

Poverty Reduction Strategy and Poverty Monitoring: Philippine Case Study

By

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I. Introduction

The overarching goal of development efforts is the improvement in the quality of life of the people. The Philippines is no exception. Being one of the nations who participated in the Millennium Summit in September 2000, it has committed to achieve 48 targets including eradication of poverty. In addition to international commitments, the Philippines has been working toward poverty reduction for decades. It has even included targets on human development and poverty reduction in its medium-term development plans.

The growing consensus is towards a comprehensive approach to poverty reduction. Rapid and sustained economic growth is needed to improve the quality of life of the population; at the same time targeted interventions aimed at reducing poverty are needed to reach the very poor and marginalized sectors of the economy.

With poverty reduction as main goal of the government, the demand for poverty statistics has become more important. Several poverty monitoring systems are being conducted both at the national and community level providing income and non-income based measures of poverty. These have become the basis for social and economic development plans and programs of national and local governments.

The objectives of this paper are to examine the poverty situation in the Philippines and to assess the country's poverty reduction strategy and policy. In addition, it aims to analyze the current state of poverty monitoring covering national and community levels.

II. Assessment of the country's poverty reduction strategy and policy

To assess the performance of the country in reducing poverty, it is important to look at the conditions of the people with respect to poverty and its other dimensions.

Poverty situation

This section examines the trends and status in poverty using the conventional measures of poverty as well as the more recent ones that looks at the other dimensions of poverty. The different indicators show that the country has been generally successful in improving the quality of life of its population. There have been improvements in the

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different dimensions, some large and some modest. However, regional disparities are still large and for some indicators have even widened. Moreover, the population seems to be vulnerable to shocks and recent shocks have reversed some of the positive trends.

Income-based measures of poverty

In 1985, 44.2 percent of the total number of families can be considered poor. Since then, poverty incidence has declined to 31.8 percent in 1997. However, the Asian financial crisis coupled with the El Nino in 1997-1998 has reversed the downward trend and has caused poverty incidence to increase to 33.7 percent in 2000 as shown in Table 1. It also shows that among region, poverty incidence is highest in the Autonomous Region of Muslim Mindanao where almost 66 out of every 100 families can be considered poor. The Bicol Region comes second where 55 out of every 100 families can be considered poor. In contrast, only 9 out of every 100 families in the National Capital Region can be considered poor.

Table 1. Poverty Incidence of Families by Region, 1985-2000

Region	Year					
	1985	1988	1991	1994	1997	2000
Philippines	44.2	40.2	39.9	35.5	31.8	33.7
NCR	23.0	21.6	13.2	8.0	6.4	8.7
1 – Ilocos	37.5	44.9	48.4	47.9	37.8	37.1
2 – Cagayan Valley	37.8	40.4	43.3	35.5	32.1	29.5
3 - Central Luzon	27.7	29.3	31.1	25.2	15.4	18.6
4 – Southern Tagalog	40.3	41.1	37.9	29.7	25.7	25.3
5 – Bicol	60.5	54.5	55.0	55.1	50.1	55.4
6 – Western Visayas	59.9	49.4	45.3	43.0	39.9	43.1
7 - Central Visayas	57.4	46.8	41.7	32.7	34.4	38.8
8 - Eastern Visayas	59.0	48.9	40.1	37.9	40.8	43.6
9 - Western Mindanao	54.3	38.7	49.7	44.7	40.1	46.6
10 - Northern Mindanao	53.1	46.1	53.0	49.2	47.0	45.7
11 - Southern Mindanao	43.9	43.1	46.2	40.3	38.2	40.0
12 - Central Mindanao	51.7	36.1	57.0	54.7	50.0	51.1
CAR	.	41.9	48.8	51.0	42.5	36.6
ARMM	.	.	50.7	60.0	57.3	66.0

Note: There is no official poverty threshold for CARAGA. Thus, the provinces of CARAGA are grouped with Region 10 (Agusan del Norte, Agusan del Sur and Surigao del Norte) or 11 (Surigao del Sur).

Source of Data: Family Income and Expenditures Surveys, 1985 – 2000, NSO

While ARMM has the highest poverty incidence, its contribution to total poverty is only 5.5% owing to the small population in this region. The Bicol Region has the largest contribution at 11.8 percent.

However, while the proportion of poor families has declined between 1985 and 2000, the actual number of poor families has gone up from 4.36 million in 1985 to 5.14 million in 2000 (Table 2).

Table 2. Magnitude of Poor Families, 1985-2000

Year	Magnitude of Poor Families
1985	4,355,052
1988	4,230,484
1991	4,780,865
1994	4,531,170
1997	4,511,151
2000	5,139,565

Source of Data: 1985-2000 Family Income and Expenditures Survey, NSO

The increase in the number of poor families has been attributed to the high population growth rate. Table 3 shows the population growth rate over the past 20 years. While it has declined over time, the decline has been slow so that the rate remains high. Moreover, there has been a reversal as revealed in the latest Census of Population in 2000, so that population growth accelerated during the 1995-2000 period. Furthermore, the population growth rate in the Philippines is much higher than that in Thailand, which now stands at about 1 percent.

Table 3. Annual Population Growth Rate, Philippines

Year	Population Growth
1960-1970	3.08
1970-1975	2.78
1975-1980	2.71
1980-1990	2.35
1990-1995	2.32
1995-2000	2.36

Source of data: National Statistics Office

The gap between urban and rural areas has been increasing. While the poverty incidence in the urban areas has declined by 14 percentage points over a 15-year-period, rural poverty incidence decreased by only 4 percentage points. Consequently, the incidence of rural poverty is now more than twice urban poverty. Urban and rural poverty incidences are presented in Table 4.

Table 4. Poverty Incidence of Families, Urban-Rural, 1985-2000

Urban-Rural Area	Year					
	1985	1988	1991	1994	1997	2000
Philippines	44.2	40.2	39.9	35.5	31.8	33.7
Urban	33.6	30.1	31.1	24.0	17.9	19.9
Rural	50.7	46.3	48.6	47.0	44.4	46.9

Source of Data: Family Income and Expenditures Surveys, 1985 – 2000, NSO

An alternative way of presenting poverty data is in terms of the proportion of the population who are poor. The poverty incidence based on individuals is larger than the poverty incidence using families as the unit since poor families tend to have larger family sizes. In 2000, the average family size of poor families is 6.0 while it is 4.7 for non-poor families. The proportion of the population who are poor has steadily declined from 49.2 percent in 1985 to 36.9 percent in 1997 (Table 5). However, the crisis in 1997-1998 caused the poverty incidence to go up to 39.5 percent in 2000, effectively wiping the gains in poverty reduction over the last six years.

Seven out of the 15 regions have more than half of their population who are poor.

Table 5. Poverty Incidence of Population by Region, 1985-2000

Region	Year					
	1985	1988	1991	1994	1997	2000
Philippines	49.2	45.4	45.2	40.6	36.9	39.5
NCR	27.1	25.1	16.6	10.4	8.5	11.5
1 – Ilocos	43.4	51.7	55.1	53.5	44.2	43.6
2 – Cagayan Valley	42.7	44.7	48.9	41.9	38.0	35.0
3 - Central Luzon	32.0	33.7	35.5	29.2	18.6	23.0
4 – Southern Tagalog	45.7	46.6	43.1	35.0	30.0	31.0
5 – Bicol	67.5	61.3	61.2	60.8	57.0	61.9
6 - Western Visayas	66.4	56.5	52.8	49.8	45.9	51.1
7 - Central Visayas	61.9	52.1	46.7	37.4	39.0	43.8
8 - Eastern Visayas	65.1	54.7	47.1	44.6	48.5	51.1
9 - Western Mindanao	59.9	43.8	54.2	50.5	45.5	53.0
10 - Northern Mindanao	56.6	50.1	57.4	54.2	52.7	52.2
11 - Southern Mindanao	49.6	48.8	51.5	45.4	44.3	45.1
12 - Central Mindanao	56.3	40.9	63.0	58.5	55.8	58.1
CAR	.	50.5	55.5	56.5	50.1	43.8
ARMM	.	.	56.0	65.5	62.5	71.3

Source of Data: 1985-2000 Family Income and Expenditures Survey, NSO

In terms of magnitude, the number of poor has increased from 26.7 million in 1985 to 26.8 million in 1997. This went up further to 30.8 million in 2000.

Table 6. Magnitude of Poor Population, 1985-2000

Year	Magnitude of Poor Population
1985	26,674,645
1988	25,385,200
1991	28,554,247
1994	27,372,971
1997	26,768,596
2000	30,850,262

Source of Data: 1985-2000 Family Income and Expenditures Survey, NSO

New Estimates of Poverty Incidence

In response to the clamor for poverty incidence at lower levels of disaggregation, National Statistical Coordination Board (NSCB) approved a methodology that allows the compilation of poverty statistics at the provincial level. This methodology, which has undergone a series of rigorous evaluation and revalidation, has paved the way for NSCB to come up with provincial poverty estimates for the first time. Previous official estimates were disaggregated at the national and regional levels only. Under this methodology, estimates for 1997 and 2000 were generated and released.

As can be gleaned in Table 7, regional disparities still exists, as other regions, such as NCR and Region III have low incidence while other regions, such as ARMM and Region V, have a very high incidence.

Table 7. Poverty Incidence* of Families and Population by Region, 1997 and 2000

Region	Incidence of Families		Incidence of Population	
	1997	2000	1997	2000
Philippines	28.1	28.4	33.0	34.0
NCR	4.8	5.7	6.5	7.6
Region I	31.4	29.6	37.7	35.5
Region II	27.1	24.8	32.6	29.7
Region III	13.9	17.0	16.8	20.9
Region IV	22.8	20.8	26.9	25.9
Region V	46.9	49.0	53.8	56.2
Region VI	37.2	37.8	43.2	45.7
Region VII	29.8	32.3	34.7	37.4
Region VIII	39.9	37.8	47.4	45.4
Region IX	31.9	38.3	37.1	44.5
Region X	37.8	32.9	43.3	38.7
Region XI	31.1	31.5	37.1	36.5
Region XII	45.3	48.4	51.6	55.3
CAR	35.9	31.1	42.8	38.0
ARMM	50.0	57.0	55.6	62.9
Caraga	44.7	42.9	51.0	50.2

**Using the new methodology*

Source of data: National Statistical Coordination Board

In terms of magnitude, there are 4.3 million families who are poor while there are 26.5 million people who are poor.

Table 8. Magnitude of Poor Families and Population

	Magnitude of Poor Families		Magnitude of Poor Population	
	1997	2000	1997	2000
Philippines	3,982,760	4,338,780	23,952,927	26,540,094

Education

There have been significant improvements in the educational status of the population. Simple literacy rate has gone up from 90 percent in 1989 to 94 percent in 1994. Moreover, functional literacy rate has also increased from 75 percent to 84 percent over the same period.

Table 9. Simple and Functional Literacy Rates, Philippines, 1989 and 1994

Year	Simple	Functional
1989	89.8	75.4
1994	93.9	83.8

Source of data: NSO and DECS.

School participation rates have been increasing over time. Elementary participation rate has gone up from 85 percent in schoolyear 1991-1992 to 97 percent in schoolyear 2001-2002. However, many of the children who enroll do not complete the schoolyear as evidenced by the low cohort survival rate. The cohort survival rate has declined from 68.4 percent to 67.1 percent over the same period. This means that only 67 out of every 100 students who enroll in Grade 1 are able to graduate from elementary.

Table 10. Participation Rate SY 1985-1986 to SY 2000-2001

Level/School Year	SY 1991-1992	SY 1995-1996	SY 2001-2002
Elementary	85.1	92.7	97.0
Secondary	55.4	62.2	73.4

Source of data: Department of Education Culture and Sports

Similarly, secondary participation rate has gone up considerably but still remains low at 73 percent. Cohort survival rate is also low at 73 percent. This implies that out of every 100 student who enter first year high school, only 73 are able to graduate from high school.

For every 100 children who enter Grade 1, only 67 will graduate from elementary. If all of these children then proceed to high school, only 49 will graduate from high school.

Health

Infant and child mortality rates have declined significantly. Infant mortality rate (IMR) was reduced from 57 per 1000 live births in 1990 to 35 in 1998. Mortality rate among children below five years old was also reduced from 80 per 1000 children aged less than 5 years old to 48 in 1998. Meanwhile, maternal mortality rate (MMR), however, remains high despite the decline from 209 per 100,000 live births in 1993 to 172 in 1998.

The mortality data suggests that areas where access to primary health care may be limited by geography or political conflict, the risk of dying is double that in areas where health care is more available.

Nutrition

The nutritional status of the population has improved, albeit modestly. Malnutrition prevalence among 0-5 year old children has declined by 4 percentage points over 11-year period. Despite the improvement, 3 out of every 5 children are still underweight based on international standards.

Table 11. Prevalence of Malnutrition* Among 0-5 Year-Old Children, using IRS**

Year	Malnutrition Rate
1989-90	34.5
1992	34.0
1993	29.9
1996	30.8
1998	32.0
2001	30.6

Source of data: FNRI DOST

*Percentage of children who are underweight for their age.

**International reference standards

Access to basic facilities

Access to basic facilities has been improving. Access to safe water has gone up steadily from 69.9 percent in 1985 to 78.5 percent in 2000 while access to sanitation has also increased from 68.8 percent in 1985 to 82.5 percent in 2000.

Table 12. Proportion of Families With Access to Potable Water and Sanitary Toilet Facility, 1985-2000

Year	Proportion with Access to Potable Water	Proportion with Access to Sanitary Toilet Facility
1985	69.9	68.8
1988	71.9	69.1
1991	73.7	71.6

1994	77.4	74.9
1997	76.9	77.2
2000	78.5	82.5

Source of data: Family Income and Expenditures Survey, NSO

In terms of housing, only 2 percent of the total families in the Philippines live in makeshift housing.

Table 13. Number and Proportion of Families Living in Makeshift Housing, 1991-2000

Year	Levels	Proportion
1991	341,747	2.9
1994	381,979	3.0
1997	311,489	2.2
2000	311,869	2.0

Sources of Basic Data: 1991, 1997, 1997 and 2000 Family Income and Expenditures Survey.

Comparison with other countries

Table 14 shows selected social indicators for the Philippines, Malaysia, Indonesia, Thailand and Vietnam. Philippines has the highest poverty incidence based on the US\$1 /day criterion adopted by the World Bank for international comparison. Vietnam, which had a poverty incidence of 51 percent in 1990 while the Philippines had 19 percent at that time, now has a lower poverty incidence.

However, the Philippines performs better than Vietnam in the area of nutrition, literacy, health and education. Thailand, which is often regarded as very similar to the Philippines 20 years ago, has been more successful in reducing poverty. The Philippines is the best performer in education as evidenced by the highest elementary participation rate.

Table 14. Selected Social Indicators, Philippines and Some Neighboring Countries

Indicator	Philippines	Malaysia	Indonesia	Thailand	Vietnam
Poverty Incidence (% of popn below US\$1/day), 2000	12.7	0	8	3.5	9.1
Malnutrition Prevalence (Latest data available)	30.6	^{a/} 20	^{b/} 34	^{b/} 18	^{c/} 37
Adult Literacy Rate, 2000	95.3	87.5	86.9	95.5	93.4
Life Expectancy at Birth, 2000	69.3	72.5	66.2	70.2	68.2
Infant Mortality Rate, 1999	31	8	38	26	31
Elementary Participation Rate, 1998	96.4	^{d/} 98.3	.	76.9	61
Annual Population Growth Rate, 1995-2000	2.36	2.47	1.47	1	1.6

Notes:

a/ 2001

b/ 1995

c/ 1999

d/ 2000

Sources of data:

Food and Nutrition Research Institute, DOST

The World Bank Group, Health, Nutrition and Population (HNP) Statistics

UNESCAP Statistics

Literacy Facts and Figures in Asia and the Pacific, Asia/Pacific Cultural Centre for UNESCO (ACCU)

Human Development Report 2002

UN Statistics Division

Department of Education, Philippines

The Philippines, like the other countries, have experienced improvements in human development as measured by the human development index (HDI) developed by the UNDP. HDI is a composite index that puts together the following four indicators: life expectancy at birth; functional literacy and the combined elementary and high school enrollment ratio; and real income per capita.

Table 15. Human Development Index Trends

Country/Year	1975	1980	1985	1990	1995	2000
Philippines	0.652	0.684	0.688	0.716	0.733	0.754
Malaysia	0.616	0.659	0.693	0.722	0.76	0.782
Thailand	0.604	0.645	0.676	0.713	0.749	0.762
Indonesia	0.469	0.53	0.582	0.623	0.664	0.684
Vietnam	.	.	0.583	0.605	0.649	0.688

Source of data: Human Development Indicators, HDR 2002

Poverty reduction strategy and policy

The poor performance of the country in reducing poverty is partly due to the boom-bust cycle of the country's economy. It is also partly due to the country's poverty reduction strategy and policy. There were many shortcomings in the implementation of many of the programs, including the lack of information to support national and local level poverty reduction efforts. This section will examine the poverty reduction policies and programs that have been implemented. Major weakness of these policies and programs are in the implementation contributing to the poor performance of the country in the area of poverty reduction.

Plans and policies

The various development plans seem to have paid attention to the problem of poverty, although in varying degrees. The inclusion of poverty reduction strategies and

targets seem to be an indication of the government's commitment. We have seen poverty reduction targets incorporated for the first time in the 1987-1992 Development Plan. Subsequent plans included poverty incidence targets. In the 1999-2004 MTPDP, regional targets were also included. However, the current plan for 2001-2004 does not include poverty reduction targets.

Programs directed towards eradicating poverty tend to occupy a prominent part, if not the centerpiece of an administration's program. Consequently, programs tend to be identified with a specific administration and therefore, tend to be coterminous with the administration that initiated it. This practice of discontinuing programs associated with previous administrations has been disadvantageous to the poor.

For instance, the Social Reform Agenda (SRA) was launched by the Ramos Administration. The SRA consisted of 10 flagship projects, namely: (1) agricultural development, (2) fisheries and aquatic resources management, (3) ancestral domains, (4) socialized housing, (5) comprehensive and integrated delivery of social services, (6) worker's welfare and protection, (7) livelihood, (8) credit, and (9) institution-building and effective participation in governance. This was dropped after the term of the Ramos Administration. Many of the reforms that were put in place were institutional changes and therefore would take some time before their impact would be felt (Reyes and del Valle, 1998).

Table 16. Poverty Reduction Targets under Various Administrations

Plan	Poverty Targets
Four-Year Development Plan, 1971-1974 (Marcos Administration)	No specific target for poverty reduction was mentioned in the Plan.
1978-1982 Five Year Philippine Development Plan (Including the Ten-Year Development Plan, 1978-1987) (Marcos Administration)	The Plan did not mention of any poverty target, however, it did mention that overcoming poverty, underemployment and unemployment was one of the national goals and policies. The Plan also targeted to cover in an outreach program of the Department of Social Services and Development (DSSD) approximately 15 million individuals (31.2 percent of the 1980 population) belonging to the bottom 30 percent of the income classes by 1982. The target groups include disadvantaged groups (family heads, preschoolers, youth, disabled and distressed), cultural minorities, industrial and agricultural workers and social security workers. Communities such as distressed barangays, municipalities and cities were also included as target areas.
Five Year Philippine Development Plan, 1978-1982 (Updated for 1981 and 1982) (Marcos Administration)	The Plan did not mention of a target on poverty itself but on social development. The Plan targeted for lower population growth, improved health and nutrition status, higher educational performance, better housing and other social services and community development.
Five Year Philippine Development Plan, 1983-1987 (Marcos Administration)	The Plan did not mention specific poverty reduction targets but it stated that human development was a major national goal and one of the priorities was to set programs that directly attack poverty. The Plan did mention its target for the delivery of social services. It was expected that the social sector will have reached out to 9.6 million needy individuals (or 13.3 percent of the population) by 1987. The self-employment assistance program was designed to benefit these economically and socially needy individuals in the working age group.

Philippine Development Plan, 1987-1992 (Aquino Administration)	The poverty incidence is targeted to fall from 59 percent in 1985 to 45.4 percent in 1992. Geographically, poverty incidence in the rural sector is targeted to decline from 63% in 1985 to 48% in 1992. NCR's poverty is also targeted to fall from 44% to 40% within the same period while that of the urban areas outside NCR is expected to decline from 56 to 49 percent.
Updates of the Philippine Development Plan, 1990-1992(Aquino Administration)	From a poverty incidence of 58.9 in 1985, the government's target for 1992 ranged at 46.1% to 49.3%.
Medium-Term Philippine Development Plan, 1993-1998 (Ramos Administration)	Poverty shall be reduced from 39.2% in 1991 to about 30% by 1998.
Medium-Term Philippine Development Plan, 1999-2004 (Estrada Administration)	Poverty incidence shall be reduced from 32 percent in 1997 to 25-28% by 2004. Regional targets were also included.
Medium-Term Philippine Development Plan, 2001-2004 (Arroyo Administration)	In the "Healing the Nation: The First 100 Days of the Macapagal-Arroyo Administration," it was mentioned that the MTPDP incorporated the goal of reducing poverty incidence to 28% by 2004. However, the final version of the 2001-2004 MTPDP failed to mention any target for reducing poverty incidence.

Source of data: Reyes (2002).

Aside from the "SRA-enrolled" regular agency budgets, three special funds totaling P6.1 billion were created to augment the regular resources to attain the objectives of the SRA. These are the 1996 Poverty Alleviation Fund (PAF-1), the 1996 Local Government Empowerment Fund (LGEF) and the 1997 Poverty Alleviation Fund (PAF-2) and the 1998 Poverty Alleviation Fund (PAF-3).

Table 17. Special Poverty Alleviation Funds

Name of Fund	Amount (In Million Pesos)
Poverty Alleviation Fund – 1 (1996)	4,000
Local Government Empowerment Fund (1996) 1 st Component	100
Poverty Alleviation Fund – 2 (1997)	2,000
Poverty Alleviation Fund – 3 (1998)	2,500
Lingap Para sa Mahirap Fund (2000)	2,500
KALAHI	.

Source of data: GAA; MTPDP 2001-2004 and NAPC

In 1998, the Estrada Administration launched the *Lingap Para sa Mahihirap* (Caring for the Poor) Program. This program was granted a P2.5 billion allocation from the national budget to deliver medical assistance, livelihood, socialized housing, potable water supply, food subsidy and protective programs or services to the 100 poorest families in every city and province nationwide. Due to the absence of data at the household level, it took a long time to identify and validate the poorest families. The lists provided by the LGUs when subjected to validation showed the absence of uniform

criteria across LGUs. Before the *Lingap Para sa Mahihirap* Program could be fully implemented, political events caused a change in administration.

The Lingap Program had several major weaknesses: (a) lack of program ownership by the LGUs which were not given adequate time to identify the 100 poorest families in their areas; (b) low targeting effectiveness and welfare impact which may be expected from a nationwide program that is spread over a wide area and to non-poor beneficiaries; (c) lack of beneficiary consultation and monitoring; and (d) “politicized process of beneficiary selection.” (MTPDP 2001-2004)

In 2001, the Arroyo Administration launched its banner program for poverty reduction, the *Kapit-Bisig Laban sa Kahirapan* (KALAHI), a comprehensive and integrated convergence strategy to improve delivery of services for the poorest municipalities and provinces in the country. KALAHI has five strategies: (1) asset reform; (2) human development services; (3) employment and livelihood; (4) participation in governance of basic sectors; and (5) social protection and security against violence. KALAHI subscribes to the “convergence” approach earlier propagated in the Social Reform Agenda (SRA) while recognizing the need for “joint programming, implementation, and monitoring among national and local agencies, civil society sectors and people’s organizations in the poor communities.”

While a special fund has not yet been established for KALAHI, a total of P70 million has been set aside to pilot test the KALAHI approach in urban (P35 million) and rural (P35 million) barangays. In the KALAHI areas, a project is funded to address the most pressing need of the community.

Following this, KALAHI-Comprehensive and Integrated Delivery of Social Services (CIDSS) was conceptualized and took place as the centerpiece program of the Arroyo administration in poverty alleviation. This program adopts some of the key features of the CIDSS program that started under Ramos administration. Its’ targets are 40 provinces with high poverty incidence with one-fourth of all municipalities selected for this criterion. Aside from poverty incidence, which carries a weight of 50 percent, other criteria in the selection of the municipality include counterpart sharing by the local government units (25%) and presence or willingness of civil society organizations to participate (25%). The program is to be implemented based on the loan from the World Bank of P5.1 billion with P1.6 billion counterpart from government and P2.6 billion from local government units.

The short lifespan of the different poverty reduction programs has made it difficult to realize the full impact of these programs. Even before a program is fully implemented, it is scrapped and replaced with a new one, only to suffer the same fate, a few years hence.

Financing

Financing is a key issue in the delivery of basic social services. The adoption of poverty reduction by the Philippine government and the donor community has helped channel resources towards the provision of basic services. As fiscal discipline is restored, it is important to protect society's core priorities. There is a need to advocate for greater and sustained allocation for the social sector.

During the first half of the 1990s, goals and targets for infant mortality, child malnutrition, adult literacy and other social indicators were set at landmark world summits and global conferences. The report by the Development Assistance Committee, *Shaping the 21st Century*, set the year 2015 as the deadline for achieving the goals of universal primary education, reducing under-five and maternal mortality, universal access to reproductive health services, gender equity and the halving of extreme poverty. Fulfilling these goals will require a substantial increase in investment in basic social services -- basic health, basic education, nutrition programmes and low-cost water and sanitation. The 20/20 Initiative provides a framework for translating this need for increased resources into reality. A compact between developing and industrialized countries, 20/20 calls for the allocation of, on average, 20 per cent of the budget in developing countries and 20 per cent of official development assistance (ODA) to these basic social services.

Government's commitment to the 20:20 initiative

According to Igaya (2001), the Philippines was able to improve its budget allocation to social services from 11.4 percent in 1995 to 17.4 percent in 1998 (Table 18). However in subsequent years after the peso devaluation, the share declined from 14.1 percent in 1999 to only 13.2 in 2000. The reduced share is the result of three key factors: 1) a minimal increase in the allocation for basic social services; 2) increased levels of spending for non-basic social services such as housing; and 3) increased over-all levels of non-social service expenditures such as internal revenue allotments.

The performance of local governments with respect to the 20/20 initiative showed a somewhat similar trend. Between 1995 and 1998, the share of social spending of local governments improved from 17.9 percent in 1995 to 18.7 percent in 1998.

**Table 18: 20/20 Expenditures of the National Government By Major Component
(All Expenditure Classes [1])**

Component	1995	1996	1997	1998	1999	2000
Basic Education	10.23%	12.31%	13.39%	16.39%	13.69%	12.48%
Basic Health	0.57%	0.67%	0.61%	0.47%	0.30%	0.71%
Nutrition	0.31%	0.34%	0.24%	0.23%	0.21%	0.01%
Water and Sanitation	0.15%	0.05%	0.14%	0.02%	0.09%	0.01%
Reproductive Health [2]	0.00%	0.06%	0.10%	0.18%	0.07%	0.03%
Mixed Social Services	0.13%	0.06%	0.09%	0.09%	0.09%	0.00%

Total	11.39%	13.52%	14.57%	17.38%	14.44%	13.24%
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Source of data: Igaya, G.L.A. 2001. Implementing and Monitoring the 20/20 Initiative in the Philippines. Presidential Task Force on the 20/20 Initiative. Discussion Paper Series No. 2001-01.

[1] Expenditure classes include Personnel Services, Maintenance and Other Operating Expenses and Capital Outlays. Figures shown are ratios of appropriations falling within the 20/20 framework in relation to total appropriations.

[2] Predominantly foreign assisted projects. However, estimation may be understated due to the placement of locally funded reproductive health services under the basic health category. Due to the nature of budget structure it is difficult to disentangle said expenditures.

The sectoral disaggregation of expenditures reveals that government priorities are in the education sector. Basic education expenditures received the bulk of allocations in basic social services ranging from 10.23 percent of total appropriations in 1995 to 16.39 percent in 1998 to 12.48 percent in the 2000 budget. After basic education, basic health is the next highest priority in terms of government's relative allocation. Basic health expenditures were allocated between 0.5-0.7 of total appropriations between 1995 and 2000 nutrition programs.

Despite having the highest share, education still suffers from inadequate financial resources as manifested in the lack of inputs for the basic social services. For instance, textbooks are still not enough despite the increased procurement in recent years. As of SY 2000-2001, the textbook-student ratio is 1: 2.14. This means that one book is shared by 2.14 students.

The lack of teachers is also another concern. The teacher-pupil ratio is the proportion of the enrolment at a certain level of education in a given school year to the number of authorized positions for teachers at the same level in the same school year. The teacher-student ratio is 1:35 in elementary and 1:34 in secondary in SY 1998-1999. In some regions, the ratio can reach up to 1:39 for public elementary schools and 1:38 in public secondary schools. The actual ratio is even higher since some of these teachers are doing non-teaching functions, such as school administration.

Classrooms are also not enough so that some schools have to have several shifts to accommodate all the enrollees. Average class size has declined from 41 in SY 1993-1994 to 39 in SY 1997-1998 in public elementary schools. In the case of public secondary schools, the average class size has remained unchanged at 49.

Among public elementary schools, there are 561 schools that have no existing instructional room, 2,592 schools with classroom to pupil ratio of 1: 56 or more and 1136 schools with ratio of 1:51 -55.9. At the secondary level, there are 269 schools with no existing instructional room, 2047 with classroom to pupil ratio of 1: 56 or more and 576 schools with ratio of 1:51 -55.9.

Official Development Assistance: the other side of the 20:20 ratio

Using the data collected from NEDA, one can see that the donor community is trying to fulfill its commitment to the 20:20 initiative. The reorientation towards poverty

reduction as the main goal of multilateral agencies has facilitated the flow of resources towards the social sectors. The data show a large increase in ODA commitments to social reform development from 2.8 percent in 2001 to 27.6 percent in 2002. However, the increase in allocation to social reform development was at the expense of allocations to governance and institution development and industry and services. In fact, total ODA decreased by 31 percent (from \$1,670 M to \$1,152.3 M).

Tale 19: Total ODA Committed to the Philippines (In US\$ million)

Sector	2001		2002	
	Amount	% to total	Amount	% to total
Agriculture, Agrarian Reform and Natural Resources 1/	309.0	18.5	126.8	11.0
Social Reform Development 2/	46.7	2.8	318.6	27.6
Infrastructure Development 3/	902.7	54.0	662.3	57.5
Governance and Institution Development 4/	164.2	9.8	41.7	3.6
Industry and Services 5/	247.3	14.8	3.0	0.3
Others	0.5	0.0	0.0	0.0
TOTAL	1,670.4	100.0	1,152.3	100.0

Source: Public Investment Staff, NEDA

Notes:

1/ Agriculture, Agrarian Reform and Environment and Natural resources

2/ Education and Manpower Development, Labor and Employment, Housing, Health, Nutrition and Population, Social Welfare and Community Development, and Social Infra

3/ Transportation, Water Resources, Energy, Power and Electrification and Communications

4/ Administrative Governance, Economic Governance, Political Governance

5/ Industry and Trade, Banking, Relending and Microfinance, Science and Technology, Tourism

III. Current state of poverty monitoring in the Philippines

To assess if poverty reduction programs are being realized, it is important to have a good poverty monitoring system. This will help in guiding the implementation and continuing analysis of policies and programs so that timely action can be taken to address the weaknesses/problems detected. Poverty monitoring as a tool guides policymakers and program implementers in making decisions based on evidence and facts.

Issues on monitoring poverty

Several issues on poverty monitoring will be discussed here: multidimensionality of poverty, income vs. expenditure, and subjective vs. objective.

Multidimensionality of poverty

The official measure of poverty is based on income. Thus, a person is considered poor if his income falls below the poverty threshold, which is determined by National Statistical Coordination Board. However, the definition of poverty has undergone significant changes through the years. It has been observed that income alone is not sufficient to capture the multidimensional aspects of poverty. A set of indicators is

needed to determine the status of the population with respect to poverty's causal links with many other forms of deprivation, including access to health care and basic facilities, educational services and employment opportunities among many others.

a. Income vs. Expenditure

An individual or family is classified as poor or non-poor based on either income or expenditure. The level of income is a measure of the capacity of individuals/families to meet specified needs. It is thus, a measure of opportunity for consumption. However, income does not include borrowings and transfers, which also offer opportunities for consumption. Moreover, a certain level of income can be associated with different consumption patterns.

Meanwhile, consumption-based poverty measure reflects the ability of households to maintain a certain standard of living with savings and/or borrowings, despite income fluctuations.

b. Objective vs. Subjective

An objective assessment of poverty involves a normative judgment of poverty and what is required to move people out of poverty. It measures poverty in terms of a set of standard entitlements against which people are ranked or rated. This set of pre-defined standards must be satisfied for an individual not to be classified as poor.

The subjective approach, on the other hand, determines people to be poor or non-poor based on perception type indicators or self-rating exercises. It puts premium on people's preferences and depends on an individual's utility function. While easy to administer, individuals' perceptions to poverty are relative and proponents of the objective approach believe that individuals are not always best judge of what is best for them. A person who has adjusted to his/her present condition may no longer feel poor despite the inadequate success to welfare services. Also, others who have higher standards may continue to rate themselves as poor in spite of adequate resources.

State of poverty monitoring system

There are several poverty monitoring systems in the Philippines both at the national and community level. At the national level, several surveys are being conducted by National Statistics Office (NSO) to provide information on the different dimensions of poverty. But there are problems with them. They are too aggregate and the monitoring is too infrequent to provide regular and updated information.

To address these gaps, several initiatives have been pilot tested to complement the national poverty monitoring system. One such initiative is the community-based monitoring system, which aims to provide the local government units with the necessary information for diagnosing poverty at the local level and identifying the appropriate interventions.

National poverty monitoring systems

In the Philippines, data for the different dimensions of poverty can be obtained from censuses, surveys and administrative records of government agencies. Table 20 shows the different national monitoring systems and the types of data collected for each surveys.

Table 20: Poverty Monitoring Systems at the National level

Available Sources of Data	Implementing Agency	Frequency of Collection/Latest Data	Data Obtained
1 Family Income and Expenditures Survey	NSO	every 3 years/2000	Family income and living expenditures and related information affecting income and expenditure levels.
2 Annual Poverty Indicators Survey	NSO	every period wherein FIES is not conducted/2002	Socio-economic profile of families and other information relating to their living conditions.
3 National Nutrition	FNRI	every 5 years/1998	Food situation and nutritional
4 Census of Population and Housing	NSO	every 10 years/2000	Size, composition and distribution of population
5 Functional Literacy, Education and Mass Media Survey	NSO	every 5 years/1998	Number of functionally literate population and their socioeconomic characteristics
6 National Demographic and Health Survey	NSO	every 5 years/1998	Demographic and maternal and child health issues
7 Labor Force Survey	NSO	every quarter of the year/July 2003	Levels and trends of employment, unemployment and underemployment

Aside from the national monitoring systems mentioned above, the different government agencies also provide data. To mention a few: the Philippine National Police (PNP) collects information relating to incidence of crime; the Department of Education (DepEd) collects information related to school participation, such as dropout rate, cohort survival rate, participation rate and completion rate among many others.

These national surveys and censuses conducted by the statistical system provide statistics relating to the different dimensions of poverty. However, there are gaps in the system in terms of the level of disaggregation and frequency. For instance, FIES as the

source of income-based measures of poverty could only provide national and regional data until 2001. In terms of frequency, the data are collected every three years so that the official estimate of the impact of the 1997-1998 Asian Financial crisis on poverty in the Philippines came out in late 2001, four years after the onset of the crisis.

The gaps are greater for some of the non-income based measures of poverty. Some of these statistics are collected infrequently. For instance, the latest data on functional literacy rate is 1994. Moreover, most estimates are available at the national and regional levels only.

Monitoring Systems at the Community Level

It has been recognized that participation of the communities is an essential component of poverty reduction. This aspect of participation should be seen not only in the identification of problems of the communities but also in the implementation, and monitoring of policies and programs to address these problems. Thus, poverty monitoring at the community level has gained importance. This section will discuss initiatives on monitoring poverty at the community level.

a. Minimum Basic Needs (MBN)

Under the Social Reform Agenda initiated under Ramos administration (1992-1998), the minimum basic needs (MBN) approach was deemed as a convergence strategy. MBN define the basic minimum criteria for attaining a decent quality of life. They are the basic needs of a Filipino family for survival (food and nutrition, health, water and sanitation and clothing), security (shelter, peace and order and income and livelihood) and empowerment/enabling (basic education and literacy, people's participation in community development and family care/psychosocial). The degree to which a family achieves its MBNs serves to measure its quality of life.

The system's main features include:

- A participative survey of minimum basic needs
- A community process for prioritizing identified MBN for decision-making
- Joint accountability in the provision of input among communities, LGUs and national agencies
- Project management by the community
- Assistance by national agencies
- On-going monitoring by communities, LGUs and national agencies

To indicate transparency, MBN databoards are set up including a spot map to indicate the location of every household, with corresponding information on the status of each household on the top ranking problems in the community.

Not all barangays, however, are being covered by MBN. Only selected barangays in 5th and 6th class municipalities and urban poor communities are priorities for the

implementation of MBN with disadvantaged communities in 3rd and 4th class municipalities as second priorities.

In 1996, the Department of Social Welfare and Development (DSWD) has launched the Comprehensive and Integrated Delivery of Social Services (CIDSS) program as the mechanism for delivering basic social services to communities. CIDSS makes use of the MBN approach in order to ensure that the most needy persons are given priority.

To enhance the implementation of the MBN approach, the Community-Based Poverty Indicators Monitoring System (CBPIMS) was jointly undertaken by the National Statistics Office (NSO) and the National Economic and Development Authority (NEDA) in 1997 under the sponsorship of the United Nations and Development Program (UNDP).

The survey was conducted purposely to improve data collection and processing of MBN (NSO, 1999). It streamlined the MBN core indicators to 23 with other information to be collected separately through interviews with key informants in view of the sensitivity of the questions.

In MBN approach, the existence of the problem in the family level is only registered. It does not count the number of persons affected in the family. CBPIMS addresses this issue. After the pilot-test of this system, implementation depends on the initiatives of the LGUs.

b. Micro Impacts of Macroeconomic Adjustment Policies-Community-Based Monitoring System (MIMAP-CBMS)

MIMAP-CBMS started in the Philippines by the MIMAP-Philippines Project in response to the need to monitor the impact of macroeconomic policies and shocks on the population. In addition, it addresses the statistical gaps of the existing national and community monitoring system.

The system is an organized way of collecting information at the local level for use of local government units, national government agencies, non-government organizations and civil society. The system has been pilot-tested, modified and further improved for its easy implementation.

The CBMS has several features: (1) it is LGU-based; (2) taps existing LGU personnel as monitors; and (3) has a core set of indicators. These three key features enhance the capacity of local governments in detecting and reducing poverty. It has been proven that local leaders are important participants in improving the lives of their communities. Meanwhile, the key indicators are easy to collect and process. What this system sets apart from the other system is that it builds the capacity and capability of local governments in using poverty statistics as inputs in formulation of development plans and as basis in formulation of poverty reduction programs and projects.

Concluding Remarks

The performance of the Philippines with respect to poverty reduction has been very modest. While poverty incidence has declined over the past 15 years, the number of the poor has actually increased. In poverty's other dimensions improvements were noted, some large and some moderate. For example, health status of 0-5 year-old children improved slightly while infant and child mortality rates have declined significantly. Educational status of the population has also improved significantly. Literacy rates have gone up from the period 1989-1994 while school participation rates have been increasing over time. Access to basic facilities has also been increasing. In summary, however, much is still needed to improve the lives of the people especially the poor. In answer to this, poverty reduction has been the centerpiece program of the administration.

Reducing poverty, however, should be accompanied by a good poverty monitoring systems. Poverty monitoring provides government planners, policy makers and local leaders with data on which to base their social and economic development plans and programs. In addition, it is also used in guiding the implementation and continuing analysis of policies and programs, so that timely action can be taken to address the weaknesses/problems detected.

The existing poverty monitoring systems in the Philippines do provide essential information needed by both national and local governments as basis for their poverty reduction plans, strategies, and policies. There are weaknesses such as frequency of data collection and levels of disaggregation. There have been some initiatives to address these data gaps. One such initiative is the development of monitoring system at the community level. This is to strengthen the capacity of local government in diagnosing poverty at their localities since the national statistical offices cannot provide for all the data requirements due to resource constraints. The information has been helpful in identifying unmet needs at the local level and this has been the basis for action in some of the barangays.

Technical Annex

Family Income and Expenditures Survey

The Family Income and Expenditures Survey (FIES) is a survey being conducted by the National Statistics Office (NSO) every three years since 1985. The objectives of this survey are:

- To gather data on family income and family living expenditures and related information affecting income and expenditure levels and patterns in the Philippines;
- To determine the sources of income and income distribution, levels of living and spending patterns, and the degree of inequality among families; and
- To provide benchmark information to update weights in the estimation of consumer price index.

This survey provides income data, which serves as the basis for the official poverty estimates. Poverty and subsistence incidence are derived from this survey.

Data gathered in this survey include sources of income in cash and in kind, and the level of consumption by items of expenditure. Related information such as family size, number of family members employed for pay or profit (wage/salary or own-account worker), occupation, wage and educational attainment of household head, and housing characteristics, are also included. The latest survey was conducted in 2000.

Because of clamor for the disaggregation of data lower than the regional level, National Statistical Coordination Board (NSCB), government agency authorized to derive and release poverty estimates, calculated data at the provincial level. Late last year, NSCB released the official estimates of poverty at the provincial level for the year 1997 and 2000.

Annual Poverty Indicators Survey

In response to increasing demand for a more frequent monitoring of the poverty situation in the country, the Annual Poverty Indicators Survey (APIS) was conceptualized. It was to be conducted during the year when there is no FIES. It was initially conducted in 1998 and subsequently implemented in 1999. The latest survey conducted was in 2002.

The objective of this survey is to supplement the identification of poor families through the use of non-income based indicators, which have been established to be correlated with poverty. These indicators are: health status, schooling status, employment characteristics, family planning, housing and sanitation, credit information, family sustenance, entrepreneurial activities and other data relating to income-generating

activities of the family as well their expenditures. Data generated from this survey is disaggregated at the provincial level.

Community-Based Monitoring System

There are 14 core indicators that are being measured to determine the welfare status of the population. These indicators capture the multidimensional aspects of poverty and have confined to output and impact indicators. Since CBMS is formulated to be LGU-based, it is important that indicators are easy to collect and process. Information is collected through surveys of all households in the community. The local people themselves are data collectors and processors.

The system is flexible and can accommodate community-specific indicators to reflect the other concerns of the community. For instance, indicators related to environmental concerns are included in the CBMS system in Palawan. On the other hand, Camarines Norte has included indicators related to natural calamities in its indicator system.

To ensure comparability of data across all levels of administration, data are disaggregated at the barangay, municipal/city, and provincial levels. This makes the information useful for all levels of government.

The implementation of CBMS requires the conduct of the following activities:

1. Orientation
2. Data Collection
3. Data Processing
4. Community validation
5. Analysis
6. Preparation of socio-economic profile and plan
7. Dissemination (databanks)

It is important to note that CBMS activities do not stop at data collection and processing. Information is validated and used as inputs in socioeconomic profiles and plans not only at the municipal/city and provincial level but also more importantly at the village level. In addition, it is disseminated to a wider audience through installation of databanks.

Minimum Basic Needs

The set of 33 MBN indicators are used for identifying families of individuals who need to be prioritized in the community. These indicators focus on basic needs of a family for survival, security and empowerment (enabling). To measure MBN achievement, each MBN is assigned a set of indicators or standards. These indicators/standards must be present in the family in order to say that the family has met a particular basic need. If the family is unable to meet its minimum basic needs on a

sustained basis, then the family is considered to be in a state of poverty. Those who have the highest levels of deprivation are targeted for priority assistance.

Data are collected through surveys of all families in the communities. Similar to CBMS, local people are data collectors and processors greatly facilitating community participation. A questionnaire is administered with each question answerable by yes or no.

Data from MBN survey has been able to help in identifying and prioritizing the needs of the communities. It also allows the government to generate information on MBN immediately. In the longer term, however, when the capability of the LGUs has been sufficiently built up, an integrated approach to data collection should be pursued.

In MBN approach, the existence of the problem in the family level is only registered. It does not count the number of persons affected in the family. In terms of indicator, the official set of 33 indicators covers more than the minimum and basic. The concern arises from the policy implications of using such an expanded list of MBN indicators. It is possible that once data start coming out, people will feel that it is the obligation of the government to respond to all these needs. More importantly, the expanded list could imply a wide range of poverty incidence estimates.

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