

**Comments on Dr. Fernando Aldaba's Paper Entitled  
Poverty in the Philippines: Causes, Constraints and Opportunities<sup>1</sup>**

**By**

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I would like to thank ADB and the author, Dr. Nandy Aldaba for giving me the opportunity to comment on this well-written paper. Given the limited time given to me to comment and the length of the paper—some 37, 381 words, I have to be brief and focus on a few items, which the author may want to consider in preparing a final report. I promise to stick to less than a thousand words.

Let me congratulate the author for a comprehensive presentation of the poverty situation in the country. The paper is a well-informed guided tour where the author skillfully weaves a detailed and insightful story of the extent and depth of poverty in the country and traces its causes. It is a sad tale relative to the success of several countries in the region whose sustained growth has released millions of people from the poverty trap. In the past three decades Malaysia and Thailand have almost eradicated poverty while the Philippines seems to have fallen even deeper into the poverty trap. What is very disturbing is that at least half of poor households are “already mired in chronic poverty” (page 42) with little hope of getting out of the mire.

Consider the following statistics provided by the author:

- Historical poverty: from 1985 to 2000, poverty was reduced at a snail-pace rate of 0.7% per annum. There were 4.2 million more poor people in 2000 than there were in 1985.
- Current poverty profile- 2000-2006: poverty incidence among households increased from 24.4% in 2003 to 26.9% in 2006.
- Subsistence poverty: The number of food poor Filipinos reached 12.2 million in 2006, almost 15% of the entire population.
- Self-rated poverty: In the first quarter of 2009, 47% or 8.7 million of Filipino families considered themselves poor. This was 53% in 2008; 53% in 2007 and 54% in 2006
- Millennium development goals: Halfway through the 15 year long process of achieving

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<sup>1</sup> Comments delivered during the ADB Brown Bag: Analyzing Poverty Issues in the Philippines held at the ADB Auditorium D on 2 July 2009. Manila. Participants included staff from PHI government agencies, development partners, non government organizations, academe, and ADB.

the MDGs, the verdict of the country's top researchers is as follows: "The goals, in all likelihood would not be met" (page 37). Given the current global economic crisis, the prospects of achieving the poverty reduction goal have become even lower (page 37).

To explain the poverty situation, the author lists a few causes: low to moderate growth for the past 40 years, unavailability of job opportunities, poor quality of jobs being created in the economy and the high and persistent levels of inequality, among others. The author provides a neat summary of well-known causes of poverty, using the results of previous research on the subject.

But perhaps one should go deeper and ask the question why has growth been so slow and continues to be slow? Why can't the Philippines not sustain growth and bring it to a higher path unlike other countries, which faced with similar, if not worse situations sustained their growth and has almost eradicated poverty? Why is there persistent inequality? Why is the economy not producing the right kind of jobs? I would like to call the author's attention to the role played by weakened institutions in frustrating attempts to sustain growth and reduce poverty. Perhaps there are deeper underlying causes for the malaise affecting the country. Would it be weakened and flawed political, economic and social institutions that have formed as the most binding constraints to impede growth and stand in the way of poverty reduction, if not eradication? Given limited resources and scarce political capital, what policies, interventions, and instruments can we deploy to address the problem at hand?

I like the author's summary of the state's response to the poverty situation. The government has provided substantial resources to various poverty programs but it seems that they are not making an impact. Is the case of the National Food Authority captured in Box 2 a clever way of driving his point?

I agree with the author's analysis: anti-poverty programs have been relatively weak due to poor targeting, lack of accountability mechanisms and difficulties in coordination, inadequate monitoring and evaluation systems, high turnover of officials and staff and chronic budget deficits. But the question is why are these permitted to happen? What is the principal reason why those programs are not delivering the envisaged results? Is it a question of resources? Look the government crows about its ability to borrow and has promised to launch a substantial stimulus package in response to the global economic crisis. Is it a question of not finding the right policies? Consider that the country has not lacked for brilliant ideas. Where then is the rub?

In this light, I suggest that the author should also consider the following: poor governance, inept leadership and an uninspired bureaucracy as real stumbling blocks to growth and poverty reduction. The weakening of the country's institutions has much to do with the situation described by the author. For example, when investors and the public complain about regulatory capture, unstable policies, graft and corruption, it is not just a question of having the right policies, rules or law but a lack of credible and just leadership, of good governance. Government complains about a narrow fiscal space, which limits development spending but policy makers continue to enact revenue-eroding laws. Weak political and economic institutions constrain markets, which lead to low growth and failure to generate jobs, exacerbating the poverty situation. As Prof. Grindle once said, "indeed it is all too clear that when governments perform poorly, resources are wasted, services go undelivered and citizens, especially the poor are denied social, legal and economic protection. For many in the development community, good governance has become as imperative as poverty reduction as it has to development more generally."

My take on this is that there is poverty because of the poverty of our institutions.