POVERTY IN THE PHILIPPINES: LACK OF VISION, YET NEW SOLUTIONS?

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20

Since the new president was elected in 2010, reducing poverty in the Philippines has become an official challenge/target of the new government led by Benigno Aquino. But the country seems to be struggling to maintain the healthy growth of 2010 (above 7%), that remains important to keep the country on the right path.

Official pledges vs. reality

On the upside, the new government openly acknowledges the interaction between corruption, inefficient governments and poverty in the Philippines.

There's still to see if it will actually act on it.But the task is quite daunting: inequalities are deep and widespread in the country.

The population keeps on growing almost too fast for the average GDP growth – i.e. the economy should be growing faster for living standards to improve for everyone.

Otherwise the wealth created will simply "feed" the increasing population (housing, jobs, …) rather than reduce overall poverty in the Philippines.

CHALLENGES AHEAD

New anti-poverty program

With fighting poverty at the center of the new government's policy, the trendy type of social assistance known as conditional cash transfer (CCT) has been the weapon of choice since 2008 in this war against poverty in the Philippines. The CCT program provides cash to poor families as long as they fulfill their civic duties by making sure they receive basic healthcare (e.g. vaccines) and send their kids to school the whole year. Note that money is given exclusively to the female head of the family. It seems men have a tendency to spend money in alcohol.

Since 2008, the conditional cash transfer program has been extended to over 2 million families, with a budget of about $450m – not that much considering the number of people concerned by this. With the help of the international organizations including the World Bank, almost half of impoverished families are now receiving CCTs.

Lack of infrastructure

This is one of the biggest problems that both prevents the economy from growing and makes poverty in the Philippines even worse. There's been a dire lack of investment in infrastructure, as much to invest in new projects as to maintain existing infrastructure. Now it's left to see whether the government's plan to use public-private partnerships will work out for the better. By letting private investors build the infrastructure (in exchange of them charging people a fee later on), the government avoids bearing the whole cost of building infrastructure.

However, many Filipinos increasingly resist what they see as a basic investment that the government should make for the country, rather than making people pay for using basic services such as bridges, roads or water supply. What's more, lack of accountability from the government also means that sometimes shady deals are made between the government and a private company. On the other hand it also means that companies aren't too interested in investing in the Philippines because of the lack of transparency in government deals.

RURAL POVERTY IN THE PHILIPPINES

Population pressure

The Philippines is a good example of how pressured rural land is in developing countries because of an excessive population. However, where the Philippine example stands out is that there has been a constant decrease in rural poverty in the country. In particular, it seems that rural Filipinos have been able to add other sources of income on top of their usual farming activities.

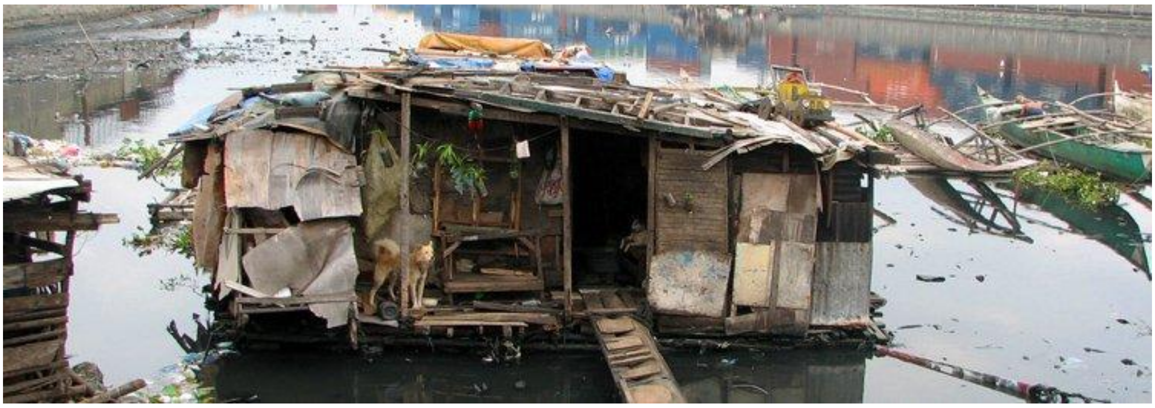
Diversifying sources of income

A study over twenty years has shown that a shift to non-farming activities has led to higher income and thus less in poverty in the Philippines. In return, people have invested in education and gained new skills. In other words, human capital has increased.

This is a very obvious hint at the importance of developing and diversifying local rural markets so they don't just deal with farming activities and products. Filipino farmers have been able to increase their revenue by finding extra job opportunities in their own region. In turn, they started having fewer kids (i.e. demographic transition) which means they could also afford sending their kids to school.

All in all, there are two critical aspects that have helped reduce rural poverty in the Philippines: infrastructure (schools, roads, bridges) and the development of local job markets to create to sectors and new job opportunities.

COMMUNITY AGAINST POVERTY IN THE PHILIPPINES



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Community-driven development

In the past decade or so, there has been growing frustration with the traditional, ineffective top-down approach to development and poverty reduction. Therefore, the Philippines and several other countries have been experimenting with community-driven development (CDD). The many local successes have now led the government to try and replicate the experience at a larger scale.

Empowering the poor

What's wrong with the good old top-down GDP growth strategy? In the last 30 years, it has been proven worldwide that it doesn't always benefit the poor, in particular those in extreme poverty. In many cases, the wealth created in the country remains within the hands of an elite or at best a small middle class.

That's why community-driven development is now at the center of many strategies, so that the poor can actively take part in the development of their own region and reap the benefits from growing their economy. In the end CDD could happen in a top-down manner too, since it's also about playing a fairer game with the poor, providing them with the right information, training and a fair trade system. But too often, governments or local officials seem to tempted to skew the rules of the game in their favor.

What are they developing?

Rice, rice, rice. Well, for the most part. The Philippines remains very much a rural economy and farmers' income is generally quite low, so it makes sense to focus on the main staple in order to grow, develop (and hopefully diversify) the economy.

With 1 in 2 farmers living below the poverty line and about 35% of the population in poverty, economic development remains an important challenge for the Philippines. And increasing rice productivity seems like a good starting point. The first community-driven development programs were indeed effective at improving this and gathered all local players in rural Philippines; from farmers to local NGOs, local officers, union representatives and so on.

How did it work? Technology itself hasn't been changed, but farmers have learned how to use combine different packages of seeds, fertilizers and pesticides. In this sense, the community effect has brought much better distribution of information and training to farmers. The whole experience of scaling up this strategy has also shown something very interesting: rice productivity can be increased somewhere between 5-15%; which means that for many farmers, it's been much more profitable to invest in other types of agriculture: fruits, vegetables and livestock.

The overall process can help make the Philippine economy more effective and competitive, with different farmers making the best from their land. It also means that scaling up doesn't always work and that local actors should be free to adapt a strategy to their own situation (e.g. diversifying crops rather than obsessing on rice).

IS A GLOBALIZED ECONOMY ANY HELP?

The problem with the free market

In general, East and Southeast Asian countries have pretty well managed their transition to a free market economy, using trade liberalization to build strong export-based economies (South Korea, China, Thailand and more recently Vietnam).

But in these same countries, liberalization has also led to an unprecedented surge in inequalities, aggravating rural poverty in the Philippines while urbanites were thriving. In this regard, it seems that the Philippines have been among the biggest Southeast Asian victims of a not very well-handled transition to a global economy.

The country did two great mistakes: it has been a very early adopter of the liberalization and privatization wave led by the World Trade Organization (WTO) and the World Bank; and at the same time its tariff system (over-taxing imports) has also blocked the country from a smoother economic development. This has led the country to lack the proper infrastructure to welcome new investments all while missing on the opportunity to develop its own economy before opening to international companies.

Not like the others

Because they simultaneously fear and welcome trade liberalization and big corporations, the successive governments have offered a strange resistance to the opening up of their economy. But while South Korea, China and other countries have tried to mitigate their own opening up and globalization processes, it's as if the Philippines had no development plan other than just taxing foreign goods. Overall the liberalization and privatization have hit famers the worst and limited the development of a domestic economy because of stiff competition with big international players.

On the contrary, most East and Southeast Asian countries have prevented foreign competition from entering the country in order to grow their own companies and build their own infrastructure. That way, the day their borders opened, they were ready to compete with big international names and brands.

What's more, they have always welcomed foreign investment (e.g. Japanese investment in Indonesia and Vietnam in the 1980s has been of invaluable help) to help develop their country, even while the borders were only semi-opened.

Other causes of poverty in the Philippines

The incomplete land reform aiming at overthrowing the traditionally unequal agrarian society coupled with lack of support for farmers has been a long-lasting flaw in the governments' development policies that can still massively reduce poverty in the Philippines. Thus, the role of the state remains central to redistribute more equally the wealth created in the country, in order to avoid leaving the poor behind. Supporting the extremely poor must be seen as a long-term investment and counterbalanced with future gains.

However, mistrust in the government combined with corruption and/or incompetence makes the overall task much harder, even though it has led to the rise of militant movements that speak in favor of farmers to build fairer trade systems. In a strange way, another problem for the Philippines is that, in spite of having embraced liberalization and international organizations' rules, they have now ended up less integrated in the world economy than other Asian countries.

For instance, import tariff on rice makes it one of the rare exceptions in WTO, although understandable when you see how important rice is to the livelihood of millions of Filipinos. However, recent research on food price increase has shown that tariffs do not help protect farmers and instead increases poverty in both rural and urban areas. That's because, even if imported rice can compete with domestic rice, the competition results in an overall reduction in consumer prices that is good for everyone. Moreover, with the right support, it helps identify which farmers need help and training so that they can either better manage their rice production or diversify their crops.

THE NEED FOR PRO-POOR STRATEGIES

Protecting the "pre-poor"

Aside from the fact that over 1/3 of the population lives in poverty in the Philippines, experts have also observed that a good 50% of households are in a precarious situation – i.e. vulnerable enough to fall into poverty if a minor financial setback happens.

Hence, the government must not just take care of the poor, but also make sure that millions more don't fall into poverty. Prevention is a must, if they want to prevent the problem from getting much bigger. Precariousness is usually worse in rural areas, even though many urban Filipinos are often at risk of falling into poverty as well.

This shows that if urban poverty in the Philippines is much lower than rural one, there is a constant risk that it gets much bigger since many households are too vulnerable to economic shocks. Also, a characteristic of these precarious families is that they tend to have more kids than the non-precarious ones. Therefore, guaranteeing access to education and contraception are things that the government must focus on for its poverty prevention plan.

Pro-poor or anti-poor strategies?

Several studies have confirmed recently that the trade liberalization of the economy has – as usual – benefitted mostly the urban residents, lifting many out of poverty. On the other hand, rural Filipinos have generally suffered from liberalization, despite efforts to protect rice production.

In fact, the best way to help its own industry is for the Philippines to support its agriculture and help it find funding to modernize as well as build decent infrastructure (roads, bridges, markets). Many Filipinos also need training, technical help and useful and timely information (e.g. on weather, seeds etc). This in itself helps promote the education of children as adults realize the importance of learning new skills to improve their income.

End import tariff, reduce poverty in the Philippines

The other main problem slowing down efforts to tackle poverty are tariff (i.e. taxes) on imports.

Although they were created to protect local production, they ended up having the opposite effect. Tariff has made it more expensive for local producers (both in agriculture and industry) to import much-needed input for production.

Therefore local production has stalled and resulted in more expensive prices for everyone. And in the end, many Filipinos were eventually buying foreign goods anyway as they're (sometimes) cheaper and more diverse. In the 2000s, the government has started reducing tariff which decreased the price of energy (e.g. oil and coal) and eventually reduced poverty as other prices fell as well.

The government made up for the loss in revenue by implementing a carbon tax that also helped protecting the environment. Indeed, for a while cheaper oil also meant more pollution as the population used more machines. In the end, revenue from the carbon tax proved even higher than that from tariff. As a result, the excess of money led to lower taxes on the population and thus less poverty in the Philippines too.

Ref.: http://www.poverties.org/poverty-in-the-philippines.html

Look also here www.progress.aboutphilippines.ph

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