

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Philippines	Project Title:	Local Governance Reform Project
Lending/Financing Modality:	Project loan	Department/ Division:	Southeast Asia Department Public Management, Financial Sector, and Trade Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Poverty targeting: general intervention

A. Links to the National Poverty Reduction and Inclusive Growth Strategy, and Country Partnership Strategy

The Philippines has enjoyed strong economic growth underpinned by solid macroeconomic fundamentals, providing the basis for significant poverty reduction. The economy grew at an average of 5.4% annually from 2006 to 2015, accelerating to 6.7% annually from 2016 to 2018.^a The national poverty rate fell to 21.6% in 2015, from 26.6% in 2006; from 2012 to 2015 the poverty rate declined by an average of 1.2 percentage points per year.^b However, the poverty incidence in the Philippines remains among the highest in Southeast Asia, driven by high wealth and income inequality and increasing vulnerability to disasters and conflict. In response, the Government of the Philippines formulated AmBisyon 2040 and the Philippine Development Plan, 2017–2022 to serve as blueprints for the country’s development.^c To achieve its vision as outlined in these plans, the government set an ambitious target to reduce poverty to 13%–15% by 2022. The proposed project, like the broader Local Governance Reform Program supported by the Asian Development Bank (ADB), is consistent with the Philippine Development Plan and responds to its development priority of “ensuring people-centered, clean, and efficient governance.” The project supports inclusive, sustainable growth by enhancing the capacity of local governments to provide accountable service delivery and boost local economic development. In line with ADB’s country partnership strategy, 2018–2023 for the Philippines, this project provides an anchor for ADB’s broader engagement to improve local governance and boost local economic development.^d

B. Results from the Poverty and Social Analysis during Project Preparation or Due Diligence

Key poverty and social issues. Robust growth and a declining national poverty rate mask persistent structural inequality. The Philippines has significant geographic and social diversity, which makes equitable and inclusive development challenging. Sustained growth led to increases in wage income and movement of workers out of agriculture—this phenomenon accounts for about two-thirds of the poverty rate decline. Income inequality in the Philippines exceeds that of regional peers, and national averages mask significant regional disparities.^e Contrary to national trends, the poverty incidence is on the rise in parts of the Eastern Visayas Region, southern Mindanao, and western Mindanao, often exceeding 30%.^f The national poverty rate for women (22.55%) is higher than the overall national poverty rate (21.6%); the poverty incidence among women was highest in the former Autonomous Region in Muslim Mindanao, at 55.1%.^g In addition, the coronavirus disease pandemic is likely to cause a sharp increase in poverty incidence. ADB estimates indicate that without substantial fiscal support to poor and near poor families, the national poverty rate could increase from 16.6% of the population in 2018 to 20.7% in 2020, equivalent to 5.5 million more Filipinos falling into poverty. This represents a 68.6% increase in the number of impoverished persons in National Capital Region and a 31.3% increase in the total number of poor persons in the Philippines. The Gini coefficient has remained at 45% since 2010, which indicates that the Philippines is making slower progress in tackling inequality than regional peers.^h The poverty rate in rural areas is three times higher on average than the poverty rate in urban areas. Significant barriers remain to reducing poverty in the country, including high dropout rates in education, limited access to basic health services, and increasing vulnerability to natural disasters and conflict, all of which trap the poor in entrenched cycles of poverty.

2. Beneficiaries. The project’s beneficiaries will include taxpayers (citizens), central and local government officials, and private sector enterprises (specifically real estate and construction). The project will support the modernization of tax administration practices, professionalization of assessment and valuation functions, both of which will improve the fairness, transparency and, ultimately, progressivity of tax administration. By mobilizing additional local revenue, particularly own-source local revenue, the project will benefit the poor and vulnerable groups who rely on local government services. This will have an indirect impact on poverty reduction. By shifting toward greater reliance on local own-source revenues, the accountability link between local government and citizens is strengthened as local governments must experience the pain of taxation before the pleasure of spending.

3. Impact channels. The program will help the government reduce poverty and achieve inclusive economic growth by improving the collection of local own-source taxes, strengthening accountability links between local government and citizens through less reliance on central transfers, and building capacity centrally and locally to serve both government and private sector needs. Through these channels, the project supports poverty reduction and inclusive growth through sustained, equitable, and long-term economic growth built on improved public financial management and service delivery by local government units (LGUs). The impact on improved service delivery is expected to be felt in the medium term, with the focus on mobilizing local revenues to improve the quality and efficiency of service delivery under existing structures, and equipping LGUs with the tools and skills required to administer local taxes. Reforms to improve the quality, transparency, and timeliness of local tax databases will further strengthen LGUs’ accountability to citizens, who observe a clearer link between local tax collection and service delivery.

4. Other social and poverty issues. The project does not provide social assistance, nor does it provide livelihood project assistance to individuals or private companies.

<p>1. Key impacts. The project will not entail involuntary land acquisition resulting in physical or economic displacement of people.</p> <p>2. Strategy to address the impacts. Not applicable.</p> <p>3. Plan or other actions.</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Combined resettlement and indigenous peoples plan</p> <p><input type="checkbox"/> Resettlement framework <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> Social impact matrix</p> <p><input checked="" type="checkbox"/> No action</p>	
<p>B. Indigenous Peoples Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p>	
<p>1. Key impacts. The project will not entail involuntary land acquisition resulting in physical or economic displacement of people.</p> <p>Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Strategy to address the impacts. Not applicable.</p> <p>3. Plan or other actions.</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Combined resettlement plan and indigenous peoples plan</p> <p><input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary</p> <p><input type="checkbox"/> Social impact matrix</p> <p><input checked="" type="checkbox"/> No action</p>	
<p>V. ADDRESSING OTHER SOCIAL RISKS</p>	
<p>A. Risks in the Labor Market</p> <p>1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L).</p> <p><input checked="" type="checkbox"/> unemployment (L) <input checked="" type="checkbox"/> underemployment (L) <input checked="" type="checkbox"/> retrenchment (L) <input checked="" type="checkbox"/> core labor standards (L)</p> <p>2. Labor market impact. No such risks are envisaged.</p>	
<p>B. Affordability</p> <p>Not applicable.</p>	
<p>C. Communicable Diseases and Other Social Risks</p> <p>1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):</p> <p><input type="checkbox"/> Communicable diseases (NA) <input type="checkbox"/> Human trafficking (NA)</p> <p><input type="checkbox"/> Others (please specify) (NA)</p> <p>2. Risks to people in project area. Not applicable.</p>	
<p>VI. MONITORING AND EVALUATION</p>	
<p>1. Targets and indicators. Based on the design and monitoring framework.</p> <p>2. Required human resources. The project team will consist of ADB staff. Gender experts have been hired to support gender mainstreaming and monitoring and evaluation of gender aspects.</p> <p>3. Monitoring tools. Based on the design and monitoring framework.</p>	

Source: Asian Development Bank.

- ^a ADB. 2018. [Asian Development Outlook 2018 Update](#). Manila.
- ^b World Bank. 2018. [Making Growth Work for the Poor](#). Washington DC (accessed 10 January 2019).
- ^c Government of the Philippines, National Economic and Development Authority. 2017. [Philippine Development Plan, 2017–2022](#). Manila. 2017. [AmBisyon 2040](#). Manila.
- ^d ADB. 2018. *Country Partnership Strategy: Philippines, 2018–2023—High and Inclusive Growth*. Manila.
- ^e Inequality in the Philippines, as measured by the Gini coefficient, stands at 0.44. Philippine Statistics Authority. [2015 Full Year Poverty Statistics](#) (last accessed 26 February 2020).
- ^f Farmers, Fishermen and Children consistently posted the highest poverty incidence among basic sectors—PSA. [2015 Poverty Statistics for Basic Sectors](#) (accessed 28 January 2019).
- ^g Philippines Statistical Authority. <http://psa.gov.ph/poverty-press-releases/data> (accessed 26 February 2020).
- ^h The Philippines' Gini coefficient is 0.44, compared with 0.38 in Thailand, 0.39 in Indonesia, and 0.34 in Viet Nam.
- ⁱ Philippine Commission on Women. [PCW-DILG-DBM-NEDA Joint Memorandum Circular 2013-01, Guidelines on the Localization of the Magna Carta of Women](#).
- ^j Philippine Commission on Women. [Republic Act 8505: Rape Victim Assistance and Protection Act of 1998](#). (accessed 16 March 2020); Philippine Commission on Women. [Republic Act 9262: anti-violence against women and their children act of 2004 and implementing rules and regulations](#). (accessed 16 March 2020); and Philippine Commission on Women. [Republic Act 7160: Local Government Code of 1991 An Act Providing For a Local Government Code of 1991](#). (accessed 16 March 2020).