Chapter 8

CONCLUSION

This Country Poverty Analysis for the Philippines has highlighted worrisome trends in income poverty levels, has explored issues of access poverty and essential assets, and has linked all of these to some of the major causes of poverty and deprivation. The issues covered in the CPA are broad and the discussion is by no means exhaustive, but it does bring out the need for concerted, positive, and forward-thinking action for poverty reduction. This chapter does not repeat all of the major findings of the paper, but rather highlights some key points to inform future action, and closes with two possible areas for future research.

Income Poverty

Income poverty is increasing. One thing is clear from the discussion of income poverty, and that is that the situation has been worsening since 1997. Income poverty incidence grew from 1997 to 2000, and will very likely be shown to have increased again from 2000 to 2003, given falling real incomes among the bottom 30% of the income distribution. With so many methodological options it is likely that the precise headcount levels will never be universally agreed upon, but the situation is not positive, no matter which way we look at it. This is why it is useful to complement the more traditional objective measures of absolute income poverty with both relative and subjective approaches, as well as analysis of access to assets.

The poverty measurement methodology is inconsistent. Methodological improvements in poverty measurement are not discouraged, of course. But in drawing comparisons over time, consistency is key. For that reason, NSCB should undertake to analyze all FIES data back to 1985 using one consistent methodology, for comparison. This should involve the same method of setting the poverty line as well as the same urban and rural classifications. Otherwise this rich household data source will become less useful, and we will only be able to analyze it in two sets (1985–2000, and 1997–2003 and beyond), as was the case in this CPA. Thailand may serve as a model here. The Thai National Economic and Social Development Board (NESDB) is currently undertaking to revise and improve its poverty line.[72] In doing so, it has applied the new methodology to historical data, starting with 1988 (NESDB, 2004). If the Philippine data is not assessed in a consistent manner, it will be impossible to continue to monitor the first MDG using the national subsistence incidence.

Consider the magnitude of poverty. Oftentimes, only the poverty headcount (the poverty incidence) is considered in making statements about progress in poverty reduction. This can give an incomplete picture, as it does in the Philippines. While poverty incidence in the Philippines generally declined from 1985 to 2000, the actual number of poor people has significantly increased, and rapid population growth is to blame. In targeting resources and programs to "the x poorest provinces," for example, it might make sense to look at those provinces in which the number of people in poverty has increased to the greatest degree. For example, 18 provinces saw the magnitude of the poor population grow by more than 25% from 1997–2000.

Income poverty can be transient. People move in and out of poverty over time. There has not been a great deal of empirical research into this phenomenon in the Philippines, but one attempt finds that nearly one third of all households in a data set moved into and out of poverty over the three observations (about one fifth were the chronic poor, i.e. poor throughout, and just under half were consistently nonpoor). The findings confirm that there can be considerable shifts in poverty status, even when the overall headcount remains more or less the same. The way to protect against transient poverty is through the design of appropriate social safety nets, such as conditional cash transfer or labor-intensive public works programs (also known as workfare, or food-for-work).

Qualitative approaches complement the quantitative. The subjective tradition in particular has a long history in the Philippines, and findings are widely

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72 In what appears to be a unique result, the proposed changes have increased the Thai poverty lines. The poverty incidence subsequently increased from 10% to 15% of Thai people in 2002. The NESDB also aims to introduce a relative measure of poverty to complement the absolute one.

publicized. The findings of such studies can spur the Government into action, as with the SWS hunger incidence of 15% of Filipino households in September 2004. The Government responded by stepping up its food assistance programs, particularly the food-for-school program, where children attending elementary school are given 1 kilogram of rice each day (an example of a conditional transfer, as mentioned above). More qualitative work should be encouraged, particularly in the area of perceptions of poverty by the poor themselves.

Assets and Access Poverty

The level of access to key assets (human, physical, natural, financial, and social capital) determines people's ability to stay out of poverty by dealing with trends, shocks, and seasonality. In other words, assets protect against vulnerability. Each of the types of capital is significant and necessary for poverty reduction in the Philippines, but one stands out as particularly worthy of investment: human capital.

Investment in human capital formation is the foundation for poverty reduction. Without adequate levels of human capital—knowledge, skills, and health—the other assets will be less productive. Once admired in Asia, the quality of the Philippine public education system has been steadily eroding. Many of the indicators are on a downward trend, such as the net enrolment ratio, the cohort survival rate, and the literacy rate. English skills, traditionally one of the competitive advantages of the Philippines, have also deteriorated. A recent government study has shown that only one in five public high school teachers can be considered proficient in the English language.[73] Educated women tend to have fewer children, a secondary benefit of education. Meeting the education needs of a country of 82 million people distributed over 7,000 islands is a major challenge, one that ADB should continue to support. Skills training and capacity building also constitute a part of human capital development. In the age of decentralization, such capacity building at the level of the LGU can go a long way toward poverty reduction if it helps those responsible to better design and implement interventions for poverty reduction. On the health side, there are well-documented links between improved health and reduced poverty. A healthy person is able to work, and to translate her labor into financial capital. Access to quality health care by the poor is a key concern, particularly in rural areas and outlying areas, and for indigenous people.

[73] DepEd wants new teachers to pass English mastery test, *Philippine Daily Inquirer*, 10 November 2004.

Causes of Poverty

The CPA has identified seven broad causes of poverty, or factors that conspire to keep poverty levels high and rising. These seven causes are (i) weak macroeconomic management, (ii) employment issues, (iii) high population growth, (iv) an underperforming agricultural sector and an unfinished land reform agenda, (v) governance issues including corruption and a weak state, (vi) conflict and security issues, particularly in Mindanao, and (vii) disability. Of these issues, two deserve to be highlighted in this conclusion. The first is macroeconomic management, and the second is population growth.

Economic growth is a necessary pre-condition for poverty reduction, but that growth must be pro-poor. In the Philippines, recent episodes of sustained GDP growth have not translated into increased average incomes for either the population as a whole, or for the bottom 30% of the income distribution. Weak macroeconomic management thwarts pro-poor growth, and the fiscal deficit and the national government debt are the Achilles heel of the Philippine economy. With the chronic fiscal deficit problem, the Government has to borrow to meet its operational requirements. Debt interest payments have increased to more than 30% in 2004 (ADO 2004), crowding out the productive portion of the national budget. Predictably, government expenditures in social services have been steadily falling. Other constraints to economic growth include very low investment levels, caused by the poor investment climate. As a result, the country suffers from limited capital formation, limited productivity improvements and limited competitiveness of firms. ADB's 2004 survey of the investment climate in the Philippines found the major stumbling blocks and constraints to private investment to include macroeconomic instability, corruption, electricity, and tax issues.

A high population growth rate thwarts the country's attempt to grow the economy, to create enough jobs, and to provide quality services. The Philippines population growth rate is 2.36% per year. At this rate, it would be difficult to accommodate all new entrants to the labor force even if economic growth were accelerated. A rapidly growing population also makes it difficult for the Government to keep up with the delivery of what are already deficient public services in health, education, water supply and sanitation, and so on. The empirical record shows conclusively that larger families are more likely to be poor. Only 19% of families with 3 members were poor in 2000, while the poverty incidence among families with 8 members was 55%. Poverty and population together form a vicious cycle: poverty perpetuates high population growth rates (poorer women have higher fertility rates), and high population growth rates perpetuate poverty. Recent empirical research compared the

Philippines to Thailand—the countries were more or less on par in terms of population and GDP per capita in 1975—to find that the Philippines' continued high population growth rate has been the most significant drag on economic growth. In the Philippine MTPDP 2004–2010, "the poverty target *assumes* a reduction in population growth" to an annual average of 1.93% for the period, but details of a population policy remain unarticulated. ADB support to family planning and reproductive health as priority areas within the health sector is thus strongly recommended.

Improving Targeting

Inefficient targeting has been one of the main problems across various Government poverty reduction programs. Different government programs have followed different approaches in targeting the poor. There have often been considerable leakages to unintended beneficiaries as a result of a lack of clear criteria for the screening of prospective beneficiaries. Elite capture has been another problem, especially in one program, which sought to target the 100 poorest families in every local government unit. The selection process became highly politicized. Furthermore, identified families were often far apart which resulted in high administrative costs for service delivery.

Targeting can be improved by taking a local approach in the form of poverty mapping. Local indicators, for the most part already collected on a regular basis, can easily be shaped into poverty maps. Philippine experience with poverty mapping to date shows that local policymakers' and communities' comprehension of the poverty situation in their localities was greatly facilitated by the use of poverty maps. Being able to visualize the issues facilitates understanding. DILG has mandated annual collection of 13 core local poverty indicators. Some LGUs have adopted the suggested methods. These indicators provide a tool to guide local stakeholders in setting their own priorities. Developing regular LGU-level information collection should be seen as an investment, not a cost, since it will improve the delivery and targeting of services, enhance transparency, and ultimately lead to better governance as well.

Areas for Future Research

What factors explain the changes in provincial poverty levels? Provincial-level income poverty data now exist for 1997 and 2000, and will soon be released for 2003. Poverty levels vary greatly across provinces. Importantly, there are some provinces where the poverty incidence of families was reduced between 1997 and 2000, in some cases by more than 10% (i.e. Siquijor, Eastern Samar, Bukidnon, and Davao Oriental). How did this happen? What particular policies or programs were in place? In what sectors did economic growth occur? What other factors may have played a role? The answers to these questions examined at the provincial level could unearth replicable interventions for other areas where poverty has been more intractable. Some provinces experienced major increases of 10% or more in the poverty incidence of families from 1997 to 2000 (including Camiguin, Capiz, and Bohol).

An assessment of social protection and safety nets in the Philippines. This CPA has shown that about one third of the poverty in the Philippines is transient. In other words, people move in and out of poverty over time. Furthermore, we have found that a lack of access to key assets hinders people's ability to cope with the vulnerability that comes with trends, shocks, and seasonality. The ILO published an inventory and analysis of safety net programs in the Philippines in 2001, with data mainly from the late 1990s. This work could now be updated. What programs have worked well, which ones less so? What types of new programs would have the biggest impact, and how should they be targeted? A strengthened social protection program comprising social insurance and well-designed social safety nets would go a long way toward reducing poverty in the Philippines.