	86,112,111	90,379,775	7.1	7.1	28.3	35.4
VIII	EASTERN VISAYAS	26,663,453	27,979,058	2.2	2.2	43.0	48.5
IX	ZAMBOANGA PENINSULA	31,971,822	32,631,502	2.6	2.6	49.2	45.3
X	NORTHERN MINDANAO	58,555,017	62,558,765	4.8	4.9	44.0	43.1
XI	DAVAO REGION	55,425,093	57,844,052	4.6	4.5	34.7	36.6
XII	SOCCSKSARGEN	41,934,851	44,729,136	3.5	3.5	38.4	40.8
ARMM	MUSLIM MINDANAO	10,865,931	11,311,801	0.9	0.9	52.8	61.8
XIII	CARAGA	15,572,937	16,330,459	1.3	1.3	54.0	52.6

Source: National Statistics Coordination Board, National Statistics Office

The association between GDP and poverty incidence is not one-to-one. This is because, even within one region, there can be wide variations in poverty incidence among the provinces. For example, the Cordillera Autonomous Region (CAR) includes one of the poorest provinces, Abra (with a poverty incidence of 61 percent of the population in 2006), and one of the least poor provinces, Benguet, (where Baguio City, a summer destination, is located). The CAR has a high GDP per capita, but has a relatively high poverty incidence and very high poverty depth because much of the GDP comes only from the summer destination, Baguio, which is in Benguet province, a province with very low poverty incidence and poverty depth (see Table 3). The Davao Region also has a relatively high GDP but also a high poverty incidence and high poverty depth because most of the growth in the region is concentrated in Davao City (in Davao del Sur), which is the primary city in Mindanao, a province with relatively low poverty incidence.

In summary, economic growth has been largely concentrated in the Metro Manila area and has left most of the other regions lagging. Within regions, there are also significant disparities

in the development of the provinces because growth is concentrated in the metropolis area of these regions. This uneven growth is consistent with a growth described earlier as consumption-led, deficient in investments and infrastructure, and reduced social spending.

Table 13: Per capita regional GDP, ratio to Philippine GDP and poverty incidence

PER CAPITA GROSS REGIONAL DOMESTIC PRODUCT 2005 and 2006 AT CONSTANT (1985) PRICES			Ratio of Per Capita GRDP of Region to Per Capita GDP of Philippines		Poverty Incidence of Population (%)		
REGION / YEAR		2005	2006	2005	2006	2003	2006
PHILIPPINES		14,198	14,676	100.0	100.0	30.0	32.9
NCR	METRO MANILA	35,945	37,855	253.2	257.9	6.9	10.4
CAR	CORDILLERA	17,940	18,171	126.4	123.8	32.2	34.5
I	ILOCOS	7,672	7,982	54.0	54.4	30.2	32.7
II	CAGAYAN VALLEY	7,680	8,098	54.1	55.2	24.5	25.5
III	CENTRAL LUZON	11,139	11,442	78.5	78.0	17.5	20.7
IVA	CALABARZON	14,124	14,437	99.5	98.4	18.4	20.9
IVB	MIMAROPA	12,735	12,690	89.7	86.5	48.1	52.7
V	BICOL	6,639	6,685	46.8	45.6	48.5	51.1
VI	WESTERN VISAYAS	12,725	13,092	89.6	89.2	39.2	38.6
VII	CENTRAL VISAYAS	13,544	13,931	95.4	94.9	28.3	35.4
VIII	EASTERN VISAYAS	6,631	6,819	46.7	46.5	43.0	48.5
IX	ZAMBOANGA PENINSULA	10,135	10,136	71.4	69.1	49.2	45.3
X	NORTHERN MINDANAO	14,935	15,628	105.2	106.5	44.0	43.1
XI	DAVAO REGION	13,787	14,152	97.1	96.4	34.7	36.6
XII	SOCCSKSARGEN	11,494	11,983	81.0	81.7	38.4	40.8
ARMM	MUSLIM MINDANAO	3,427	3,486	24.1	23.8	52.8	61.8
XIII	CARAGA	6,718	6,912	47.3	47.1	54.0	52.6

Source: National Statistics Coordination Board, National Statistics Office

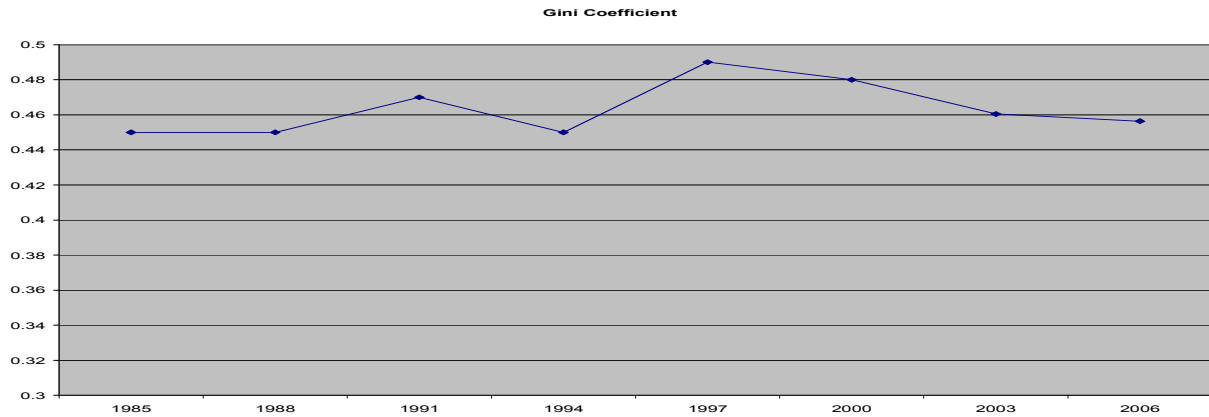
3.4 Asset and income distribution

The Philippines in the past has been called a Latin American country in East Asia. This is partly because of a Spanish legacy where large *latifundia* or *hacienda* lands are owned by the landed elite and tilled by tenants or agricultural workers. This is unlike other East Asian economies where rural and agricultural lands are mainly owned by small and medium cultivators. The history of peasant unrest in the Philippines had led to the creation of various agrarian and land reform programmes by the various Philippine governments. But because members of Congress have always been dominated by the landed elite, a genuine agrarian reform has been quite elusive for the Philippines since agrarian reform requires Congressional legislation.

Fig. 7 gives us the GINI coefficient movement in the Philippines from 1985 to 2006. It is seen that the Gini deteriorated in the 1985 to 1991 period and from 1994 to 1997, and improved in

1991 to 1994. What is disturbing is that from 1985 to 2006, there was no improvement in income distribution. The latest growth period between 2003 to 2006 saw almost no movement in the Gini coefficient.

Fig. 7: Gini coefficient



Source: ADB (2005) for 1985 to 2000 and National Statistics Office for 2003 and 2006.

The Comprehensive Agrarian Reform Programme (CARP) has been a disappointment in terms of radically changing asset distribution in the countryside and in improving agricultural and non-agricultural output and productivity in rural areas (where poverty is high). However, not all blame should be on CARP as rural infrastructure and social/economic services have also been lagging because of fiscal tightness described earlier.

An impact analysis on the latest phase of CARP (Balisacan *et al.*, 2007) shows that there have been improvements in the incomes of agrarian reform beneficiaries, especially those in agrarian reform communities. The latter are communities (convergence areas in the KALAHI tradition) where land reform had been undertaken and where various government agencies cooperate to provide support services and infrastructure to the beneficiaries' communities. However, such communities have not been widespread. More seriously, the study derived data from the Department of Agrarian Reform (DAR) showed that only 17.7 percent of land under compulsory acquisition had been distributed by end-2006 (after 18 years of the programme). The compulsory acquisition lands are mainly large landholdings (mostly producing export crops, especially sugar and coconut) owned by large landowners, who had successfully stalled land transfers via the court systems in the country. In the meantime, many landholdings had been converted to non-agricultural and industrial uses (such as real estate) to escape agrarian reform. (This has contributed to a rice shortage in the country, which exploded in 2008.) The study also shows that many agrarian reform beneficiaries still do not have their certificate of land ownership (CLOA) since the titles given were mainly collective CLOAs to pools of beneficiaries. This makes the individual beneficiary families vulnerable to losing their lands easily. Already, many indebted farmers are giving up their produce and/or mortgaging their lands informally to their creditors, and are in danger of

losing their lands. The programme also does not have a clear agenda for the thousands of landless rural workers (many are migrant workers) in terms of stable employment opportunities and basic economic rights protection.

As mentioned earlier, there was a debate as to whether the 20-year CARP programme would be extended for another unspecified number of years to complete its many unfinished objectives. The extension faced much opposition from a landed-dominated Congress and because of the unclear capacity of the DAR to explain the use of the billions of pesos that were allotted to the department and programme. Even the left sector of Congress did not support the extension but rather, introduced a more extreme agrarian reform programme that did not include compensation to large landowners. The result has been a lameduck extension of the CARP minus the compulsory distribution of large tracts of land that had been resisted by the big landlords.

Apart from the inadequacies of the CARP, there are many policies that worsen income and asset distribution in the country. A lopsided regional growth pattern is one. Another is a regressive fiscal and social programme. The government's inadequate tax collection constitutes mainly of the inability to tax large corporations and rich individuals who are able to understate receipts and overstate expenses. It is then fixed income groups who bear the brunt of direct taxation. The government was able to increase tax revenues by the extended-VAT law, which removed VAT exemptions of the oil, energy and services sectors, and increased it from 10 percent to 12 percent. But the latest actual government tax collection fell below its own set targets, except for the windfall tax receipts from VAT collection from oil/gasoline/LPG whose prices had zoomed tremendously in the second and third quarter of 2008. The regressive tax system is matched by the lack of social and economic (infrastructure) spending in poor and depressed areas (especially during the spending constriction years of 2003 to 2006). The plan before the world-wide food and oil crisis in 2008 was to create mega or super regions to pump-prime growth. However, these super regions are in more advanced regional areas (industrial estates and the like). There is lack of effort to link depressed and lagging areas to the super-regions, instead, a trickle down effect is often assumed.

Finally, the amount of Internal Revenue Allocation (IRA) of government transfers to the provinces, based on the decentralisation law and programme, is established mainly by the number of population but hardly considers a progressive or socialised mechanism of giving priority to areas more in need. Many economists insist the provinces and local communities should generate their own funds rather than rely on dole-outs from the national government. This ignores the fact that very depressed areas have very little capacity to raise revenues and are high-risk borrowers. Thus, there is still a need for the national government to give significant physical and financial support to depressed and lagging regions, with sufficient monitoring, transparency and accountability.

3.5 Natural disaster, war, illnesses and death in the family

Some of the areas with high poverty incidence are those where constant natural calamities occur (those in the path of typhoons) and flood-prone areas (many due to the destruction of natural forests). These regions are Bicol (Region V), the province of Quezon in Region IV-a and Eastern Visayas (Region VIII). One of the most depressed areas (a region with the highest poverty incidence) is the Autonomous Region of Muslim Mindanao (ARMM). Aside from being neglected due possibly to ethnic and religious reasons, the region is the most conflict-ridden in the country. The American Visiting Forces²¹ operates in this area, which is also identified as a haven and training ground for 'terrorist' groups, especially the Jemaiah Islamiya (JI) group, which is allegedly responsible for the Bali bombing. The dreaded Abu Sayyaf group (which supposedly supports Al Qaeda) have kidnapped for ransom both foreign and local tourists and well-known journalists— and some incidences have ended violently and fatally. There are various Muslim revolutionary forces in the region; but peace talks with such groups, like the Moro Islamic Liberation Front (MILF), and the Philippine government have been stalled and negotiators have given up.

It is asserted in the World Bank (2008) that war and conflict increases chronic (persistent) poverty by preventing economic opportunities in the area. It also results in the destruction of human lives and assets of families, which reduces their ability to escape the poverty trap. Natural calamities and disasters may cause transient poverty to turn into chronic poverty especially if safety nets are non-existent. A non-poor but vulnerable family (which may experience transient poverty) finds its families' assets destroyed and/or lose some of their family members because of natural calamities or personal tragedies. This drives families to poverty and, bereft of assets or breadwinners and safety nets from the government, they remain in poverty for long periods.

Similarly, personal tragedies such as deaths and illnesses force a non-poor family to enter chronic poverty. Families are forced to sell their assets or go into long-term debt to cure their relative(s). The death of a breadwinner in the family, especially leads families to chronic poverty for long periods due to the permanent loss of income generation.

Whether war, natural disaster or personal tragedies lead to chronic or just transient poverty raises issues that concern the quality of provision of health services to the poor (including

²¹ In 1998, the Philippine Congress abrogated the US-Philippine treaty allowing US bases in the Philippines. In the aftermath of September 11, 2001, Muslim-Christian problems as well as kidnappings in Muslim Mindanao arose. The Philippine Congress, at the request of the executive branch, legislated the Visiting Forces Agreement allowing American troops to train the Philippine military against 'terrorists', and to join in military exercises with the Philippine military. This allowed US military troops to be legally stationed in the Philippines.

health insurance), social welfare services to families in need and social safety nets to the vulnerable.

3.6 Population programme

A most controversial issue is the population control programme, which has been put on hold by the Arroyo government. Although the Catholic Church recently admitted in May 2008 that the current food shortage in the Philippines is connected to uncontrolled population growth, nothing substantial has yet resulted from this statement.

Reyes (2002) finds that poverty incidence consistently increases significantly as family size grows (Table 14). In the 2000 FIES survey, she found that a family size of one would yield only 9.8 percent poverty incidence. A family of five would yield 31.1 percent poverty incidence while a family of nine or more would yield 57.3 percent poverty incidence. These are figures that are too glaring to ignore.

The lack of population programmes (e.g. awareness of responsible parenthood) is one of the lagging MDG targets. Education on family planning and increased availability of safe contraceptives are not present in current poverty reduction programmes. (Many drugstores do not carry condoms for fear of being denounced by the Catholic Church.)

Although this should not be seen as a cornerstone of a poverty reduction programme, it is a fact that lower income groups have bigger household sizes and dependency ratios. Poverty alleviation will require voluntary access to family planning methods and contraceptives. This is particularly true for congested areas in large cities where poverty is concentrated in the slums. This is also needed in rural areas where landholdings of poor families are dwindling over time due to subdividing land among children, which reduces the income earning potential and productivity of the land, and thus increases poverty.

Table 14: Poverty Incidence of Families by Family Size

Family Size	Poverty Incidence					
	1985	1988	1991	1994	1997	2000
Poverty Incidence	44.2	40.2	39.9	35.5	31.8	33.7
1	19.0	12.8	12.7	14.9	9.8	9.8
2	20.0	18.4	21.8	19.0	14.3	15.7
3	26.6	23.2	22.9	20.7	17.8	18.6
4	36.4	31.6	30.1	25.3	23.7	23.8
5	42.9	38.9	38.3	31.8	30.4	31.1
6	48.8	45.9	46.3	40.8	38.2	40.5
7	55.3	54.0	52.3	47.1	45.3	48.7
8	59.8	57.2	59.2	55.3	50.0	54.9
9 or more	59.9	59.0	60.0	56.6	52.6	57.3

Source of basic data: Family Income and Expenditures Surveys, 1985-2000, NSO

Source: Reyes (2002)

3.7 Education, skills and their employment in the economic sectors

Reyes (2002) also shows that there is a close link between poverty and the educational attainment of the household head. This is shown in Table 15. Again, we see very clearly that the lower the educational attainment of the household head, the higher the probability that the family is poor.

We had also mentioned that some of the lagging MDG targets include lower elementary participation rate, lower elementary completion rate and lower elementary cohort survival rate. Lim (2002) mentions that non-schooling and dropping out of elementary and secondary schooling usually leads directly to child labour, and that there is a vicious cycle of child labourers' future families being poor and their children also engaging in child labour.

There is, therefore, an urgent need to ensure elementary and secondary schooling among the population. But the picture is more complicated.

Table 15: Poverty incidence of families by highest educational attainment of household head

Highest Educational Attainment of the Household Head	Poverty Incidence					
	1985	1988	1991	1994	1997	2000
Poverty Incidence	44.2	40.2	39.9	35.5	31.8	33.7
No Grade	55.9	47.3	55.8	55.2	52.5	60.5
Elementary Undergraduate	57.2	54.1	53.2	50.7	48.6	45.2
Elementary Graduate	51.6	49.6	48.7	43.6	39.8	26.0
1st-3rd Year High School	46.5	40.5	43.1	35.3	33.2	11.9
High School Graduate	31.6	29.3	29.6	23.6	21.0	18.2
College Undergraduate	17.0	17.9	16.2	11.7	10.9	10.3
At least College Graduate	6.5	4.4	4.0	4.0	2.4	2.5

Source: Reyes (2002)

Compared to their East Asian equivalents, test scores of Filipino students and graduates reveal that the quality of education in all levels – elementary, secondary, and tertiary – is very inadequate and inferior in most schools, especially public schools. There is a need to improve and increase public funding not only for building more schools and reducing dropouts, but to improve the quality of the curriculum and teachers and to improve teacher's pay so that public schools become competitive with the quality of private schools. As for private schools and universities, there is a need to improve regulation to ensure they are not merely diploma mills. Many overseas Filipino workers are college-educated, but many become domestic helpers, entertainers in Japan or menial workers abroad. At the same time, many professionals, especially nurses, engineers and other technical workers, plan their

careers based on work opportunities outside the country. Looking for work abroad is due to a combination of low wages in the Philippines, limited employment opportunities as well as a lack of demand for educated and skilled personnel in the Philippine economy.

This brings us to a most important point. There is a need to increase demand in the economic sectors for more educated, higher skilled and technical workers to accompany the upgrade of education, skills and technical capabilities of the population. This need is ignored by most economists and multilateral agencies in their currently fashionable recommendation of improving human capital, which concentrates on the supply side of the labour market. The fact that the highest unemployment rates are among the college educated, and that they are forced to find jobs abroad, point to demand-side problems for better paying employment of more educated and skilled workers. This is symptomatic of the lack of development strategy and industrial policy that puts value in innovations and technological improvements in the economic sectors.

3.8 Evaluation of poverty reduction programmes

3.8.1 *Inadequacies in social service provision and social safety nets*

As implied in Section 2, there are various groups and stakeholders interested in evaluating and making recommendations to poverty reduction programmes. The first set of criticisms involves the impact of the social programmes of the government. The mere fact that poverty incidence, magnitude and depth increased in the latest growth period is a clear sign that the poverty reduction programmes of the current government failed to counteract the negative impact of the issues discussed earlier. The MDG and Human Development Reports gave a mixed picture of the social and human development of the country. Most of the negative indicators relate to the non-income aspects of poverty – the failures or inadequacies in the provision of the social services of the government, particularly in education and health.

Some of the worrisome results in education and health that latest figures show are (mentioned partly in our discussion in the Midterm MDG Report with the figures below derived from World Bank, 2008):

In education:

- (1) Net enrollment in grade school, which was 99.1 percent in 1990 (the baseline year for the MDG) had deteriorated to 84.4 percent in 2005.
- (2) Only 70 percent first grade students in elementary make it to Grade 6. Two in five (40 percent) children of age 6 to 11 are not in school (2006 data).
- (3) The drop-out rate for elementary school went up from 6.98 percent to 7.37 percent in the 2004 to 2005 period. Similarly, the drop-out rate for secondary school went up from 7.99 percent to 12.5 percent during the same period.

- (4) The student-teacher ratio is as high as one to 80 in Metro Manila and elementary school shifts are too short and number 3 to 4 in a day (2006 Department of Education data).

In health:

- (1) Only 68 percent children under 5 years of age attain the World Health Organisation (WHO) weight-for-age standard.
- (2) Maternal mortality rates remain high at 162 per hundred thousand live births in 2006.
- (3) In 2005, only 63.7 percent births were attended by skilled health personnel.
- (4) In 2003, only 66 percent of women giving birth received post-natal care.
- (5) Tuberculosis persists as a leading cause of mortality and morbidity despite easy medication for the disease.

The above point to inadequacies in the provision of social services especially during the period of fiscal tightness described earlier, and to the lack of social safety nets in the government's social programme. We already saw in an earlier section the fall in government spending (as percentage of GDP) to social services and infrastructure (especially compared to the 1990s). The World Bank (2008) says that financing for social protection programmes – which mainly provide safety nets – comprise only 0.2 percent of GDP of the country. Most of the safety net funds come from the President's Social Funds, which is very discretionary and lacks regularity and clear criteria and transparency. Without effective social safety nets, shocks (such as war, natural calamities, personal illnesses and deaths) turn non-poor families into transient poor or directly into chronically poor ones, the transient poor families into chronically poor, and chronically poor families into more chronically poor families.

Very much needed are not only supply side social protection interventions, but demand side interventions such as health and education insurance for the poor and vulnerable. This makes the current plans for a PhilHealth Indigent (health insurance) Programme (initially planned for outpatients only) very crucial. But the targeting methods and procedures are crucial and will be discussed in the next section.

3.8.2 Direct evaluation and criticisms of the poverty reduction programme

The earlier discussion of the various poverty reduction programmes of various successive administrations show very clearly the lack of continuity in the plans and implementation of poverty reduction programmes. Every new administration had changed the poverty reduction approach of its predecessor. Furthermore, the administrative heads of poverty reduction agencies and programmes are changed with every new administration. The change in strategy and administrative heads are largely political. A previous administration either

belonged to an opposing political party or was replaced by a 'people power', and this provided strong incentives for a new administration to change poverty reduction strategies. Politicisation of poverty reduction programmes (as attested to by the ADB, 2005 and World Bank, 2008 studies) comprise of using funds for these programmes to achieve political ends – either win national elections or win local government and Congress support for the political regime. The current Arroyo regime had been challenged by strong political oppositions and impeachment processes due to a string of corruption scandals. Thus, it is vital that persons in charge of resources and well-funded projects, as well as the entire political process, be loyal allies of the administration. This has led to a highly centralised poverty reduction programme wherein target areas and beneficiaries as well as the approval and funding of projects are decided at the national or top levels of government (ADB, 2005).

The politicisation of poverty reduction processes is a big hindrance to any positive interventions poverty reduction programmes may have achieved in the past. This is also symptomatic of the lack of a clear development strategy – economic and social – of the country and the national government over the decades. These problems have been posed by Reyes (2002) and ADB (2005).

ADB (2005) also points to the weak implementation of the convergence policies of KALAHARI as various government agencies and local governments fail to act and plan cooperatively and coherently. This may be partly due to the politicised aspects of the programmes mentioned above.

Related to this is an inadequate targeting mechanism for social protection programmes. This is a most urgent problem in 2008-09 as a possible sudden inflation (fueled by food and oil/gasoline prices in the first three quarters of 2008) and rising unemployment will require effective social protection and cash transfer programmes to poor and vulnerable families. World Bank (2008), Reyes (2002) and Manasan and Cuenca (2007) have pointed to high leakages of funds or benefits of social protection programmes to the non-poor sector. The leakages in the Food-for-School Programme (an important programme to keep children from dropping out of school) are estimated to be as high as 62 percent of the programme funds in 2006-07 (Manasan and Cuenca, 2007). Recently, current Secretary Esperanza Cabral of the Department of Social Welfare and Development lamented that the local governments in Metro Manila had overstated those qualified for subsidised rice by around 430,000 people. In 2008, the Commission on Audit (COA) has also questioned the many financial disbursements of the Food-for School Programme and questioned the Office of the President in the lack of accounting for the discretionary funds. In 2004-05, a fertiliser scam was exposed wherein fertiliser subsidy funds were disbursed to Congress members allegedly to rig the Presidential elections of 2004. The person in charge of the fund disbursement, an undersecretary of the Department of Agriculture, escaped to the US when called in for an investigation by the Philippine Senate, but was arrested there based on the request of the

Philippine Senate. (He has been deported back to the Philippines and is facing a Senate investigation.)

Thus it is important to come up with an objective and transparent targeting mechanism, which will be discussed in the next section.

4 Recommendations and conclusions

4.1 A clear development strategy for the economic and social sector

Thanks to modern economic literature on market failures and to the recent strong influence of Hausmann and Rodrik (2006), some multilateral institutions (especially the World Bank and the Asian Development Bank, but not including international financial markets and the IMF) are now much more open to talks of industrial policy and directed equitable growth strategies (involving human capital development and promoting Schumpeterian innovative activities²²). But more than this, this paper is proposing a development strategy that incorporates and links both economic and social sectors, instead of dichotomising the two with the social sector and usually attaining a secondary role. The framework of such an equitable development growth strategy includes:

- (1) Promoting sectors with positive externalities and increasing returns to scale but at the same time ensure that they employ an increasing pool of more skilled and technically trained workforce. This of course requires relative autonomy of the government but strong consultation-partnership with the business and labour sectors. This does not mean all regions and provinces will be forced to produce high-tech economies of scale products. But successfully improving productivity, technology and economies of scale of the industrial and service sectors over time and correspondingly improving the human capital being employed will lead to long-run sustained growth as experienced by successful East Asian countries. Strong linkages across regions and provinces, and across firms should be established with some regions and firms providing input, services and food to high-end sectors. These dynamic linkages will ensure that employment generation will not be hampered by the establishment of high productivity sectors. Identifying the dynamic sectors that would promote and the linkages to be promoted should be a priority project of the government, strengthened by the business and labour sectors' cooperation and partnership. Another long paper will be required for this.

²² But they still frown on 'picking winners'. Hausmann and Rodrik are inconsistent in emphasising coordination failures (the need for developing and promoting specialised inputs of specific sectors with positive externality) with their insistence of 'not picking winners' but 'picking activities'.

- (2) The 2008 food price inflation shows that food security is a valid issue and many areas and regions should continue to provide domestic food crops for the country since global food prices are becoming prohibitively high. For food prices to stabilise and for the country to be self-sufficient in rice, corn and other food crops, it is vital that conversion of prime agricultural lands to real estate and industrial use should stop. Second, it is vital that productivity and technological improvements be achieved in agricultural production. This requires government to end the neglect of agricultural and rural areas by providing the infrastructure and technological requirements such as irrigation (and its maintenance), post-harvest facilities, farm-to-market roads, rural electrification, R&D in seeds development, etc.
- (3) The development strategy should ensure integration and linkages of the various regions and provinces in the country (through infrastructure and markets) so that lagging and depressed regions will benefit from economic growth. It is best to diversify the local economies of poor and depressed regions to combine farm, off-farm and non-farm activities and link their markets to more progressive areas through infrastructure and direct promotion of market linkaging. This will spur rural industrialisation. In this respect, the 'one-town one-product' approach should be reformed to a more flexible scheme that allows diversification of products and linkages among firms and markets to blossom in the local economy. Key in the regional development scheme is 'strategic urbanisation' (CPRC, 2008) which seeks the development and targeted promotion of smaller urban centres as opposed to the current concentration of growth in large metropolis and regional capitals. The development of small urban centres will develop labour markets, create migration opportunities, create demand for nearby rural (higher value-added) products, enable better access to public services and human capital development, provide agglomeration economies and better financial, business and support services.
- (4) In areas vulnerable to natural calamity such as typhoon-prone regions (e.g. Region V and Region VIII – both of which have high poverty incidence), disaster relief should not only be provided ex-post (as the need arises) but should be well planned. Diversification of crops, livelihood programmes and off-farm as well as non-farm activities should better promoted in such areas so that destruction of crops will not completely obliterate a family's income generation capabilities. To reduce destruction, dykes and walls to protect the populace and their properties from floods should be well-constructed and maintained. Deforested areas that exposes communities to flash flooding should be re-forested immediately.
- (5) In conflict-ridden areas, peace talks should be resumed immediately and social justice be given to minorities whose lands had been grabbed or desecrated (e.g. in some mining areas) and whose rights have been trampled upon. Furthermore, Muslim areas should be prioritised in terms of economic and social development for they are the poorest areas in the country. Their economic and social neglect is a big factor in the current conflict and a leading cause for extremist and fundamentalist

elements to win over the populace. In all these, the local custom and tradition of indigenous peoples should be respected and allowed to contribute to the local development of the area.

- (6) The development strategy should incorporate a viable population control programme (called Responsible Parenthood in the Philippines) with a strong educational component and a programme ensuring the availability and safe use of contraceptives throughout the country. (This will not only help in controlling population growth, but reduce HIV/AIDS and other sexually transmitted diseases, such as hepatitis B and C. These diseases are reportedly increasing among the young population of the country).
- (7) Microfinance should be part and parcel of the development strategy to promote local economies and for it to have bigger chances of success. Microfinance schemes should be accompanied by local economies development schemes which include market linkaging and product quality improvement. It should also be coordinated with the provision of infrastructure and social services in the areas.
- (8) The provision of quality social services should be a critical component of the development strategy and infrastructure provision. Equally important as economic infrastructure is the provision of quality schools with a better curriculum and better teachers, quality hospitals and/or rural health units with good health services and skilled staff, quality housing for the poor and low-income groups, day care centres, good social welfare services for the indigent and homeless, for orphans, child labourers and street children, for battered women, for abused children and youths – all these social services should be mainstreamed as part of the development strategy in order that the non-income aspect of poverty is given the attention and focus it deserves. The provision of quality social services at affordable or no cost to low-income households is crucial for both chronic and transient poverty to be reduced significantly.
- (9) From a national development strategy, regional, provincial and municipality development strategies should arise in order for locally identified needs, opportunities and potentials to be incorporated in the detailed parts of the development strategy. In this regard, there is a strong need for developing capabilities, honesty, transparency and accountability in the local governments and local institutions as much as in the national government and national institutions.
- (10) Also key to the development strategy should be a strong asset and income distribution programme. It is recommended that lands under compulsory acquisition in the agrarian reform programme should be immediately transferred to beneficiaries. Special agrarian reform courts that fast-track the resolution of land transfer conflicts should be set up in replace of the usual judicial courts to circumvent the long litigation processes that delay land transfers. Agrarian Reform Communities (ARCs) should be expanded throughout the country, especially in lagging and depressed provinces and

regions, and the necessary support services and infrastructure be provided. A special programme for landless rural workers should be developed. Rural industrialisation schemes should be part and parcel of local economies development strategies.

- (11) Social and economic development strategies are integrally linked in order for the purchasing power of the millions of poor people to form a strong domestic demand base for the Philippines. The Philippines has now more than 90 million people and is one of the top 20 most populous countries in the world. But it does not have a strong domestic demand base for industrial and higher-technology and scale products because of large income disparities and the prevalence of poverty and low-income traps. The rich and upper middle class form a narrow economic base for technological and scale upgrade. Industrialisation and economic development will require the upgrade of the quality of life of more than half of the population of the country (those that are not rich or upper middle class). This will lead to a dynamism that will see economic development spiral upwards. This had been the path of most successful East Asian countries and this path was a prerequisite before successful export promotion (CPRC, 2008; Nurkse, 1953; World Bank, 1996).

4.2 Improving the social protection programme: targeting poor households

With economic growth not yet filtering to low-income and vulnerable groups and with rising unemployment and an economic slowdown in 2008 and 2009, social protection programmes will be essential to fight chronic poverty. Social protection programmes include both supply-side and demand-side programmes. Supply-side programmes include cash transfers to targeted poor families, food for school programme targeting poor children and providing them food as an incentive to remain in school, fertiliser subsidy to poor farmers and the like. Demand-side programmes include such programmes as the PhilHealth Indigent (insurance) Programme and similar insurance schemes or educational fund plans for poor children.

Apart from creating, planning and financing such programmes (see next section), there is a need to improve the targeting mechanisms and the identification of poor households. On a more meso level, there is a need to target and identify poor communities where interventions would be required. In an earlier part of the paper, it was discussed that there is a lack of objective and transparent mechanisms for targeting the poor, and that such targeting processes had been politicised and abused many times.

Some research and pilot programmes have been undertaken to generate an objective and transparent mechanism for identifying poor households. One important proposal, which had been used in the PhilHealth Indigent Programme and is starting to be used in the Conditional Cash Transfer (CCT) Programme (Pantawid Pamilya – funded by the World Bank and mentioned previously), is the proxy means testing approach. (World Bank, 2008; Reyes, 2002). Simply, this mechanism provides some proxies to income (which is usually difficult to

obtain objectively from a family), which local implementors of social protection programmes can easily use. Such proxies include the lack of critical electrical appliances (refrigerators, washing machines, ovens) or inadequate water and toilet facilities (piped water, water-sealed toilets) and very low electricity consumption. These proxies are much easier to observe than income and consumption variables. They also provide an objective and transparent way of identifying poor households.

If such mechanisms can be instituted in local level targeting of poor households, it can also be used at the meso and regional levels to identify communities with a large proportion of poor households. Surveys based on the proxy means testing mechanism can be one way of identifying such communities.

More practically, since coming up with an objective targeting mechanism will take time (a good survey or data gathering and monitoring system at the local levels), it may be good to suggest that genuine NGOs, people's organisations, the church sector and UN agencies be active in the social protection programme and targeting programmes to ensure that the benefits go to the really poor households. This will prevent the politicisation of social protection and social assistance programmes.

4.3 Monitoring and impact analysis of social service provision and evaluation of social protection programmes

There is usually a lack of a built-in mechanism in poverty reduction programmes in terms of monitoring and evaluating the programmes and projects, particularly its implementation, impact on poverty reduction and cost effectiveness in the use of the funds.

Pursuant to the ODA Act, the Project Monitoring Staff (PMS) of the National Economic Development Authority (NEDA) is tasked to monitor projects utilising funds from Official Development Assistance (ODA), whether funded in part or in whole. On the other hand, pursuant to EO 230, PMS is empowered to monitor all development projects regardless of its funding source.

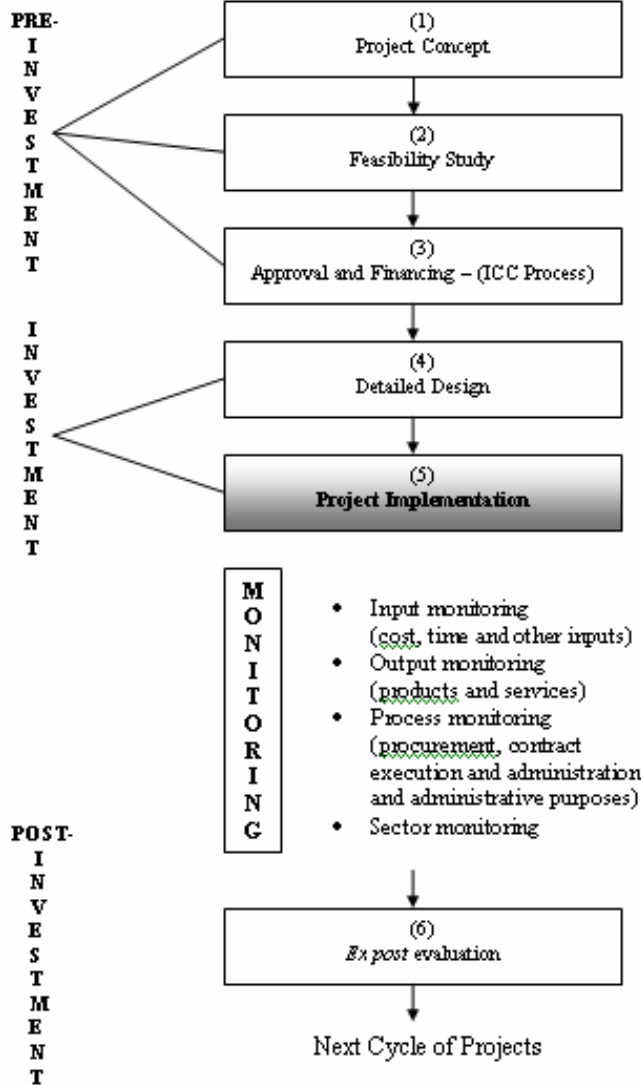
Figure 8 implies that monitoring starts from the actions and decisions prior to actual implementation, which provides the basis for monitoring. The baseline indicators and targets will then be the subject of monitoring. These indicators for monitoring are developed during the investment stage, particularly in the detailed design phase, wherein implementing agencies prepare Project Implementation Plans. The implementation plans specify details of work or activities, schedules, associated costs, manpower and organisational support for the project. Information on these project variables and the outputs to be delivered are then collected and analysed in order to manage performance during actual implementation.

NEDA-PMS and other oversight agencies including the Department of Budget and Management (DBM) and the Department of Finance (DOF) monitor the progress of the

implementation of approved development programmes. It is the task of DBM to monitor budget requirements and the utilisation of all government agencies to improve their operating efficiency. On one hand, the Department of Finance monitors the resources side to determine resource requirements and fiscal implications. Finally, NEDA-PMS monitors the progress of development programmes based on reports from the central offices of line agencies and to the NEDA regional offices.

The basic components of project monitoring by PMS that are required during the implementation stage at the national level include input monitoring, output monitoring, process monitoring, and to some extent, sector monitoring.

Figure 8: The project development cycle



Source: Manual for Project Monitoring, NEDA

Input monitoring and output monitoring are carried out by comparing the actual cost and implementation period with the planned and budgeted cost and pre-established project timetable. Also, combined input and output (I/O) monitoring is concerned with the efficiency of input use and the quantity and quality of output.

Process monitoring covers pre-implementation processes, procurement processes, right-of-way (ROW) acquisition (in the cases of roads, bridges and other infrastructures) and resettlement activities, negotiation with local government units, among others. Monitoring such processes requires systematically tracking whether prescribed timelines in relevant procurement rules are being followed by implementing agencies.

There are three methods used for collecting data in the course of project monitoring, namely: verbal and written reports, technical-level meetings and reviews, and firsthand observations. Verbal and written reports should be obtained on a regular basis to update the project monitor with the progress of the project. The desired frequency of submission is quarterly at the least for loan-funded projects and twice a year for grant-assisted projects. Though this method has the advantage of being the least time-consuming on the part of the project monitor, it also bears the risks of inaccuracy, lack of accountability, and misinterpretation.

Technical-level reviews and meetings also serve as a venue for direct interaction among all concerned parties, where accuracy and reliability of project data can be subject to direct inquiry. However, the best way to gather data is still through firsthand observations in the form of inspections and site visits. This method helps build rapport between the project management and the project monitor, which can lead to open communication, easier access to information and smoother coordination.

Despite the benefits of a firsthand-observation method in data gathering, NEDA admits that it does not have the financial resources to conduct on-site visits to all the projects that PMS is monitoring. The most PMS can do in this aspect is to prioritise projects to be visited, for example, problem projects as first priority. This creates the problem of not being able to directly oversee other projects that might have dubious outcomes. Moreover, the project monitor should be careful about making generalisations about a project, especially one with a broad coverage, based on observations in a single or few sites visited.

This situation then calls for the national government to allocate a separate budget for project monitoring. These additional financial resources will make it possible for the Project Monitoring Staff to conduct on-site visits on the projects being monitored. The separate budget will also relieve the project monitor from data overload, especially in data processing, by employing additional members in the team. An alternative solution to this predicament is for every funded social programme or MDG project or activity to earmark a portion of the funds for the monitoring and evaluation of the specific project. Finally, there is a need to strengthen post-evaluation and impact assessment of projects by the line agencies and by

NEDA. These efforts will ensure better, honest and more efficient implementation of the programme and projects.

Furthermore, the Commission on Audit (COA) is a very useful agency that should audit and ensure honest and efficient utilisation of funds channelled to MDG activities and projects.

But because of strong perceptions of politicisation of social programmes and poverty reduction schemes, it will be useful if NEDA encourages the private sector – especially civil society organisations, people’s organisations and the church sector – as well as UN agencies (such as UNDP, WHO and FAO) to either be members of the monitoring and evaluation teams, or to separately do their monitoring, evaluation and impact analyses of the social, poverty reduction and MDG programmes of the government.

4.4 Financing social and human development and social protection programmes

There is a clear lack of funds for the provision of social services and funds for human development as well as social protection (safety net) programmes. The paper has proposed that provision of social services and funds for human development be an integral part of the country’s development strategy.

The most important source of funds should be the country’s tax base so that progressive taxation and taxing the rich and big corporations to fund human and social development should be the primary source of financing. Many reforms are needed to force big corporations and rich individuals to contribute their share, but this will have to be another paper. Over and beyond this, there is a need to ensure and safeguard poverty reduction and MDG financing funds.

4.4.1 *To mobilise and safeguard MDG funds, concerted action by key government agencies is recommended:*

(a) A joint initiative by the MDG Committee in the House of Representatives and the Budget Appropriations Committees in the Lower House and the Senate can lead to the legislation of a bill prioritising poverty reduction and MDG-related spending in the budget appropriations, and protecting them from budget cuts, expenditure constriction or budget reallocation. Short of legislation, the MDG Committee and the Budget Appropriations Committees can agree on common guidelines that will prioritise and assure poverty reduction and MDG funding and spending in the budget appropriations and protect it from budget cuts, expenditure constriction or reallocation of budget resources to other government spending. The MDG Committee and Budget Appropriations Committees in both Houses can also try to coordinate a strategy to channel part of the Countryside Development Fund (CDF) or ‘pork-barrel’ funds to MDG financing. (This is a recommendation of Social Watch and other civil society groups).

(b) Since the line agencies, especially the Department of Education (DepEd), Department of Health (DOH), and local government units (LGUs) are free to mobilise for the funding of their priority poverty reduction and MDG projects and programmes, the funds generated will be enhanced if there is an improvement in the identification and promotion of the vital poverty reduction and MDG projects and programmes.

(c) There is a need to strengthen and systematise reporting of poverty reduction and MDG spending by the various line agencies to the Department of Budget Management (DBM), and the consolidation of the budget for poverty reduction and MDG spending by the DBM. In this regard, it is important: 1) to identify poverty reduction and MDG budget funding in the line agencies, 2) use the definitions of the MDG and targets to define and identify MDG spending, 3) request DBM to require line agencies to report poverty reduction and MDG funding in their agencies and to consolidate the reports for the whole national government. Monitoring poverty reduction and MDG spending and their budget items will ensure that there will be a transparent mechanism to track MDG related budget items and their financing, and to identify programmes that require additional funding. Tracking and monitoring the financing of MDG projects and programmes among the government's line agencies will go a long way in identifying areas and sectors that need additional financing.

(d) It would also be beneficial to strengthen and link reports of the Regional Social Development Committees (RSDCs) of the Regional Development Councils (RDC) on the poverty reduction and MDG progress in the different regions of the country to the MDG plans in the Medium Term Public Investment Programme (MTPIP) and to the budget appropriations process.

(f) Similarly, it would be beneficial to strengthen and link reports of the Multisectoral Committee on International Human Development Commitments (MCIHDC -- a subcommittee of the NEDA Board - Social Development Committee) on the progress of the country's compliance on the MDGs and other international human development commitments to the MDG plans in the MTPIP and the budget appropriations processes. The Committee monitors compliance to five Conferences (the Millennium Declaration, World Summit on Social Development, Beijing Summit Platform on Women, HABITAT, International Committee on Population Development), all of which are related to poverty reduction and the MDG targets.

(g) Overall, there is a need to strengthen NEDA as the watchdog and key monitor agency for the MDGs. Partly through the mobilisation of external and domestic financing – and debt conversions to be discussed later -- there should be a mechanism to provide more funds and personnel in this department to monitor and to evaluate the MDG programmes implemented by the various line agencies throughout the country. NEDA will also be the

key agency that will sound off to the national government if funds for MDG are insufficient and if there is need to mobilise significant funding for the MDG needs.

4.4.2 *Exploring the establishment of an MDG fund*

This paper also recommends a feasibility study on the setting up of a poverty reduction and MDG Fund, especially for lagging and depressed regions, communities and sectors²³.

The pro arguments are obviously in order to facilitate, systematise and institutionalise the channelling of ODA, debt conversion, government and private sector funds to priority MDG projects and programmes. This will force the government and civil society to plan and prioritise MDG projects and activities more carefully and comprehensively. The con arguments mostly have to do with the possibility of the political process using the funds for political objectives rather than for national and social objectives.

To address the con arguments, it is recommended that the Fund be administered by a committee co-chaired by NEDA and UNDP. The membership of the committee may include the fiscal agencies of the government (DBM, DOF), key human development agencies (e.g. DOH, DepEd), local government representatives, key civil society groups (such as the church sectors, civil society organisations and the business sector), the House of Representatives MDG Committee head, and key bilateral and multilateral donors.

The MDG Fund can have strategies and derive resources and staff to mobilise the financing of MDG needs through:

- (1) Fiscal resources;
- (2) external development assistance and ODA (which should be demand led and not supply led;
- (3) debt reduction and debt conversion funds; and
- (4) civil society, church, business and private sector funding.

But before this is done, the paper recommends a feasibility study concerning the creation of the MDG Fund and its required links to priority MDG projects and programmes using the institutions and mechanisms mentioned in the previous section.

²³ Indonesia is now planning and possibly starting to experiment with such pooled funds.

5 Conclusion

The main message of this paper is that to address the poverty problem, especially chronic poverty, a progressive and equitable development strategy has to be established and implemented. Such a strategy should emphasise both economic and social sectors equally and should be able to extend itself into regional, provincial and municipality plans and programmes of social and economic development. Financing of a development strategy is crucial and it should tap progressive tax revenues, domestic and external financing. But the programmes and projects should be home-grown with strong consultation with civil society, people's organisations and sectoral organisations.

Over and beyond this, interventions through social protection programmes should be in place to provide safety nets and cushions against shocks and adverse conditions that may increase both chronic and transient poverty. Most important is to reduce the chances of people being trapped in chronic poverty. A good objective targeting system should be in place, and watchdogs from civil society and the UN agencies can help ensure that leakages, abuses and politicisation of the social protection programmes will not happen.

Transparency and accountability are crucial so that good monitoring, evaluation, impact analysis and dissemination of the results are essential. Again, civil society and reliable international watchdogs should participate in these processes.

Before all these can happen, the social compact governing Philippine society and politics will have to change in order to merge the mutual interests of the poor and marginalised with the governing class. This may have to be forced on the ruling class through mass actions, negotiations, social education as well as pressures from the progressive sectors of society. The ruling class will have to be convinced that the result will also be beneficial for them for it will bring political and social stability and an end to social conflicts – a situation that has eluded the country since the 1986 EDSA revolution's²⁴ promise of democratic rule and governance.

²⁴ The EDSA revolution is what Filipinos call the movement that overthrew the allegedly tyrannical and repressive Marcos government. Millions of Filipinos went out to the long highway of E de los Santos Ave. (or EDSA) to defend rebel soldiers opposing the Marcos government.

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Appendix

Appendix A: Chronic poverty and social conflict

The Philippines has the two of the longest-lasting internal conflicts in the world. First, is the periodic war with Muslim secessionists and rebels of various factions, especially centred in the southern Philippines – in the island of Mindanao and adjacent islands. Second, is the war and violent clashes with the Communist-led New People's Army (NPA), which is scattered across several (mostly poor) areas in the country. Both wars have its roots at the very least in the early 1970s and both conflicts have not been resolved and continue to inflict violence and poverty to a large section of the Philippine population.

The biggest cost to lives, property and to the economy has been the war in Mindanao, which was most intense and destructive in the 1970s, under the Marcos regime, and had intensified again in the recent period of 2000 to 2003. Up until now, peace talks are still not concluded between the Philippine Government and the Moro Islamic Liberation Front (MILF). The Abu Sayyaf (a group with alleged links to Al Qaeda) is still undertaking kidnap-for-ransom and bombing activities (including the sinking of a ferry carrying hundreds of passengers in Luzon in 2005). The Jemaah Islamayah (JI), supposedly responsible for the Bali bombing, is known to be very active in Mindanao (with training grounds there) and claimed responsibility for the bombing of a light rail transit station in Metro Manila in Dec. 30, 2000, which killed scores of people.

The Philippine Human Development Report (PHDR, 2005) devoted the entire report on "Peace, Human Security and Human Development in the Philippines," focusing on social conflicts in the Philippines and its effects on human development. The war in Mindanao is estimated to have cost some 150,000 lives since the 1970s to the recent period. The PHDR (2005) shows an alarming increase in armed encounters between the government and the MILF and NPA (with corresponding increases in casualties on all sides) under the Estrada and (the current) Arroyo governments, especially in the recent 2000 to 2004 period. The total combatants killed increased from 293 under the Ramos government to 1697 under the first four years of the Arroyo government (2001-04). (There are no corresponding numbers for the civilian casualties from the encounters.) The PHDR estimates 800,000 additional displaced persons in 2000 under the Estrada regimes' all out war against the MILF. Similarly it estimates 438,000 additional displaced persons in 2003 under the Arroyo government's encounters with the MILF in the first half of that year. The Internal Displacement Monitoring

Centre (IDMC) estimates that from 135,000 to 159,000 persons were displaced (mostly in Mindanao) in 2007.²⁵

The war in Mindanao has been known to contribute largely to chronic poverty and to the depressed status of many provinces in Mindanao (Malapit *et al.*, 2003). At the same time, intense poverty in many provinces in Mindanao, especially in Muslim areas, is believed to be a primary contributor (and big combatant recruiter) to the war. The same is true for non-Muslim areas, where the NPA are able to recruit young and old fighters alike in poverty-stricken regions. There is therefore a vicious cycle of war feeding into poverty and poverty feeding into social conflict.

CPRC (2008) explain clearly the link between social conflicts and chronic poverty. Together with discussions in PHDR (2005), Table A.1 shows how war and social conflicts create both economic and non-economic social costs, which clearly lead to chronic poverty, loss of human security and extreme suffering for many families.

Table A.1: Costs of armed conflict

Costs	Non-economic	Economic
Physical and Material	Deaths and injuries in armed encounters; deaths and morbidity from displacement and diaspora	Infrastructure destroyed; lost output; assets of families destroyed; lack of access to employment and income generating activities; loss of main income sources due to death or disability of breadwinner and income earners; lack of access to social services; foregone resources used for military spending; increased social spending for casualties and displaced persons.
Psychological and Social	Break-up of families; psychological anguish and fear; loss of personal integrity; loss of cultural identity; ethnic and religious tensions; loss of social cohesion	Loss of business and investor's confidence (investments and output reduced); loss of consumer confidence (consumption reduced); loss of social capital (efficiency reduced)
Spillover	Rise of adventurism and predator elements; kidnap-for-ransom; land-grabbing; drug-trafficking; extortion and other anarchic activities	Loss of domestic and foreign confidence and decreased investments/tourism /productive activities in wide regions of the Philippines (e.g. the whole of Mindanao, including areas not affected by conflict);

Source: Author's revisions of Table 1.2 of PHDR (2005).

Tables A.2 and A.3 confirm the above. Table A.2 gives the bottom 20 provinces (ranked from the lowest up to the twentieth lowest) in terms of human development index (HDI-1) calculated by the Human Development Network (HDN) in the Philippines (with funding from UNDP). The provinces in bold and italics indicate provinces that are directly affected by the

²⁵See [http://www.internal-displacement.org/idmc/website/countries.nsf/\(httpEnvelopes\)/82DCD1D835A2CEE4C12572900037B01D?OpenDocument](http://www.internal-displacement.org/idmc/website/countries.nsf/(httpEnvelopes)/82DCD1D835A2CEE4C12572900037B01D?OpenDocument)

armed encounters and conflict in Mindanao, while those in italics are provinces of Mindanao, indirectly affected by the conflict (through periodic bombings and spillover effects, see Table B.1). Note that seven out of ten worst provinces (in terms of HDI) are provinces directly affected in war-torn Mindanao. The worst four are four of the most devastated provinces. All five provinces (Sulu, Maguindanao, Tawi-Tawi, Basilan and Lanao del Sur) of the war-torn Autonomous Region of Muslim Mindanao (ARMM) are in the top ten bottom provinces of HDI in 2003. Eleven of the bottom 20 provinces are provinces in Mindanao, with eight of them directly affected by the conflict. The table is just an update of the paper by Malapit et al (2003). The HDI is a composite index of measures of life expectancy, education and income per capita of the provinces, which Malapit *et al.* (2003) uses as a proxy measure for the extent of chronic poverty in the provinces.

Table A.2: HDI of bottom 20 provinces ranked from worst onwards

HDI-1 Rank 2003	Province	HDI-1 Index
1	Sulu	0.301
2	Maguindanao	0.360
3	Tawi-Tawi	0.364
4	Basilan	0.409
5	Masbate	0.442
6	Zamboanga del Norte	0.446
7	Sarangani	0.448
8	Western Samar	0.469
9	Eastern Samar	0.474
10	Lanao del Sur	0.480
11	Romblon	0.483
12	Northern Samar	0.486
13	<i>Surigao del Sur</i>	<i>0.487</i>
14	Biliran	0.489
15	Marinduque	0.489
16	Negros Oriental	0.490
17	<i>Agusan del Sur</i>	<i>0.491</i>
18	Siquijor	0.497
19	Sultan Kuldarat	0.497
20	Davao Oriental	0.503

Source: *Philippine Human Development Report (2005)*

Table A.3 gives us the provinces with more than 50 percent poverty incidence (based on the national government's own Family and Income Expenditure Survey), ranked from the highest poverty incidence (in 2006) onwards. Again the bold/ italics refer to the same categories mentioned above. The poorest three provinces are provinces directly affected by the conflict in Mindanao. Four of the five provinces in ARMM (Tawi-Tawi, Maguindanao, Lanao del Sur and Sulu) have higher than 50 percent poverty incidence, much higher than the national average. Eight provinces/cities directly affected by the conflict have more than 50 percent poverty incidence. Twelve of the 26 provinces/cities with more than 50 percent poverty incidence in 2006 are in Mindanao. Table B.3 also show that the poverty in the affected provinces cover millions of people.

Thus, it can be seen that conflict is associated with low human development and poverty incidence. It follows that it increases chronic poverty in the affected areas. It must also be pointed out that most of the other poor provinces in Tables B.2 and B.3 are areas where the New People's Army (NPA) is quite active.

Table A.3: Provinces With More Than 50 percent Poverty Incidence in 2006

Province	Poverty Incidence Among the Population (percent)			Magnitude of Poor Population		
	2000	2003	2006	2000	2003	2006
PHILIPPINES	33.0	30.0	32.9	25,472,782	23,836,104	27,616,888
1 Tawi-tawi	57.2	40.2	78.2	163,160	128,041	311,137
2 Maguindanao	65.1	68.1	69.3	536,479	527,225	596,464
3 Zamboanga del Norte	53.3	68.5	67.5	433,091	573,506	614,876
4 Apayao	34.1	23.2	63.1	28,770	22,815	67,907
5 Northern Samar	49.5	40.8	61.1	240,228	215,859	339,232
6 Abra	57.6	50.2	60.7	113,326	100,013	128,614
7 Surigao Del Norte	51.3	59.8	60.2	232,065	277,763	309,540
8 Masbate	70.2	63.4	59.5	482,818	470,670	487,672
9 Lanao del Sur	61.6	44.6	58.5	432,307	301,215	442,338
10 Occidental Mindoro	46.2	50.5	57.0	176,790	203,741	263,965
11 Misamis Occidental	53.0	54.3	56.3	260,764	263,398	294,806
12 Agusan del Sur	60.1	60.3	56.2	359,215	337,889	334,069
13 Sorsogon	51.4	43.5	55.3	319,952	300,652	395,434
14 Oriental Mindoro	48.9	44.3	55.1	340,690	321,441	422,103
15 Surigao Del Sur	45.8	57.1	55.1	225,640	276,735	288,664
16 Lanao del Norte	54.2	54.0	52.2	426,347	404,674	416,532
17 Sulu	63.3	53.5	52.2	397,119	315,635	310,140
18 Aklan	42.9	41.8	52.0	190,470	173,340	242,249
19 Sarangani	52.3	51.0	52.0	220,079	241,641	271,713
20 Kalinga	45.7	52.0	51.9	83,844	93,693	94,995
21 Eastern Samar	55.6	41.1	51.9	203,104	159,184	224,755
22 Isabela City*		33.5	51.9		25,677	38,788
23 Romblon	64.4	43.6	51.7	170,917	118,026	150,889
24 Antique	45.9	48.9	51.6	208,169	232,602	255,321
25 Marinduque	52.7	47.4	50.6	113,553	101,271	118,365
26 Mt. Province	57.1	57.0	50.4	76,137	79,157	74,512

*No data in 2000

Source: Family and Income Expenditure Survey (FIES), National Statistics Office

It is urgent that both economic and political solutions be undertaken to end the conflict and conditions of chronic poverty in the Philippines. This is quite difficult in the current setting when the military is quite hawkish in dealing with insurgency. Peace talks with the MILF have many times been close to achieving a peaceful solution, but a settlement has been elusive for five years now. In the first week of August, the government and the MILF was supposed to have made a breakthrough and sign the Memorandum of Agreement (MOA) on Ancestral Domain extending the Muslim autonomous areas to many other areas, many of which have large or majority Christian population. The new entity, called the Bangsamoro Juridical Entity

(BJE) will have many powers, close to an autonomous state. This caused a big outcry among the Christian communities of Mindanao and some Muslim elements opposed to the MILF. Local and national politicians attacked the government for lack of consultation. Finally, the Supreme Court issued a temporary restraining order (TRO) on the agreement. In mid-August, clashes between the Philippine military and the MILF erupted in North Cotabato, displacing 130,000 people. There is a wide perception that the Arroyo government was just using the MOA to force constitutional change – on face-value to introduce federalism in the Constitution so that the MOA can be legal – but actually, to introduce a parliamentary system that will allow the extension of Arroyo's term beyond the 2010 limit of her presidential term. Arroyo is perceived to be concerned about losing her immunity after 2010, as she is now hounded by charges of election fraud and receiving large illegal commissions and kickbacks from big infrastructure projects funded by the Chinese government (with the commissions and illegal funds coming from the Chinese firms winning the contract for the project). The MOA, where on paper it seems an initiative towards peace in Mindanao, is now seen as a dangerous precedent that may fan religious hatred since its approach is to separate Muslim from Christian areas (causing a possible India-Pakistani type of panic migration from one religious area to another), instead of improving the economic and social conditions of the Muslim population and indigenous peoples, and strengthening institutions and social arrangements to allow Muslim and Christians to live peacefully together, as they are actually doing in many areas. Again, as explained previously and in Appendix B, the politicisation of social processes – this time the peace process -- may have actually derailed a big potential for peace.

There is also the issue of the Abu Sayyaf and the Jemaah Islamayah (JI), and the US Visiting Forces Agreement. The Philippine government had brought US troops in the Philippines aimed at helping and training the Philippine military fight these groups. Whether this will lead to an improvement or a worsening situation (as the Philippines is seen as a strong ally of the US) remains to be seen.

Furthermore, all governments from the Marcos government until the present one had promised economic development for Muslim Mindanao and its adjacent provinces. But so far – as the latest figures in Tables B.2 and B.3, as well as Tables 12 and 13 of the main text show – there has been not much economic development in the Muslim conflict areas, particularly ARMM. Growth is concentrated in Metro Manila in Luzon, Metro Cebu in the Visayas, and Cagayan de Oro and Davao City in Mindanao.

There are also vested interests working in both national and local government levels that benefit from the continuing underdevelopment of Muslim Mindanao. It must be noted in the scandal of the alleged rigging of the 2004 Presidential election, President Arroyo was allegedly caught on a wire-tapped conversation asking a Commission on Elections commissioner to give her an additional one million votes from Muslim Mindanao. In 2007, an administration senatorial candidate suddenly made it to the magic 12 in the last days of the

ballot count as votes from Maguindanao (a vote-rich province of ARMM) gave the administration a 12-0 victory in the province. The election officer in charge of the province was charged with neglect of duty by losing the official election canvass, but the votes were still counted.

Even before the Arroyo government, the ARMM has been seen as an area where national election results can be changed. Furthermore, poor regions in Mindanao are places where there are strong patron-client relationships and where the local mayors and governors are patrons that will resist any changes that could undermine their power and influence. National government officials play to these local government officials to deliver votes and for other political support. All these make it difficult for the powers-that-are to seriously undertake quick and effective economic development of the region, which will make it easier for media and civil society to monitor election counting in the area and to report anomalies, corruption and influence peddling. Obviously, this confirms the existing social compact discussed in Appendix B, which involves national and local elites and sections of the business sector and middle class, but excludes the marginalised and vulnerable groups.

The military has been tough with the NPA and left-leaning groups. From 2003, thousands of extrajudicial killings and disappearances of journalists and members of legal and illegal left-leaning groups have been brought to international attention. Most of the perpetrators of these killings have not been apprehended and punished. While the military has put the blame on the NPA and leftist groups, the latter have blamed the military, and this was confirmed by a report by the United Nations Special Rapporteur on Extrajudicial Executions, Prof. Philip Alston, who conducted a mission to the Philippines on February 12 to 21, 2007. The Alston Report said that the military was in a state of 'denial' on its involvement with extra judicial killings. But even so, some elements of the military concede that many of the extrajudicial killings undertaken in Southern Tagalog were attributed to Major General Jovito Palparan, a hard-line anti-Communist military officer in charge of the area until 2007. Up to now, the government refuses to charge Palparan and has cleared him of extrajudicial killings and disappearances charges.

The civilian government of President Arroyo owes much of its survival from coup attempts (coming from junior officers and some elite members of the opposition) to the hawkish leadership of the military. It is in no position to counter the current military stance. In the 2007 Congressional and local elections, the military and police were very active in the 'zoning' of slum areas to ferret out left elements and to ensure less representation of left-leaning candidates in the party-list (sectoral representation) system. Given that the left-leaning parties carry with them much of the campaign against injustice and pro-poor policies, the pressure for stronger anti-poverty laws and regulations in the legislature and local governments is reduced. Again, the narrowness of the social compact in the Philippines is revealed very clearly. Solutions to one aspect of chronic poverty become less possible in the current dispensation.

Appendix B: The social compact: implications on the KALAHI Program and the fiscal position

The KALAHI Program, as described in section 2.1, has much potential to provide a general and widespread permanent anti-poverty and social protection programme in the Philippines. This is especially true with the convergence concept of many government agencies cooperating on poverty reduction programmes especially at the local level. Furthermore, KALAHI has, on paper, local economies development, infrastructure provision, social services availability, microfinance and civil society participation to support social protection programmes. These are elements that the Chronic Poverty Research Centre (2008) mention as essential for social protection programmes to succeed.

The main problem lies in the social compact between the government and the various sectors of civil society. Just like in many lagging developing countries, the social compact in the Philippines remains between the government and the various factions of the elite, the business sector, the influential section of the middle class (especially in the metropolis of Metro Manila), the international financial sector and the developed world (especially the US and Japan), and the military and the dominant church. Excluded in the compact are low-income groups including much of the working class, the rural and urban poor and vulnerable sectors. Lower income groups, the poor and the marginalised are incorporated in the political and social system through patron-client relations at the local level or through civil society groups (people's organisations, sectoral groups and NGOs). The latter may at times be able to exert pressures on the government (as in the recent food and fuel crises) but they have to align themselves with some coalition of key players (usually the business sector, the church, the middle class or the military) to effect some changes.

During the post-war period, democracy in the Philippines took the form of an elite democracy as various factions of the elite agreed to take turns to rule the country based on the results of the national elections. But elections were heavily affected by how the elite's political party (a coalition of different factions of the elite) were able to influence and control the local governments (run by the local elites in the corresponding areas). This system was facilitated by the defeat and neutralisation of the Communist Huks in the 1950s (with military, financial and strategic help from the US). Marcos broke the rule on allowing different factions of the elite to take turns to rule the country but, like most right-wing authoritarian dictatorships in the 1970s and 1980s, he narrowed the social compact to a limited set of elites, military factions, and big businesses, with the support of international financial markets and the US. This situation repressed the left and any popular representation of the masses. The overthrow of Marcos saw the left and other popular representatives attempting to change and widen the social compact to include the 'masses'. They became originally part of the coalition government of the Aquino Administration. The proliferation of NGOs and people's organisations in the second half of the 1980s was evidence of this. But the right-wing elements of the military (which were instrumental in overthrowing Marcos) plus some sections of the elite and big business sectors were able to force the Aquino government to

shut out the left and radical trade unions from the coalition government. This was carried out through a series of coup attempts – one of which was almost successful if not for the intervention of the US, which at the time (December 1989) still had military bases in the country.²⁶ The peace talks with the National Democratic Front (NDF) – the political arm of the New People’s Army (NPA) – ended early on when scores of peasant rallyists were killed in October 1987 in an attempt to achieve a genuine agrarian reform programme. (The Ramos government resumed formal peace talks with the NDF in 1992 and forged important agreements especially the Comprehensive Agreement on the Respect for Human Rights and International Humanitarian Law (CARHRIHL) which President Joseph Estrada approved in 1998. President Arroyo after the 2004 elections suspended the formal talks which since then remain stalled.)²⁷

Since then, the social compact in the Philippines returned to one where various factions of the elite had their opportunity to take the helm of the executive branch. The main difference from the pre-Marcos period was that globalisation was more vigorous -- trade liberalisation, the onset of the WTO, AFTA and the increasing influence of the international financial markets in the economic processes of the country. The international financial sector became a key player in the Philippine economy, as shown in the debt crisis of the Philippines from 1983 to 1992, in the Asian financial crisis and in the fiscal crisis from 2002 to 2006. In all these crises, economic policies had to be consistent with and adhere to this key player. Opening up the trade and especially the financial and capital accounts has made the government’s lack of development strategy and weak financing of pro-poor programmes consistent with the interests of international finance. International financial markets prioritise the private sector and the markets and frown on ‘picking winners’, economic interventions, subsidies and taxation. Thus, coming up with a strong development strategy and economic and social interventions will be more difficult because of the fiscal bind and the weak fiscal base in the country (see last section of this appendix). The threat of capital outflows by powerful external financial institutions and developed countries deters many developing countries, dependent on external financing and vulnerable to the sharp freefall of their currencies, from pursuing more independent national development strategies different from the one-size-fit-all programme promoted by powerful multilateral institutions²⁸. Still, it is the belief of this paper that the main constraint to poverty reduction is a social compact that

²⁶ The US military bases agreement which authorised the presence of US military bases on Philippine soil after independence in 1946 was not renewed by the Philippine senate in 1991 and all the US bases, including the two biggest ones – Clark airbase and Subic naval base which played important roles in the Korean and Vietnam wars – were shut down in 1992.

²⁷ The text of the various agreements and other information regarding the peace talks can be found at the websites of the Presidential Adviser on the Peace Process (<http://www.opapp.gov.ph/>) and the National Democratic Front (<http://www.ndfp.net>).

²⁸ See debates concerning the Washington Consensus (e.g. “The Washington Consensus: Wikipedia, the Free Encyclopedia,” http://en.wikipedia.org/wiki/Washington_Consensus)

excludes the poor and the marginalised. With strong political will, it is possible for governments to effectively reduce poverty as many East Asian countries have done.

Another main difference in the current social compact is a more independent media and civil society (at least in the metropolitan and urban areas). This is a positive aspect that can be used by civil society groups to campaign for pro-poor policies and a genuine implementation of poverty reduction programmes.

The social compact still allows the current dispensations to undertake brazen corrupt activities and get away with them as long as political support among the key players – especially the military, the Church, big business, and the international players – remained intact. Each administration, including the current one, is known to have its own set of powerful financial and business backers.

The Estrada Administration, which was widely popular with the masses, failed to change the social compact and was quickly removed by a second ‘people power revolt’²⁹ (again, with the military backing the uprising) after President Estrada was implicated in an illegal gambling payoff. The serious but unsuccessful third ‘people power’ consisted of hundreds of thousands of low-income people demanding the reinstatement of Estrada (it included an attack on Malacañang Palace, the presidential office and residence) This initiative failed as it was opposed by the military, the Catholic Church and the big business sector (as well as the international community). But it was a signal to the Arroyo government, whose popularity has been sliding year after year, not to underestimate the anger coming from lower income groups.

With this as backdrop, it is not surprising that the KALAHI Program had been criticised for lack of planning, coordination, financing and implementation. First, as evaluated by both the ADB (2005) and World Bank (2008), the programme – especially the social protection component – lacks a coherent plan and financing and implementation becomes politicised and over-centralised. Social protection programmes, especially microfinance – is not backed by infrastructure, social service provisions and local economies development. Thus, social protection and social assistance programmes become isolated charity programmes which do not aim at building assets and long-term income generating capacity for the poor and vulnerable groups. It is rather used to placate the poor masses and to convince media and civil society that there is something being done for the poor. But in fact, objective studies (see section 3.6 of the main text) show massive politicisation of poverty reduction programmes. The politicisation of microfinance is such that the government assumes that microfinance generates jobs (without much evidence on how the programmes were

²⁹ The first People Power Revolution is the famous overthrow of the Marcos government when at least a million people (spurred on by the Catholic Church) went out in Metro Manila to protect military rebels that broke away from Marcos.

implemented) and was able to announce thousands of jobs created in a period when unemployment rates were going up.

In the latest food and fuel price inflation problem, wages and transportation fares (affecting low-income jeepney, bus, and tricycle drivers) were allowed less than proportional and lagged increases in rates compared to the ongoing inflation. The need to announce social protection and social assistance programmes – a significant portion of which is funded by the windfall revenues from the value-added taxation of fuel products – is to curb the anger from lower income groups in the context of the government's increasing unpopularity (attested by private national surveys). Social assistance and social protection is also gaining popularity with multilateral funding agencies such as the World Bank and the Asian Development Bank, which are funding significant portions of social protection programmes.

The government has been more successful in taming rice inflation by subsidising low-grade rice that go to poorer sections of society. This was made possible because of media focus and the Church's and civil society groups' participation in the rice distribution schemes. But in terms of other direct social assistance and social protection programmes, as outlined in the main text (section 2.1), there is a perception that the programmes are slow, that not enough money is being disbursed for the programmes and, once they are disbursed, they may become politicised at the local level. This is consistent with our analysis of the exclusion of the poor and marginalised in the social compact. But the same results above would rate positively with the international financial markets as runaway inflation is avoided (mainly through the repression of wages and transportation fares) and fiscal discipline is achieved (higher VAT collections but slow disbursements on social protection programmes). The IMF had recently approved the government's abandonment of its target fiscal balance in 2008 due to the economic difficulties, but hoped that the fiscal deficit would be 'modest' in 2008 and 2009. The 'modest' government's projected level of fiscal deficit has increased from around 0.5 percent of GDP in the third quarter of the 2008, to more than one percent of GDP in early 2009. Fitch's, an international credit rating agency, most recent projection, however, puts the fiscal deficit in 2009 at 2.3 percent of GDP. The macro imbalances may be contained but the poverty situation will almost certainly deteriorate.

Thus one of our key recommendations is to involve the Church and civil society groups, as well as the UN and other international relief organisations, to have bigger representations in poverty reduction programmes. Once this is done, it is also important that the financing of programmes be placed at the forefront (our proposal of a possible MDG Fund) so that the social protection programmes can be undertaken in a more effective manner and covering a more widespread population and area. A clear objective targeting mechanism of identifying poverty-stricken areas and households need to be developed to ensure that social protection programmes will not be politicised and to avoid leakages that will lead resources and funds to the non-poor. Finally, strong monitoring and evaluation mechanisms of the programmes

will have to be devised so that the planning office (NEDA) and civil society can clearly assess the genuineness and effectiveness of the poverty reduction programmes.

The current social compact also explains the fiscal problem of the Philippines, which justifies a tax base with small direct taxation capacity on the corporate sector and the rich and relies more on taxes on fixed income groups and on indirect taxation, especially on value-added taxation. The excise taxes on 'sin' products (cigarettes and alcohol products) failed to generate more revenues (in fact the reverse occurred (see Table A.1) as the big players in the cigarette business (one allegedly closely allied with the Arroyo Administration) was able to water down the legislated 'sin' taxes with multiple tax rates (based on the quality of cigarettes) rather than a uniform rate. The overall regressive taxation structure plus a narrow tax base (only 14 percent or less of GDP in 2008) cannot allow an expansion of a widespread availability of social services and social protection for the masses.

Table B.1 shows the tax revenue by source. It can be seen that direct taxation comprises less than 50 percent of the tax base and make up less than 6.5 percent of GDP in 2007. It only improved slightly starting 2006 when the international financial markets downgraded the Philippines and threatened to downgrade it even more if it doesn't attain fiscal discipline. The response was social and economic services cutback, the implementation of an expanded and higher value-added taxation, and some minor improvements in direct tax collection.

Table B.1: Tax revenues by source: 1999-2007

As percent of Total									
	1999	2000	2001	2002	2003	2004	2005	2006	2007
Tax Revenues	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Income Taxes	42.63	44.05	45.26	44.62	44.56	45.99	45.82	43.84	45.76
Indirect Taxes	52.23	51.10	49.78	48.51	49.82	48.76	47.95	50.62	48.33
Excise Taxes	14.31	13.41	11.89	11.23	10.34	9.84	8.76	6.77	5.95
Sales Taxes	17.88	17.04	17.63	17.72	18.19	17.88	17.28	20.80	19.93
Custom Duties	20.04	20.65	20.26	19.57	21.29	21.04	21.91	23.05	22.45
Other Taxes	5.14	4.85	4.96	6.87	5.62	5.25	6.23	5.53	5.91
As percent of GDP									
	1999	2000	2001	2002	2003	2004	2005	2006	2007
Tax Revenues	14.50	13.71	13.59	12.81	12.75	12.42	12.96	14.25	14.03
Income Taxes	6.18	6.04	6.15	5.71	5.68	5.71	5.94	6.25	6.42
Indirect Taxes	7.57	7.01	6.77	6.21	6.35	6.05	6.21	7.22	6.78
Excise Taxes	2.07	1.84	1.62	1.44	1.32	1.22	1.14	0.97	0.84
Sales Taxes	2.59	2.34	2.40	2.27	2.32	2.22	2.24	2.97	2.80
Custom Duties	2.91	2.83	2.75	2.51	2.72	2.61	2.84	3.28	3.15
Other Taxes	0.75	0.67	0.67	0.88	0.72	0.65	0.81	0.79	0.83

Source: Bureau of Treasury

Appendix C: Identified MDG-supportive programmes and projects to be expanded/replicated: funding for 2005-2010

MDG 1: ERADICATE EXTREME POVERTY AND HUNGER		
<i>Target 1: Halve the proportion of people living in extreme poverty between 1990 and 2015</i>		
<i>Target 2: Halve the proportion of population below the minimum level of dietary energy consumption and halve the proportion of underweight children (under five years old)</i>		
PAPs		PAP Total Cost estimate in Php '000 (based on the MTPIP)
I. Survival (Food/Nutrition)		
1	Accelerated Hunger Mitigation Project (DSWD/DepEd)*	1,000,000.0
2	Food for School Programme (DSWD/DepEd)	718,000.0
3	Garantisadong Pambata (GP) Programme (DOH)*	
4	Food Fortification Programme (DOH)*	
5	Micronutrient Supplementation (DOH)*	416,607.0
6	Aksyon para sa Nutrisyon/LAKASS Programme Expansion II	
7	Nutrition and Micronutrient Deficiencies Control (CPC 6)	
8	Action for Nutrition Improvement (FAO Grant)	
9	SOCKSARGEN Integrated Food Security Programme/SOCKSARGEN Area Development Project Office	244,017.0
10	Enhancement of Cassava Production in Cagayan	15,000.0
11	Philippine Pig Production and Development	6,862.0
12	Romblon Rice Sufficiency Programme	33,245.0
13	Food for Work Programme (use of coupons)	60,000.0
14	Provision of Water Supply to Waterless Communities (DPWH)	3,000,000.0
15	Rural Water Supply for Waterless Communities (DPWH)	3,000,000.0
16	Provincial Cities Water Supply III (JBIC 19th Yen)	111,358.0
17	Provincial Cities Water Supply V (JBIC 21st Yen)	768,544.0
18	LGU Urban Water and Sanitation Project (APL 2) (WB)	12,920.0
19	Provincial Water Supply, Sewerage and Sanitation Sector Project (PW4SP) (JICA Grant)	15,000.0
20	Rural Water Supply and Sanitation Project Phase V (JBIC)	125,394.0
21	Water Supply and Sanitation Performance Enhancement Project (AusAID)	11,265.0
22	Rural Water Supply Development for Mindanao Provinces (JICA)	97,650.0
23	Rural Water Supply Project for Visayas and Mindanao (KfW)	2,704,651.0
II. Security (Livelihood/Employment)		
24	Seaport Development, San Vicente Fishing Port Development	196,676.0
25	Self-Employment Assistance Kaunlaran Project	756,000.0
26	Balingasag Irrigation Project	382,255.0
27	Banaoang Pump Irrigation Project	2,943,966.0
28	Bohol Irrigation Project II	2,690,856.0
29	General Santos Fish Port Expansion/Improvement Project	1,304,000.0
30	Irrigation Systems Improvement Project	87,076.0
31	Lanao del Norte Dairy Cattle Breeding Center	64,500.0
32	Malaig River Irrigation Project	375,000.0
33	Malitubog-Maridagao Irrigation Project	121,298.0
34	Agno River Integrated Irrigation Project***	6,180,500.0
35	Rizal (Aliog) Irrigation Project	456,873.0
36	Southern Philippines Irrigation Sector Project	2,605,911.0

37	Talakag Irrigation Project	390,000.0
38	Water Buffaloes & Beef Cattle Improvement Project	10,062.0
39	Participatory Irrigation Development Project Phase I	2,600,000.0
40	Transforming Marinduque into a Major Mango Producing Province	38,984.0
41	Water Resources Development Project	31,480.0
42	KALAHI-CIDSS: KKB (WB)	5,795,100.0
III. Enabling (Education/Training/Institutional/Capacity Building)		
43	Agri-Institutional Development Project	60,000.0
44	Young Farmers Programme	249,970.0
45	Farm Youth Empowerment for Rural Development	29,475.0
46	Support to Young Filipino Farmers Project	21,480.0

MDG 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION		
<i>Target 3: Achieve universal primary education by 2015</i>		
PAPs		PAP Total Cost estimate in Php '000 (based on the MTPIP)
GOP (Government of the Philippines)		
	Construction of Elementary and Secondary Schoolbuildings in Areas Experiencing Acute Classroom Shortage	
1		6,000,000.0
2	DTI-NDC Schoolbuilding Programme	78,900.0
3	Regular Schoolbuilding Programme	6,000,000.0
4	Textbook Programme	10,246,595.0
5	Teacher Requirement at the Beginning of the School Year	5,763,073.0
6	Distance Education for Public Elementary Schools (DEPES)	30,672.0
7	Brigada Eskwela	13,541,408.0
8	Expansion of ESC Coverage of the GASTPE Programme	16,594,464.0
9	Madrasah Education	13,450,851.0
ODA (Official Development Assistance)		
10	Medium-Rise Schoolbuilding Project for NCR (JICA)	1,022,715.0
11	Support to the DepEd for an Improved Quality of Education through Training Programmes and Provision/Rehabilitation of Classrooms (AECI)	79,930.0
12	Philippines-Australia Basic Education Assistance for Mindanao (BEAM) 2 (AusAid)	564,129.0

MDG 3: PROMOTE GENDER EQUALITY

Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015

PAPs		PAP Total
		Cost estimate in Php '000
		(based on the MTPIP)
GOP		
1	Development of Anti-VAWC Materials	500.0
2	Development/Enhancement, printing and dissemination of GAP Planning and Budgeting Guidelines	960.0
3	Strengthening Government Mechanisms in Mainstreaming Gender in Reproductive Health, Population and Anti-VAWC Programmes	9,619,269.0
ODA		
4	Enhancing the Capacity of Agencies on the Use of the Harmonised Gender and Development (GAD) Guidelines on Project Development, Implementation, Monitoring and Evaluation (WB/ADB)	2,326.0

MDG 4: REDUCE CHILD MORTALITY

Target 5: Reduce child under-five mortality rate by two-thirds by 2015

PAPs		PAP Total
		Cost estimate in Php '000
		(based on the MTPIP)
GOP		
1	Expanded Programme on Immunisation (including vaccine self-sufficiency) (DOH)	2,302,805.0
2	Family Health and Primary Health Care Programmes (DOH)	86,834.0
3	Fund Augmentation for the Implementation of Bright Child in Nutritionally Depressed Municipalities (DOH)	6,700.0
4	Vitamin A Sufficiency (DOH)*	110,632.0

MDG 5: IMPROVE MATERNAL HEALTH

Target 6: Reduce maternal mortality rate by three-quarters by 2015

Target 7: Increase access to reproductive health services to 60 percent by 2005, 80 percent by 2010 and 100 percent by 2015

PAPs		PAP Total
		Cost estimate in Php '000
		(based on the MTPIP)
GOP		
1	Family Planning Initiatives (POPCOM)	338,490.0
2	Population Policy Initiatives (POPCOM)	21,774.0
3	Tetanus Toxoid Immunisation (DOH)	141,994.0
ODA		
4	Family Planning and HIV/AIDS Prevention Social Marketing Project Phase III (KfW Grant)	2,455,655.0
5	Women's Health and Safe Motherhood Project II (WB)	935,554.0

MDG 6: COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES

Target 8: Halt and reverse the spread of HIV/AIDS by 2015

Target 9: Halt and begin to reverse the incidence of malaria and other major diseases by 2015

PAPs		PAP Total
		Cost estimate in Php '000
		(based on the MTPIP)
GOP (All DOH)		
1	Epidemiology and disease surveillance	81,556.0
2	Health operations including TB control, health promotion, etc for CHDs	625,120.0
3	Malaria Prevention and Control	21,473.0
4	Philippine National AIDS Council (PNAC) operations	61,557.0
5	Quarantine services and international health surveillance	120,482.0
6	Tuberculosis Control	1,022,157.0
ODA		
7	Global Fund for TB, AIDS, Malaria (GFTAM)*	US\$ 69,000.0

GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY**Target 10: Implement national strategies for sustainable development by 2005, to reverse the loss of environmental resources by 2015**

PAPs	PAP Total Cost estimate in Php '000 (based on the MTPIP)
1 300 MLD Treatment Bulk Water Supply Project (Project development and tendering works)	8,400.0
2 300 MLD Treatment Bulk Water Supply Project (Project implementation) (Design & Build - BOT)	5,600,000.0
3 50 mld Wawa River Project - Feasibility Study (2004-2005)	8,270.0
4 50 mld Wawa River Project - Design and Build 2006-2007	819,000.0
Angat Utilisation and Water Improvement Project (AWUIP): a) AWUIP (BNAQ-6 Phase I) - Construction and Consultancy for Construction Supervision; b) AWUIP (BNAQ-6 Phase 2) - Feasibility Study (ADB TA Loan) and Detailed Engineering Design (ADB TA Loan)	1,511,040.0
6 Laiban Dam Project Construction or Implementation (BOT)	24,000,000.0
7 Laiban Dam Project Updating and Feasibility Study (ADB TA Loan) Updating of Masteral and Physical Relocation	74,256.0
8 Manila Second Sewerage Project (WB)	433,755.0
9 Manila Third Sewerage Project (WB) **	3,580,000.0
10 Angat Utilisation and Water Improvement Projects (AWUIP) - Construction Phase (ADB, Co-fund OPEC)	7,300,000.0
11 Development of Water and Sanitation Advocacy Kits (UNDP)	100.0

Target 11: Halve the proportion of people with no access to safe drinking water and basic sanitation, or those who cannot afford it by 2015

PAPs	PAP Total Cost estimate in Php '000 (based on the MTPIP)
GOP	
1 Provision of Water Supply to Waterless Communities (DPWH)	3,000,000.0
2 Rural Water Supply for Waterless Communities (DPWH)	3,000,000.0
ODA	
3 LGU Urban Water and Sanitation Project (WB)	12,920.0
4 Provincial Water Supply, Sewerage and Sanitation Project (JICA Grant)	15,000.0
5 Rural Water Supply and Sanitation Project Phase V (JBIC)	125,394.0
6 Water Supply and Sanitation Performance Enhancement Project (AusAID)	11,265.0
7 Rural Water Supply Development for Mindanao Provinces (JICA)	97,650.0
8 Rural Water Supply Project for Visayas and Mindanao (KfW)	2,704,651.0

Target 12: Achieve a significant improvement in the lives of at least 100 million slum dwellers by 2020

PAPs	PAP Total Cost estimate in Php '000 (based on the MTPIP)
1 Community Mortgage Programme (NHMFC)	5,202,780.0
2 Development of Poor Urban Communities Sector Project (DPUCSP) (DBP/HUDCC)	1,677,500.0
3 Northrail Resettlement Project (NHA)	3,440,000.0
4 Southrail Resettlement Project (NHA)	2,725,000.0
5 Other Resettlement Projects (NHA)	1,439,000.0
6 Pasig River Rehabilitation (PRRC)	756,000.0
7 Presidential Proclamation (HUDCC)	184,550.0
8 Resettlement Assistance to Local Government Units (NHA)	1,450,000.0
9 Esteros Project (NHA)	2,253,000.0
10 NGC Housing Project (HUDCC)	15,380.0
11 PGMA Workers Inn (MMDA)	325,000.0
12 Sidewalk Dwellers (MMDA)	400,000.0
13 Waterways Dwellers (MMDA)	14,000,000.0

** Not included in the MTPIP list*

***New PAPs in the MTPIP*

Source: Draft (Medium Term Public Investment Programme) MTPIP 2006, National Economic Development Authority (NEDA)



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