PRE THE PHILIPPINE REVIEW OF ECONOMICS
Vol. XLVII No. 2 December 2010 pp. 1-20

# MDGs in the Philippines: setting the poverty scores right and achieving the targets*

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The official poverty data fall short of properly informing public policy and governance concerning the progress, or lack thereof, in achieving the country's commitment of halving, between 1990 and 2015, the incidence of poverty and hunger. Imposing consistency in poverty estimation shows that the poverty trend is actually even more alarming than what the official data depict. "Business as usual" keeps the country from achieving the MDG 1 targets. Meeting the huge policy challenge of poverty reduction requires nothing less than rapid but sustained and inclusive growth.

***JEL classification***: I3, O15, O53
***Keywords***: human development, Philippines, poverty, welfare

## 1. Introduction

The first decade of the current millennium can be aptly described as a "lost decade" of opportunity for poverty reduction in the Philippines, for at least two basic reasons. One has to do with the country's anemic

*This paper benefited from the comments of participants at the 32nd Annual Scientific Meeting of the National Academy of Science and Technology (NAST) and at the NAST Roundtable Discussion on MDG 1. The author is grateful particularly to Mercedes Concepcion for the push to write this paper and to Gelia Castillo, Jocelyn Juguan, Mahar Mangahas, Dennis Mapa, Felipe Medalla, and Romulo Virola for useful discussions. He is likewise thankful to Sharon Faye Piza and Lily Tallafer for technical assistance. The usual disclaimer applies.

economic performance. Income growth, shown to be a robust determinant of poverty reduction in the developing world during the past three decades (Chen and Ravallion [2008]; Sachs [2005]; Dollar and Kraay [2002]), has been quite low in the Philippines compared with most other developing countries in Asia and even among the country's neighbors in Southeast Asia. The country's average annual growth of gross domestic product (GDP), net of population growth, during the decade was 3.0 percent, while it was 4.2 percent in developing countries of Asia and 4.9 percent in Southeast Asia (excluding Singapore).

The other basic reason has to do with the persistently high inequity in access to incomes, assets, and opportunities. While it has long been recognized that such inequity is a critical constraint to poverty reduction in the Philippines (Canlas, Khan, and Zhuang [2009]; ADB [2009]; Balisacan [2003, 2007]; NEDA [2007]), the decade saw no major initiatives beyond political rhetoric to improve the participation of the poor in an expanding, albeit slowly, economy. In fact, disturbingly, the society's capacity to transform whatever level of income growth to poverty reduction is remarkably weaker in the Philippines than in most Asian countries at broadly similar stages of economic development (Balisacan and Fuwa [2004]; Balisacan [2007]; Habito [2009]). Put differently, growth is less pro-poor (or less inclusive) in the Philippines than in the major developing countries of East and Southeast Asia.

The country's performance in poverty reduction is actually even worse than what the official statistics indicate. As will be shown in the third section, the official practice in the government's statistical system (hereafter referred to as official methodology) in tracking poverty over time tends to increasingly understate the extent of extreme poverty. This arises mainly from the periodic downward revisions in poverty norms (or real poverty lines) used in gauging whether a person is poor or not poor. The upshot is that the official poverty data are not strictly comparable. What is known, as informed by these data, about the country's performance vis-à-vis the Millennium Development Goal (MDG) on poverty (hereafter referred to as MDG 1) is thus quite deceiving. In other words, the official poverty statistics fall short of properly informing public policy and governance concerning the progress, or lack thereof, in achieving the country's commitment of halving, between 1990 and 2015, the incidence of poverty and hunger.

What stymies the attainment of MDG 1 is likely to resonate among the other MDGs. The country's poor economic record during the past two decades has constrained the government's fiscal space in increasing spending in health, education, infrastructure, environment, and social protection. This has been aggravated by the heavily biased distribution of economic and social services against the poor. This underinvestment in human development, in turn, constrains the economy's capacity to move to a higher but sustainable and more inclusive growth path. Reducing inequity in access to investment in human development enhances both the quantity and quality of future economic growth. Fortunately, lessons from the development experience in Asia and elsewhere come handy in informing what it takes to foster a virtuous cycle of economic growth and poverty reduction.

This paper reassesses the country's performance vis-à-vis the MDG on poverty and suggests strategic directions to achieve the MDG 1 targets. Section 2 briefly describes the goals, targets, and indicators pertaining to poverty and hunger, especially as these relate to the Philippine context. Section 3 reexamines the quality of official data on poverty, particularly the consistency of poverty measurement over time. Section 4 briefly characterizes the link between the MDG 1 outcomes and those of the other MDGs. Section 5 espouses strategies and policy measures to speed up poverty reduction toward attaining the MDG targets related to poverty and hunger. Section 6 gives the concluding remarks.

## 2. The MDGs, the Philippines' commitments, and the official report card

By signing the United Nations Millennium Declaration in 2000, the Philippines, along with 188 other nations, committed to do its share in helping achieve a "world with less poverty, hunger and disease, greater survival prospects for mothers and their infants, better educated children, equal opportunities for women, and a healthier environment".[1] The commitment entails affirmation of the eight Millennium Development Goals (MDGs), which provide the framework for concerted time-bound actions at both international and national levels to achieve certain standards of human welfare and development. The MDGs altogether include 18 targets (21 since 2007) and 48 (60 since 2007) specific indicators relevant to assessing progress from 1990 to 2015, when targets are expected to be met.

[1] About the Millennium Development Goals Indicators [http: http://mdgs.un.org unsd/mdg/].

The first MDG pertains to the eradication of extreme poverty and hunger. The targets are to halve the proportion of the population (1) whose income is less than one dollar a day (since raised to US$ 1.25 a day) and (2) who suffer from hunger. In 2008, the MDG monitoring framework adopted by member states at the 2005 World Summit added a third target: to achieve a full and productive employment and decent work for all, including women and young people. Together, these targets are supported by nine indicators linked to progress monitoring. Table 1 lists the indicators corresponding to each target.

**Table 1. MDG 1 targets and indicators**

| |
|---|
| *Target A: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day* |
| 1. Proportion of population below $1 (PPP) per day |
| 2. Poverty gap ratio |
| 3. Share of poorest quintile in national consumption |
| *Target B: Achieve full and productive employment and decent work for all, including women and young people* |
| 4. Growth rate of GDP per person employed |
| 5. Employment-to-population ratio |
| 6. Proportion of employed people living below $1 (PPP) per day |
| 7. Proportion of own-account and contributing family workers in total employment |
| *Target C: Halve, between 1990 and 2015, the proportion of people who suffer from hunger* |
| 8. Prevalence of underweight children under five years of age |
| 9. Proportion of population below minimum level of dietary energy consumption |

The MDG monitoring framework permits the use of nationally defined indicators for country-level monitoring purposes. For instance, to monitor country-level poverty trends, the framework advocates the use of national poverty norms (poverty lines). Moreover, not all the indicators are equally relevant to all countries. In most cases, the limiting factor is the data available for the construction of nationally representative indicators. In the Philippine case, since the government started producing progress reports on the MDGs,[2] tracking of poverty and hunger has focused on a set of four indicators supported by periodic household surveys: (1) proportion of population with income below the official poverty threshold; (2) proportion

[2] The first Philippine Progress Report came out in January 2003. The second and third reports were released in June 2005 and October 2007, respectively. The fourth Progress Report is expected to be released in September 2010.

of population with income below the official food threshold (also referred to as subsistence threshold); (3) prevalence of underweight children under five years of age; and (4) proportion of households with per capita intake below 100 percent of the dietary energy requirement.[3] The first two indicators pertain to poverty, and the last two to hunger. Departing from the poverty norm of one dollar a day (in purchasing power parity), the Philippine government uses poverty and subsistence norms differentiated by regions and (since 1997) provinces and by urban and rural areas, as well as by survey year. As shown in section 3, using different poverty norms has serious implications on the comparability of poverty data over the years.

For the poverty indicators, the data sources are mainly the various Family and Income Expenditure Survey (FIES) rounds from 1991 to 2006. Conducted every three years, these surveys are undertaken by the government's primary statistical agency, the National Statistics Office (NSO). While the survey for 2009 had been completed, the data set is not yet available for public use as of this writing. For the hunger indicators, the data sources are the National Nutrition Surveys by the Food and Nutrition Research Institute (FNRI).

Figures 1a to 1d show the official poverty and hunger trends based on the four indicators. Table 2 summarizes the information on these trends, indicating the actual annual growth rates and the required annual growth rates to achieve the MDG 1 targets between 1991 (the earliest data available for the early 1990s) and 2015. The last column of Table 2 indicates the chances of achieving these targets, given past performance. As the data suggest, the country is, broadly, on its way to achieving the MDG 1 despite the uptick of poverty in 2006. The chance of halving the proportion of the population whose incomes are below the official poverty lines, between 1991 and 2015, is medium or average. The same goes for the two indicators of hunger.[4] The chance is high for the indicator of extreme poverty (the proportion of population whose incomes are below the food thresholds).

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[3] The fourth Progress Report has already incorporated indicators pertaining to employment [NEDA 2010].

[4] It is extremely unfortunate that there are only two data points (1993 and 2003) for indicator 4 (the proportion of households with per capita intake below 100 percent of the dietary requirement). Although a nationwide nutrition survey is available for 2008, the results concerning this and related indicators have not been made available by the FNRI.

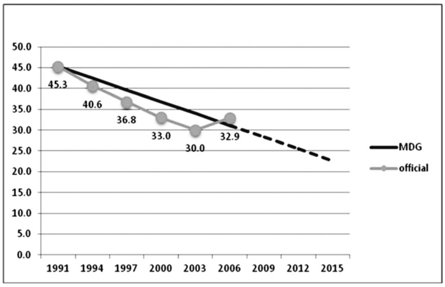



**Figure 1a. Proportion of population below poverty thresholds**

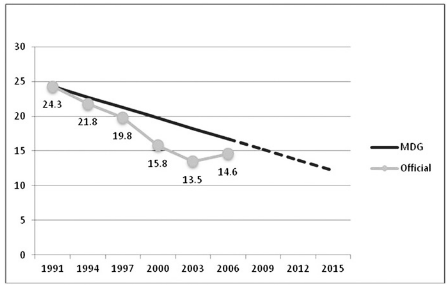



**Figure 1b. Proportion of population below food thresholds**

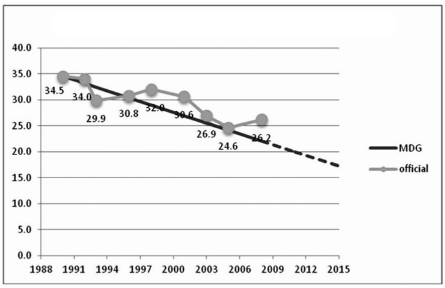



**Figure 1c. Proportion of underweight children 0-5 years old**

Source of basic data: National Statistics Coordination Board

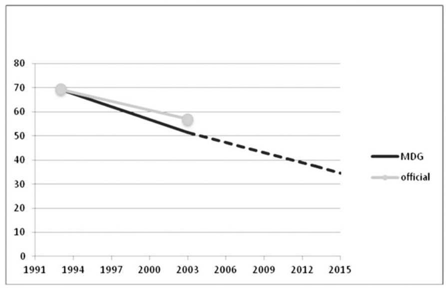



**Figure 1d. Proportion of households with per capita intake below 100% dietary requirement**

**Table 2. Employment shares by sector and status (in %)**

| Indicator | Baseline level (1991) | Current level | Actual annual growth rate | Required annual growth rate | Pace of progress* | Probability of attaining the target* |
|---|---|---|---|---|---|---|
| *Target 1A. Halve, between 1990 and 2015, the proportion of people whose income is less than the official poverty line* | | | | | | |
| Proportion of population below poverty threshold | 45.3 | 32.9 (2006) | -0.018 | -0.021 | 0.876 | Medium |
| Proportion of population below food threshold | 24.3 | 14.6 (2006) | -0.027 | -0.021 | 1.277 | High |
| *Target 1C. Halve, between 1990 and 2015, the proportion of people who suffer from hunger* | | | | | | |
| Prevalence of underweight children under five years of age | 34.5 | 26.2 (2008) | -0.013 | -0.020 | 0.668 | Medium |
| Proportion of households with per capita intake below 100% dietary requirement | 69.4 | 56.9 (2003) | -0.018 | -0.023 | 0.793 | Medium |

* Following the Statistical Institute for Asia and the Pacific (UNSIAP) methodology, pace of progress is ratio of actual to target growth rate. The chance of achieving target by 2015 is low, medium, and high if the ratio is <0.5, between 0.5 and 0.9, and >0.9, respectively.

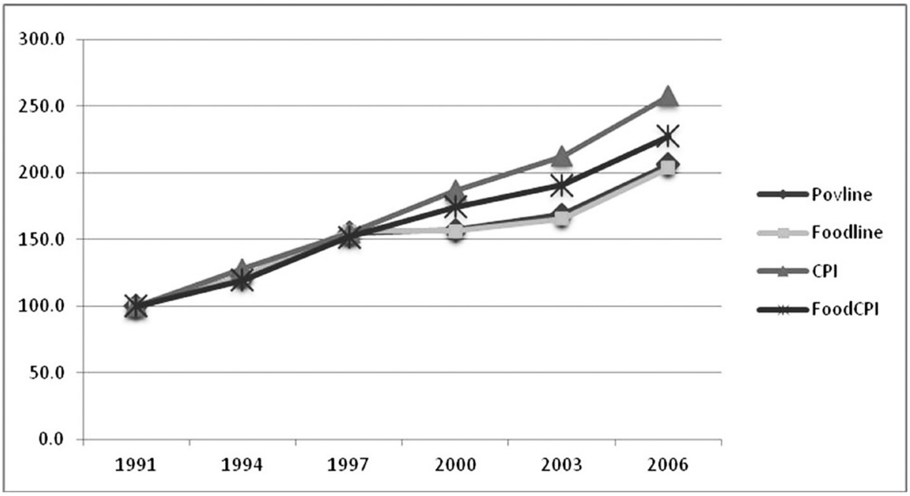
Source: Author's estimates based on FIES, NSCB, and FNRI.

## 3. Revisiting the official poverty data

The government's approach to constructing poverty lines starts with the construction of representative food menus for each region (and, since 2003, each province) of the country. The menus, prepared by FNRI, consider local consumption patterns and satisfy a minimum nutritional requirement of 2,000 calories per person per day and 80–100 percent of the recommended daily allowances for vitamins and minerals. The menus are periodically revised, presumably to reflect the results of the Food Consumption Survey by FNRI. Evaluated at local prices, the menus form the *food poverty thresholds*. The FIES is then utilized to determine the average expenditure share of households whose incomes fall within a 10 percent band around the food threshold. This share is used to divide the food threshold to come up with the poverty line (food plus nonfood thresholds).

When the objective of a poverty measurement is to inform policy choices for reducing *absolute* or *extreme* poverty, or to monitor progress in reducing absolute poverty, an appealing property of a poverty norm (or line) is *consistency*, that is, the poverty line is fixed over time in terms of a given living standard (Ravallion [1994]; Deaton [2005]). Put differently, poverty lines constructed for various points in time must imply the same command over basic consumption needs. Similarly, for consistency of subgroup comparison, poverty lines constructed for various subgroups must be fixed in terms of a given living standard. Thus, two persons deemed to have exactly the same standard of living in all relevant aspects but are located in different regions would have to be treated as either both poor or both not poor.

A simple check to gauge whether the official poverty norms pass the consistency test is to compare the proportionate changes in the nominal values of the poverty lines to the proportionate changes in consumer prices. If the nominal poverty lines lag behind movement in consumer prices (i.e., if the initial poverty lines are not updated sufficiently to reflect actual changes in consumer prices), then the link between the nominal poverty lines and the living standard implied by the base poverty line is lost. In other words, the resulting poverty lines imply living standards different from the baseline. In Figure 2, the movement of the (normalized) poverty lines is contrasted with two indicators of price movement: the overall consumer price index (CPI) and the consumer food price index (CFPI). One can argue that the latter more closely resembles price movements actually faced by the poor, since food usually involves as high as 70 percent of their total expenditures.

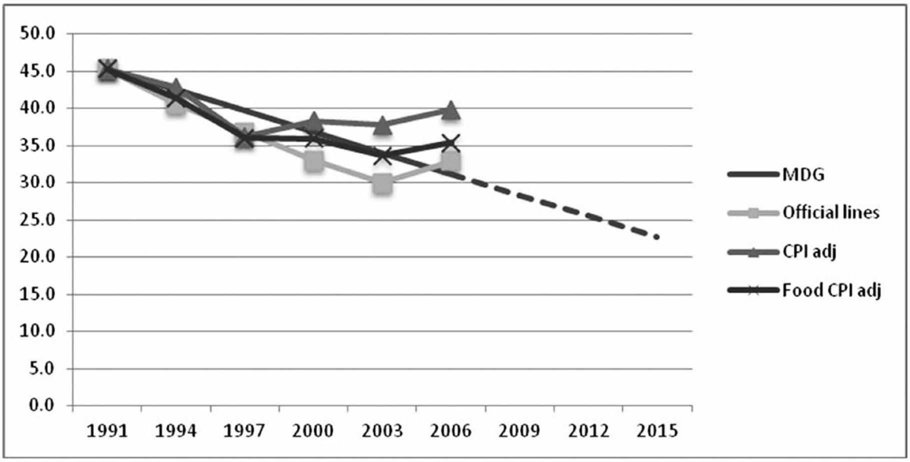



Source: Author's estimates based on NSCB data.

**Figure 2. CPI trends vis-à-vis poverty lines (1991=100)**

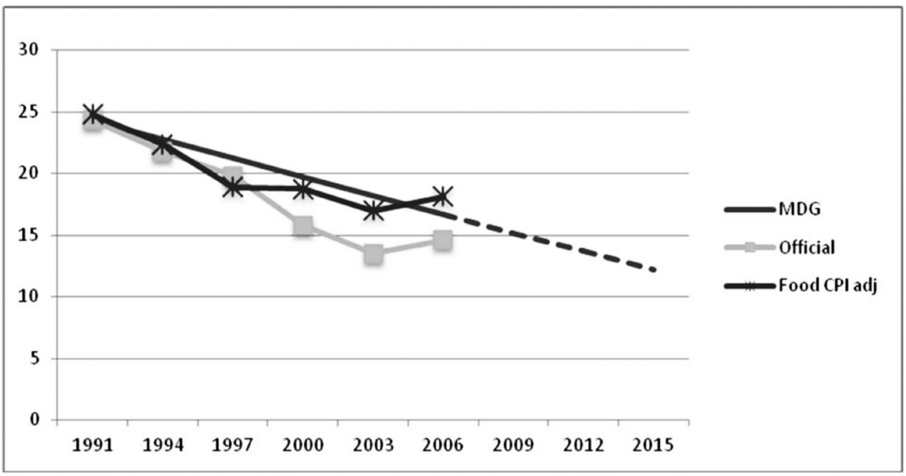
At least three observations can be made from Figure 2. First, food prices have risen at a slower rate than overall consumer prices. Hence, in updating the poverty lines for inflation, the choice of inflation factor can make a lot of difference to the outcome of poverty comparison. Second, both official poverty and food lines have moved in the same direction and at the same rate, although this is not surprising since food expenditures account for the bulk (about 70 percent) of the total consumption expenditures making up the poverty lines. Third, adjustment in the nominal values of poverty lines has tended to lag behind inflation, especially since 1997, suggesting that the purchasing power (standard of living) of the initial poverty lines has tended to decrease over time. In other words, the official poverty estimates based on these poverty lines are strictly not comparable.

Figures 3a and 3b show the implication of applying the consistency principle on the estimates of poverty incidence and subsistence incidence, respectively. In Figure 3a, for consistency, the poverty norm applied in 1991 (the baseline year for MDG monitoring) is applied throughout the period; that is, the poverty lines are updated only for observed inflation based, alternatively, on the CPI and FCPI. As expected, poverty estimates for 2000 and beyond would have been higher than what the official figures indicate, especially if the overall CPI is used to update the 1991 poverty lines. Moreover, the consistent poverty estimates indicate an upward trend in poverty incidence since 1997, while the official poverty estimates show




Source: Author's estimates based on NSO and NSCB data.

**Figure 3a. Proportion of the population below poverty lines: Official vs. consistent estimates**

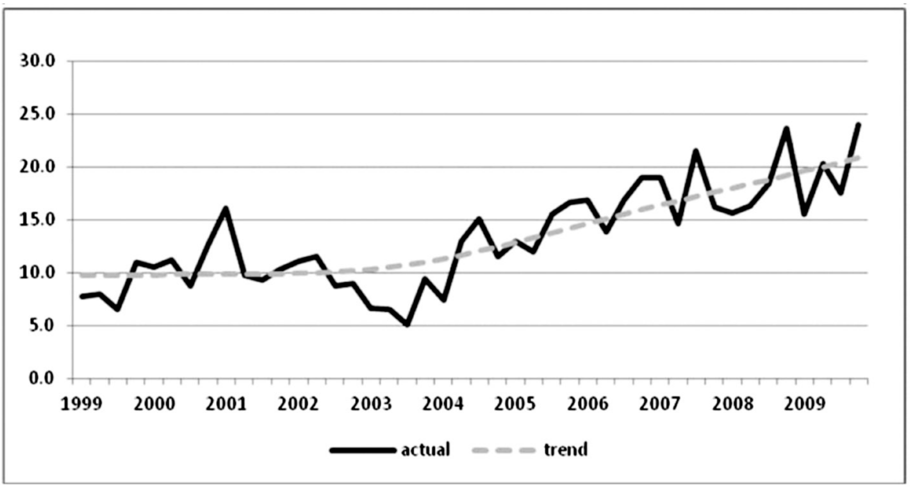



Source: Author's estimates based on NSO and NSCB data.

**Figure 3b. Proportion of population below food thresholds: Official vs. consistent estimates**

a continuous decline up to 2003. The series based on the FCPI also depicts a landscape marked by a sheer absence of poverty reduction between 1997 and 2006. It thus appears that between 1991 and 2006, the rate of poverty reduction was actually much slower than what official figures show, the difference being mainly due to the downward revision in the poverty norm, especially since 2000. The number of poor people in 2006 was 2.0 to 5.8 million more than what was officially reported. Finally, because the latest poverty figure based on the consistent series is substantially higher than that shown by the official estimate, the chance of achieving the poverty reduction target by 2015 is not medium, as earlier shown in Table 2, but low to medium, depending on the inflation factor used.

Figure 3b reveals even more discrepancies. The official estimates show that the country's rate of extreme poverty reduction is faster than the target rate (given by the MDG line), while the alternative estimates based on consistent application of a fixed subsistence norm (constant food thresholds) indicate a substantially slower rate of extreme poverty reduction. By effectively reducing the food thresholds (in real terms), the official estimates underreported the number of subsistent poor in 2006 by about 3.0 million. Given these estimates, the chance of achieving the MDG on extreme poverty is medium, not high as official figures in Table 2 suggest.




Source: Social Weather Stations.

**Figure 4. Households experiencing hunger (% of total households) July 1998–December 2009**

It is interesting to note that the Social Weather Stations' (SWS) quarterly survey data on hunger generally corroborate the extreme-poverty trend based on fixed poverty norm.[5] Households experiencing hunger, expressed as a proportion of total households, tended to increase since the beginning of the first decade of this millennium (Figure 4). Even more disturbing is that the upward trend accelerated a bit since around 2003. To be sure, the uptick in 2008 and 2009 could be attributed partly to the successive effects of the global food and financial crises during this period. Mapa, Han, and Estrada [2010] examined systematically the behavior of hunger incidence in relation to food-price and underemployment shocks. Their findings suggest that a food-price shock in the current quarter exerts an upward effect on hunger incidence for a period of five quarters, starting with the immediate quarter after the shock. An increase in underemployment, such as what occurred at the height of the global financial crisis, also causes hunger incidence to rise, but its effects last for only two quarters, beginning with the immediate quarter after the shock.

The poverty trends, especially since 1997, have proven to be a puzzle for serious students of the Philippine economy. The country's GDP growth during the first decade of the new millennium was quite respectable, at least in relation to the preceding past two decades. Yet, mean incomes based on the FIES show a decline of 1.5 percent a year during the period in which data are available [Balisacan et al. 2010]. This appears to adequately explain for the virtual absence of poverty reduction during this period. The decline in income is not consistent, however, with the increase in GDP per capita, as observed from the National Income Accounts (NIA). Although there is circumstantial evidence indicating that the NIA tends to overestimate GDP growth (Medalla and Jandoc [2008]; World Bank [2010]), nonetheless, income growth has been positive. But if growth has been positive and poverty is rising, this can only mean that inequality in the distribution of income is rising. This is a serious concern considering that the country's income inequality is already very high compared with most other Asian countries. Indeed there is, likewise, circumstantial evidence suggesting that the FIES is inadequately covering wealthy households (World Bank [2010];

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[5] The question asked of survey respondents is: "In the last three months, did it happen even once that your family experienced hunger and not have anything to eat?" The data series is available at the website of SWS (www.sws.org.ph/). See also Mangahas [2008].

Human Development Network [2009]; Balisacan [2010]). Moreover, Ducanes [2010] indicates that the FIES has been increasingly underestimating the flow of household remittances. This has a potentially substantial impact on estimates of poverty and income distribution.

## 4. Link with the other MDGs

The country's lackluster performance in poverty reduction has constrained the achievement of the other MDGs, particularly those relating to basic education, health, and the environment. As noted in section 1, the basic reason for this performance is the rather dismal growth of household income (defined broadly to include wages, salaries, and net returns, both cash and in-kind, to household assets, as well as net transfers from other households) during the past two decades. This has restricted household investment in education and health, particularly of children, and in profitable production technologies and services. Aggravating the situation has been the persistently wide disparities in access to assets and opportunities across population groups (Balisacan [2003]; ADB [2009]).

At the macro level, the country's inability to sustain an economic growth rate substantially higher than population growth has constrained fiscal space for the provision of public goods, particularly basic infrastructure (required to improve investment climate) and social services (especially basic education and health). Not surprisingly, the country's progress in achieving virtually all the MDGs pales in comparison with those of its neighbors whose economic growth has been robust and sustained at rates remarkably higher than population growth rates [ESCAP 2009]. This is evident particularly in the areas of poverty (MDG 1), basic education (MDG 2), child mortality (MDG 4), maternal health (MDG 5), and infectious diseases (MDG 6). Even more disturbing is that the country's latest progress report on MDGs shows only a low-to-medium chance of achieving the targets for basic schooling and a low chance for maternal health [NEDA 2010].

While poverty (in the sense of having an income lower than the society's poverty norm) affects achievements in other dimensions of human development (e.g., capabilities relating to physical survival and health, level of knowledge, and participation in civil society), the *reverse causation* likewise applies. That is, investing in the development of these capabilities, or improving access to opportunities for it, advances the attainment of the MDG on poverty through various channels. One such channel is the labor market: improvement in the quality of human capital increases labor productivity and earnings. Investment in basic education may not have immediate productivity effects, but such investment prepares the young population to become productive and competitive members of the labor force in the future. Another channel is the nation's institutions (norms and rules), both formal and informal, governing the interactions of various players in the marketplace. Arguably, inclusive human development helps foster the development of high-quality institutions. Recent growth empirics show a strong link between institutional quality, on the one hand, and the speed of economic growth and poverty reduction, on the other (Acemoglu, Johnson, and Robinson [2006]; Imai, Gaiha, and Thapa [2009]; Fabella and Fabella [2008]). The evidence likewise demonstrates that the extent to which globalization reduces poverty in a developing country depends in part on the quality of its institutions.

Fostering the virtuous cycle of income growth, poverty reduction, and development in other areas of human capabilities (particularly education and health) requires an approach that goes beyond piecemeal reforms and one-size-fits-all solution. The next section describes one such approach.

## 5. What has to be done to achieve the targets?

Key to achieving the MDG 1 targets, as well as those in most of the other MDGs, is having a rapid but sustainable and inclusive growth. Recent development experience presents clear evidence that every country that has chalked up significant achievements in poverty reduction and human development has also done quite well in securing long-term economic growth (Sachs [2005]; Kraay [2006]; Chen and Ravallion [2008]). Indeed, viewed from a long-term perspective (say, 20–30 years), there is an almost one-on-one correspondence between growth in the incomes of the poor and the country's average income growth. Recent episodes of growth (and decline) in developing countries amidst globalization also show this connection, although there are cases of substantial departures from the general trend. This correlation is not unexpected: economic growth is an essential condition for the generation of resources needed to sustain investments in health, education, infrastructure, and good governance (law enforcement, regulation), among others.

Viewed from this perspective, the Philippines' economic growth during the past 30 years had been quite anemic, barely exceeding the population growth rate, which has continued to expand rapidly at 2.3 percent a year in the past decade. While economic growth during the past decade quickened somewhat (per capita GDP grew at an annual average of 3.0 percent), it can hardly be argued that the Philippines has come close to the growth trajectories of its dynamic neighbors, where per capita GDP growth averaged 5.0 percent a year. Thus, shifting the economy to a higher growth path—and keeping it there for the long haul—should be first and foremost on the development agenda.

To be sure, placing economic growth in the forefront of the policy agenda does not at all imply that nothing else apart from growth can be done to lick the poverty problem. On the contrary, international evidence indicates that much can be done to enhance the poverty-reducing effects of growth. For example, some countries have been more successful than others in reducing poverty, even after controlling for differences in income growth rates. As noted in section 1, the response of poverty to economic growth in the Philippines is greatly muted compared with other developing countries, particularly those in East Asia. This observation is partly explained by the comparatively high inequality in incomes and productive assets (including human capital) as well as inferior social protection infrastructure in the Philippines.

Disturbingly, in the Philippines, the connection between growth and poverty reduction has become even weaker in recent years. In fact, as shown in section 3, poverty increased in the midst of modest growth. One may ask: Can rising absolute poverty and respectable income growth coexist for a long time? The recent economic history of nations suggests that economic growth without a "human face" (i.e., if not accompanied by poverty reduction) is bound to be short-lived [Sachs 2005]. Sooner or later, growth will be weighed down by rising destitution through such familiar channels as social unrest and low human capital formation. Put differently, poverty reduction is good for sustained growth.

Key to achieving inclusive growth is expansion in access to economic opportunities, human development, social services, and productive assets, particularly by the poor. The fundamental weakness of the Philippine economy lies in its inability to create productive employment opportunities for its fast-growing labor force. The result has been a very sluggish growth in labor productivity across all major sectors of the economy since the mid-1980s. Even among those who are employed, productivity is low compared with the country's neighbors' [World Bank 2010]. Furthermore, access to available, productive employment opportunities favors the nonpoor (typically skilled) more than the poor (typically unskilled).

In recent decades, international evidence suggests a strong connection running between agricultural and rural development, on the one hand, and poverty reduction, on the other (World Bank [2008]; Timmer and Akkus [2008]; Balisacan and Fuwa [2007]). Agriculture is where most of the rural poor eke out a living. Fostering productivity growth in agriculture is thus necessary to lifting rural inhabitants out of poverty. However, for many of today's rural poor, the route out of poverty leads out of agriculture altogether. Non-agricultural wage employment, nonfarm enterprises, and migration offer important pathways out of poverty. Enhancing the efficiency of the labor market and social protection is thus essential to ensuring that migration is a boon rather than a bane to the poor.

Evidently, location attributes (rural infrastructure, distance from centers of trade, land distribution, and local institutions) influence poverty reduction across the Philippine rural landscape. These attributes may well determine the "optimal pathways" out of rural poverty. For rural areas that are well connected to rapidly urbanizing areas and where local institutions facilitate efficient transactions in the marketplace, including those concerning the use of land resources, non-agricultural employment and enterprise development may well be the major pathway out of rural poverty. On the other hand, for rural areas quite distant from such centers, agricultural growth is expected to continue to play the larger role in poverty reduction. But even here, highly inequitable land ownership patterns constrain a broadly based distribution of the benefits of such growth. Indeed, recent evidence (see World Bank [2009]) suggests that lowering landholding inequality makes the growth in the agriculture sector more pro-poor. Land reform aimed at effectively redistributing land ownership may, therefore, be an effective tool for strengthening the response of poverty to agricultural income growth in rural areas disadvantaged by their relative remoteness from urbanized areas.

Inadequate human capabilities have often been the underlying cause of poverty and inequality. In recent years, economic growth has favored the highly skilled and educated (World Bank [2010]; ADB [2009]). Even in agriculture, which has been the reservoir of low-skilled labor, growth is increasingly anchored on higher levels of human capabilities.

Yet, the country's public spending on basic infrastructure, education, and health, whether in terms of share in GDP or in expenditure per person, has been lagging well behind that of its East Asian neighbors (World Bank [2010]; Canlas, Khan, and Zhuang [2009]). To catch up with these countries in terms of poverty reduction and human development outcomes, the government simply has to prioritize spending on infrastructure and the social sector, especially on basic education, health and family planning services, and the environment.

On the other hand, simply raising the level of public investment in basic infrastructure and social services, particularly education and health, is not enough. The reform effort must go beyond this; it has to be made pro-poor as well. The data indicate that the poorest groups in society have the least access to health, education, and family planning services (ADB [2009]; Quimbo, Kraft, and Capuno [2009]). Hence, public-spending targets must be improved so that the poorer individuals would receive proportionately more opportunities for publicly funded social services and infrastructure.

The reform effort has to likewise include deepening the country's participation in the global marketplace. Contrary to fears expressed in various circles, globalization, defined broadly to mean interconnectedness of markets and communities across national borders, has been beneficial to the poor. Evidence indicates that in cases where globalization (in the more limited sense of openness to international trade) has hurt the poor, the culprit has often been not globalization per se but the failure of domestic governance to secure policy and institutional reforms needed to enhance the efficiency of domestic markets and ensure a more inclusive access to technology, infrastructure, and human development.

## 6. Concluding remarks

Poverty reduction is a huge policy challenge for the Philippines, especially in view of the deterioration in the poverty landscape in recent years despite modest gains in economic growth. Given this situation, achieving the MDG targets on poverty will not be a walk in the park. The big task ahead is to pursue a strongly inclusive development agenda in a regime where institutions are initially weak, governance is fragile, and where the external environment for global trade, finance, and overseas employment remains fluid.

Moving the country to a higher growth path resembling those of its East Asian neighbors has to be high in the development agenda. This will require seriously addressing the critical constraints to private investment and growth, namely: (1) tight fiscal situation due largely to weak revenue generation; (2) inadequate infrastructure, particularly transport and electricity; and (3) weak investor confidence owing to governance concerns, especially corruption and political instability.

At the same time, for economic growth to be inclusive, reform initiatives aimed at reducing the highly inequitable distribution of development opportunities need to receive much more serious attention than mere lip service. It is this high inequality—higher than in most Asian countries—that has greatly muted the impact of economic growth on poverty reduction. High priority should be placed on access to education, health, infrastructure, and productive assets such as land. Toward this end, the various social protection and social safety net programs need to be comprehensively reviewed, with the aim of improving their governance. This would mean reducing leakage and administrative costs, eliminating redundancies and overlaps, exploiting synergies across programs, and promoting sustainability.

The government's Conditional Cash Transfer (CCT) initiative under its Pantawid Pamilyang Pilipino Program (4Ps) appears effective as a vehicle for addressing short-term poverty and long-term human capital development. CCT programs are widely implemented in many developing countries, particularly in Latin America and, more recently, in Asia. Assessments of these programs show significant positive impacts on nutritional intakes, schooling performance, and reduction in poverty and inequality. Of all the government's current subsidy programs, the CCT initiative holds perhaps the most promise for breaking the vicious cycle of poverty and, hence, is a good candidate for upscaling toward a national antipoverty program. Its potential is likely to be particularly high in areas where the provision of basic social services, such as schools and health facilities, is adequate and accessible. However, in areas where such provision is nonexistent or highly inaccessible (as in many remote rural areas), CCT programs alone are likely to have quite limited effects. To be effective, they need to be complemented by programs addressing the supply-side constraints to access of social services and economic opportunities.

An effective poverty monitoring system is an indispensable tool in the war against poverty. Unfortunately, the current system falls short of informing appropriate policy decisions since it generates poverty data that are not strictly comparable over time. Moreover, the system is not quite responsive to the demands of good governance vis-à-vis timeliness and public accessibility of household survey data. To be useful for policy decisions and for program implementation, household survey data generated by the statistical agencies have to be processed quickly and made accessible to the public.

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