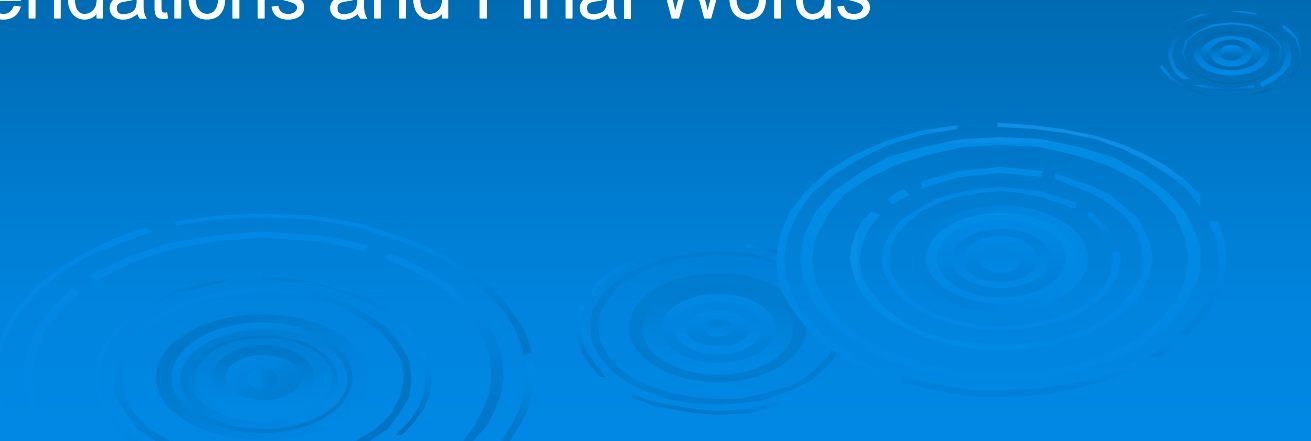


Poverty in the Philippines: Causes, Constraints and Opportunities

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Outline of Presentation

- Current Poverty Situation
 - Causes of Poverty
 - How Poverty Impacts on Growth and Development
 - Institutions and Governance in the Response
 - Recommendations and Final Words
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General Poverty Situation

- The headcount index increased from 30.0% in 2003 to 32.9% in 2006 and the number of poor people from 23.8 million in 2003 to 27.6 million in 2006
- Poverty incidence among households increased from 24.4% in 2003 to 26.9% in 2006 and the number of poor families increased from 4.02 million in 2003 to 4.68 million in 2006.

Poorest Regions by Poverty Incidence (Population) 2006

Geographical Area	Poverty Incidence
Philippines	32.9%
ARMM	61.8%
Region IV-B (Mimaropa)	52.7%
Caraga	52.6%
Region V (S. Tagalog)	51.1%
Region VIII (E. Visayas)	48.5%

Poorest Regions by Magnitude (Population) 2006

Geographical Area	Magnitude
Philippines	27,616,888
Region V (S. Tagalog)	2,643,799
Region VI (W. Visayas)	2,491,535
Region VII (C. Visayas)	2,213,167
Region VIII (E. Visayas)	1,947,323
Region III (C. Luzon)	1,914,590

Rural and Urban Poverty

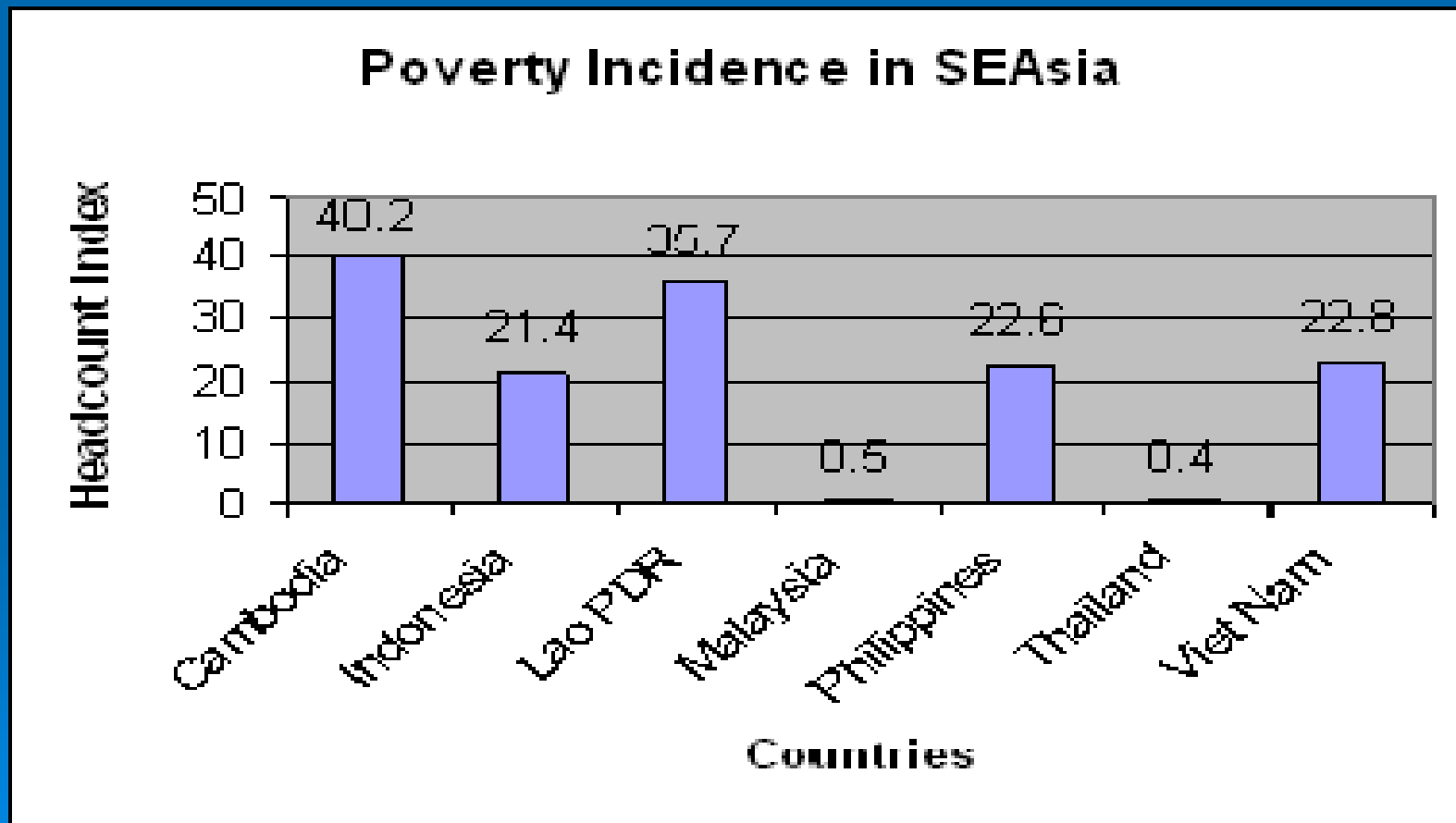
Place	Frequency			Poverty Incidence	Percentage		
	Poor	Non-poor	Total		Poor	Non-poor	Total
Rural	3,309,273	5,437,302	8,746,575	37.84	73.06	42.69	50.66
Urban	1,220,314	7,298,205	8,518,519	14.32	26.94	57.31	49.34
Total	4,529,587	12,735,507	17,265,094	26.24	100.00	100.00	100.00

Source: 2006 FIES PUF, Author's computations

SWS Self-rated Poverty and Hunger

- 47% or about 8.7 million of Filipino families consider themselves as poor in 1Q 09
- self-rated poverty rate ranged from 50%-52% in 2008, peaking at 59% (estimated 10.6 million families) in 2Q
- 36% of Filipino families consider themselves as food-poor in 1Q 2009 from 42% previous quarter; hunger incidence eased from 23.7% to 15.5% in the same period
- self-rated poverty threshold stagnant for several years despite inflation (“belt-tightening”)

Poverty Incidence at US\$ 1.25 (at PPP 2005)



Characteristics of Poor Households

- Heads of two thirds of poor households have only elementary education and below
- 57 percent of households with six members and above are poor
- Sectoral contribution to poverty: agriculture and forestry 52.49%; fishing at 8.83%, wholesale and retail trade at 6.76% and construction at 6.55%
- Major source of income for the poor is derived from enterprise activities, not from wages

Chronic Poverty

- Panel data, 1997-99, one of five families consistently poor (Reyes, 2002)
- Pulse Asia (2005) estimates that around 21-23% of families in its July 2005 survey are chronically poor
- SWS September 2008 survey, two of five poor households (40.7%) in the country were poor for the last five years
- Important: more accurate estimates of chronic poverty to study impact on growth and productivity

Vulnerability

Vulnerability Status	Poverty Status		
	Poor	Non-poor	Total
Highly vulnerable	17.3	12.7	30.0
Relatively vulnerable	6.5	17.6	24.1
Nonvulnerable	4.2	41.7	45.9
Total	28.1	71.9	100.00

Source: Albert (2007)

Causes of Poverty

- Low to moderate economic growth for the past 40 years

Average GDP Growth Rates: 1960-2007						
	Average 61-70	Average 71-80	Average 81-90	Average 91-95	Average 96-2000	Average 2001-07
Cambodia	NA	NA		7.77	7.34	9.68
Indonesia	4.18	7.87	6.41	7.87	0.98	5.07
Lao PDR	NA	NA	4.54	6.42	6.17	6.56
Malaysia	6.49	7.87	6.03	9.47	4.99	4.79
Philippines	4.93	5.92	1.80	2.19	3.96	5.02
Singapore	9.88	8.83	7.49	8.87	6.40	5.34
Thailand	8.17	6.89	7.89	8.62	0.64	5.05
Vietnam	NA	NA	4.63	8.21	6.96	7.74

Source: WB Development Indicators; author's computations

Causes of Poverty

- Relatively low growth elasticity of poverty reduction

Country	Growth Elasticity of Poverty Reduction	Source and Year
Philippines	1.1	Balisacan and Hill (2007)
47 Developing Countries	2.5	Ravallion (2001)
China	2.9	Cline (2004)
Indonesia	3.0	Cline (2004)
Thailand	3.5	Cline (2004)
Philippines	2.2	Cline (2004)

Causes of Poverty

- Weakness in employment generation and quality of jobs generated

Comparative Unemployment Rates in East Asia (2003-2007)

Country	2003	2004	2005	2006	2007
China	4.3	4.2	4.2	4.1	4.0
Hongkong	7.9	6.8	5.6	4.8	4.0
Indonesia	9.5	9.9	11.2	10.3	9.1
Malaysia	3.6	3.5	3.5	3.4	3.1
Philippines*	11.3	11.8	11.5	8.0	7.3
Singapore	4.0	3.4	3.1	2.7	2.1
South Korea	3.6	3.7	3.7	3.5	3.2
Taiwan	5.0	4.4	4.1	3.9	3.9
Thailand	2.2	2.1	1.8	1.5	1.4


*The official definition of unemployment was changed in 2006 resulting in lower rates

Source: ADB Outlook 2008

Causes of Poverty

- Episodes of food inflation - *10% increase in food prices will create an additional 2.3 million poor people (Son, 2008); height of rice crisis – 50% increase in price of rice (July 2008)*
- Failure to manage population growth - *large family size correlated to poverty and vulnerability; 2.1% growth rate for RP*
- Regular dose of shocks and exposure to risks - *conflicts, economic crisis and natural disasters and environmental poverty*
- High and persistent inequality – *land inequality and unequal access to quality education and health services*

Poverty Impacts on Economic Growth and Development

- Investment capacity constraints
 - Connectivity constraints
 - Human capital constraints
 - Unprotected risks and shocks causing poverty traps
 - Conflicts and disorder resulting from high inequality hamper investments and destroy social capital
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The Current State Response

- Kapit-bisig laban sa Kahirapan (KALAHI) – framework and strategy (*asset reform, access to basic services, employment opportunities, security and social protection, participation and infrastructure development*); emphasizes *convergence* of interventions at the local levels
- Major programs – 4Ps, KALAHI-CIDSS, AHMP, BESRA, Fourmula One, CARP, CMP, IFPRA, PHILHEALTH, etc.

Analysis of Current Response

- Include importance of macroeconomic stability and pro-poor growth in the KALAHI framework
- Consider the public good aspect of poverty and inequality reduction in the framework
- Consider relevance of institutions and over-all governance in the implementation of poverty related programs
- Take into account coordination problem: institutional and structural constraints; maximize potential of convergence across stakeholders

Analysis of Current Responses

- Resources for poverty reduction and attaining the MDGs will not be sufficient
 - Local government's lack of incentive and weak capacity to combat poverty
 - Weak targeting and leakages in poverty programs
 - Corruption and poverty
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The Role of Other Stakeholders

- The private sector – resources through foundations into education, environment and microfinance
- The civil society sector – provision of basic services, credit, community and sectoral organizing and watchdogs-advocates
- The Church and religious groups - moral suasion, soup kitchens, rice distribution, medical and funeral assistance to livelihood programs and microfinance

Key Findings and Recommendations: Immediate and Short Run

Areas of Intervention	Key Findings	Recommendations
Strategy and Policy	Slow poverty reduction despite growth; perennial risks and shocks; poverty now as a growth and development constraint; poverty reduction as public good	Enhancement of over-all poverty framework and strategy (including responses to vulnerability, risks and chronic poverty and define roles of various stakeholders)
	High inequality mitigates impact of growth on poverty	Continue and strengthen implementation of key asset reforms
	Majority of the poor found in rural areas; increasing number in urban areas	Rural and agricultural development is still a major pathway out of poverty; urban poverty must be given focus in urban development planning

Key Findings and Recommendations: Immediate and Short Run

Areas of Intervention	Key Findings	Recommendations
Strategy and Policy	Limited access of the poor to health and education services	Continue reforms in the human capital sector: education, health and social welfare systems
	The poor have large families making them more vulnerable and trapped in chronic deprivation	Enhance population management as an important component of poverty reduction strategy
Programs and Projects	Difficulty of sustaining successful programs and projects because of governance issues; good practices at local levels not identified and replicated	Governance and institutional reforms; expansion and replication of successful programs and projects at the national and local levels

Key Findings and Recommendations: Immediate and Short Run

Areas of Intervention	Key Findings	Recommendations
Programs and Projects	Chronic and inter-generational poverty has become a major constraint to growth and development	Design and implementation of projects responding to vulnerability and chronic poverty; more studies on chronic and inter-generational poverty
Institutional Mechanisms	Poverty is multi-dimensional and response must be multi-agency and multi-stakeholder	Strengthen coordination and participatory mechanisms at the national and local levels
	Governance and institutional constraints must be given attention	Reform and strengthen institutions that coordinate policy and implement programs

Key Findings and Recommendations: Immediate and Short Run

Areas of Intervention	Key Findings	Recommendations
Institutional Mechanisms	Deficient targeting in poverty programs	Improve poverty monitoring and targeting and enhance capacity in information and data gathering at national and local levels
	Serious resource gaps for poverty reduction and the attainment of the MDGs in 2015	Allocate more from the budget and raise funds from other sources; setting up of a National Poverty Fund
Human Resources and Capacity Building	Need for capacity building in various areas mentioned above	Capacity building for effective coordination, program implementation, poverty targeting and monitoring & fund raising

Key Findings and Recommendations: Medium and Long term

Areas of Intervention	Key Findings	Recommendations
Strategy and Policy	Slow poverty reduction despite growth; quality of growth matters, poverty as a growth constraint	Sustain efforts in economic reforms – fiscal, monetary, investment reforms; (ADB Critical Constraints Study, 2007); growth of agri and tourism sectors
Programs and Projects	There are regions where poverty incidence has been persistently high	Design of the enhanced national framework and strategy (including programs and projects) on poverty reduction must consider differences in regional and local characteristics
	In Mindanao, conflict is a major factor	Settlement of conflict in Mindanao through dialogue and negotiations

Key Findings and Recommendations: Medium and Long term

Areas of Intervention	Key Findings	Recommendations
Institutional Mechanisms	Governance and institutional constraints must be given attention	Improvement in national-local, inter-local and multi-stakeholder coordination in poverty reduction efforts
	Information and knowledge sharing among various stakeholders can be further enhanced	Mechanism for sharing knowledge and information on the poverty response (studies, researches, best practices)
Human Resources and Capacity Building	Weak local government capacity	Mobilize resources for LGUs; improve inter-LGU cooperation; replication of good practices; strengthen convergence at the local levels

Final Words

- Causes: *lack of quality growth, persistent inequality, exposure to risks and shocks; impact of chronic poverty on growth and development*
- Constraints: *institutional and governance aspects of poverty reduction – resource mobilization, targeting, coordination and implementation mechanisms especially at local levels*
- Opportunities: *multi-sector initiatives harnessed into collective action at the national and local levels; poverty reduction benefits all*