

One of the biggest challenges that our country is facing today is the achievement of the Millennium Development Goals (MDGs) by 2015. The MDGs provide concrete, numerical benchmarks for tackling extreme poverty in its many dimensions. The eight (8) MDGs are: 1) eradicate extreme poverty and hunger; 2) achieve universal primary education; 3) promote gender equality and empower women; 4) reduce child mortality rates; 5) improve maternal health; 6) combat HIV/AIDS, malaria and other disease epidemics; 7) ensure environmental sustainability; and 8) develop a global partnership for development.

Through this third issue of the Social Welfare and Development Journal for CY 2010, we are pleased to share with you four (4) articles about the efforts towards the attainment of the Millennium Development Goals.

The article "MDG Chances: Stability and Vulnerability" by Mr. Isagani R. Serrano highlights the challenges and presents possible track for the Aquino Administration in line with the MDGs. Likewise, the article by Ms. Marivic Raquiza provides an assessment of the country's endeavors to address the issues on poverty, hunger and employment.

Also included in this issue is the article by Mr. Philmarks Que focusing on the role and importance of MDG no. 7 (ensuring environmental sustainability) in achieving sustainable development. Dr. Rosario G. Manasan's policy study, on the other hand, attempts to track and analyze the trends in the national and local government expenditures for MDGs from 2000 to 2005.

With only five years left to realize the targets, we positively look forward to this tough, yet attainable vision of achieving the MDGs. Concerted effort by all government agencies in partnership with the private sector are critical elements in reaching these goals. Higher mobilization and efficient use of resources and an enhanced capability in implementing programs and projects can be achieved through convergence and harmonization of initiatives and interventions in pursuit of MDGs.

Lastly, we would like to thank all of you for your continued support to the SWD Journal, as well as to the initiatives of the DSWD in uplifting the lives and empowering the poor, vulnerable and disadvantaged citizens of our country.

  
**CORAZON JULIANO-SOLIMAN**  
Secretary

# “MDG Chances: Stability and Vulnerability”\*

Isagani R. Serrano

## INTRODUCTION

This paper describes the context within which the Millennium Development Goals (MDGs) will be played out between 2010 and 2015. This period falls within the term of the new regime.

Within that short span of time the government of President Benigno S. (Noynoy) Aquino III (P-Noy) is expected to keep the MDG promises, building on (or perhaps, reconstructing from) the legacy of the previous regime.

The tasks at hand are simple enough: bring down poverty and hunger levels to half of that in 1990; make sure all children are in school and stay to complete elementary education; achieve gender parity in education at all levels and promote women empowerment; reduce infant, child and maternal mortality; control old and new diseases; ensure environmental sustainability; and assure all these with adequate financing, policy and institutional support, nationwide consensus and broad citizen participation.

### Where P-Noy is taking off from

The Philippines Fourth Progress Report on the Millennium Development Goals (MDGs) has laid out what the previous PGMA regime achieved in the last ten years. It's a mixed bag of accomplishments and shortfalls in each of the eight MDGs.

The previous regime takes pride in having set the economic fundamentals. It has publicly challenged the new regime to prove that the consistent positive growth in GNP and GDP of the last ten years can be sustained. The balance of payments is positive.

Moreover, an environmental legacy of 26 legislations, covering concerns like solid waste, clean air, clean water, renewable energy, climate change, disaster risk reduction and management, and organic agriculture, are certainly laudable. Supreme Court Chief Justice Reynato Puno has also added his own green imprint in the justice system. This includes the writ of *kalikasan*, green courts, and continuing *mandamus* to rehabilitate Manila Bay.

Our country is said to be a 'net carbon sink' based on our latest greenhouse gas (GHG) inventory, given the 700,000 hectares net increase in our forest cover. Public awareness on environment and climate change issues has increased greatly. All these of course would not have been

possible without the sustained efforts of non-state actors and an environmental legacy that traces back to Marcos time.

But ensuring environmental sustainability means much more than laws and policies. Indeed we have passed more than enough environmental legislation since our participation in the UN Conference on Human Environment in Stockholm in 1972. It is also in the environment sector where we observe wide gaps in policy and action. Green mandates remain poorly funded as environment ranks low in budget priority. Considering the fiscal crisis, additional appropriations for the environment are not easy to come by.

Even more basic, the environment has always been sacrificed in the name of growth.

Remittances of overseas Filipino workers (OFWs)—between 16 and 18 billion US dollars annually—have streamed in despite global economic crises. Ours would be equivalent to the World Bank's historical annual lending average and about three times that of the ADB's. Few countries outside of China and India have had so much fortune.

The country's balance of trade negative is of course consistently negative. The country is the world's biggest rice importer. Our so-called export winners, like electronics are import-dependent.

The country continues to grapple with huge budget deficits and mounting debt burden. Tax collection may be improving but the highest levels of collection have barely made a dent on the deficit.

The culture of impunity and privilege fostered in the old regime had dampened and eroded the possibility of change. It's now up to P-Noy to lift the nation from that feeling of hopelessness and give every citizen a reason to believe that real change is going to happen under his watch.

The alternative or shadow report prepared by Social Watch Philippines, while giving due regard to the progress made, presents a different picture. Despite consistent positive economic growth—6 percent on average—there are more poor Filipinos now than when we set off on the MDG track in 2000. The high inequality picture of 1990—expressed in income, employment, spatial, gender, ethnic dimensions—hardly changed or might have even worsened.

\* Reprinted from the *“Winning the Numbers, Losing the Wars The other MDG Report (2010), Survival Watch Philippines and United Nations Development Programme (UNDP).*

These outcomes indicate that we have not won the war on poverty as declared by ex-PGMA on assumption to office in 2001. We may in fact be losing that war, considering the many challenges before us.

### Under a regime of stability

The previous regime came to power in a turbulent changeover. Shortly after assumption of office, it was challenged by mass protests, called the EDSA3, which led to tragic consequences. From then on, there was no let up in other forms of challenges to the unpopular regime, including military coups, Moro insurgencies, and communist rebellion. On top of all these, the country had to suffer the impacts of the global crises in finance and economy, food and feed, fuel and energy, and now climate change.

In contrast the P-Noy regime's ascent happened with a smooth transition. Most of all, we now have a new regime whose legitimacy is beyond question.

The unprecedented mandate given to P-Noy may be seen as a vote for what ex-PGMA was not, as a vote for change, a vote of hope that the change will happen. While nothing can be guaranteed, we are certain that the 'We can do it' feeling pervades across the land. And that makes for a comparatively easier building of a nationwide consensus for ending poverty and achieving sustainable development.

A word of caution, though, high expectations may mean a short honeymoon period. In light of the MDG shortfalls and the mounting economic, social and environmental problems, including outstanding political issues, like corruption, that are potentially divisive, the new regime must seize the moment to rally the nation around where it wants to go and how to get there.

Can the Philippine government keep its MDG promises by 2015? Maybe.

The new regime could cash in on its overwhelming mandate. If that mandate was really a vote for change, then it should not be difficult to rally the nation and build a nationwide MDG-consensus. It should not be difficult to concentrate all available resources to meet the targets.

The new regime can aim to make poverty history<sup>1</sup> at the end of its term. To begin with, the MDGs are a very minimalist set of goals for a middle income country like the Philippines. We should have achieved them under the previous regime.

### Looking to 2012 and 2015

In 2015 the Millennium Development Goals (MDGs) will be up for judgment. Derived from the Millennium Declaration of the Millennium Summit of 2000, the MDGs are a set of minimum commitments to free humanity from

poverty, hunger, disease, and other forms of deprivation, to reduce inequality, promote human rights and enlarge our basic freedoms.

By then, 15 years will have gone by for both the Copenhagen Social Summit and the Beijing Women's Conference. These two UN summits vowed to end poverty, create employment, improve social cohesion, reduce gender inequality and promote women empowerment. These promises are synthesized in the MDGs which comprise 8 goals, 18 targets, and 48 indicators. Four more targets and corresponding indicators were added during the World Summit of 2005 or MDG+5 Summit. These goals, targets and indicators are measured against the 1990 baseline.

By 2012 it will be the 20 year anniversary of the Rio Earth Summit. As has already been decided by the UN there will be another global summit of world leaders in 2012 to take stock of the world situation, assess progress, agree on what needs to be done, and renew commitment to achieve sustainable development within the soonest possible timeframe.

Sustainable development<sup>2</sup> was the theme of the United Nations Conference on Environment and Development (UNCED), held in Rio de Janeiro, Brazil, more popularly known as the Rio Summit or Earth Summit of 1992. It is an all-embracing concept that integrates environment and development, defined as the kind of "development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs."

The Rio+20 summit will restore to center stage the concept and practical operations of a green economy<sup>3</sup> or eco-economy<sup>4</sup> which was already raised but pushed to the backburner in the previous summit in 2005. The theme is critical given the stubborn persistence of poverty and the continuing rise in CO2 emissions and dangerous human interference into the climate system.

### Increasing uncertainties worldwide

As we look forward to a regime of stability, and are mindful of the past regime's legacy, we have to take stock of our vulnerabilities.

The first decade of 2000 is notable for such events as 9/11, the US-led wars in Iraq and Afghanistan, and great forest fires, storms, earthquakes and tsunamis. In 2008 we saw the near-collapse of the financial system, combined with the food and fuel crisis. Before we could fully recover from their impacts, we got one more disaster after another. All these and the great oil spill in the Mexican Gulf seem to indicate that the worst is yet to come.

Increasing uncertainties make it difficult to tell whether

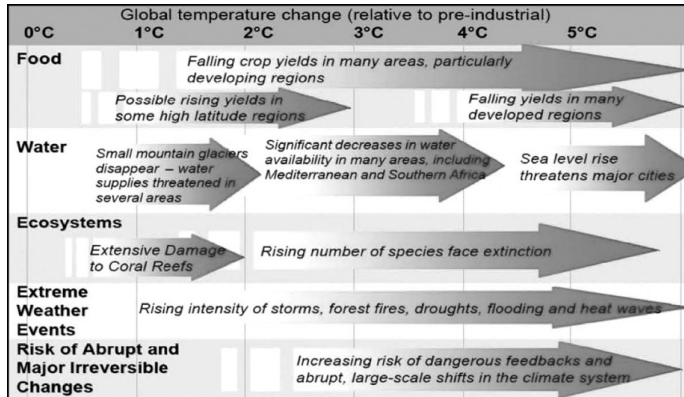
<sup>1</sup>A banner call used by the UN Millennium Campaign (UN MC)

<sup>2</sup>Defined by the World Commission on Environment and Development (otherwise known as the Brundtland Commission) in its 1987 Report to the UN, under the publication title *Our Common Future*.

<sup>3</sup>Pearce, D.W., Markandya, A. and Barbier, E.B. *Blueprint for a Green Economy* (London: Earthscan, 1989). Jacobs, M. *The Green Economy: environment, sustainable development and the politics of the future* (London: Pluto Press, 1991).

<sup>4</sup>Brown, L. R. *Eco-Economy: Building an Economy for the Earth* (New York: W. W. Norton & Co., 2001).

we are actually headed toward sustainable development or systemic shut downs.



Source: UNFCCC-IPCC Fourth Assessment Report 2007. Stern Review. IAASTD.

In 1990, climate change was a side concern of sustainable development. In 2010, climate change is seen as one of the greatest threats to sustainable development. World leaders who came to the failed climate summit in Copenhagen in December 2009 agreed that poverty and climate change are the biggest challenges of our time.

In 1990, the world population stood at around 5 billion, over a billion of them absolutely poor. The Philippine population then was about 60.7 million, with more than 15 million in absolute poverty. By 2000, the world population had breached the 6 billion level and still over a billion of them poor. The Philippine population was then 76.5 million, with more than a fifth living in extreme poverty.

### Climate change could change it all

Perhaps there's no challenge as great as climate change. At the least, it could compromise the achievement of the minimalist MDGs. In a worst-case scenario, say a rise of 5 or 6 degrees Centigrade in global average temperature from the averages in pre-industrial times, all human and natural systems might be stressed beyond their tolerance limits.

Nobody knows for sure what will happen in the future. Things can just turn helter-skelter as a result of positive feedback which scientists as yet cannot fully comprehend. Nature knows best, so to say, and humans must be responsible for their own action.

The United Nations Framework Convention on Climate Change, or UNFCCC, was one of the agreements of the 1992 Earth Summit. It was intended to put in check the dangerous human interference in the climate system and stabilize greenhouse gas (GHG) concentrations in the atmosphere to levels that make life on Earth sustainable.

The climate convention is an agreement binding industrialized or rich countries (Annex 1 Parties) to cut their GHG emissions (mitigation) and help poor countries (Non-Annex 1 Parties) with money and technology to be able to

adjust (adaptation) to climate impacts and enable them to achieve sustainable development. Mitigation, adaptation, finance and technology are called the UNFCCC pillars.

Several principles, if not all of the 26 principles stated in the 1992 Rio Declaration, served as a guide to the climate convention. The principle of common but differentiated responsibilities means that we're all responsible but some must answer for more. This may be considered the bedrock principle of climate justice. The polluters pay principle says that if you pollute, you pay, and if you pollute more you pay more. The precautionary principle says that if you're not sure about the impact and consequences of what you do, don't do it. All of them serve the goal of sustainable development.

Yet after 15 Conferences of the Parties (COP) to the UNFCCC and 20 years of chasing climate justice what we got from Annex I countries after COP 15 in December 2009 in Copenhagen was the so-called Copenhagen Accord.<sup>5</sup>

The controversial 'accord' talks of a stabilization target of <math><2^{\circ}\text{C}</math>, spreading the burden of cutting emissions to over-emitters (Annex I) and under-emitters (Non-Annex I) alike, and a promise of aid for adaptation. The first means nothing without firm commitment to urgent and deep cuts in GHG emissions. The second means Annex I Parties skirt their mitigation obligation. The promised adaptation financing of \$10bn/yr or \$30bn in three years (2010- 2012) building up to \$100bn/yr by 2020 is inadequate to begin with, and worse, highly uncertain, conditional, and most likely to come by mainly as loans.

Agreeing on <math><2^{\circ}\text{C}</math> or an even lower target is cool since the lower it is the safer it gets. But the real issue is how. The mitigation offers on the table are pathetically low, if not outright insulting. The UNFCCC Interagency Panel on Climate Change (IPCC) scientists calculated that the sum of those offers will be tantamount to allowing the temperature to rise up to 3°C and higher, even up to a high of 5 or 6 degrees.

According to British MP Sir Nicholas Stern, some 47 billion tons of CO<sub>2</sub> are already up there in the atmosphere.<sup>6</sup> Emissions must peak by 2015, come down to 44 billion by 2020, then to less than 35 billion by 2030, down to below 20 billion by 2050 for a 50:50 chance to keep global warming (GW) below 2°C. How on earth can that happen?

NASA scientist James Hansen believes that 350 ppm (parts per million) is the safe level of carbon concentration in the atmosphere that will keep global warming (GW) below 2°C of pre-industrial temperatures. At 350ppm corals live, at 450ppm they die.

Can the climate convention still prevent dangerous human interference in the climate system? Can it still bind industrialized countries to cut their GHG emissions and help developing countries in their adaptation efforts through finance and technology transfer? Can it still be an instrument for enforcing carbon justice and achieving sustainable development?

<sup>5</sup>A controversial document introduced at the UNFCCC COP15 in Copenhagen in December 2010 and noted by the UNFCCC secretariat.

<sup>6</sup>Stern, N. Business must champion low-carbon growth. *Financial Times*. Monday December 7, 2009, p. 13.

The other climate summit convened by Colombian president Evo Morales in April 2010 in Cochabamba was a response to the Copenhagen failure. The Cochabamba 2010 agreed on four key proposals to the UN and the peoples of the world: (a) binding agreement on a 'Universal Declaration of Mother Earth Rights';

(b) a 'Climate Justice Tribunal' to hear cases and bring to trial violators; (c) 'Climate Debt' of rich countries to poor countries who had little responsibility for the climate crisis; and (d) 'World People's Referendum on Climate Change' as the means to air people's views and to legitimizing decisions.

The UN still cares to listen, and that gives us reason to hope.

## A BASELINE OF RECONSTRUCTION

In just one month in 2009, two storms alone left the Philippines with about 1000 dead, thousands more homeless, and damages totaling US\$4.38 billion or 206 B pesos,<sup>7</sup> nearly 14 times the annual average of direct damage (1970-2006) of about US\$305 million or 15 B pesos.<sup>8</sup>

This would consume about 20 percent of the 2010 national budget and set the country back to a baseline of reconstruction, not development.

The Philippines is geographically situated in a region where more tropical cyclones develop than elsewhere in the world. An average of 20 tropical cyclones enter the Philippine Area of Responsibility (PAR) annually, about 7 to 9 of them making landfall. May to December is considered the tropical cyclone season and the peak tropical cyclone activity occurs from July to September with an average of 3 or more occurrences.

### Low adaptive capacity

How much increase in temperature can a vulnerable country like the Philippines endure—1, 2, 3 degrees Centigrade? And, for how long? How many super typhoons and floods can we survive, and at what cost? What would it take to adjust to climate change impacts?

Adaptation to climate change is a must, a default mode, something we cannot skip regardless of what happens in climate negotiations and whether or not help from rich countries is coming our way.

A high adaptive capacity means a stable and prosperous economy and a high degree of access to technology at all levels. It also means well-delineated roles and responsibilities for implementation of adaptation strategies, with systems in place for the national, regional and local dissemination of climate change and adaptation information. It also indicates equitable distribution of access to resources.

## Food security on the line

Agriculture and fisheries are extremely vulnerable to the impacts of climate change. The IPCC has calculated the cost on agriculture to be between 30 percent and 50 percent reduction in yield in rainfed rice. Productivity is expected to decline due to decreasing freshwater supply, drought and floods. Jobs and businesses that are dependent on natural resources are on the line. Failure of food systems will hit the rainfed and subsistence farmers in rural areas the hardest.

Two of the sharpest drops in volume of production and gross value-added (GVA) in agriculture were experienced during two of the worst El Niño Southern Oscillation (ENSO) episodes recorded in history (1982-1983 and 1997-1998). Increased temperature altered the rainfall patterns. Increase in the frequency and intensity of extreme climate events intensified the risk in agricultural production.

Lack of water supply during the critical growth stage of crops due to El Niño-induced drought will adversely affect crop yields. Similarly, submerging of seedlings in floodwater and washing out of standing crops because of strong typhoons associated with La Niña may lead to crop damages and thus, low harvest.

Pests and diseases are also rampant during extremely wet weather conditions, which may infect not only crops but also livestock and poultry. Consequently, households that depend on crop farming as well as livestock and poultry business as sources of livelihood may incur substantial economic losses. In 2006, as reflected in the Family Income and Expenditure Survey (FIES), about 50 percent of households in the Philippines are engaged in agriculture.

The country has some 36,000 km of coastline and the archipelago is surrounded by large bodies of water—the Pacific Ocean, the South China Sea, and the Sulu-Sulawesi Sea. This condition brings many benefits but also many vulnerabilities in the face of climate change.

Extreme weather events and associated storm surges, ocean warming and sea-level rise will lead to destruction of the livelihood of those situated in vulnerable areas such as coastal and flood-prone areas. Too much heat can result in coral bleaching, leading to a loss of shelter and food for coral-associated fishes. In the 1997-1998 El Niño one of the worst coral bleaching events ever occurred. Other effects of ocean warming include toxic algal blooms, imbalance of salt and fresh water content in estuaries thereby affecting the growth and/or survival of juvenile and shell fish, decline in plankton species or food for fish, among others. These outcomes imply a reduction in fisheries yield.

Sea-level rise also causes saltwater intrusion, which may reduce the number of fish in estuaries. It also increases the salinity within coastal mangrove forests, thereby adversely affecting mangrove production. Moreover, significant rise in the sea level may also inhibit sea grass productivity due to light reduction in sea grass beds.

Coastal areas are heavily populated, accounting for

<sup>7</sup>*Typhoons Ondoy and Pepeng: Post Disaster Needs Assessment (PDNA), November 26, 2009.*

<sup>8</sup>*WB-NDCC, Estimated Damage of Disasters, 2008*

60 per cent or more of the population. Coastal ecosystems are stressed heavily by destructive natural events, over-exploitation of marine resources, construction of infrastructures, and pollution. Fishing communities are among the poorest of the population. Coastal and marine ecosystems are the major sources of fish and other fishery products.

In 2006, the Philippines ranked 8th among the top fish producing countries in the world, 10th in aquaculture production and the 2nd largest producer of aquatic plants (seaweeds, etc) (BFAR 2007).

The economic contribution of fisheries in 2007, accounts for 2.2% (Php143.4 billion) and 3.3% (Php58.6 Billion) of GDP at current and constant prices, respectively. The exports of these products in 2007 earned as much as US\$569.79 Million (BFAR 2007) foreign currency. Fisheries is also a livelihood generator. The entire fisheries industry directly employs 1,614,368 fishing operators (NSO 2002 Census for Fisheries), of which 1,371,676 are from the municipal sector, 16,497 from the commercial sector and 226,195 from the aquaculture sector. Such numbers of fishing operators further generate additional employment as fishers, and in ancillary activities such as processing, boat building, and marketing.

Around 70% of the protein in the diets of Filipinos is supplied by fish. But the protein intake from fish and seafood has declined to 87 grams or 6.50% of the daily calorie intake of the average Filipino between 2003 and 2005 from 99 grams daily between 1990-1995 (FAO 2008).

The social and economic benefits from fisheries have come by at great costs to our biodiversity and economic sustainability. The fisheries sector must now confront the challenges of declining catch, degradation of important habitats, heightened inter- and intra-sectors conflict, loss of foreign currency revenues from exports of fisheries products, worsening poverty in coastal communities, and increasing vulnerability to extreme weather events.

The FAO/World Bank (Sunken Billions 2009) underpin that global fisheries is losing at least US\$50 Billion annually through over-investments in fishing gears, processing facilities, and subsidies. This is more than half of the total value of the global seafood industry.

## Water resources

Climate change will disturb the water cycle. The warming of the atmosphere and oceans will change major weather systems and consequently alter the temporal and spatial patterns of rainfall with consequences for runoff, surface and groundwater storage, and river flow regimes. With changing climate and rainfall patterns, it is estimated that there will be greater likelihood of extremes – droughts and floods – in different parts of the world.

Water-related infrastructure such as dams and impoundments for domestic water supply, irrigation and energy generation will have to be climate-proofed. We need to assess the vulnerability of existing dams and water supply infrastructure, watersheds, and river basins to

extreme weather variability and climate change.

The design criteria for new water-related infrastructure development must consider climate change and disaster risks.

Even in wet countries like the Philippines, where people take water for granted, raising consciousness on water conservation cannot be overstated. We have to do water recycling and reuse, improve rainwater harvesting, management and protection of watersheds, catchments, and surface and groundwater. Urban and population centers need to improve their wastewater treatment systems and control pollution of surface and groundwater.

The integrated water resources management (IWRM) approach still hovers in the margins despite official recognition of its importance in water conservation and the achievement of sustainable development. All sectors involved with managing water resources in a fragile archipelagic ecosystem like ours cannot continue with the usual fragmented approaches and therefore have to seriously pay attention to the issues and concerns from source to sink and areas in-between.

## Biodiversity

The Philippine environment is endowed with many diverse species and ecosystems making it one of the 18 mega biodiversity countries in the world. It ranks fifth in terms of plant diversity and fourth for bird endemism. To protect its biodiversity rich ecosystems, the DENR-PAWB identified and declared 234 areas with a total of about 5.234 million hectares as Protected Areas that are off-limits to extractive activities.

However, threats to biodiversity are increasing due to pressures from extractive activities. One is coming from poor communities who depend on natural resources for their subsistence and survival. The other comes from operations of commercial logging and mining. Human-induced threats to biodiversity are further compounded by the adverse impacts of climate change on terrestrial and aquatic plant and animal communities.

Increases in temperature would affect the survival of plants and animals with narrow tolerance range for temperature and those which are presently living at the upper limit of their tolerance level. A substantial increase in temperature in the range of 30oC to 40oC may possibly cause the migration of animal species with narrower temperature tolerance to other more suitable areas as their form of adaptation. Such temperature level increases may also disrupt species interactions like the relationship between plants and pollinators that may affect the survival of plant species. Most vulnerable are those species that have difficulties in migrating as a form of survival. Further increase in temperature to 50oC or 60oC may cause a number of animals and plant species to die out and become extinct while critical habitats may be lost. Many research studies claim that coastal ecosystems have higher vulnerability to climate change compared to terrestrial ecosystems.

On the other hand, sea level rise of one meter is

predicted to inundate many coastal towns and cities in the Philippines while practically submerging many small islands (defined as those with areas of less than 1,000 hectares) especially during high tides. Sea level rise will also affect sea grass beds and mangroves and cause saline intrusion into groundwater, lakes and rivers.

Acidification of coastal waters due to increased carbon dioxide threatens the survival of plankton at the base of the food chain and then the productivity of fisheries.

### **A baseline for the new millennium<sup>9</sup>**

1990 is the reference year for the MDGs and other international agreements like the Agenda 21, the UN Framework Convention on Climate Change (UNFCCC), the UN Framework Convention on Biodiversity (UNCBD), and the UN Convention to Combat Desertification and Land Degradation (UNCCD). The UNFCCC baseline covers the greenhouse gas emissions inventory obtained from national communications (NatComs or NCs) and assessment of vulnerability and adaptation. The climate convention's scientific body, the Intergovernmental Panel on Climate Change (IPCC) makes the regular assessments reports (ARs). The fourth and last assessment report in 2007, which made headlines and won the IPCC a Nobel Prize, gave a more definitive conclusion about human responsibility for global warming (GW) and consequent destabilization of the climate system.

Succeeding reviews and assessments provide updated baselines.

One of these was the Millennium Ecosystem Assessment<sup>9</sup> (MA), carried out under the auspices of the UN between 2001 and 2005. The MA aimed to assess the consequences of ecosystem change for human wellbeing and set a baseline for needed actions for enhancing the conservation and sustainable use of ecosystems and their contribution to human well-being.

The MA, which involved around 1,360 experts from 95 countries, was a multilateral response to the request for science-based information by state parties to the four international conventions—the UNCBD, the UNCCD, the Ramsar Convention on Wetlands, and the Convention on Migratory Species. It also responded to needs expressed by the business community, NGOs, health sector, and Indigenous Peoples.

The MA focused on ecosystem services, defined as benefits people obtain from ecosystems. An ecosystem is a dynamic complex of plant, animal, and micro-organism communities and the non-living environment interacting as a functional unit. These include provisioning services such as food, water, timber, and fiber; regulating services that affect climate, floods, disease, wastes, and water quality; cultural services that provide recreational, aesthetic, and spiritual benefits; and supporting services such as soil formation, photosynthesis, and nutrient cycling.

Human well-being includes security, basic material for a good life, health, good social relations, and freedom of choice and action.

The MA has come up with four main findings.

One, over the past 50 years humans have changed ecosystems more rapidly and extensively than in any comparable period of time in human history, largely to meet rapidly growing demands for food, fresh water, timber, fiber, and fuel. This has resulted in a substantial and largely irreversible loss in biodiversity of life on Earth.

Two, the changes have contributed to human well-being for the present generation. But the growing costs in terms of the degradation of many ecosystem services, increased risks, and worsening of poverty for some groups of people will put at risk the well-being of future generations.

Three, the degradation of ecosystem services could grow significantly worse during the first half of this century and is a barrier to achieving the Millennium Development Goals.

Four, the challenge of reversing the degradation of ecosystems, while meeting increasing demands for their services, can be partially met under some scenarios that the MA has considered. But this assumes significant changes in governance.

These findings confirm what many believed was already happening. Together, the MA and the IPCC Fourth Assessment Report provide a grim baseline which governments and citizens can choose to heed or ignore at their own peril.

Poverty worldwide has been reduced, mainly because of China's massive efforts. Less China's dramatic achievement, world poverty has in fact increased.

Poverty is reducing but inequalities and disparities are increasing.

From 1990 to 2006, we have seen further increases in CO<sub>2</sub> emissions. Emissions from developed countries increased from 11.2 B metric tons to 12.2 billion metric tons, and developing countries from 6.8 B metric tons to 13.8 B metric tons. Worldwide the increase is from 21.9 B metric tons to 28.7 B metric tons.<sup>10</sup>

Consumption of ozone depleting substances (ODS) is on a downward trend, indicating progress in the implementation of Montreal Protocol.

Deforestation has continued at an alarming rate—13 M hectares/year. This is equivalent to the land area of Bangladesh. Forestry accounts for 17.4% of world's CO<sub>2</sub> emissions.

Some 18 M km<sup>2</sup> of land and 3 M km<sup>2</sup> of territorial marine waters are protected. This accounts for 12% of Earth's surface. However, the depletion rate of fisheries increased from 70% in 1995 to 80% in 2006.

Water withdrawal rate for agriculture increased from 70% in 1990 to 78% in 2000. The target for access to safe drinking water is on track but 884 M people still rely on

<sup>9</sup>Millennium Ecosystem Assessment, 2005. *Ecosystems and Human Wellbeing Synthesis*. Island Press 2005 World Resources Institute.

<sup>10</sup>Global MDG Report 2009. UN.

unsafe sources, 84% — 746 M of them in rural areas.

Some 1.1 B people gained access to improved sanitation from 1990 to 2006 but 1.4 B more must have access by 2015. About 18% or 1.2 B people still defecate in the open.

Almost half of urban dwellers in developing countries lived in slums in 1990, reduced to 36% by 2005. There is improvement in the lives of slum dwellers in almost all regions but the current housing and energy crisis may slow or even reverse progress gained.

### Sustainability in Asia — a big question

An Asia free of poverty is not impossible, as China and other Asian economic miracles have shown so far. That is, if we could solve the dilemma in which poverty is reduced on one end only to be reproduced on the other.

The forces that made possible the economic miracle which lifted more than 270 million Asians out of poverty within two decades are the same ones creating all the inequalities between and within countries. They are also the same forces damaging Asia's environment and compromising the region's further development and long-term sustainability.

A 'green growth'<sup>11</sup> approach, as proposed by the UNESCAP, which aims to shift economic growth patterns from the conventional 'grow now, clean up later',<sup>12</sup> might help address the dilemma. Such a strategy must squarely address the many environmental issues confronting the region.

Asia's generally rapid economic development has not only failed to eradicate extreme poverty but has also come about at a high environmental cost. Its farmlands and forestlands, surface and ground water, forests, seas and oceans are being drained of resources and poisoned in a big way. This home of the world's biodiversity has suffered tremendous losses of its plant and animal species. Its pollution level is high, contributing greatly to the destabilization of the global climate system.

The region's forests have been converted massively into croplands; its soil has been degraded at differing extents of severity; its land surface is getting drier (already 46% dry (1,977 million ha)); and its deserts continue to expand, affecting more than 500 million of its people. The yearly economic loss due to land degradation amounts to billions (US\$).

Where extreme poverty was dramatically reduced, if not totally eradicated, is where you find the environment at its worst state.

China and India may go the same way as the rich countries in destroying their environments. Already, in rapid fashion these two giants are both contributing increasing levels of GHG emissions even as their lands, forests, and freshwater resources are already in advanced stages of

degradation. These high-flying economies have left an environmental wasteland which threatens food security and human well-being.

By 2015, Asia and the Pacific might surpass the OECD countries in greenhouse gas emissions.

In the world's tropical regions, Asia and the Pacific show the highest rate of deforestation, the fastest rate of commercial logging and the highest rate of fuel wood removal. The major causes of forest cover loss are attributed to the expansion of farming, large economic development programs involving resettlement, agriculture, and infrastructure. Add to this overharvesting for industrial use and fuel wood, pollution and extreme climate events like storms.

Asia and the Pacific has been losing its water resources fast due to ever rising demands of its growing population, agriculture, industry, and homes. Water for irrigation accounts for the largest withdrawal from both surface and ground water sources. Excessive abstraction of groundwater has been depleting aquifers, lowering water tables, and inducing sea water and salt intrusion. Degradation through pollution of river systems, lakes, wetlands and marshes have aggravated over extraction.

The coastal and marine environments of Asia and the Pacific are being stressed by ever growing demands for fish and marine resources, for expansion of industry, tourism and human settlements. Open access to these supposedly common property resources is rapidly transforming the region's coasts and seas into a classic tragedy of the commons.

Asia and the Pacific is losing its biodiversity fast. Though the region is still the home of seven of the 18 mega-diversity nations (Australia, China, India, Indonesia, Malaysia, the Philippines, and Papua New Guinea) its plant and animal species are being destroyed at a rate that threatens extinction. The obvious causes are clear cutting of forests and mangroves, diminishing agro-biodiversity, destruction of corals, and over-fishing. Not as obvious are the impacts of biotechnology, genetic modification and mono-culture.

## CONCLUSION

The chances of our country achieving its MDG commitments by 2015 are high, mainly because we are favored by a stable political environment. The new regime has come to power in a smooth transition and enjoys a high level of trust across the whole nation. Very few regimes had such fortune. In contrast, its immediate predecessor was born of turbulence, governed in turbulence, and left with many outstanding issues demanding urgent closure.

But our advantage in political stability stands on vulnerable grounds. The problems left behind by the previous PGMA regime are many and the solutions not

<sup>11</sup>UNESCAP *State of the Environment in the Asia and the Pacific 2005 report*.

<sup>12</sup>'Grow now, pay later' strategy was used by this author in his 1994 book, *Pay Now, Not Later: essays on the environment and development published by the Philippine Rural Reconstruction Movement (PRRM)*, to mean development that discounts social and environmental costs in the name of growth.



easy. There are more poor Filipinos now than when we started on the MDGs. The damage caused by natural disasters in 2009 threw us back to a baseline of reconstruction.

The country is so vulnerable to the impacts of climate change and variability. Our adaptive capacity is at a low level, considering the poverty situation and our country's geography. The resilience of our communities and our natural environments has yet to be tested against the worst-case climate change scenarios.

We are also confronted with increasing uncertainties within the Asian region and worldwide. China is the leading

success story of the MDGs without which there would be little or no reduction at all in global poverty. There is much to learn about how it achieved a high level of prosperity with universal social protection. However, the China model is not only hard to replicate, its claim to success has come about at great costs to the environment.

Not everything is lost despite our failure to bring the MDG progress up to a high probability level of achievement with only five years remaining. It simply means that the new regime has a lot of catching up to do.

The MDGs is not an impossible dream, just a set of minimum goals.

## REFERENCES

**Brown, L. R, 2001.**

*Eco-Economy: Building an Economy for the Earth.* New York: W. W. Norton & Co.

**Department of Environment and Natural Resources (DENR) 2010.**

The Philippine Strategy on Climate Change Adaptation 2010-2022.

**Jacobs, Michael, 1991.**

*The Green Economy: environment, sustainable development and the politics of the future* London: Pluto Press.

**Millennium Ecosystem Assessment, 2005.**

*Ecosystems and Human Wellbeing Synthesis.* Island Press. World Resources Institute.

**Pearce, D.W., Markandya, A. and Barbier, E.B. 1989.**

*Blueprint for a Green Economy.* London: Earthscan.

**Serrano, I. R. 1994.**

*Pay Now, Not Later: essays on the environment and development.* Philippine Rural Reconstruction Movement (PRRM).

**Stern, N., 7 December 2009.**

Business must champion low-carbon growth. Financial Times. p.13.

The Philippines Fourth Progress Report on the MDGs, Third Draft, 07/12/2010.

Typhoons Ondoy and Pepeng: Post Disaster Needs Assessment

**(PDNA), November 26, 2009.**

United Nations. 2009. Global MDG Report.

**UNESCAP, 2005.**

State of the Environment in the Asia and the Pacific 2005 report.

**UNFCCC COP15, December 2010.**

Copenhagen Accord.

**UN Millennium Campaign (UNMC) and Global Call to Action Against Poverty (GCAP).**

'Making poverty history' Banner slogan.

**WB-NDCC, 2008. Estimated Damage of Disasters.**

**World Commission on Environment and Development (Brundtlandm Commission). 1987.**

*Our Common Future.* Report to the UN.

# On Poverty, Hunger and employment: Off-Track but not Without Hope\*

Marivic Raquiza

## SUMMARY

The pace of poverty reduction in the Philippines did not only decelerate but has actually been reversed, and poverty incidence is expected to register a further increase in the next round of official estimates. Self-rated hunger, which is a reliable indicator, is at record levels. Furthermore, a significant section of our people, many women and young people, are resorting to part-time and low productive work in order to augment family incomes, especially in the context of the multiple crises that have recently hit the country. Most anti-poverty programs of the government only provide short-term relief, or, at best, poverty reduction but at localized levels. The government's over-all official development strategy must be examined to understand why poverty, and inequality, remain stubborn problems. Indeed, on certain issues like debt, trade and aid, and foreshadowing the MDG 8 chapter, it is likely that many policy positions taken have meant even increased impoverishment for our people.

## MDG Goal 1 Targets 1 and 3:

### On eradicating extreme poverty and hunger

#### On poverty

The dominant and official paradigm to measure poverty in the Philippines and elsewhere is the monetary approach. It is the basis for measuring success or failure in reaching MDG 1.

The Philippine government began to monitor poverty trends in 1985, and since then, has changed its methodology twice—in 1992 and 2002. In both cases, the changes resulted in the lowering of poverty incidence. While this has caused many to wonder whether such a move was part of the government's attempt at window-dressing, the government has consistently maintained that these changes were the result of refinements in estimation procedures.

Since 1985, the official poverty line<sup>1</sup> has been on a slow, downward trend across the latter half of the eighties and throughout the nineties. This trend was echoed into the millennium, from year 2000 until 2003. After that, official poverty, for the first time in recorded history, experienced a reversal, when the poverty incidence rose by almost 3% from 2003 to 2006. It must be noted that the results of the 2006 Family Income and Expenditure Survey (FIES) were only officially announced in March 2008<sup>2</sup>; prior to this, the government was still standing by the 2003 FIES results of poverty reduction, at a time when many sectors in society began to complain of a worsening of the quality of life. How did the government explain the rise in poverty incidence? A NEDA statement (March 5, 2008) cited three factors for the increase in poverty incidence: 1) government's expansion of the value added tax (VAT) coverage in November 2005 and the imposed higher tax rate in February 2006, 2) higher oil prices, and 3) population growth which grew faster than personal incomes.

To begin with, many in civil society have argued that the methodology to measure poverty uses a very low poverty threshold which has resulted in a much lower poverty incidence. Poverty threshold<sup>3</sup> means the minimum amount needed to cover both the food and non-food requirements of a family. As former National Statistics Office Administrator Tomas Africa states, "the official poverty line is a conservative estimate; if poverty goes up, then the situation must really be bad on the ground".<sup>4</sup>

Currently, the monthly poverty threshold is Php 6,273.75 for a family of five members and this translates to Php 41 per person per day. The Global Call to Action Against Poverty (GCAP) in fact turned this unrealistically low poverty threshold into a campaign by stating the obvious: that Php 41 per day is not enough to cover the food and non-food expenses (e.g., medical, educational, transportation, rental expenses) of anyone. Finally, this paper argues that an unrealistically low poverty threshold has two serious implications: One, that the poor can be

\* Reprinted from the "Winning the Numbers, Losing the Wars The other MDG Report (2010), Survival Watch Philippines and United Nations Development Programme (UNDP).

<sup>1</sup> Official poverty is that which is monitored by government as against other types of poverty monitored using other methods (e.g., self-rated poverty used by the Social Weather Station).

<sup>2</sup> The 2006 FIES was announced in March 2008 although preliminary results were made public in October 2007.

<sup>3</sup> Poverty threshold is low for a number of reasons: 1) actual food expenses of Filipino families are higher than the costs used for the artificially constructed food baskets; 2) it does not include those who consume 'non-basic' items such as alcoholic beverages, cigarettes; enjoy recreational activities; or those who have access to durable goods; 3) the non-food component that goes to measure the poverty threshold is merely a statistical norm and makes no attempt to verify if this is sufficient to cover non-food needs.

<sup>4</sup> Interview 11 July 2008, Raquiza 2008.

found not just below, but also above the poverty line; and Two, it has the effect of making the public accept that segments of our people who live in wretched conditions are not part of the 'deserving poor' and consequently do not oblige the State to provide help.

Many analysts already anticipate a further increase in poverty incidence to be reflected in the upcoming 2009 FIES due to the multiple crises that have struck the country in recent years. The year 2008 ushered in three crises: the food, the fuel, and the global financial crisis. The first two resulted in high inflation rates which pushed some three million Filipinos into poverty, widening the poverty gap and intensifying poverty severity. The impact of the third crisis, mostly in the form of job losses, was less in the Philippines compared to other countries. Dejardin<sup>6</sup> argues that this is because exposure was mostly felt in the export-oriented manufacturing sector, with the electronics sector in particular taking the hardest hit. Still, some 1.4 million Filipinos are expected to fall into poverty this year as a result of the global financial crisis.<sup>5</sup> Apart from these crises, there is also a need to take into account the negative impact of subsequent shocks on poverty and hunger that hit the country in 2009 and early 2010, that is, tropical storm Ondoy, typhoon Pepeng and the effects of El Niño.

## On hunger

Hunger levels tell a more dramatic story. This paper will use the Social Weather Station (SWS) self-rated hunger<sup>7</sup> as the indicator to measure hunger. As a concept, there is less ambiguity in perceptions of hunger since it basically refers to the lack of food and its consequent biological expression, that of hunger. As Mangahas<sup>7</sup> argues, self-rated hunger levels are "as objective as the standard of statistical measures of unemployment and underemployment which rely on self-reporting by respondents and are in principle verifiable by observers such as their neighbors." In fact, one major anti-hunger program of the government, the Accelerated Hunger Mitigation Plan (AHMP), was prioritized in 2007 as a response to the high levels of self-rated hunger reported by the SWS. Today, the AHMP operates in 42 provinces identified by a survey which uses the self-rated hunger questions of the SWS.<sup>8</sup>

SWS starting monitoring hunger levels in 1998 on a quarterly basis; in 1998, hunger levels see-sawed within the range of 6.5% to 14.5% but hunger levels reached a new high with the assumption of Arroyo as Philippine president, in 2001, at 16.1%. Shortly thereafter, hunger levels went down to as low as 5.1% in September 2003, but starting June 2004 these climbed to double digit levels, and never returned to single digit levels, reaching an all-time high of

21.5% in September 2007, which soared higher to 23.7% in December 2008 and 24% in December 2009. In the first quarter of 2010, hunger levels only slightly dipped to 21.2% (or 4 million families). In this context, this paper argues that the target of halving the proportion of people who suffer from hunger (using 1998 as the base as there is no data prior to this) is way off-track.

Undernutrition remains to be a serious public health problem in the country. According to the official report, there is an average decline of 1.25 percentage points per year. At this rate, the country will miss the target of 34.7 (as it will only reach 41.9% by 2015).

Obviously, more work needs to be done. Furthermore, we have yet to check the adverse effects of the events after 2005 on poverty and hunger, especially the crises in 2008 and subsequent calamities that visited the country (storms, and drought) in 2009 and 2010.

According to the 2008 National Nutrition Survey (NNS), about 3 out of 10 children are undernourished. The prevalence of underweight and underheight children under 5 years old remains high at 26.2%, and 27.9% respectively in 2008. This figure is comparable to the prevalence of underweight children under 5 years of age in Sub-Saharan Africa (28%, 1996-2004).<sup>9</sup>

Undernutrition is largely a rural phenomenon with MIMAROPA, the Bicol Region, Regions VIII and IX leading in the ranks (see Table 1). The poverty incidence in these respective regions supports the fact that hunger is closely intertwined with poverty. Region IX for example, where the poorest town in the country is located, consistently ranks in the top two regions with highest prevalence of underweight, underheight and thin children under 5 years.

Increased poverty as a result of conflict also dominated many areas of Muslim Mindanao, areas which are already amongst the provinces with the lowest access to basic social services and the highest poverty rates. From 2000 to 2009, yearly clashes between the military and rebels in Muslim Mindanao resulted in the displacement of hundreds of thousands. Social exclusion in the form of identity-based discrimination is an enduring cause of poverty; some Muslims lament about the difficulty of finding employment in urban centers once potential employers find out that they have Islamic names. As a result, many poor Muslims fall back to self-employment types of activities (e.g., selling of wares).

In a discussion with members from the urban poor sector, many have also observed the rise in prostitution; a women's NGO<sup>10</sup> reported stories of women exchanging sexual favors in exchange for fish or vegetables ('palit isda' and 'palit bigas'). These stories underscore the desperation some women face, and 'survival tactics' they

<sup>5</sup>World Bank, 2009.

<sup>6</sup>Dejardin, A. K., 2010.

<sup>7</sup>According to Mangahas, the SWS hunger is the proportion of household heads who state that their families have experienced hunger (e.g. without having anything to eat) at least once in the last 3 months (2008: 23)

<sup>8</sup>Reyes, Celia M. (2010). *Philippines Fourth Progress Report on the MDGs, NEDA-UNDP*

<sup>9</sup>UNICEF *State of the World's Children 2006*.

<sup>10</sup>Center for Women's Resources.

resort to in order to survive. This is an example of the gender differentiated impact of poverty, which rests on the exploitation of women. More research is necessary, not only to validate these observations, but to further understand how worsening poverty hits different segments of the poor, and their coping strategies, including attempts at survival.

**Table 1. Prevalence of undernutrition per region, % of children 0-5 years old, 2008**

Region	Underweight	Underheight	Thinness
Philippines	26.2	27.9	6.1
I	26.1	23.9	6.7
II	23.9	24.3	5.9
III	20.2	18.9	6.2
CAR	19.9	29.5	5.2
NCR	20.7	20.1	6.1
IV-A	21.5	21.3	5.4
IV-B (MIMAROPA)	33.1	33.6	6.9
V (Bicol)	33.8	33.5	7.2
VI	31.9	33.6	7.1
VII	25.8	31.1	4.3
VIII	32.1	37.6	5.6
IX	33.3	37.9	7.3
X	26	32.3	5.5
XI	26.3	31.6	4.8
XII	30.5	34.1	5.4
CARAGA	28.8	31.6	6.1
ARMM	28.8	34.7	9.6

Source: 7th National Nutrition Survey

## MDG Goal 1 Target 2: On achieving full and productive employment and decent work for all, including women and young people

### Overall status

The Philippines has one of the highest levels of unemployment and underemployment in Asia (see Table 2). Unemployment figures stayed on average at 10.6 % from the late 1990's to 2004. After that, unemployment levels fell to a single digit but only after the Philippine government re-defined employment to conform to ILO standards. Since then, unemployment rates have hovered in the vicinity of 7% from 2007 to the present.

From 1990 to 1996, even when employment levels increased, marked by an average annual labor growth rate of 3.7% (or 833,000 entrants a year), this did not always mean an increase in full and productive employment.

Unemployment rates decreased to 8.4% in 1996 (from 9.5% the previous year) and concentrated mostly in the age group 15-24 years old, mostly out-of-school youth, and

unskilled.

In 1996, average weekly hours fell from 42 hours (in 1995) to 41.2 hours. This meant a decrease of full-time employment from 64.8% to 62.6% and an increase in part-time employment from 34% to 36.2%. In the meantime, underemployment grew to 20.9 in 1996 (up from 20% in 1995).

Underemployment is a much more serious problem as its magnitude is much higher—20.9% of the employed, and it hits all age groups in the Philippines. It is also important to note that underemployment during this period is a largely rural phenomenon. Table 3 shows how a significant number of agricultural workers are classified as unpaid family workers from 2001 to 2007, and count more women than men each year.

A significant part of those who found employment in 1996 were in the agricultural and services sector where jobs are characterized by short working hours, seasonal/unstable, with low productivity and earnings. The industry sector, where better jobs can be found, made up barely one-fifth of total additional employment during this period.

However, the services sector has been the biggest source of employment for some time. According to Dejardin before the 2008 global financial crisis struck, the services sector expanded in 1990 from 40% - 47% in 2000 to 49% in 2007 and came in the form of wholesale and retail trade, personal services (e.g., private households), transport and other business services. During this period, agricultural employment decreased from 45% in 1990 to 38% of men's employment and 23% of women's employment in 2007. Furthermore, manufacturing shrunk from providing 10% of total employment in 1996 to 9.1% in 2007 and industry stagnated from 16 to 15%.

Indeed, labor productivity (the labor income share of GDP) fell from 0.262 to 0.234 from 2000 to 2005 which is way below the level of other Asian middle-income countries which stands at 0.506.

Dejardin observes that the men who lost opportunities in agriculture transferred to construction, transport, storage and communications, trade and services. Also, unlike in the '70s and '80s, manufacturing stopped being a major source of employment for women, and work opportunities for them became more focused on trade and services, and in domestic work in private households.

Private establishments provided three-fourths of wage employment at this time, but according to Dejardin<sup>11</sup> employment expansion in this sector occurred mostly in the informal economy (e.g., private households and family-owned businesses) from 2004 to 2007. Men were increasingly taking up work in this sector although women still outnumbered men six to one. Dejardin notes that since the '90s, men's unemployment rates have increased more rapidly compared to women such that by 2000, the national gender gap had narrowed and by 2007, women's national unemployment rates were lower than men's.

What were the labor trends in 2008 to 2009 noting the context of the three crises earlier discussed? Labor force

participation rates were declining from 2005 to 2008, but began to rise from the 3rd quarter of 2008 until the end of 2009. It is interesting to note that this uptrend was driven by women, the very young (15-19 years old) and much older workers (55-64 years old) and those without a secondary education. According to Dejardin, during periods of economic downturn, when main breadwinners (usually considered the men) lose their jobs, the 'added-worker' effect kicks in; that is, families mobilize additional income-earners which means that women's work hours are lengthened, as they are now busy with both reproductive and productive work.

Furthermore, unemployment levels began to rise in the 4th quarter of 2008, for both women and men, and employment levels for those aged 20-24 fell. However, this paper agrees with the Bureau of Labor and Employment Statistics (BLES) 2010 report that states that unemployment levels as an indicator do not capture important labor trends given that the country's labor force is significantly composed of self-employed workers and unpaid family workers. Indeed, in a country where the coverage of social security is low, and without unemployment insurance, the people have no other recourse but to work in order to survive.

During the economic downturn experienced in 2008-2009, GDP growth rate fell to 1.1%, yet, employment continued to grow to 2.9%. It is important to ask: what kind of employment? Data shows that growth occurred mostly among part-time workers (8.4%) while full-time work

**Table 2. Comparative Unemployment Rates in Selected Asian Countries: 2009-2010**

Country	Period Covered	Unemployment Rate	
		Current	A year ago
Brunei	2010 (2008 Estimate)	3.7	3.7
Indonesia	2010 (2009 Estimate)	7.7	8.4
Malaysia	2010 (2009 Estimate)	5.0	3.3
Philippines	2010 (January)	7.3	7.7
Singapore	2010 (2009 Estimate)	3.0	2.2
South Korea	2010 (2009 Estimate)	4.1	3.2
Taiwan	2010 (2009 Estimate)	5.9	4.1
Thailand	2010 (2009 Estimate)	1.6	1.4
Vietnam	2010 (2009 Apr 30 Estimate)	2.9	4.7

Source: Current Labor Statistics, Bureau of Labor & Employment Statistics, July 2010

**Table 3: Distribution of workers in agriculture by class, year, type, 2001-2007 (in thousands)**

	2001		2002		2003		2004		2005		2006		2007	
	F	M	F	M	F	M	F	M	F	M	F	M	F	M
Wages and Salary	542	1,800	540	2,015	596	2,207	598	2,418	578	2,016	539	2,005	524	2,333
Own-account Worker	844	4,104	906	4,902	921	5,108	861	5,128	881	4,384	854	4,366	891	5,238
Unpaid Family Worker	1,464	1,348	1,530	1,433	1,507	1,340	1,476	1,305	1,585	1,320	1,636	1,354	1,663	1,511

Source: National Statistical Coordination Board (NSCB)

actually fell (-0.5). According to BLES, this also happened during the Asian financial crisis and the 2001 economic slowdown due to political events. The reverse is true of course, in good economic times: employment including full-time work goes up. The one exception was in 2006 when full-time work fell and part-time work went up at a time of stable economic growth.

The labor figures in 2009-2010 illustrate the rise in jobs found in the informal sector: while the numbers of those employed grew from 35,477 to 35,992, the numbers of those underemployed also rose from 6,875 to 7,102 persons. This underscores a marked increase in part-time

and low productive work.

Indeed, by the first half of 2009, the number of full-time jobs plummeted compared to 2008 levels, and an increase in full-time work in the latter half of 2009 was not enough to offset the number of full-time work previously lost. This was the result of many companies resorting to shorter and more 'flexible' arrangements for their workers, in the face of falling export/market demand. In the second quarter of 2009, part-time work increased, mostly in the form of self-employment (e.g., own account and unpaid family members) of women and very young workers 15-19 years old, but in the second half of 2009, wage employment was driving the increase

<sup>11</sup>The public sector accounted for 15 percent and private households about 10 percent of wage employment

in part-time work. While an increase in wage employment can be seen as a signal of job recovery, Dejardin points out that it was the sector of private households that generated these jobs which are characterized as being among the lowest paid, and least protected. Furthermore, a rise in wage employment needs to be examined in the face of falling real incomes and the size of part-time work as this implies lower earnings and less job security.

On a final note, the 2006 FIES data reveals the following (see Figure 1): entrepreneurial activities and non-agricultural waged and salaried employment are the main sources of household income in the country. The poorest households are dependent on entrepreneurial activities – low-income subsistence activities, and agricultural wage employment – characterized by low wages for farmers, fisherfolk and agricultural laborers. Furthermore, domestic remittances (from migration from rural to urban) is playing an increasing role for poorer households. Overseas remittances and nonagricultural wage incomes, on the other hand, benefit families at the higher end of the economic ladder. That overseas remittances benefit only a small percentage of households (23.8%) i.e. those with higher skills and assets, and underscores how overseas remittances are reinforcing inequalities.

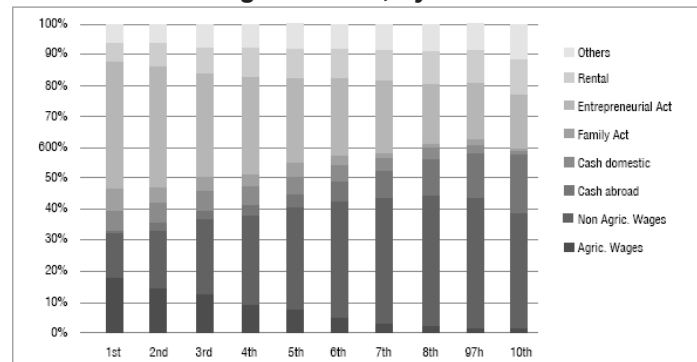
### The Overseas Filipino Workers

The Philippines continues to rely on overseas employment as a major anchor of the economy. In 2009 alone, we have deployed 1,422,586 (government report: 1,854,000) land-based and sea-based workers abroad, constituting 4.05% of average national employment for 2009 (see Table 4).

In return, overseas Filipino workers have sent home a total of US\$17.3 billion in remittances that kept our macroeconomic current account afloat, and allowed their families to thrive. The data, however, reveals the total deployment of workers has been increasing: challenges faced by our overseas workers. The increase from 2008 to 2009 alone, it increased by 15%. Evening deployment of workers abroad reflects the fact that those who returned home still sought to get employment opportunities in the Philippines are scarce outside the country as shown by the sustained increase such that the pull-factor of going abroad remains to in rehires (24.3%). Most deployed workers take blue-be attractive for our population. Through the years, collar jobs abroad, with the largest number employed in the service and production sector, and in the Middle East (see Tables 5, 6 and 7).

Looking at the gender aspect of labor migration, more females than males are deployed overseas, the majority of whom are employed as household service workers, professional nurses and caregivers (see Tables 6 and 7). The figures give truth to the narrative that our women leave their own domestic and caring responsibilities at home to take up the same jobs for another family abroad. Furthermore, the continued export of health professionals like nurses and caregivers do supply and respond to the

**Figure 1. Share of real per capita total HH income according to source, by HH income decile**



Source of basic data: 2006 FIES micro-datasets  
Table from: Amelita King Dejardin, *The Philippine labour market in the aftermath of another crisis*. ILO Policy Integration Department, March 2010.

**Table 4. Number of Deployed Overseas Filipino Workers by Type of Hiring: 2008-2009**

Type of Worker and Hiring	2008	2009	% Change
Grand Total - All Workers	1,236,013	1,422,586	15.1%
Land based Workers	974,399	1,092,162	12.1%
New Hire	376,973	349,715	-7.2%
GPB* Hire	4,102	3,192	-22.2%
Private Agency Hire	347,000	326,156	-6.0%
Name Hire	25,263	19,660	-22.2%
Workers with Special Exit Clearance	72	253	251.4%
Employment-based Immigration	536	454	-15.3%
Rehires	597,426	742,227	24.2%
Seabased Workers	261,614	330,424	26.3%

Source: POEA 2009 Overseas Employment Statistics  
\*Government Placement Branch

foreign demand, but translate to the deteriorating state of our own health sector. Male overseas workers, on the other hand, are mostly employed in technical and hard labor jobs as electrical wiremen, helpers and plumbers. The gender pattern in the occupational choices and employment outcomes of our overseas workers is indeed apparent. This paper echoes the gender issues related to migration which are cited in the official report.

While overseas Filipino workers are celebrated as the “new heroes of our time,” the recognition is not well translated to concrete government programs and policies that seek to assist and protect them. Firstly, the current data on illegal recruitment reveals the declining efficiency of the system in resolving these cases. From a disposition rate (cases acted upon) of 51.3% in 2003, it has dipped to

a dismal 11.4% in 2009 (see Table 8). This does not take into account the under-reporting and illegal recruitment cases that are not included in the data. Secondly, benefits and services for overseas workers have a very low coverage compared to their increasing volume of deployment every year. Coverage of health and insurance services, repatriation programs and workers assistance programs remain at low numbers vis-à-vis the millions of our workers going abroad.

**Table 5. Number of Deployed Land-based OFW by Top Ten Destinations, New Hires & Rehires: 2007-2009**

	2007	2008	2009
Land-based Total	811,070	974,399	1,092,162
1. Saudi Arabia	238,419	275,933	291,419
2. United Arab Emirates	120,657	193,810	196,815
3. Hong Kong	59,169	78,345	100,142
4. Qatar	56,277	84,342	89,290
5. Singapore	49,431	41,678	54,421
6. Kuwait	37,136	38,903	33,751
7. Taiwan	37,136	38,546	33,751
8. Italy	17,855	22,623	23,159
9. Canada	12,380	17,399	17,344
10. Bahrain	9,898	13,079	15,001

Source: POEA 2009 Overseas Employment Statistics

**Table 6. Number of Deployed Land-based OFW by Major Occupational Category, New Hires, 2007-2009**

Major Occupation Group	2007	2008	2009
Total	306,383	338,266	331,752
Professional, medical, Technical and Related Workers	43,225	49,649	47,886
Administrative and Managerial Workers	1,139	1,516	1,290
Clerical Workers	13,662	18,101	15,403
Sales Workers	13,662	338,266	331,752
Service Workers	107,135	123,332	138,222
Agricultural Workers	952	1,354	1,349
Production Workers	121,715	132,259	117,609
Others	10,613	494	1,645

Source: POEA 2009 Overseas Employment Statistics

**Table 7. Number of Deployed Land-based OFW by Top Occupational Category and Sex, New Hires: 2009**

Occupation Category	Male	Female	Both Sexes
All Occupational Category	156,454	175,298	331,752
1. Household Service Workers	1,888	69,669	71,577
2. Nurses Professional	1,599	11,866	13,465
3. Waiters, Bartenders and Related Workers	4,978	6,999	11,977
4. Charworkers, Cleaners and Related Workers	2,140	7,916	10,056
5. Wiremen Electrician	9,709	43	9,752
6. Caregivers and Caretakers	507	8,721	9,228
7. Laborers / Helpers General	7,105	994	8,099
8. Plumbers and pipes Fitters	7,702	20	7,722
9. Welders and Flame-cutters	5,870	40	5,910
10. Housekeeping and Related Service Workers	908	4,219	5,127

Source: POEA 2009 Overseas Employment Statistics

Given the foregoing analysis, it is clear that the Philippine government is having a tough time in reaching the MDG 1 target on employment. In particular, rising numbers of women and young people are resorting to part-time and low productive work in order to augment family incomes.

### Government's anti-poverty programs

The government's own report already outlines its responses to the challenges in poverty reduction confronting the country. This paper, without going into specifics as this can be found in the official report, will provide an alternative assessment of the government's anti-poverty programs.

The way social protection programs are generally conceptualized show that these do not address the causes of poverty which are complex and inter-locking. Social protection measures in the Philippines are largely conceived as a collection of targeted safety measures to catch those 'falling into poverty', referred to in the literature as 'residual safety nets'.<sup>12</sup> On the one hand, while this is understandable given the number of shocks that the country has been subjected to, there is a need to attack

<sup>12</sup>Tendler, J., 2004.

**Table 8. Cases of Illegal Recruitment, 2003-2009**

	2003	2004	2005	2006	2007	2008	2009
1. Cases Handled	1,219	1,426	1,198	1,504	1,624	1,687	1,610
a. Pending at the Beginning	353	594	812	992	1,154	1,285	1,358
b. Cases Received	868	868	386	512	470	402	252
c. Number of Complainants	1,100	1,441	543	1,135	1,057	857	469
2. Cases Acted upon	625	650	206	350	339	329	183
3. Pending at the End	594	812	992	1,154	1,285	1,342	1,427
4. Disposition Rate	51.3	44.5	17.2	23.3	20.9	19.5	11.4
5. Persons Arrested	11	12	4	50	26	98	74
6. Establishments Closed	27	40	19	12	9	10	6

Source: 2009 POEA Overseas Employment Statistics

the structural causes of poverty once and for all.<sup>13</sup> Let us highlight, by way of example, three of the more high-profile anti-poverty programs of government to stress this point.

### **Kalahi-CIDSS (Kapit-Bisig Laban sa Kahirapan - Comprehensive and Integrated Delivery of Social Services)**

Is a community- driven poverty reduction project with a cash transfer assistance component with money loaned from the World Bank. While program evaluation has been generally positive—increased incomes for barangay residents, increased access to social infrastructure and decision-making processes, the development of new skills for local residents, higher levels of collective action, social capital and local empowerment<sup>14</sup> —the highly ‘micro-ized and project-ized’ nature of many of the initiatives under this program have shown that its impact is, at best, localized. It seems that it has not made a significant dent in reducing over-all poverty and unemployment in the country. It is noteworthy that the Kalahi-CIDSS was started in 2003, and implemented over a period which coincided with the increase in official poverty as recorded in the 2006 FIES.

### **Self-Employment Assistance–Kaunlaran (SEA-K)**

Is a micro-credit program available to people’s organizations and effectively targets women at the community level. It is reported though that the projects funded by SEA-K are low-value trade and commercial activities which translates to a limited impact on poverty reduction.<sup>15</sup> Furthermore, since the program operates at zero interest rate, the revolving fund is eroded because there is a need to pay for administrative, financial and other costs (ibid).

### **The Pantawid Pamilyang Pilipino Program (Pantawid Pamilya)**

Is a conditional cash transfer, five year program for one

million poorest families with the objectives of improving human development (education and health) and breaking inter-generational poverty. A preliminary Social Watch study of the Pantawid Pamilya, using a limited survey of 4Ps beneficiaries, validates improvements in education and health outcomes. However, the majority of participants expressed the belief that what would lift them out of poverty was access to regular employment/livelihood, a feature which is not central in the design of the Pantawid Pamilya.

There are also a number of issues that are raised which could seriously undermine the Pantawid Pamilya chances of success in meeting its poverty reduction objective. These are: the need to focus on the supply side (e.g., limited health and education infrastructure and personnel at the local level, including issues around quality), the need to complement the Pantawid Pamilya with asset reform, and quality job-generation program, as well as an effective exit strategy to ensure that beneficiaries don’t simply graduate from the program but from poverty. For example, after the five year program run for the beneficiaries, how can poor families without access to a regular source of income stay out of poverty? Finally, at 1 million beneficiaries, the Pantawid Pamilya outreach is only 25% of the total poor as defined by the 2006 FIES. Note that the number of poor families is likely to increase in the 2009 FIES so the Pantawid Pamilya outreach, relative to the increased size of the poor, will be even more limited.

Beyond social protection programs, the government’s over-all official development strategy must be examined. Why is it that in the last ten years, the pace of poverty reduction has not only decelerated, but has actually been reversed? Some of the reasons for this will be discussed below, and corresponding policy recommendations are raised. Important economic issues that impact on poverty reduction such as debt, trade and aid will be discussed in a separate chapter. Indeed, to foreshadow the chapter on MDG 8, it is argued that the official policy positions on these issues oftentimes have in fact reproduced and deepened

<sup>13</sup>Raquiza, Ma. Victoria, 2010.

<sup>14</sup>Reyes, Celia M., 2010. *Philippines Fourth Progress Report on the MDGs. NEDA-UNDP.*

<sup>15</sup>Manasan, Rosario. G., 2009.



poverty in the country.

## CONCLUSIONS AND RECOMMENDATIONS

### The whys and ways forward

This paper affirms the notion that economic growth is an important but insufficient condition for poverty reduction. Other important interventions are necessary for poverty reduction to occur. Poverty and inequality in the Philippines have extensively been analyzed and many factors have been cited to explain its persistence in the Philippine landscape. The following provides some reasons why and suggests ways to move forward.

Use a multi-dimensional lens to poverty, including a participatory approach. The many dimensions of poverty were enshrined in a United Nations Declaration during the UN World Summit for Social Development in 1995, and included the notion of deprivation, social exclusion and lack of participation. Poverty reduction, together with the promotion of productive employment and social integration, were seen as integral components to social development. Today, the dominant MDG discourse defines both international and national development agendas, and in doing so, has focused basically on the monetary approach to poverty.

This paper argues that while the monetary approach—which uses income or consumption levels per household—may be a useful method to measure poverty, it is also riddled with serious methodological and ethical issues (e.g., the inadequate recognition of energy and dietary requirements and the suppression of the non-food items of basic needs), and does not capture important non-income dimensions such as social exclusion, the self-perception of the poor, the asset profile of households, the inadequate provisioning of basic services, and intra-household inequalities.

It is now known that how one defines poverty matters as it translates into different types of poverty measurements, different groups of people targeted, and different policy solutions forwarded.<sup>17</sup> As suggested by the 2010 UN Report,<sup>18</sup> multiple indicators and complementary approaches are needed to capture the various scales and dimensions of poverty, such as measures of the depth of—and vulnerability to—poverty. According to the report, one way of measuring poverty is to address all deficits within any dimension of wellbeing whether in a state of money poverty or not.

Furthermore, the actual experience and participation of the poor must be an integral component of any poverty reduction strategy for a number of reasons: one, people living in poverty have a right to influence decisions that affect them, and two, their participation enhances the proper identification and implementation of poverty reduction

programs and projects.

### Economic growth has not been pro-poor, further heightening inequalities.

Economic growth has not addressed the inequality in access to assets whether in terms of human development (in the form of education and health), physical capital (e.g., water, housing, transportation and other infrastructure), financial capital (in the form of stocks, e.g., savings or credit, or inflows, e.g., wage earnings, pensions, government transfers, remittances) and natural capital (e.g., land, clean and healthy environment); at worst, it has exacerbated it across income docile groups. In more concrete terms, infrastructure development and increased investments in social services as a result of economic growth have not equally benefited those living in the different island groups and regions in the Philippines,<sup>19</sup> or even between genders. Going by this view, development programs have favored those in Luzon, and discriminated against those in the Visas, and Mindanao, not to mention special groups like poor women, indigenous peoples, and the Moro people. Towards this end, the government must find ways to push for broad-based, equitable growth so that the poorest provinces and regions, including the most socially excluded groups, benefit the most.

One important area for asset reform is agrarian reform. In the Philippines, agrarian reform is regarded as an important ingredient in rural and national development because the assignment of property rights allows our farmers to realize the full gains from tilling the land and engaging in agriculture and to be free from the bondage of feudal labor. In a World Bank report, the Comprehensive Agrarian Reform Program (CARP), the main asset distribution program of the government, has been found to have had a modest impact on growth and poverty because of two reasons: first, the program's inability to prioritize the acquisition of private lands through compulsory acquisition has led to the imperfect targeting of the poor; and second, the Agrarian Reform Communities that were sought to support beneficiaries were also poorly targeted and did not reach the poorest beneficiaries.<sup>20</sup> Furthermore, compulsory land acquisition in areas where CARP can benefit the most has been confronted by conflicting landlord interests, violence and oppression. In many ways, landlords circumvented the law to avoid the compulsory acquisition such as inefficient conversion/industrialization of productive lands or establishment of unproductive structures in idle properties. Table 9 shows a partial list of the biggest private agricultural lands in the country. It is noteworthy that many of these properties are owned by the families of government officials, or are owned by prominent personalities' influential in both business and political circles or by multinational corporations.

In terms of the structure of ownership and control of the country's corporate sector, one study<sup>21</sup> suggests that as

<sup>17</sup>Laderchi, C.R., R. Saith and F. Stewart, 2003. & Caizhen, Lu, 2009.

<sup>18</sup>UN Report on the World Situation 2010 entitled 'Rethinking Poverty'.

<sup>19</sup>Balisacan, Arsenio M., 2007.

much as 52.5% of total market capitalization is controlled by the country's top 10 families.<sup>22</sup>

To underscore the big picture of inequality, in 2006, at a time when the Philippines first registered a worsening of poverty, the country 'contributed' three names to the annual list of billionaires compiled by Forbes magazine: Jaime Zobel de Ayala, who tied with Henry Sy, at 349th place, both with a net worth of US\$2.6 billion each, and Lucio Tan, at 407th place, with a net worth of US\$2.3 billion.<sup>23</sup>

As such, this paper re-echoes the recommendation from the Social Watch 2007 Shadow Report; that is, for the government to urgently address the paramount issue of inequality through re-distributive measures such as the implementation of progressive taxation, and genuine agrarian reform. If the government does not address the long-festering problem of inequality, social polarization may become inevitable.

The poor are mostly in the rural areas. Even with rapid urbanization, poverty is still significantly a rural phenomenon in the Philippines. Experiences from other countries suggest that productivity growth in agriculture exerts a strong influence on reducing poverty and food insecurity (ibid). Unfortunately, the Philippines has overlooked much of this strategy and its performance in these areas pales in comparison to its Asian neighbors. This means increased investment in such areas as rural infrastructure and human development, removal of public spending bias for larger farmers and agri-businesses, promotion of small-scale enterprises, and improved access to land and technology.

### There is a lack of productive and full-time employment.

There is a need to reverse employment trends where the biggest source of employment is in the entrepreneurial

**Table 9: Partial Listing of Big Landowners**

Landowner / Hacienda	No. of Hectares	location
Danding Cojuangco	30,000	Negros, Isabela, Cagayan, Davao Del Sur, Cotabato, Palawan
Hacienda San Antonio / Sta. Isabel (Danding Cojuangco, Faustino Dy, Juan Ponce Enrile)	12,085	Ilagan, Isabela
Nestle Farms	10,000 (but 160,000 is the target)	Isabela, Cagayan, Compostela Valley, Agusan del Sur
Floreindo Family (TADECO)	11,048	Davao del Norte

Almagro Family	10,000	Dalaguete, Cebu
Dimaporo Family	10,000	Lanao
Hacienda de Santos	9,700	Nueva Ecija
Hacienda Banilad / Palico (Roxas Family)	8,500	Batangas
Canlubang Sugar Estate (Yulo Family)	7,000	Laguna
Hacienda Luisita (Cojuangco Family)	6,000+	Tarlac
Escudero Family	4,000	Southern Tagalog
Andres Guanzon	2,945	Pampanga
Reyes Family	2,257	Southern Tagalog
Sanggalang Family	1,600	Southern Tagalog
Uy Family	1,500	Southern Tagalog
Palmares and Co. Inc.	1,027	Iloilo

Source: *Kilusang Magbubukid ng Pilipinas (KMP)*, 2006

and agricultural wage sectors. Instead, the country needs to combine social policy with economic policy with the view of providing productive and full employment to Filipinos. This should take place within a national development strategy that promotes industrial policy and the manufacturing sector since it is here that decent work (in terms of wages and benefits) is promoted. Unfortunately, this strategy seems to have been muted by official policy discourse, which promotes the unrestrained liberalization of markets and trade which has resulted in the demise of domestic industries.<sup>24</sup> This will be discussed at greater length in MDG 8.

To reiterate, for as long as the country does not develop its industrial and manufacturing sector (which includes building a knowledge-based economy), the structure of employment in our country will condemn a significant section of our labor force to low quality jobs that will keep them poor. An additional caveat in this regard—in the era of climate change, policymakers face the added challenge of promoting not just any kind of industrial development that will pollute the environment and leave its carbon footprint resulting in irreversible losses in the environment; it must walk the extra mile in promoting clean industries, clean technologies and green jobs if we are to envision sustainable development.

### There is a need to address social exclusion and discriminatory practices.

The poorest municipalities and provinces must be among the recipients of largest investments in social spending and basic infrastructure. Furthermore, the historic

<sup>20</sup>World Bank Group (2009). *Land Reform, Rural Development and Poverty in the Philippines: Revisiting the Agenda*. Ortigas, Pasig City.

<sup>21</sup>Claessens, et al., 1999.

<sup>22</sup>Malaluan, 2006.

<sup>23</sup>Raquiza, 2007

<sup>24</sup>For example, shoe manufacturing, tires, textile, oil refining, pulp and paper, plastic, chemical, steel, auto parts. (Rene Ofreneo in the Forum Roundtable on the Employment Situation in the Country Today, UP Forum, Vol 11 Issue 2, March-April 2010).

wrongs committed against the indigenous people and the Moro's should be rectified. This includes respecting their right to self-determination.

**There is a need to address the root causes of an explosive population growth within a reproductive rights framework.**

One aspect that must be addressed is the explosive population growth rate of the Philippines (2.04%). The Philippines is now the 7th most populous nation in Asia, and the 12th most populous in the world. This phenomenon has put a great strain on the carrying capacity of our environment, and to the government capacities' and resources to respond to the needs of the people. As importantly, many Filipino families have reported that they are exceeding their desired family size, oftentimes, as the result of poverty, lack of information and a sense of powerlessness. In this regard, there is a need to implement a sexual and reproductive rights program to help families plan for their desired family size and within an integrated approach. More on this will be covered in the discussion on MDG 5.

**Social protection programs should be re-oriented towards a more transformative and strategic orientation. Government can explore building the foundation of a more universal approach.**

As mentioned earlier, social protection measures in the Philippines are largely conceived of as a collection of targeted safety nets or are comprised of as a set of 'projectized, micro-ized' economic activities that have resulted in either providing temporary relief for a limited number of beneficiaries,<sup>25</sup> or at best, poverty reduction at a micro/local level.

This paper argues that the government must focus on addressing the structural causes of poverty (e.g., lack of productive livelihoods/employment, asset reform, increased social spending) and go beyond a social safety net approach in its anti-poverty and social protection

programs. Furthermore, 'project-ized, micro-ized' economic activities, in order to make a significant dent on over-all poverty reduction, need to be scaled-up, professionalized with regards to operations, be more competitive and linked to an over-all national development strategy.

The Philippine government is also urged to explore a broader definition of social protection which includes addressing 'vulnerability associated with being poor' (for which social assistance is needed), vulnerability with the risk of becoming poor (for which social insurance is needed) as well as social injustice arising from structural inequalities and abuse of power (for which social equity is needed).<sup>26</sup> In this context, the provision of socio-economic security should be viewed as a rights-based entitlement of the citizens. Furthermore, poverty eradication measures must take into account the differential impact of poverty on men and women and promote gender equality in all areas.

Apart from the usual problems associated with targeting the 'poorest of the poor' such as inclusion and exclusion errors, as well as the 'stigmatizing' effect of targeting, many anti-poverty programs do not address the needs of other poor and vulnerable groups: the 'new poor' as a result of economic and/or political shocks, and the millions just above the poverty line. In other words there is an added need to provide for a system for those who are not protected by current anti-poverty and social security programs.

Finally, the literature shows that generating political support from the middle classes and the rich for social protection programs is much more secure if they too have access to these programs. On these grounds, this paper urges the Philippine government to explore building the foundation of a universal program that views social protection as rights-based entitlement for all, in order to wipe out the most destitute forms of poverty in the country and ensure a life of dignity for all citizens.

No doubt the challenge of fiscal constraints remains but the starting point in governance should be the rights of citizens to basic entitlements to ensure their well-being, and the responsibility of the State in the fulfillment of these needs.

<sup>25</sup>Ma. Victoria Raquiza, (unpublished), April 2010

<sup>26</sup>Devereux, Sabates-Wheeler 2004

## REFERENCES

**Balisacan, A. M., 2007.**

Why Does Poverty Persist in the Philippines? Facts, Fancies and Policies, SEARCA Agriculture & Development Discussion Series, No. 2007-1, paper presented at the 'Whither the Philippines in the 21st Century? Conference on the Philippines', organized by the Institute of Southeast Asian Studies, Singapore, 13-14 July 2006.

**Bureau of Labor and Employment Statistics, 1997.**

Labor Market Profile in the Philippines. LabStat Updates, Vol.1, No.1, Department of Labor and Employment, Manila.

**Bureau of Labor and Employment Statistics, 2010.**

Employment and Economic Milestones. LabStat Updates, Vol. 14 No.35, Department of Labor and Employment, Manila.

**Caizhen, L., 2009.**

Who is Poor in China? Comparison of Alternative Approaches to Poverty Assessment in Rural China. PhD thesis, Institute of Social Studies, The Hague, Netherlands.

**Chacchi, A., 2010.**

Engendering Social Protection Initiatives. PowerPoint presentation presented during the Southeast Asian Conference on Social Protection and Universalizing Socio-Economic Security held April 6-7, 2010 in Quezon City Philippines.

**Claessens, et al., 1999.****Devereux S. and R. Sabates-Wheeler, 2004.**

Transformative Social Protection. IDS Working Paper No. 232, October (<http://www.ids.ac.uk/ids/bookshop/wp/wp232.pdf>).

**Dejardin, A. K., 2010.**

The Philippine Labor Market in the Aftermath of Another Crisis. Paper submitted for the Policy Coherence Forum 'Overcoming the Jobs Crisis and Shaping an Inclusive Recovery: The Philippines in the Aftermath of the Global Economic Turmoil' 11-12 March, 210, Makati City, Philippines.

**Economic and Social Affairs, 2010.**

Re-thinking Poverty: Report on the World Social Situation 2010. United Nations, New York

**Laderchi, C.R., R. Saith and F. Stewart, 2003.**

Does it Matter that We Do Not Agree on the Definitions of Poverty? A Comparison of Four Approaches. Oxford Development Studies.

**Malaluan, N. A., 2006.**

Dire State of the Nation: The Crisis of Income and Employment in the Philippines, Development Roundtable Series Towards Mutual Understanding and Common Action Papers. Focus on the Global South, Quezon City.

**Manasan, R. G., 2009.**

Reforming Social Protection Policy: Responding to the Global Financial Crisis and Beyond. Discussion Paper Series No. 2009-22, Philippine Institute of Development Studies, Makati.

**Mangahas, M. 2008.**

SWS Monitoring of Self-Rated Deprivation. Paper submitted for the PIDS-NEDA-UNDP Project Comprehensive Documentation and Analysis of Issues on the Official Poverty Estimation Methodology in the Philippines.

**Mkandawire T., 2006.**

Targeting and Universalism in Poverty Reduction. Social protection the role of cash transfers. Poverty in Focus, International Poverty Center. UNDP.

**Reyes, C. M., 2010.**

Philippines Fourth Progress Report on the MDGs. NEDA-UNDP

**Raquiza, Ma. V., 2008.**

Democratizing Poverty Discourse: The Case of the SWS Self-Rated Surveys on Poverty and Hunger. Master's thesis (unpublished), Institute of Social Studies, The Hague, Netherlands.

**Raquiza, Ma. V., 2010.**

Social Protection in the Philippines: In Search of a Strategic and Transformative Perspective. Unpublished, Social Watch Philippines.

**Saith, A., 2005.**

Poverty Lines Versus the Poor: Method Versus Meaning. ISS Working Paper Series No. 420. Institute of Social Studies, The Hague, Netherlands

**Saith, A., 2007.**

Downsizing and Distortion of Poverty in India: The Perverse Power of Official Definitions. *Indian Journal of Human Development* 1(2): 247-281.

**Tendler, J., 2004.**

Why Social Policy is Condemned to a Residual Category of Safety Nets and What to Do About it?. in Thandika Mkandawire (ed.) *Social Policy in a Development Context*. Houndsmill and Geneva: Palgrave and UNRISD, ch. 6, pp. 119-142.

**United Nations, 2010.**

Report on the World Situation entitled 'Rethinking Poverty'.

**World Bank, 2009.**

Philippine Quarterly Update.

**World Bank, 2009.**

Land Reform, Rural Development, and Poverty in the Philippines: Revisiting the Agenda. World Bank Manila. Ortigas, Pasig City.

# Achieving Philippine Sustainable Development Through Millennium Development Goals (MDGs) No. 7

Philharks Que

There are eight international development goals to which 192 UN member countries, including the Philippines, have pledged themselves to achieve by 2015.

These eight MDGs are broken down into quantifiable targets that are measured by indicators which sum up the human needs and basic rights that every individual around the world should be able to enjoy - 1) eradicate extreme poverty and hunger; 2) achieve universal primary education; 3) promote gender equality and empower women; 4) reduce child mortality rates; 5) improve maternal health; 6) combat HIV/AIDS, malaria and other disease epidemics; 7) ensure environmental sustainability; and 8) develop a global partnership for development.

Of the eight, MDG No. 7 puts forth the prescription that existing economic and political structures should lend themselves to the requisites of environmental sustainability, and that old ways must be addressed and alternate strategies ought to be examined where prevailing economic and political structures hinder the achievement of MDG No. 7, which is to ensure environmental sustainability.

MDG No. 7 also seeks to get government policies include sustainable development, reverse the loss of environmental resources and biodiversity, halve the number of people with no access to clean water and sanitation and improve the lives of slum dwellers.

In looking at how the Philippines is progressing in achieving MDG No. 7, some very useful lessons can be learned. Below are some of the strides made as outlined by Undersecretary Demetrio Ignacio of the Department of Environment and Natural Resources during the MDG Congress held last October 18, 2010.

## 1. Current situation

The country's forest cover is now at around 7.4 million hectares or 24.67 percent of the country's total land area of 30 million hectares. Carbon dioxide emission for 2007 per capita is 0.8 metric ton.

Phase-out of chlorofluorocarbons or cfc's was completed on January 1, 2010 through zero cfc importation.

Data from the National Water Resources Board (NWRB) show that the country's total groundwater consumption is 3,381 million cubic meter (mcm)/year, while total surface water consumption is 79,671 mcm/yr.

By the end of 2010, the country will have around 111 proclaimed protected areas covering some 3.5 million hectares out of the total 238 protected areas nationwide. For species threatened with extinction,

there are 221 fauna and 526 flora.

The population using improved drinking water has reached 82.22 million, out of a total of 90.35 million, based on the 2008 population census of National Statistic Office. Per the 2008 census, 68.67 million Filipinos have access to improved sanitation facilities.

For the urban population living in slums, it is estimated that some 3,876,000 households need help to have their own toilets. Further, around 646,000 toilets need to be provided annually to 46,000 barangays to fully meet targets by 2015.

## 2. Progress in meeting targets

Significant progress in meeting targets was posted in increasing the proportion of forest lands with forest cover, based on the master plan for forestry development updated in 2003.

The DENR projected an increase of around 780,000 hectares in forest cover from 2004 to 2015 due to reforestation, the establishment of commercial plantations, and agroforestry within forestlands and alienable and disposable lands.

Forest cover is expected to increase from 7.17 million hectares in 2003 to 7.95 million hectares in 2015. This means a projected increase in the proportion of land area covered by forest from 23.9% to 26.23% in 2015.

The proportion of the population with access to safe water has posted a medium rate of progress. The 2015 target of 87% is within reach.

Proportion of population with access to sanitary toilet facilities had been increasing from 72% in 1991 to 89% in 2008, surpassing already the 2015 target of 86%.

## 3. Strategies for 2010-2015

### Increasing forest cover

To increase the country's forest cover, the government has taken an aggressive tack to entice all sectors, especially the private sector, to participate in forest development initiatives.

The DENR has been firm in putting every hectare of forestland under productive management. Thus, it is prioritizing in 2011 the preparation of forest investment portfolio packages that will provide prospective investors with different project options to engage in.

In addition, strategies to this end have been laid out, namely: develop tree farming to reduce the stress on natural forests; complete the delineation of forestland boundaries; intensify forest protection and

enforce environment and natural resources laws to protect forest resources; and push for the enactment of the sustainable forest management bill and bills fixing permanent forest lines. At the end of 2015, existing forests will be mapped to find out if an increase in forest cover of 1.56%, equivalent to 500,000 hectares has been achieved.

#### **Reducing carbon dioxide emissions**

To clean the air by reducing carbon dioxide emissions, the DENR will intensively promote the conversion to fuel-efficient engines, especially for tricycles. The agency will require installation of closed-circuit television cameras in all testing centers and permanently close non-compliant ones. Violators and the testing centers will be held jointly liable for violations. Further, monitoring of industries and firms with the aid of CCTVs will be pursued.

#### **Reducing ozone depleting substances (ODS) consumption**

The nation's performance in 2007 in reducing consumption of ozone depleting substances, primarily chlorofluorocarbons (CFCs) is really remarkable. A nationwide inventory of the use of hydrochlorofluorocarbons (HCFCs) is on the drawing table, as the government is in the process of preparing project proposals for the phasing-out of HCFCs in three industries, namely : foam; commercial and refrigeration; and domestic refrigeration. The DENR is aiming to reduce by at least 10% the use of HCFCs by the year 2015.

#### **Managing water resources**

Water being a very crucial natural resource, the DENR has provided for a comprehensive water quality management program to effectively manage this resource, as it gives priority to the conduct of both surface and groundwater resources assessment covering 74 provinces until 2015.

For enhanced water resources management right at the source, the DENR is keeping watch and re-examination of the operational management of our five vital reservoirs, namely the Angat, Magat, San Roque, Ambuklao, and Binga dams.

#### **Protection of terrestrial and marine areas**

The DENR has been pushing for the legislative declaration of priority protected areas, establish a network of marine protected areas, intensify the protection of biological resources, and thoroughly assess and evaluate the effectiveness of the protected areas system.

#### **Addressing biodiversity loss**

To address biodiversity loss, establishment of critical habitats and strengthening of the campaign

against illegal wildlife trading has been critical in DENR's efforts in this sector, as it gives preference to the development and rehabilitation of the country's priority protected areas, such as Mt. Apo, Tubbataha Reefs, and Central Cebu, among others.

#### **Improved sanitation facility**

Water is essential to sanitation, and the enactment of the Clean Water Act or Republic Act (RA) 9275 is a milestone in the water and sanitation sector. The Clean Water Act aims not only to protect bodies of water from being polluted, but also mandates urban communities to be connected to a sewerage system within a period of five years.

#### **Reducing slum dwelling**

The Residential Free Patent Act (RA 10023) mandates the DENR to distribute residential free patents in urban areas. This highly supports efforts to improve the lives of people in slum areas. It is currently processing applications for the issuance of free patents, in conjunction with various government shelter agencies like the National Housing Authority.

### **4. Programs and budget for 2011-2015**

For MDG No.7, the total budget requirement is P177 billion, the breakdown by target and indicator is as follows:

<b>GOAL / TARGET</b>	<b>INDICATOR</b>	<b>BUDGET (P Million)</b>
7	Ensure Environmental Sustainability	P 177, 000
7.A	Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources	
	7.1 Proportion of forestland under forest cover	19,190
	7.2 CO2 emissions	352
	7.3 Ozone Depleting Substances (ODS) consumption	139
	7.4	
	7.5 Proportion of total water resources used	54
	7.6 Proportion of terrestrial and marine areas protected	1,511

	7.7 Proportion of species threatened with extinction	11,706
7.B	Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss	
7.C	Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation	
	7.8 Proportion of population using improved drinking water source	31,206
	7.9 Proportion of population using improved sanitation Facility	43,800
7.D	By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	69,000

DENR press releases and other news/feature articles are posted at the DENR website: [www.denr.gov.ph](http://www.denr.gov.ph).  
For queries/comments, write: [pao@denr.gov.ph](mailto:pao@denr.gov.ph)



# POLICY STUDY ON THE NATIONAL AND LOCAL GOVERNMENT EXPENDITURES FOR MILLENNIUM DEVELOPMENT GOALS, 2000-2005

Rosario G. Manasan

## INTRODUCTION

In September 2000, member states of the United Nations gathered at the Millennium Summit and adopted the Millennium Declaration which affirmed their commitment to the Millennium Development Goals (MDGs). The MDGs and the more specific targets pertaining to them are as follows:

- Goal 1:** Eradicate extreme poverty and hunger
- Halve the proportion of population living
    - o below the food threshold between 1990 and 2015
    - o below the overall poverty threshold between 1990 and 2015
  - Halve the proportion of households with per capita intake below 100% of the dietary energy requirement between 1990 and 2015
  - Halve the prevalence of malnutrition among 0-5 year old children between 1990 and 2015
- Goal 2:** Achieve universal primary education
- Achieve 100% participation rate by 2015
  - Achieve 84.7% cohort survival rate at the elementary level by 2015
- Goal 3:** Promote gender equality and empower women
- Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015
- Goal 4:** Reduce child mortality
- Reduce by two-thirds the infant mortality rate by 2015
  - Reduce by two-thirds the under-5 mortality rate by 2015
- Goal 5:** Improve maternal health
- Reduce the maternal mortality rate by three-quarters by 2015
  - Increase the prevalence of couples practicing responsible parenthood to 70% by 2015

- Goal 6:** Combat HIV/AIDS, malaria and other diseases
- Maintain prevalence of HIV/AIDS at less than 1 up to 2015
  - Reduce malaria morbidity rate from 123 per 100,000 population in 1990 to 24 per 100,000 in 2015
- Goal 7:** Ensure environmental sustainability
- Increase the proportion of households with access to safe drinking water from 73.7% in 1990 to 86.8% in 2015
  - Increase the proportion of households with access to sanitary toilet facilities from 67.6% to 83.8% in 2015
- Goal 8:** Develop a global partnership for development
- Develop further an open, rules-based, predictable, non-discriminatory trading and financial system, including a commitment to good governance
  - Deal comprehensively with debt problems of developing countries through national and international measures in order to make debts sustainable in the long-term

**Table 1** summarizes the average rate of progress towards the achievement of the MDGs to date (1990-2005/6) and compares it with the rate of progress that is required in 2005/6-2015 if the MDG targets are to be met. It indicates that maintaining the current rate of progress is sufficient to bring about the achievement of the MDGs for the reduction of poverty incidence,<sup>1</sup> the reduction of the infant mortality rate and the under-5 mortality rate, the reduction in HIV/AIDS prevalence, and the increase in access to sanitary toilet facilities. In contrast, the rate of progress required to meet the MDG targets with respect to the under-5 malnutrition rate, the per capita dietary energy intake requirement, malaria morbidity, access to safe drinking water, the elementary participation rate, the elementary cohort survival rate, gender equality in education, the maternal mortality rate and the contraceptive prevalence rate are all higher than the actual rate of progress to date.<sup>2</sup> In other words, the country has to do

<sup>1</sup> The 2015 target for subsistence poverty has already been reached in 2003.

<sup>2</sup> The Philippines Midterm Progress Report on the MDGs (2007), however, note that gap between the required rate of progress and the actual rate of progress to date with respect to the first four of these targets are not so large such that the 2015 targets for these indicators are still likely to be met.

better than its historical performance in certain aspects of all of the seven quantifiable goals, namely: Goal 1 (poverty and hunger), Goal 2 (education), Goal 3 (gender equality), Goal 5 (maternal health), Goal 6 (control of communicable diseases), and Goal 7 (environmental sustainability).

Given this perspective, it is critical that the Philippines exercises greater vigilance and exerts increased effort in addressing the requirements of achieving the MDGs. This study aims to support this initiative by tracking and analyzing the trend in MDG expenditures of both the central and local governments.

Specifically, the study aims to:

- Analyze trends on MDG expenditures of the

national and local governments, including official development assistance (ODA) commitments for the period 2000-2005

- Relate the trends in MDG expenditures with human development outcomes and related outputs/ services
- Recommend policy actions on how to
  - increase government revenues in the aggregate
  - increase (expand) the allocation of resources for MDG related programs and projects by improving both intersectoral and intrasectoral allocation, and
  - increase (enhance) the efficiency and effectiveness of the delivery of MDG-related programs.

**Table 1. Philippines MDG Rate of Progress at the National Level**

MDG Goals and Targets	Baseline (1990 or year closest to 1990)	current level (2005/2006 or year closest to 2005/2006)	Target by 2015	Average Rate of Progress (1990-2005/06 or year closest to 2005/06)	Required Rate of Progress (2005/2006- 2015)	Ratio of Required Rate to Average Rate to Targets (l = b/a)	Probability of Attaining the Targets
<b>Eradicate extreme poverty and hunger</b>							
A. Proportion of families below Subsistence threshold <sup>a/</sup>	20.40	10.20 (2003)	10.20	-0.85	0.00	0.00	High
Poverty threshold <sup>a/</sup>	39.90	24.40 (2003)	19.95	-1.29	-0.37	0.29	High
B. Proportion of population below Subsistence threshold <sup>a/</sup>	24.30	13.50 (2003)	12.15	-0.90	-0.11	0.13	High
Poverty threshold <sup>a/</sup>	45.30	30.00 (2003)	22.65	-1.28	-0.61	0.48	High
Prevalence of malnutrition among 0-5 year-old children (%underweight) - Based on international reference standards <sup>b/</sup>	34.50	24.60 (2005)	17.25	-0.66	-0.74	1.11	High
Proportion of households with per capita intake below 100 percent dietary energy requirement <sup>b/</sup>	69.40	56.90 (2003)	34.70	-1.25	-1.85	1.48	High
<b>Achieve universal primary education</b>							
Elementary participation rate <sup>a/</sup>	85.10 <sup>c/</sup>	84.44 <sup>e/</sup> (2005-06)	100.00	-0.05	1.37	28.98	Low
Elementary cohort survival rate	68.65 <sup>c/</sup>	69.90 <sup>e/</sup> (2005-06)	84.67 <sup>h/</sup>	0.09	1.48	16.54	Low
Elementary completion rate	66.50 <sup>c/</sup>	67.99 <sup>e/</sup> (2005-06)	81.04 <sup>h/</sup>	0.11	1.30	12.26	Low
<b>Improve maternal health</b>							
Maternal mortality ratio	209.00 <sup>a/</sup>	162.00 <sup>f/</sup> (2006)	52.20	-3.62	-12.20	3.37	Low
<b>Increase access to reproductive health services</b>							
Prevalence rate of men and women/couples practicing responsible parenthood	40.00 <sup>a/</sup>	50.60 <sup>f/</sup> (2006)	80.00	0.82	3.27	4.01	Low
<b>Reduce child mortality</b>							
Under 5-mortality rate (per 1,000 live births)	80.00 <sup>a/</sup>	32.00 <sup>f/</sup> (2006)	26.70	-3.00	-0.59	0.20	High
Infant mortality rate (per 1,000 live births)	57.00 <sup>a/</sup>	24.00 <sup>f/</sup> (2006)	19.00	-2.06	-0.56	0.27	High
<b>Combat HIV and AIDS, Malaria and other Diseases</b>							
HIV prevalence	<1%	<1% (2005)	<1% <sup>g/</sup>	0.00	0.00	0.00	High
Malaria morbidity rate (per 100,000 population) <sup>h/</sup>	123.00	59.00 (2004)	24.00 <sup>g/</sup>	-4.57	-5.83	1.28	High
<b>Ensure environmental sustainability</b>							
Proportion of households with access to safe drinking water	73.70 <sup>g/</sup>	80.20 (2004) <sup>f/</sup>	86.80 <sup>g/</sup>	0.50	0.60	1.20	High
Proportion of households with sanitary toilet facility	67.60 <sup>g/</sup>	86.20 (2004) <sup>f/</sup>	83.80	1.33	-0.22	0.17	High

Rate needed to reach target/current rate of progress <1.5 High; 1.5 to 2.0 Medium; >2.0 Low Sources:

a/ TC on Poverty Statistics (former TWG on Income Statistics, NSCB); b/ National Nutrition Survey (NNS), FNRI; c/ DECS Statistical Bulletin SY 1991-1992; d/ DepEd-Basic Education Information System (BEIS); e/ 1993 National Demographic Survey, NSO; f/ 2006 Family Planning Survey, NSO; g/ National Demographic and Health Survey (NDHS), NSO; h/ Field Health Service Information System-DOH; i/ 1990 Census of Population and Housing, NSO; j/ Annual Poverty Indicator Survey, NSO; k/ Target in the Philippine EFA 2015 Plan; l/ Target by 2010 based on the MTPDP, 2004-2010.

\* Beginning SY 2002-2003, participation rate was derived based on the age group consisting of 6-11 years old for elementary and 12-15 years old for secondary whereas the previous system used 7-12 and 13-16 years old for elementary and secondary, respectively.

Without adequate funding support, the achievement of the MDGs, particularly those goals where the Philippines is lagging behind, may not be likely. It cannot be denied that financing does not automatically translate into outcomes. However, while financing may not be a sufficient condition, it is to a large extent a necessary condition for the attainment of the MDGs. In this sense, securing government's commitment to provide adequate budgetary support for the MDGs may be seen as an important first step towards the attainment of the Goals.

## 2. APPROACH AND METHODOLOGY

### 2.1. What expenditure items constitute MDG expenditures?

The answer to this question depends largely on the types of interventions that are key to the achievement of the MDGs. Because the achievement of Goals 2-7 involves the delivery of basic social services (or human development priorities such as early childcare, basic education, social welfare/ assistance, low cost water and sanitation, and primary health care including reproductive health and prevention/ treatment of communicable diseases), the link between these goals and public spending on these services is unambiguous. Moreover, it is argued that the public sector has an important role to play in the provision of these services. This is so because basic social services are associated with strong positive externalities. Thus, not only does the private sector tend to underprovide these services, society at large benefits from the expanded coverage and improved quality of basic social services.

In contrast, the link between public spending and poverty reduction (Goal 1) is not as clear cut. For instance, one can argue that the entire budget is supportive of Goal 1, given that poverty reduction is the over-arching goal of the Medium Term Philippine Development Plan (MTPDP). However, such an approach may not be instructive in terms of trying to focus attention on expenditures which are more supportive of MDGs than others.

In this regard, the poverty reduction framework presented in the 2000 World Development Report (WB 2000) is helpful in clarifying the link between public spending and poverty reduction (Box 1). This report suggests that public spending policy plays a critical role in poverty reduction in terms of improving the poor's access to human capital (by improving access to basic social services), assets, and physical infrastructure as well as social safety nets.

#### Box 1. Framework for Attacking Poverty

The 2000 World Development Report (WDR) suggests that a successful and comprehensive strategy to fight poverty consists of three elements: (i) promoting economic opportunities for, (ii) facilitating the empowerment of, and (iii) enhancing the security of the

poor (WB 2000).

*Economic growth and poverty reduction.* The relationship between economic growth and poverty reduction is well documented. Accelerating economic growth creates more opportunities for the population, in general, including the poor. International cross-country comparison indicates that every additional percentage point increase in average household consumption reduces the incidence of poverty by about 2% (WB 2000).

The 2000 WDR suggests that sound macroeconomic management (i.e., fiscal and monetary discipline) and market-friendly reforms (e.g., openness to international trade and direct foreign investment, well-developed and judiciously regulated financial markets, privatization of state enterprises, industry deregulation and increased competition in the market place) promote sustained economic growth. However, it also emphasizes that the impact of economic growth on the incomes of poor people is uneven. There is evidence that "for a given rate of growth, the extent of poverty reduction depends on how the distribution of income changes with growth and on initial inequalities in income, assets, and access to opportunities that allow poor people to share in growth."

The report also underscores the importance of designing and implementing reforms in a way that takes into account local conditions and the likely impact of the reforms on the poor. It calls attention to the need for policies that will ease the costs that reforms may impose on poor people. These policies include complementary reforms at the micro level, e.g., regulations that affect SMEs' cost of doing business, labor standards, and microfinance programs.

*Enhancing the poor's capacity to capture benefits of economic growth.* The 2000 WDR also highlights the need for policies and programs that expand the opportunities of the poor to participate in economic growth.

These include policies and programs that improve the poor's access not only to basic social services but also their access to assets (including land), infrastructure and other productive inputs. In particular, the report points to the need for infrastructure investments to address the physical isolation of the poor and enhance their ability to access markets.

Access (or the lack of it) to basic social services are central to their ability to accumulate human capital and to break away from the cycle of poverty (World Bank 1992). Access to basic education, health and water supply and sanitation is both a cause and an outcome of poverty. On the one hand, the provision of basic education, health and water and sanitation services improves the immediate well-being of poor people. As such, it has a direct and immediate effect in reducing non-income poverty. On the other hand, improved access to quality basic social services enhances the capabilities of poor people to earn income by building up their skills and improving their health status.

### Continuation of Box 1

The case for the involvement of the public sector in expanding the access of the poor to basic social services and assets is premised on the fact that (i) markets do not work well for poor people because of market failure, especially in the financial, health and insurance markets, and (ii) government action is needed to reduce initial inequalities and increase the opportunities for poor people to benefit from growth.

Safety nets. Finally, the 2000 WDR points out the need for policies and programs that will reduce vulnerability of poor people to ill health, economic shocks, policy-induced dislocations, natural disasters and violence, and to help them cope with adverse shocks when they do occur. In this regard, programs of well-targeted transfers and safety nets to vulnerable groups and areas are called for.

Given this perspective, it is now clear that public spending policy plays a critical role in poverty reduction in terms of improving the poor's access to human and physical capital and assets as well as social safety nets. As such, government spending on basic social services for the poor,<sup>1/</sup> basic infrastructure, asset redistribution, and social safety nets may be viewed as forming part of government spending in the pursuit of poverty reduction.

Related to this, the Edillon (2006) study on the factors that contribute to making economic growth more pro-poor in the Philippines indicates that asset distribution (i.e., land reform) and investments in infrastructure (roads and electrification, in particular) are significant determinants of poverty reduction in the Philippines. More importantly, her study shows that the preferential distribution of the same investments in favor of lagging regions contributes to making growth more pro-poor. In particular, her simulations show that the poverty reduction targets will be met if the paved road

density in all provinces increases to at least thrice the 2001 national average by 2015, if all barangays have access to electricity by 2010, and if the land redistribution program under the Comprehensive Agrarian Reform Program (CARP) is fully implemented.

<sup>1/</sup> In this framework, government spending on basic social services contributes directly to the achievement of Goals 2-7 and indirectly to the attainment of Goal 1.

Components of MDG expenditures. Figure 1 provides a typology of public expenditure categorized in relation to their importance in human development and poverty alleviation. The columns classify expenditures to reflect their sectoral concerns: (1) social services, (2) income enhancement/economic services, and (3) support services, including general administration and peace and order. On the other hand, the rows classify expenditures in accordance to the development objectives that they are meant to address. Thus, the first row, "general expenditure," refers to a broad range of development objectives that are not specifically targeted to human development priorities and poverty alleviation. In contrast, the second row, "human development priorities and poverty alleviation," does precisely the opposite.

In this framework, public spending on the MDGs would consist of expenditures on human development priorities or basic social services (including basic shelter),<sup>3</sup> pro-poor infrastructure, land re-distribution, income enhancement measures (including livelihood projects), and social safety nets (including subsidies and cash or in-kind transfers to the poor). In turn, basic social services consist of basic health (including and reproductive health), basic education (including early childhood, elementary, secondary, literacy, and life skill education), low-cost water supply and sanitation, nutrition support, and social welfare and development services.

Figure 1. Types of Development Expenditure <sup>a/</sup>

	Social Services	Economic Services/ Income Enhancement	Supporting Activities
<b>GENERAL EXPENDITURES</b>	<ul style="list-style-type: none"> <li>• Most specialized health services and units</li> <li>• Tertiary, vocational, education</li> <li>• High-cost urban WATSAN</li> </ul>	<ul style="list-style-type: none"> <li>• General economic support for production and incomes (i.e., Economic infrastructure)</li> <li>• Untargeted subsidies</li> </ul>	<ul style="list-style-type: none"> <li>• General institutional reforms</li> <li>• Defense</li> <li>• Domestic security</li> <li>• Debt servicing</li> <li>• Culture</li> </ul>

<sup>3</sup> The inclusion of shelter in basic social services or in poverty alleviation programs is a matter of debate. The World Summit for Social Development (WSSD) Program for Action suggests the addition of shelter and employment as part of basic human needs. However, the role of governments in the provision of housing is less direct (i.e., more in the nature of providing an enabling environment rather than in providing direct budgetary support) than in the case of other basic social services and many analysts have argued that shelter should not be part of human development priorities or 20/20 expenditures (UNDP 1996). Nonetheless, for the purposes of this study, we have decided to include the government expenditures on pro-poor housing (specifically those related to the community mortgage program and the resettlement of informal settlers) as part of government spending on basic social services.

<b>HUMAN DEVELOPMENT EXPENDITURES AND POVERTY ALLEVIATION</b>	<p style="text-align: center;"><b>HUMAN DEVELOPMENT PRIORITIES: 20/20</b></p> <ul style="list-style-type: none"> <li>• Basic health care (basic preventive and curative care)</li> <li>• Reproductive health and family planning</li> <li>• Basic education (incl. preschool, elementary, secondary, literacy, life skills training)</li> <li>• Low-cost water supply and sanitation</li> <li>• Nutrition support (incl. community-based approaches, micro-nutrients)</li> <li>• Social welfare (incl. social safety nets)</li> <li>• Basic shelter</li> </ul>	<ul style="list-style-type: none"> <li>• Targeted income enhancement measures (incl. livelihood projects)</li> <li>• Pro-poor infrastructure</li> <li>• Land re-distribution (CARP)</li> </ul>	<ul style="list-style-type: none"> <li>• Information services</li> <li>• Environment and sustainable development</li> </ul>
---	--	--	---

*a/ adapted from Parker and Jespersen 1994*

This manner of identifying the components of government expenditures for the MDGs clearly indicates that public spending on human development priorities (or what has come to be known as the 20/20 expenditures after the UNDP's 20/20 initiative<sup>4</sup>) is at the core of the public spending on the MDGs. In this sense, tracking public expenditures on MDGs involves monitoring "20/20 Plus": i.e., public expenditures on basic social services plus public expenditures on pro-poor infrastructure, land re-distribution, and targeted income enhancement measures.

Some caveats. The efficacy of public expenditure policy in supporting the attainment of the MDGs depends on three important factors (Bird, Litvack and Rao 1995). First, how much is spent on MDG programs? Second, where is it spent? That is, to what extent are these expenditures directed to regions and provinces which are lagging behind in terms of the MDG targets? Third, how well is it spent? That is, to what extent are policies implemented so that the intended benefits and outcomes are attained?

On the one hand, governments have to ensure that the size and the composition of the public expenditure program are geared towards the provision of the basic social services and pro-poor infrastructure and investments. Although it cannot be denied that the

government's expenditure program has a direct effect on human development outcomes, increased government spending on basic social services is not a guarantee for improvements in the well-being of the population, in general, and poor people, particular. Non-budgetary policies, including the governance framework that defines how government resources are spent, are just as important as the amount of budgetary support. The same is true of the targeting mechanisms employed to implement income enhancement measures and social safety net measures for the poor.

In sum, public expenditure programs are but a part of a good strategy to achieve the MDGs. Public spending programs, even if well targeted and cost-effective, are no substitute for efforts to align the broad stance of economic policy to the needs of the poor. Thus, "attacking poverty is not primarily a task for narrowly focused anti-poverty projects, vital though these may be. It is a task for economic policy at large" (World Bank 1990).

Finally, in allocating resources to MDG-related programs and activities, it is important to remember that basic social services are characterized by strong complementarities. That is, the impact and effectiveness of each basic social service component is enhanced by the availability of other basic social services (UNDP 1996).

<sup>4</sup> The 1994 Human Development Report (UNDP 1994) proposed the 20/20 compact as a means of obtaining steady, certain and sufficient levels of financing for basic social needs of every human being. The initiative exhorts national governments and international donors to allocate 20% of their budgets on human priority expenditures in order to help nations achieve decent levels of human development. It argues that expenditure targets are important in protecting priority expenditure programs against disproportionate spending cuts during periods of fiscal contraction. The targets also serve to signal a firm commitment to social development and to encourage realistic planning and cost-effective use of allocated resources.

## 2.2. Tracking Public Expenditures on the MDGs: “20/20” and “20/20 Plus” Expenditures

The 1991 Human Development Report (UNDP 1991) provides a framework for assessing governance based on improvements in human development indicators over time and based on how adequately governments have supported human development programs and concerns financially. The government expenditure indicators suggested under this framework can be extended to apply to MDG – related expenditures.

*Expenditure indicators.* The following indicators may be used to help governments design and monitor expenditure programs that are highly focused on the attainment of human development objectives:

- *Public expenditure ratio* – the proportion of GDP that goes into the overall government expenditure program;
- *Social allocation ratio* – the proportion of government expenditures set aside for social services;
- *Social priority ratio* – the proportion of government social sector spending allocated for human priority concerns;
- *Human development expenditure ratio* – the proportion of GDP earmarked for human priority concerns;<sup>5</sup> and
- *Human development priority ratio* - the proportion of total government expenditure that is allocated to human development priorities.<sup>6</sup>

These indicators are helpful in decomposing the trend in government spending on human priority concerns. As such, they naturally suggest changes in policies that are needed in order to increase the amount of resources available for human development priorities and the attainment of the MDGs.

Over and above the expenditure ratios proposed in the 20/20 compact, the present study also tracks per capita public sector expenditures on the basic social sectors and on other MDG-related interventions. This is made in view of the usefulness of said indicator in measuring the overall adequacy of government spending and serving as a proxy for the amount of the amount of resources available to fund service levels relative to some benchmark year.

MDG spending of the national government and local government units (LGUs) are analyzed not just in the aggregate but also in a more detailed fashion. To the extent possible given data availability, the study also analyzes the expenditures made by the members of Congress using

their allocations under the Priority Development Assistance Fund (PDAF).

## 2.3. Data Sources

The study made use of data on the spending of both the central government and the LGUs that are channeled to the MDGs. In the Philippines, government spending can be reckoned in several ways. Appropriations refer to the expenditure levels authorized by Congress under the General Appropriations Act (GAA) or other legislation. On the other hand, allotment refers to the authority to obligate (or authority to assume contractual obligations) that is released to implementing units by the Department of Budget and Management (DBM) in the case of national government agencies or the Local Budget Officer in the case of LGUs. The allotment advice is given in the form of an Allotment Release Order (ARO). The issuance of the ARO effectively limits what the various government agencies can spend given the appropriations provided them by Congress.

Lastly, obligations refer to the amount of liabilities that are legally incurred and committed to be paid for by government either immediately or in the future. Obligations are incurred when the government agencies enter into a legally binding contract for the supply of goods and services with suppliers, contractors or employees.

From the perspective of tracking government spending on the MDGs, information on government spending categorized according to the functional and sub-functional classification is important because they capture the policy purposes for which expenditures are allocated. Moreover, in order to monitor government spending on the MDGs, such functional classification would have to be at a fairly disaggregated level in order for one to be able to distinguish basic from non-basic social services, for instance.

At the minimum, government expenditure data would have to be dis-aggregated at the level of the programs, activities and projects (PAPs).

Unfortunately, the DBM’s Budget of Expenditure and Sources of Financing or BESF (which is the main source of public finance documentation in the Philippines) and the Commission on Audit’s (COA’s) Annual Financial Report do not follow the GAA’s budget classification structure (i.e., according to programs, activities and projects or PAPs). While the BESF reports on details of budget execution on the basis of expenditure obligations, disaggregated according to the sectoral distribution of public expenditures (i.e., similar to the functional classification), it does so by classifying administrative or implementing units according to sectors and by tracking expenditures of these units.

However, the BESF does not report budget execution

<sup>5</sup> *The human expenditure ratio is a product of the first three ratios, i.e.,: (1) the public expenditure ratio, (2) the social allocation ratio and (3) the social priority ratio. The 1991 HDR noted that the human expenditure ratio may need to be in the vicinity of 5% if a country wishes to perform well in terms of human development. Various combinations of values for the public expenditure ratio, the social allocation ratio and the social priority ratio will yield the targeted human expenditure ratio. However, the report pointed out that “a preferred option is to keep the public expenditure ratio moderate (around 25%), allocate much of this to the social sectors (more than 40%), and focus on human priority areas (giving them more than 50% of total social sector expenditures).”*

<sup>6</sup> *In this paper, “basic social services,” “human development priority concerns” and “20/20 items” are used interchangeably.*

by PAPs (which is the basic structure of appropriations as found in the GAA). Neither does it include data on actual cash payments/disbursements. On the other hand, while the COA reports contain information on cash disbursements, they document budget execution according to the economic classification of expenditures (i.e., personal services, maintenance and other operating expenditures, and capital outlays) rather than according to PAPs.

Fortunately, government spending information on an obligation basis at the level of PAPs is available from the Statement of Appropriations, Allotments, Obligations and Balances (SAAOB) that individual government agencies prepare. While the SAAOBs are available for all national government agencies, they are not compiled by a single agency.

On the other hand, the COA compiles and consolidates the SAAOBs of LGUs, providing spending information at a fairly dis-aggregated level up to 2003. However, starting 2002, sectoral spending information from LGUs, on a more limited scale, became available from the Bureau of Local Government Finance (BLGF).

Because of these data constraints, this study makes use of government spending information on an obligations basis. On the one hand, data on LGU expenditures were obtained from the Commission on Audit (COA) and from the Bureau of Local Government Finance (BLGF). On the other hand, information on the MDG spending of national government agencies was obtained from the Statement of Appropriations, Allotments, Obligations and Balances of the relevant agencies.

In particular, all the PAPs of the Department of Education (DepEd) were counted as part of spending on basic social services or 20/20, including:

- Operation of public elementary and secondary schools,
- Purchase of textbooks, desks and instructional materials,
- Repair, maintenance and construction of school buildings, and
- Implementation of alternative learning systems/ programs<sup>7</sup>.

In like manner, all of the PAPs of the Department of Social Welfare and Development (DSWD) were included as part of basic social services. They are reported below as “social welfare and development services” and represent a mixed bag of social services that include:

- Early childhood care and development services,
- Food-for-school program,
- Self-employment assistance,
- Calamity relief operations and assistance to victims of disasters,
- Maintenance and operation of centers for neglected,

- abandoned, abused children and women,
- Assistance to distressed and disadvantage population, and
- Comprehensive and integrated delivery of social services (CIDSS).

On the other hand, the following PAPs of the Department of Health (DOH) were included under basic social services:

- Disease prevention and control, including control of communicable and noncommunicable diseases,
- Family health and primary health care,
- Family health nutrition and welfare, including family planning and reproductive health,
- Environmental and occupational health care,
- Artificial and natural family planning,
- Epidemiology and disease surveillance,
- Health promotion,
- Health regulations, and
- Local health systems technical assistance, including provision of logistic support.

In addition to these PAPs in the DOH budget, government subsidy for the premiums of poor households to the indigent program of the PhilHealth was also counted as part of MDG spending on health.

In this study, government spending on basic water and sanitation services refers to allocations for level 1 and level 2 water supply and sanitation projects that are made on account of the Department of Public Works and Highways (DPWH), the Agrarian Reform Fund (ARF), the Local Government Empowerment Fund (LGEF), and the Municipal Development Fund (MDF).

Also counted as part of government spending on basic social services are allocations for pro-poor housing including:

- community mortgage program,
- resettlement of informal settlers, and
- socialized housing.

In this study, government spending on pro-poor infrastructure refers to:

- Allocations for roads and bridges in the DPWH budget, and
- Allocations on farm-to-market roads in the budgets of the Department of Agriculture (DA), Department of Agrarian Reform (DAR), the Agriculture and Fisheries Modernization Fund (AFMA), the ARF, and the LGEF.

Meanwhile, the PAPs included under “targeted income/ employment enhancement measures are:

<sup>7</sup> The DepEd’s implementation of alternative learning systems includes both informal and non-formal education.

- Food-for-Work Program of the Department of Interior and Local Government (DILG),
- Targeted employment enhancement programs of the Department of Labor and Employment (DOLE), and
- All of the PAPs of DAR outside of land redistribution.

It should be stressed that ODA funds, because they are appropriated, are taken into account when one examines national and local government spending as authorized by the General Appropriations Act (GAA) and local appropriations ordinances.

### 3. SIZE AND COMPOSITION OF MDG EXPENDITURES

The Philippines has had to contend with fiscal instability in the years following the Asian financial crisis. This situation effectively restricted the flow of resources aimed at meeting the MDGs at both the central and local government level between 1998/1999 and 2005 before posting a mild turnaround in 2006. It should be emphasized that while MDG spending has recovered somewhat in 2006 following the improvement in government's revenue performance, the 2006 spending level is still lower than the precrisis level.

#### 3.1. Central Government Expenditures

The national government's fiscal position deteriorated sharply from a small surplus of 0.3% of GDP in 1997 to a deficit of 5.6% of GDP in 2002, following a severe decline in its tax effort during the period (Table 2). Although some fiscal consolidation is evident in 2003-2006, the improvement in the national government's fiscal position, particularly in 2003-2005, was largely due to expenditure constriction rather than from a turnaround in tax effort. Moreover, since debt service levels were rigid and remained at fairly high

levels, the expenditure adjustment came at the expense of productive expenditures (i.e., total expenditure less debt service). Also, the size of the national government's debt stock and debt service continues to be a major cause of concern.

It is noteworthy that total revenues of the central government rose from 14.4% of GDP in 2004 to 16.1% of GDP in 2006. The recovery of the revenue effort of the central government was primarily due to the increase in the excise tax rate on sin products in 2005 and the increase in the VAT rate from 10% to 12% in 2006.

Aggregate NG spending. On an obligation basis, the central government expenditure ratio (or the ratio of total central government spending to GDP) was fairly stable at 19%-20% of GDP in 1990-2000. This ratio exhibited a well-defined downtrend starting in 2001, reaching a low of 17.3% in 2006 as the national government doggedly pursued its goal to balance the budget even before progress has been achieved on the revenue side (Table 3). At the same time, a high initial debt stock and large fiscal deficits during the period led to a rise in the debt service from 3.2% of GDP in 1997 to 5.5% of GDP in 2005. Consequently, total national government expenditures net of debt service contracted from 17.1% of GDP in 1997 to 11.9% of GDP in 2005 and 2006.

It is therefore not surprising that the growth in the budgets of many government agencies was near-zero, if not negative, in 2001-2005. Thus, when measured relative to GDP, national government spending on all sectors with the exception of debt service shrank in 1998-2005 (Table 3). In particular, national government spending on all the social sectors combined went down by 2 percentage points of GDP from 5.4% of GDP in 1997 to 3.1% in 2005. This is approximately equivalent to the reduction suffered by all the economic sectors as a group.

In terms of the rate of increase in the budget, however, social sector spending was relatively more secured than government spending on the economic sectors. In contrast, budgetary support for public administration, national defense and peace and order was even more protected than that for the social sectors.

**Table 2. National Government Fiscal Position (Cash Basis) as a Percent of GDP, 1990-2006**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total revenues	16.8	17.7	18.0	17.7	19.9	19.0	18.9	19.4	17.4	16.1	15.3	15.5	14.6	14.6	14.4	14.8	16.1
of w/c:																	
Tax revenues	14.1	14.6	15.4	15.6	16.0	16.3	16.9	17.0	15.6	14.5	13.7	13.5	12.8	12.5	12.3	12.7	14.0
Total expenditures	20.2	19.8	19.1	19.1	18.9	18.4	18.6	19.4	19.2	19.8	19.3	19.6	20.2	19.2	18.2	17.5	17.1
of w/c:																	
Interest payments	6.6	6.0	5.9	5.2	4.7	3.8	3.5	3.2	3.7	3.6	4.2	4.8	4.8	5.2	5.4	5.5	5.1
Surplus/ (deficit)	-3.5	-2.1	-1.2	-1.5	1.0	0.6	0.3	0.1	-1.9	-3.8	-4.0	-4.0	-5.6	-4.6	-3.8	-2.7	-1.0
Total expenditures net of debt service	13.6	13.8	13.3	14.0	14.2	14.6	15.1	16.2	15.5	16.3	15.1	14.8	15.5	13.9	12.9	11.9	11.9

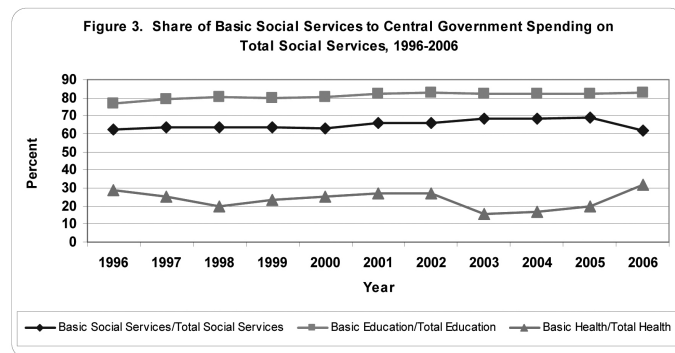


**Table 3. National Government Expenditures (Obligation Basis) as a Percent of GDP, 1990-2006**

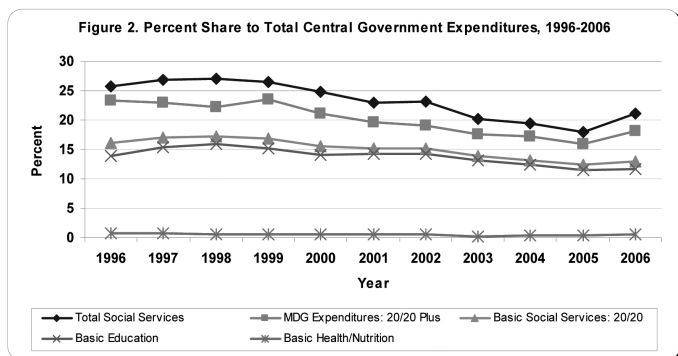
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total NG expenditures	20.5	19.8	19.0	18.8	19.4	19.5	19.2	20.3	20.2	19.5	20.3	19.5	19.1	19.1	17.8	17.4	17.3
Total economic services of w/c infrastructure	4.8	5.2	3.9	3.6	4.3	4.4	3.9	4.5	3.8	3.6	3.8	3.2	2.6	2.7	2.5	2.2	2.7
Social services	4.2	4.0	3.9	3.6	3.7	4.4	4.9	5.4	5.5	5.2	5.0	4.5	4.4	3.9	3.4	3.1	3.6
Education of w/c DepEd	3.1	2.6	2.8	2.6	2.7	3.2	3.4	3.9	4.0	3.7	3.5	3.4	3.3	3.0	2.7	2.4	2.4
Health of w/c DOH	0.7	0.7	0.7	0.5	0.5	0.4	0.5	0.6	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3
National defense	1.2	1.2	1.1	1.2	1.2	1.3	1.2	1.2	1.2	1.1	1.1	1.0	1.0	1.3	1.1	1.1	0.9
Public administration	1.3	1.3	1.6	1.5	1.6	1.5	1.6	1.6	1.6	1.2	1.3	1.3	1.2	1.1	1.0	1.3	1.1
Peace & order	1.2	1.1	1.1	1.1	1.1	1.2	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.2	1.1
Debt service	6.6	6.0	5.9	5.2	4.7	3.8	3.5	3.2	3.7	3.6	4.2	4.8	4.8	5.2	5.4	5.5	5.1
Others	1.2	1.0	1.5	2.6	2.8	2.9	2.7	2.9	3.0	3.4	3.6	3.3	3.6	3.5	3.0	2.9	2.9
Total NG expd net of debt service	13.9	13.8	13.1	13.5	14.7	15.7	15.6	17.1	16.4	15.9	16.1	14.7	14.3	13.9	12.4	11.9	12.2

Despite numerous government policy pronouncements in favor of the social sectors, the social services sectors in the aggregate failed to maintain their share in the total budget of the central government. This is largely attributable to the rigidities in the budget brought about by high debt service commitments and the mandated IRA transfers to LGUs. Thus, the share of all the social sectors combined in central government expenditures (i.e., the central government social allocation ratio) declined from 27% in 1998 to 18% in 2005 before increasing to 21% in 2006 (Figure 2). Moreover, real per capita spending on all the social services sectors as group (in 2000 prices) went down by about 5% yearly from PhP 2334 in 1997 to PhP 1528 in 2005 and PhP 1,827 in 2006.

under study. To wit, the central government social priority ratio (i.e., the share of human development priorities in total central government social sector spending) improved from 63% in 1996 to 69% in 2005 (Figure 3).



On the whole, the movement in the social allocation ratio dominated the opposing trend in the social priority ratio so that a deterioration in the central government human development priority ratio (i.e., the ratio of central government spending on human development priorities to total central government expenditures) was evident during the period under study. Thus, the share of basic social services to total central government expenditures went down from 17% in 1998 to 12% in 2005 before inching up to 13% in 2006 (Figure 2). If funding for poverty reduction measures other than the provision of basic social services is included, the budget share of MDG-related interventions declined even more sharply from 24% in 1999 to 16% in



On a positive note, basic social services as a group tended to be more favored relative to tertiary level services in the allocation of the budgets of the various social sector agencies of the national government during the period

2005 but recovered somewhat to 18% in 2006 following some improvement in the revenue collection of the central government.

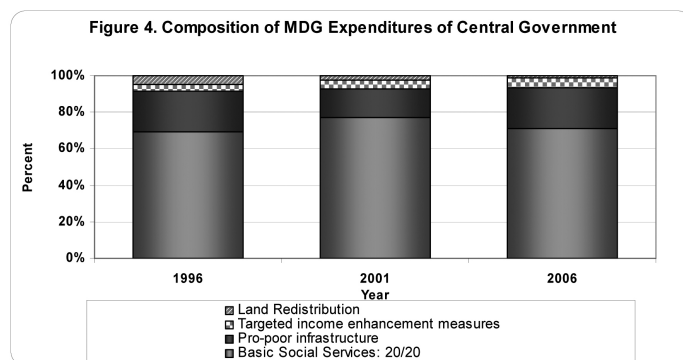
This movement is attributable to the dramatic contraction in the budget share of pro-poor infrastructure in total NG spending from 6% in 1999 to 2% in 2005. It is notable, however, that the budget share of pro-poor infrastructure investments increased to 4% in 2006.

Consequently, real per capita NG spending on MDG interventions (in 2000 prices) decreased from PhP 1,997 in 1997 to PhP 1,344 in 2005 before posting a partial recovery to PhP 1,581 in 2006. On the other hand, real per capita NG spending on basic social services went down from PhP 1,482 in 1997 to PhP 1,056 in 2005 before climbing to PhP 1,124 in 2006. (Table 4).

The cut in real per capita national government spending was deepest in basic water and sanitation (29% yearly on the average between 1997 and 2005), followed by basic health and nutrition (11%) and pro-poor infrastructure

government spending on basic social services.

*Composition of MDG expenditures of NG.* On the average, the national government allocates 75% of its total MDG spending on basic social services, 18% on pro-poor infrastructure, 4% on income enhancement measures and 3% on land re-distribution in 1996-2006. (Figure 4).



**Table 4. Real Per Capita MDG Expenditure of Central Government (in 2000 prices)**

( in pesos)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Basic Education	1,108	1,333	1,337	1,256	1,249	1,203	1,198	1,142	1,051	976	1,015
Basic Health/Nutrition	62	63	41	49	47	42	44	21	24	25	43
Social Welfare & Development	25	25	26	25	28	21	22	27	27	29	28
Water and Sanitation	15	24	11	12	12	9	11	2	1	2	8
Pro-poor housing	78	37	37	43	49	11	6	12	13	25	31
Basic Social Services: 20/20	1,287	1,482	1,452	1,386	1,386	1,286	1,282	1,204	1,116	1,056	1,124
Pro-poor infrastructure	422	386	304	458	350	266	209	237	188	174	354
Targeted income/ employment enhancement measures	63	84	35	34	77	74	62	83	113	76	81
Land Redistribution	88	45	82	59	59	43	48	10	43	38	22
MDG expenditures: 20/20 Plus	1,861	1,997	1,873	1,936	1,872	1,669	1,601	1,534	1,460	1,344	1,581
Memo Item:											
Total Education	1,440	1,679	1,661	1,572	1,549	1,464	1,452	1,391	1,281	1,188	1,222
Total Health and Nutrition	216	250	209	210	190	156	162	133	143	125	133
Total Social Services	2,054	2,334	2,280	2,181	2,200	1,953	1,943	1,761	1,636	1,528	1,827

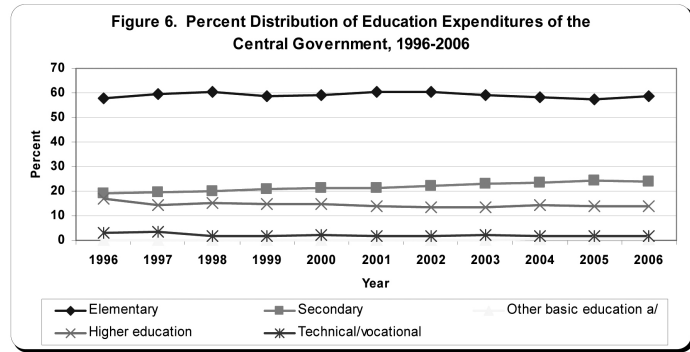
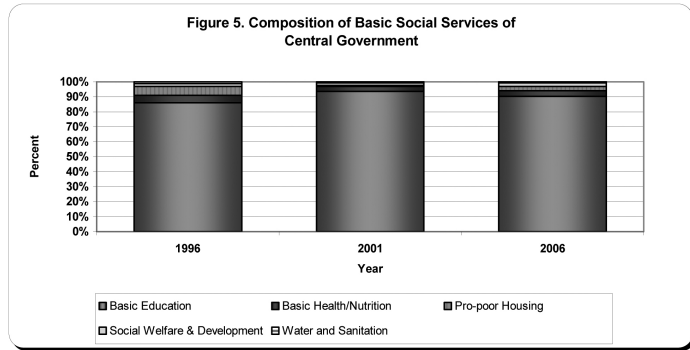
(10%). On the other hand, the contraction in real per capita spending on land redistribution (2%) and targeted income/employment enhancement measures was more modest. It is also notable that, in contrast to the trends in other basic social sectors, real per capita spending on social welfare and development services actually went up by 1% yearly on the average in 1997-2005.

However, closer scrutiny of the composition of national government spending in the different social services sectors is helpful in better appreciating the movements in national

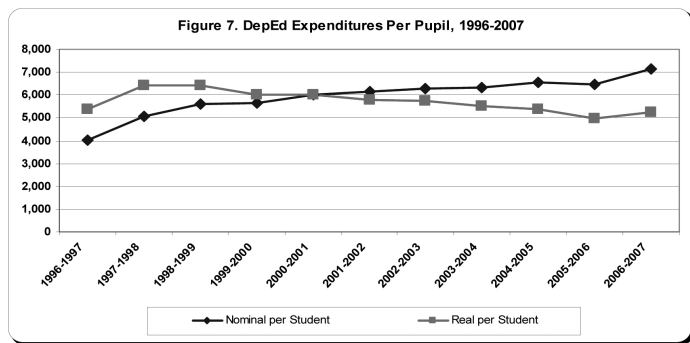
In turn, the national government allocates close to 92% of its total spending on basic social services on education, 3% on health, 2% on pro-poor housing, 2% on social welfare and development services and less than 1% on water and sanitation on the average in 1996-2006 (Figure 5).

*Composition of NG education expenditures.* The share of basic education in the total expenditure of the national government on the education sector remained fairly constant in the 80% range in 1997-2000. However, the budget share of basic education improved slightly to 82% in 2001-2006

as government spending on secondary education rose in response to the rapid growth in the enrollment of public secondary schools due to the migration of students from the private sector to the public sector during the period. This expansion came at the expense of higher education. From 2000 onwards, the budget share of higher education contracted as the Department of Budget and Management used the budget process to help rationalize the higher education sub-sector (Figure 6).



The budget of the Department of Education was relatively more protected than the budgets of other agencies, posting better than average growth in 2000-2006. Despite this, real DepEd spending per pupil fell from PhP 6,435 in 1997 to PhP 4,980 in 2005 (Figure 7).



It is creditable that the DepEd was able to gradually address the deficits in teachers and classrooms<sup>8</sup> that

hounded the basic education sector for years in spite of budget constraints (Table 5). However, the shortfall in the number of teachers and classrooms is still significant. In contrast, the textbook-pupil ratio improved dramatically from 1:6 in SY 1999-2000 to an average of 1:1.2 for all subjects with the exception of secondary level English which had a ratio of 1:2 in SY 2007-2008 (Table 6). This occurred as improvements in procurement arrangements cut the unit cost of textbooks in half.

Also, the basic education sub-sector is a major beneficiary of the fiscal space created by improvements in NG revenue stream starting in 2006. During the preparation of the 2007 and 2008 President's budget, basic education was one of the few sectors accorded high priority in the allocation of the budget.

*Composition of NG health expenditures.* The share of the public health in total health expenditures of the national government contracted continuously from 22.3% in 1999 to 7.0% in 2003 (Figure 8). Moreover, national government spending on public health was cut by more than half in nominal peso terms in 2003 causing the share of basic health services in the aggregate to drop just as drastically. This cutback was reversed in 2004-2006, albeit gradually. This became possible as the Department of Health, whose budget was fixed in nominal peso terms during the period, started to gradually shift resources away from retained hospitals towards public health including foreign-assisted projects even as retained hospitals are allowed to retain their income from hospital fees. This shift became even more significant with the adoption of the "Formula One for Health" reform initiative in 2006.

Teacher Requirements	
Teacher deficit as of SY 2003-2004	37,986
Additional teachers required for 2004-2007 due to enrollment growth	9,023
Total teachers required	47,009
Number of teacher positions created in 2004-2007	37,676
Gap as of end of SY 2007-2008	9,333
Classroom Requirements	
Classroom deficit as of SY 2003-2004 a/	
Additional classrooms required for 2004-2007 due to enrollment growth	
Net increase in number of classrooms between SY 2003-2004 and SY 2007-2008 b/	
Gap as of end of SY 2007-2008	

a/ without double shifting

b/ A total of 41,546 new classrooms were built from various funding sources in 2004-2007 but many of these were actually used to replace dilapidated standard classrooms.

8 A total of 41,546 new classrooms were constructed from various funding sources in 2004-2007. However, more than half of this number was actually utilized to replace dilapidated or sub-standard classrooms that were previously in use prior to the availability of the new classrooms. This situation indicates the need to improve the inventory of public school buildings classified according to physical condition.

**Table 6. Textbook Ratio in SY 2007  
as of 31 August 2007**

Level	English		Science	Math	Filipino		Makabayan			Values Education
	Language	Reading			Wika	Pagbasa	Social Studies	EEP/TLE	MSEP/MA	
<b>A. Elementary</b>										
Grade 1	1 : 1.10			1 : 1.66	1 : 1.07		1 : 1.00			n/a
Grade 2	1 : 1.09			1 : 1.12	1 : 1.11		1 : 1.00			n/a
Grade 3	1 : 1.02	1 : 1.02	1 : 1.33	1 : 1.28	1 : 1.01	1 : 1.01	1 : 1.00		n/a	n/a
Grade 4	1 : 1.24	1 : 1.24	1 : 1.27	1 : 1.34	1 : 1.22	1 : 1.22	1 : 1.00		n/a	n/a
Grade 5	1 : 1.50	1 : 1.50	1 : 1.96	1 : 1.84	1 : 1.83	1 : 1.83	1 : 1.00		n/a	n/a
Grade 6	1 : 1.17	1 : 1.17	1 : 1.16	1 : 1.16	1 : 1.88	1 : 1.88	1 : 1.98		n/a	n/a
<b>B. Secondary</b>										
Year 1	1 : 1.55		1 : 1.55	1 : 1.15	1 : 1.29		1 : 1.36			n/a
Year 2	1 : 1.28		1 : 1.16	1 : 1.05	1 : 1.15		1 : 1.16			n/a
Year 3	1 : 2.43		1 : 1.14	1 : 1.18	1 : 1.21		1 : 1.09			n/a
Year 4	1 : 2.89		1 : 1.03	1 : 1.07	1 : 1.16		1 : 1.08			n/a

Note:

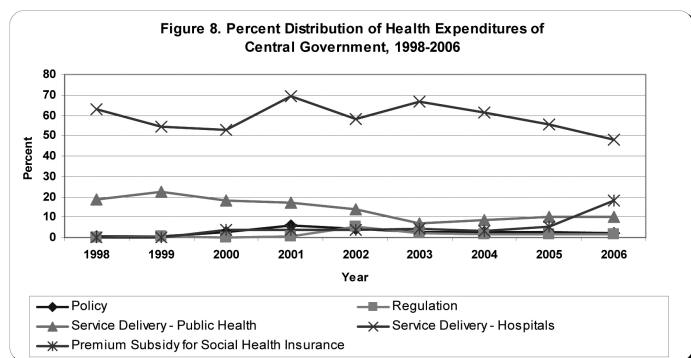
- Based on consolidated BEIS Estimated Enrolment for SY 2007-2008.
- Total inventory covered only all centrally procured textbooks under SEMP, TEEP and SEDIP but with the following considerations such as:
  - All deliveries prior to CY 2002 (SEMP-TEEP 1999/Repeat Order) were disregarded, deemed obsolete/unserviceable;
  - Assumed a 1% allowance for losses on second year of implementation onwards and 1% allowance due to wear-and-tear beginning the 3rd year of use.

n/a - not applicable; no procurement undertaken yet

Source: Instructional Materials Council Secretariat

On the other hand, it is significant that the budget share of the subsidy for the premiums of indigents to the social health insurance program of the PhilHealth rose sharply to 18% in 2006 after remaining at a fairly constant level of 4% in 2000-2005.<sup>9</sup> The proper targeting of the poor to be enrolled in the social health insurance program has been a major cause of concern as high inclusion and exclusion errors<sup>10</sup> may result when the selection of beneficiaries is politicized. It is noteworthy that the PhilHealth has taken significant strides in this area by putting in place a means test to identify indigents. More recently, the use of a proxy means test to select beneficiaries is being considered.

On the other hand, PhilHealth reports show that the availment rate under the indigent program pales in comparison with that under the regular program of PhilHealth. This indicates the need to improve the access of enrolled poor households to health facilities and other health services.



In 2007, the Paper on Budget Strategy formulated as part of the preparation of the 2008 President's budget identified the health sector as one of the high priority sectors in terms of budget allocation. As a result, the DOH's budget (and the public health sub-sector, in particular) and the social health insurance program are expected to receive a boost when the 2008 GAA is enacted and approved.

Composition of national government spending on social welfare and development. On the average in 2002-2006, the DSWD allocated more than half of its total budget for improving the access of poor communities to basic social services through programs like the Kalahi-CIDSS11. It is notable that the allocation for protective services including assistance to individuals in crisis (AICS) and center-based services went down from 30% in 1996 to an average of 11% in 2004-2006 (Table 7). On the other hand, the share of disaster relief in the DSWD budget fluctuated between 3% and 13% during the period.

Moreover, the allocation for disaster relief remained at a fairly constant level of PhP 200 million in nominal peso terms in 2000-2006.

At first glance, the budget share of technical assistance to LGUs rose from less than 1% of the DSWD budget in 1996-2001 to about 15% in 2005. Such an increase appears to be consistent with the devolution of social welfare services. Closer scrutiny of the DSWD budget, however, reveals that this increase is illusory because it resulted largely from a change in the treatment of allocation

<sup>9</sup> PhilHealth officials point out that oftentimes the release of the national government counterpart to the premiums of indigent households is usually delayed. Thus, a significant portion of the allocation for 2006 is meant to cover arrearages on the part of the national government.

<sup>10</sup> An inclusion error occurs when non-poor households are included in the program while an exclusion error occurs when poor households are not included in the program.

<sup>11</sup> DSWD-implemented PDAF projects of members of Congress mostly went to CIDSS-type projects during this period.

for general administrative services of field offices rather than from a real increase in the allocation for technical assistance to LGUs and other intermediaries. .

### 3.2. LGU Expenditures

An analysis of the trend in the size and composition of LGU revenues and expenditures in 2001-2006 reveal how economic uncertainties and the fiscal constraints faced by the both the central and local government have diminished not only the size of the overall LGU spending pie but also the budget share of the social services sectors in 2001-2005.

The concomitant decline in LGU spending on social services in real per capita terms is a cause of concern because it has been associated with the stagnation, if not deterioration, in the service levels of these sectors.

equal its pre-crisis level.

Given the results of earlier studies which suggest that LGU spending is largely determined by the size of their resource envelope, the analysis of LGU spending in 1996-2006 is best seen in the light of the trends in the level and composition of LGU income during the same period (Box 2).

Whether measured relative to GDP (Figure 9) or in real per capita terms (Figure 10), total income net of borrowings of all LGUs combined dipped in 2001-2005 after rising almost consistently in 1996-2000. However, it showed some sign of recovery in 2006.<sup>12</sup> The same trend is also evident for all levels of local government but is more magnified in the case provinces and relatively more muted in the case of cities and municipalities.

This movement is largely driven by the fluctuations in the IRA as a result of the effective withholding of the

**Table 7. Social Welfare / Development Spending of Central Government, 1996-2005**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General administration services	31.5	27.5	29.7	28.7	25.5	29.0	9.2	6.0	5.9	5.3	6.1
Policy, program development and standards	3.7	3.6	3.7	3.2	3.2	3.8	7.9	5.8	5.7	5.6	6.4
Technical assistance to LGUs, & other intermediaries	1.3	0.5	0.4	0.4	0.4	0.4	16.5	12.8	14.0	11.0	10.5
Disaster relief and rehabilitation	6.6	7.4	8.0	6.2	13.0	10.1	3.3	9.0	7.7	3.5	6.7
Income enhancement measures	2.5	3.8	4.3	2.4	1.7	2.2	1.6	0.1	0.0	0.0	0.0
<i>SEA-K/ self-employment program</i>	0.0	0.5	0.9	0.6	0.5	0.6	0.1	0.1	0.0	0.0	0.0
<i>Productivity skills capability building</i>	2.5	3.3	3.4	1.9	1.3	1.6	1.4	0.0	0.0	0.0	0.0
Improved access to services	21.9	32.1	26.1	38.2	33.2	28.8	40.0	37.6	42.3	37.2	29.4
<i>CIDSS/ KALAHI CIDSS</i>	21.9	32.1	26.1	38.2	33.2	28.8	26.7	22.4	27.7	30.2	27.9
<i>Core shelter</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5
<i>ECD</i>	0.0	0.0	0.0	0.0	0.0	0.0	13.3	15.2	14.5	7.0	0.0
Income transfers/ subsidies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	6.1
<i>Food-for-School</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	5.1
<i>Tindahan Natin</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Protective services	29.7	22.5	25.5	20.8	20.1	21.8	16.6	13.3	11.1	10.6	12.3
<i>Assistance to PWDs, seniors, etc</i>	4.7	3.3	2.5	2.2	1.9	2.1	0.5	0.4	0.2	0.2	0.4
<i>Assistance to individuals in crisis situation</i>	4.9	0.0	4.0	0.0	2.0	0.0	2.5	1.4	1.4	1.3	1.2
<i>Center-based interventions</i>	20.1	19.3	19.0	18.5	16.3	19.8	13.7	11.5	9.5	9.0	10.7
PDAF	2.8	2.5	2.2	0.1	2.8	3.8	4.9	15.6	13.4	23.8	22.4
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

On a more positive note, the easier fiscal situation at both the national and local government level in 2006 has resulted in some improvements in various indicators of MDG spending at the local level. But, even then, MDG spending of LGUs has not recovered enough in 2006 to

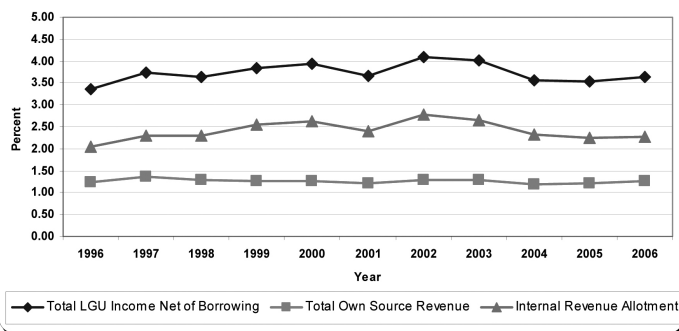
mandated IRA share of LGUs in 1998-2004.<sup>13</sup> In turn, this came about as the central government implemented fiscal austerity measures in response to a persistent weakness in its fiscal position. Consequently, the IRA which accounted for some 65% of total LGU income grew at a slower pace

<sup>12</sup> This is due to the passage of RA 9358 in July 2006 which calls for the automatic appropriation and release of the IRA.

<sup>13</sup> The mandated IRA share of LGUs was either not appropriated in full, the amount appropriated for IRA was not released in full, or the IRA share was effectively cut due to the re-enactment of the budget during this period.

in 1998-2004 than it would have had the provisions of the Local Government Code been implemented to the letter.

Figure 9. Percent to GDP of Total LGU Income, 1996-2006



### Box 2. Elasticity of Social Sector Spending of LGUs with respect to Changes in Own-Source Revenue (OSR) and IRA

Earlier studies on the possible determinants of per capita LGU spending [e.g., available resources (IRA as well as own-source revenues), cost adjustment factors (e.g., population density), household demand factors (e.g., per capita household income)], reveal that LGU spending is largely dependent on the size of their resource envelope (i.e., per capita IRA and per capita OSR).

#### Provincial-level marginal propensity to spend

Per capita spending of provinces on health is found to be significantly related to their per capita IRA (Box Table 1).

In contrast, the coefficient of per capita OSR in the equations for provincial per capita spending on this sector was not statistically significant. This result suggests that provinces largely fund the cost of health services (which are devolved functions) out of their IRA. At the same time, the marginal propensity of provinces to spend on the health sector is found to be equal to 0.08, indicating that provinces tend to spend 8 centavos on the health sector out of every one peso increase in their IRA.

Box Table 1. Marginal Propensity to Spend on the Social Service Sectors a/

	Provinces		Cities	
	per capita IRA	per capita OSR	per capita IRA	per capita OSR
Education	-0.016	0.10	0.02	0.05
Health	0.08	0.08	0.06	0.02
SWD	-0.01	0.04	0.01	0.05

\* statistically significant at 5%

\*\* statistically significant at 1%

a/ based on 2001-2005 panel data

On the other hand, per capita spending of provinces on the education sector and on the social welfare and development (SWD) sector depend solely on their per capita OSR. However, provinces appear to give higher

priority to the education sector than the SWD sector. Their marginal propensity to spend on the education sector out of their OSR (0.10) is more than twice that for the SWD sector (0.04). This result is not surprising given the fact that education services are largely funded out of the Special Education Fund (SEF) which is part of LGUs' own-source revenue.

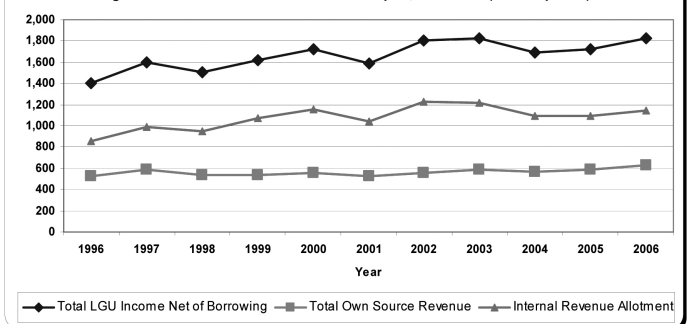
#### City-level marginal propensity to spend

Unlike provinces, cities' per capita spending on the all three social services sub-sectors (i.e., health, education and SWD) are found to be dependent on both their per capita IRA and per capita OSR (Box Table 1). As expected, cities' marginal propensity to spend on the education sector out of their OSR is higher than that on the health sector. However, it is surprising that their marginal propensity to spend on SWD out of their OSR is also higher than that on the health sector.

On the other hand, the marginal propensity to spend of cities out of their IRA is highest for the health sector, followed by the education sector and then the SWD sector. Given the fact that the distribution of the local revenue base of LGUs is highly uneven and the fact that the IRA distribution formula does not fully compensate for this disparity, it is likely that per capita spending of LGUs on the social sectors will also be uneven. These findings also suggest that the disparity in inter-provincial human development outcomes (like health status and education achievement) will likely remain high.

Admittedly, there has also been a slowdown in the growth of LGU own-source revenue in 2001-2005 relative to the previous 5-year period, albeit to a lesser degree than the IRA. To the credit of LGUs, own-source revenue performance of all LGUs in the aggregate (and total local tax revenue, in particular) outpaced that of the national government in 2001-2005 with own-source revenues of LGUs growing at 11% compared to the 9% growth of central government revenues and of the IRA during the period.

Figure 10. Real Total LGU Income Per Capita, 1996-2006 (in 2000 prices)

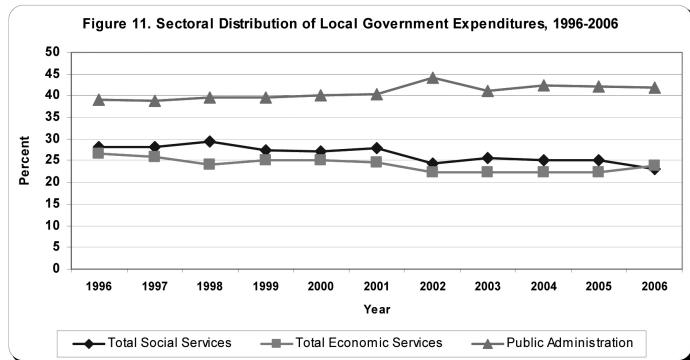


Aggregate LGU spending. Given the close link between LGU income and LGU expenditures, the movement in LGU income levels in 1996-2006 is closely mirrored by movements in LGU spending. Consequently, the LGU

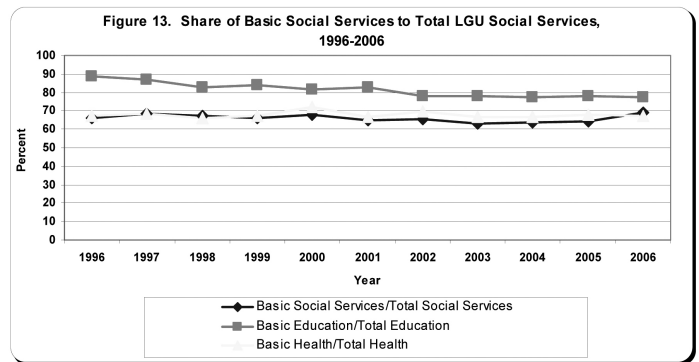
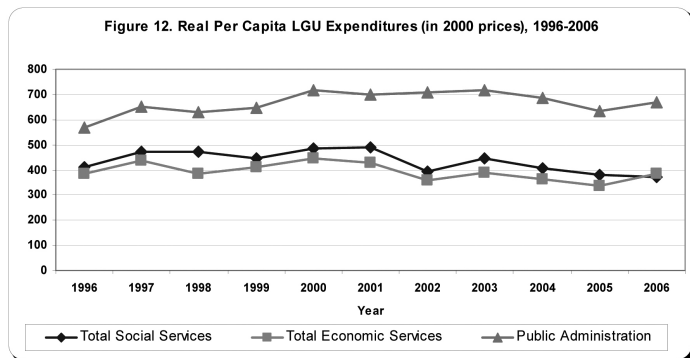
expenditure ratio contracted from a peak of 4.1% of GDP in 2000 to a low of 3.1% in 2005, after exhibiting an uptrend in 1996-2000.

From the perspective of human development, however, it is worrisome that the social services sectors appeared to have been given lower priority relative to the other sectors in 1998-2002 with budgetary resources being shifted out of the said sectors towards public administration. To wit, while the budget share of all the economic services sectors as a group also slipped, the budget share of all the social services sectors combined (or the social allocation ratio) contracted the most from a high of 28.0% in 1998 to a low of 24.4% in 2002 before rising to about 25.6% in 2003 and slipping again to 23.2% in 2006. In contrast, the budget share of general public administration expanded from 6.2% to 7.6% (Figure 11).

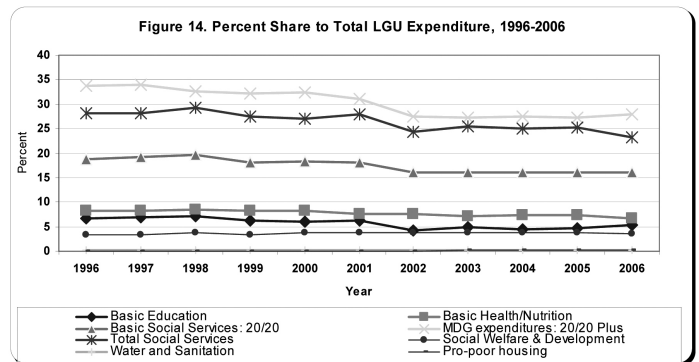
Although the priority given by LGUs to the social services sectors showed some resurgence in 2003-2006, the movement is not enough to compensate for the contraction of the total spending pie. Thus, real per capita spending on all the social services sectors combined (in 2000 prices) went down by 5.3% yearly from PhP 488 in 2001 to PhP 371 in 2006 (Figure 12).



On the other hand, while the share of basic health in total health spending of LGUs was fairly stable in the 67%-68% range in 1996-2006, the share of basic education to total education spending of LGUs decreased from a high of 89% in 1996 to an average of 78% in 2002-2006 as LGUs (cities and municipalities, in particular) devoted a bigger portion of their education budgets to higher education. This movement consequently pulled down the overall social allocation ratio (i.e., the share of basic social services in total social sector spending of LGUs) from a high of 68% in 2000 to an average of 64% in 2001-2005 before posting a turnaround to 69% in 2006 (Figure 13).



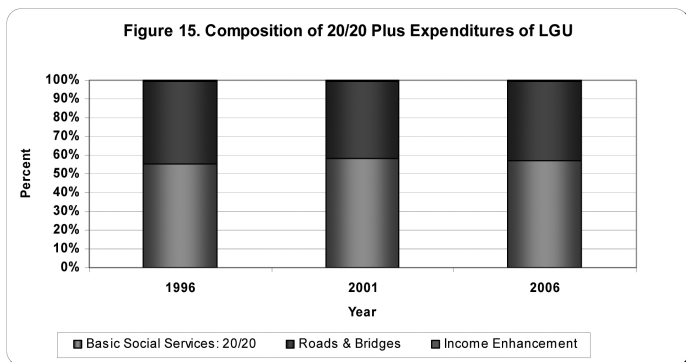
With the movement in the social priority ratio re-enforcing that of the social allocation ratio, the human priority ratio (i.e., the share of basic social services to total LGU spending) went down from a high of 20% in 1998 to an average of 16% in 2002-2006 (Figure 14). At the same time, funding for poverty reduction measures is also less protected than other types of spending. Thus, the share of LGU spending on poverty reduction interventions (i.e., pro-poor infrastructure, targeted income enhancement measures) in the total LGU budget decreased from a high of 15% in 1996 to an average of 11% in 2002-2005 before increasing to 12% in 2006. Consequently, the share of MDG expenditures in the total LGU budget declined from 34% in 1996-1997 to an average of 27.5% in 2002-2006.



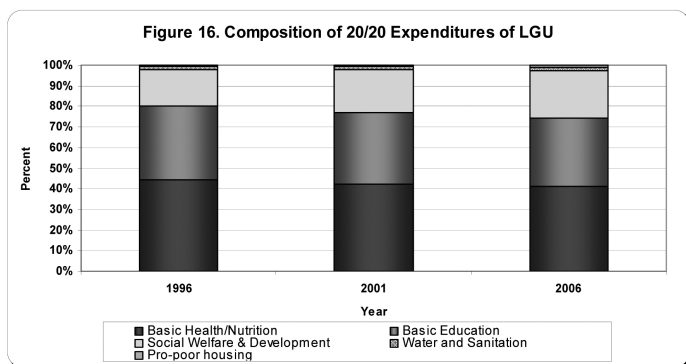
In turn, real per capita LGU spending on all MDG interventions in the aggregate (in 2000 prices) went down from a high of PhP 578 in 2000 to a low of PhP 413 in 2005 before posting a partial recovery to PhP 448 in 2006. On the other hand, real per capita LGU spending on all basic social services combined declined from PhP 330 in 2000 to PhP 244 in 2005 and PhP 256 in 2006. (Table 8). The reduction in real per capita LGU spending on human development priorities in 2000-2005 is largely driven by the retrenchment in LGU spending on basic education (a decrease of 8.0% yearly on the average during the said period). However, the reduction in LGU spending on pro-poor infrastructure (7.5%) and basic health (5.6%) are also substantial.

LGU spending on MDG. On the average, LGUs allocate some 58% of their total MDG spending on basic social services, 42% on pro-poor infrastructure and less than 0.5% on targeted income enhancement measures in 1996-2006 (Figure 15).

On the other hand, LGUs allocate about 44% of their total spending on basic social services on basic health services, 32% on basic education services, and 21% on social welfare and development services, less than 2% on water supply and sanitation and less than 1% on pro-housing (Figure 16).



LGU spending on education. The share of LGUs in total general government spending on education has been fairly stable at 7% in 1996-2006. However, the share of basic education in total LGU expenditures on education contracted to an average of 78% in 2002-2006, down from 83% in 1998-2001 and 88% in 1996-1997. As noted earlier, this development may be traced to the increasing priority given by cities and municipalities to higher education in 2000-2006.



In 1996-2006, LGU spending on basic education is divided almost evenly between personal services (28%), MOOE (37%) and capital outlay (35%). For instance, in SY 2006-2007, LGUs paid for the salaries and wages of some 24,250 teachers, representing 5% of the total number of nationally funded and locally (SEF/ LGU) funded teachers. On the other hand, instructional materials and office supplies, electricity and water consumption of public schools, repair of public school buildings and janitorial/security services for the schools contribute the bulk of maintenance and other operating expenditures (MOOE) of LGUs in basic education. Meanwhile, school building construction account for most of the capital outlays of LGUs in basic education.

**Table 8. Real Per Capita MDG Expenditures of LGU (in 2000 prices)**

(in pesos)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Basic Education	97	118	114	102	107	109	69	85	74	71	85
Basic Health/Nutrition	121	140	135	134	148	134	121	126	120	112	106
Social Welfare & Development	48	58	61	54	69	66	61	65	61	57	59
Water and Sanitation	4	5	4	5	4	5	4	4	4	4	4
Pro-poor housing	1	1	1	1	1	1	2	3	2	2	2
<b>Basic Social Services: 20/20</b>	<b>271</b>	<b>322</b>	<b>315</b>	<b>295</b>	<b>330</b>	<b>316</b>	<b>257</b>	<b>282</b>	<b>261</b>	<b>244</b>	<b>256</b>
Pro-poor infrastructure	215	245	206	226	246	224	184	192	183	167	190
Targeted income/ employment enhancement measures	3	2	1	4	2	3	1	2	2	2	2
Land Redistribution	0	0	0	0	0	0	0	0	0	0	0
<b>MDG expenditures: 20/20 Plus</b>	<b>490</b>	<b>569</b>	<b>522</b>	<b>526</b>	<b>578</b>	<b>542</b>	<b>442</b>	<b>476</b>	<b>445</b>	<b>413</b>	<b>448</b>
<b>Memo Item:</b>											
Total Education	109	135	138	121	131	132	89	109	95	91	110
Total Health and Nutrition	180	204	203	199	207	200	174	189	179	164	157
Total Social Services	409	472	471	447	484	488	393	446	407	381	371

LGU spending on health. Because of the devolution of health services, LGUs account for some 52% of total general government spending on health on the average in 1996-2006.

During this period, the share of basic health services to total LGU spending on the health sector was fairly constant at 68%. Of this amount, LGUs spend roughly 55% of their basic health budget on personal services and practically all of the remainder on MOOE (including drugs, medicines, supplies and training of health personnel).

LGU spending on SWD. LGUs account for 70% of general government spending on SWD services in 1996-2006. Of this amount, 37% was allocated to disaster relief while the remaining 63% was spent on various types of social welfare and development services. About 46% of the total amount allotted to SWD services by LGUs was made by municipalities largely on account of day care center services.

### 3.3. General Government Expenditures

Overall, the movements in total general government expenditures were largely driven by similar movements in central government expenditures. This is so because central government expenditures accounted for 82% of general government expenditure on basic social services and 78% of general government spending on all MDG-related programs on the average in 1996-2006 (Figure 17).

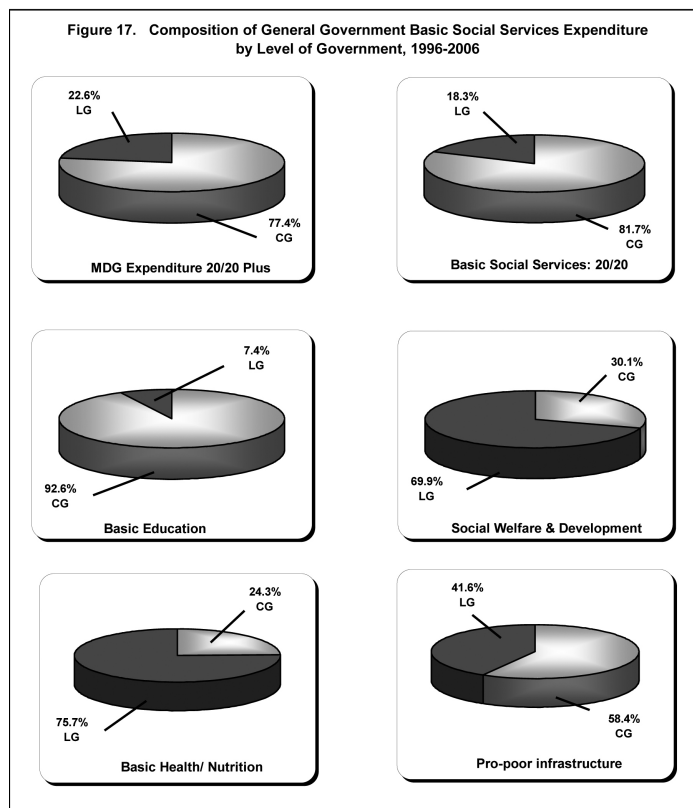
The social sectors were on the whole not shielded from the austerity measures implemented during the fiscal crisis. Thus, the share of all the social services sectors combined in total general government expenditures (or the social allocation ratio) contracted from a high of 31.4% in 1998 to a low of 22.2% in 2005 before rising to 24.9% in 2006 (Figure 18).

However, the allocation for basic social services was more protected relative to tertiary level services during the same period. To wit, the general government social priority ratio rose from an average of 64% in 1996-2000 to 68% in 2005 before slipping back to 63% in 2006 (Figure 19).

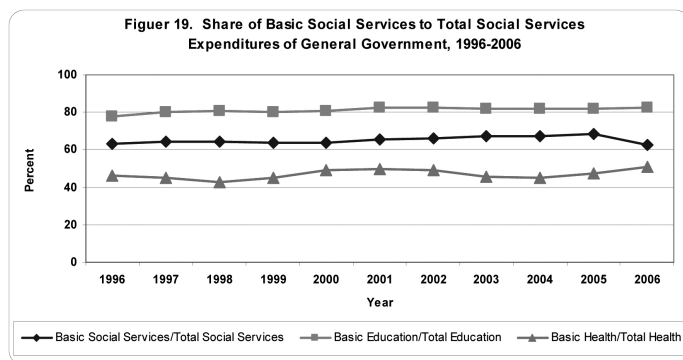
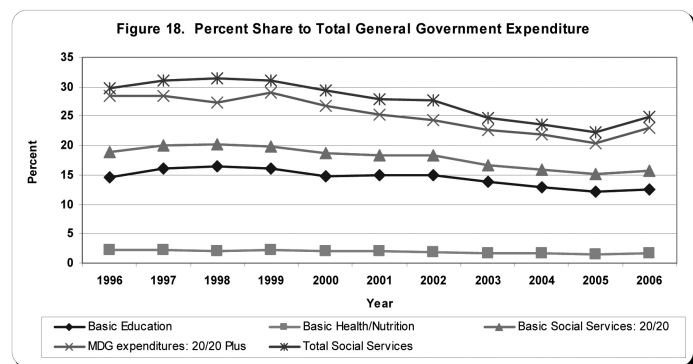
Nonetheless, the movement in the aggregate social allocation ratio is repeated in the downward trend in the general government priority ratio which dipped



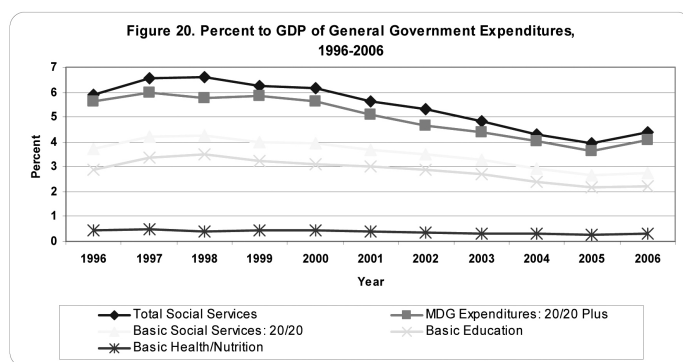
from 20% in 1998 to 15% in 2005-2006 (Figure 18). In like manner, the budget share of all MDG-related expenditures contracted from 29% in 1999 to 20% in 2005 and 23% in 2006.



As a result, general government spending on all basic social services as well as on all MDG-related activities went down when measured as percentage of GDP and in real per capita terms between 1997/1998 and 2005 before posting a small increase in 2006. To wit, the human development expenditure ratio decreased from 4.2% of GDP in 1997-1998 to 2.7% of GDP in 2005-2006. On the other hand, general government spending on all MDG-related measures combined dipped from 6.0% of GDP in 1997 to 3.6% of GDP in 2005 before going up to 4.1% in 2006 (Figure 20).



Meanwhile, real per capita general government spending on all basic social services (in 2000 prices) was cut from PhP 1,805 in 1997 to PhP 1,301 in 2005 before inching up to PhP 1,380 in 2006. Likewise, real per capita MDG spending of the general government went down from PhP 2,566 in 1997 to PhP 1,757 in 2005 and PhP 2,029 in 2006. (Table 9).



**Table 9. Real Per Capita Expenditure of General Government Expenditures (in 2000 prices)**

(in pesos)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Basic Education	1,205	1,451	1,452	1,358	1,356	1,312	1,267	1,227	1,125	1,046	1,100
Basic Health/Nutrition	183	203	176	183	196	176	165	147	144	136	148
Social Welfare & Development	72	83	87	80	97	87	84	92	88	86	86
Water and Sanitation	19	29	15	16	17	14	15	6	4	5	12
Pro-poor housing	79	38	37	44	49	12	8	15	15	27	33
<b>Basic Social Services: 20/20</b>	<b>1,558</b>	<b>1,805</b>	<b>1,767</b>	<b>1,681</b>	<b>1,715</b>	<b>1,602</b>	<b>1,539</b>	<b>1,485</b>	<b>1,377</b>	<b>1,301</b>	<b>1,380</b>
Pro-poor infrastructure	637	631	510	684	597	489	393	430	370	340	545
Targeted income/employment enhancement measures	67	85	36	38	79	76	63	85	115	77	82
Land Redistribution	88	45	82	59	59	43	48	10	43	38	22
<b>MDG expenditures: 20/20 Plus</b>	<b>2,350</b>	<b>2,566</b>	<b>2,395</b>	<b>2,462</b>	<b>2,450</b>	<b>2,211</b>	<b>2,044</b>	<b>2,009</b>	<b>1,905</b>	<b>1,757</b>	<b>2,029</b>
<b>Memo Item:</b>											
Total Education	1,549	1,815	1,799	1,693	1,681	1,596	1,540	1,500	1,375	1,278	1,331
Total Health and Nutrition	396	454	412	409	397	357	336	322	322	289	290
Total Social Services	2,462	2,806	2,750	2,628	2,685	2,440	2,336	2,207	2,043	1,908	2,198

## 4. MDG EXPENDITURES AND HUMAN DEVELOPMENT OUTCOMES

The adverse impact of the fiscal crisis on government spending on MDG interventions is a cause of concern because it appears that the observed decline in real per capita MDG spending of the general government has been accompanied by a corresponding stagnation, if not deterioration, in some human development outcomes/ outputs (Table 10 and Table 11). The correspondence

between general government spending on basic education services and basic health services, on the one hand, and selected education outcomes and selected health sector outputs, on the other hand, is shown graphically in Figure 21 and Figure 22, respectively.

**Table 10. Selected Education Indicators, 1990-2005**

	1990	1996	2000	2002	2003	2004	2005	2006
Elementary level participation rate	84.6	85.2	92.7	90.3	88.7	87.1	84.4	75.6
Secondary level participation rate	54.7	56.8	62.3	59.0	60.2	60.0	58.5	45.0
Elementary level cohort survival rate	69.7	68.7	69.3	72.4	71.8	71.3	70.0	64.3
Secondary level cohort survival rate	76.4	71.4	71.0	76.8	71.7	72.4	61.0	60.1
elementary level achievement score a/	40.1	b/	44.5	51.4		58.7	54.7	59.9
secondary level achievement score a/	35.6	b/	42.6	51.9	44.4	46.8	44.3	46.6

a/ based on NEAT and NSAT for 1994-2000 and on NAT for 2003-2006  
b/ refers to 1994

This relationship is also evident at the sub-national level. For instance, an analysis of division level data for 2005 indicates that a positive and statistically significant relationship exists between elementary level cohort survival rate (CSR), on the one hand, and per capita DepEd spending and per capita LGU spending on education, on the other.

In like manner, an analysis of regional level data for 2003 reveals a positive and statistically significant relationship between the number of children given complete immunization and number of mothers given two doses of tetanus toxoid vaccine, on the one hand, and government spending on health, on other.

**Table 11. Selected Health Indicators, 1998-2006**

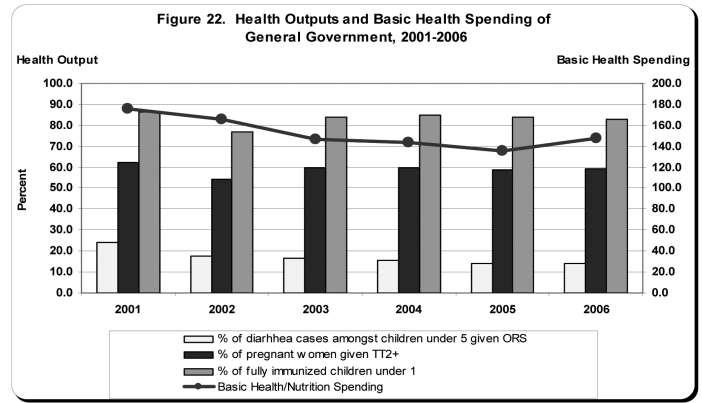
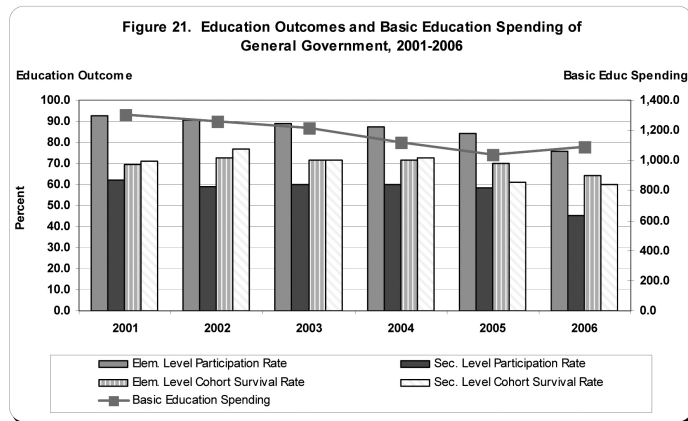
	1998	2000	2002	2004	2005	2006
% of pregnant women with 3 or more pre-natal visits	59.4%	64.8%	60.5%	64.7%	62.3%	61.5%
% of pregnant women given tetanus toxoid vaccination at least twice	68.8%	62.5%	54.3%	60.0%	58.8%	59.1%
% of lactating mothers given Vitamin A	49.1%	57.0%	52.9%	53.2%	54.7%	59.3%
% of livebirths attended by medical professional, incl. trained hilot	94.3%	95.4%	93.4%	95.6%	96.3%	96.3%
% of fully immunized children under 1	84.8%	86.5%	76.7%	84.8%	83.7%	82.9%
% of diarrhea cases amongst children under 5 given ORS	28.4%	24.1%	17.7%	15.5%	14.2%	14.0%
% of pneumonia cases amongst children under 5 given treatment	94.7%	93.9%	94.7%	99.9%	95.3%	96.0%
% of children under 1 given Vitamin A	72.8%	76.9%	74.7%	79.2%	80.0%	81.0%
% of children between 1 and 5 given Vitamin A	89.6%	101.3%	94.1%	111.1%	97.8%	95.7%
TB morbidity rate a/ b/	206.7	174.1	154.1	133.3	137.1	169.9
Malaria morbidity rate a/	96.8	66.6	50.3	24.9	43.3	27.6

\* data shown for entire Philippines but data by province and city also available

a/ per 100,000 population

b/ respiratory plus other forms of TB

Source: Field Health Service Information System, various years



These analyses also show a negative correlation between per student DepEd education spending and per student LGU education spending. In contrast, a positive correlation was found between NG basic health expenditures and LGU basic health spending. Thus, while the DepEd tends to allocate its resources, consciously or unconsciously, in an equalizing fashion relative to the distribution of LGU education spending per capita, the opposite is true in the case of DOH spending. This finding has serious implications on the ability of the central government to help reduce the disparities in human development outcomes across regions/ geographic areas.

## 5.RECENTDEVELOPMENTS,OUTSTANDING ISSUES AND RECOMMENDATIONS

### 5.1. Increasing Government Revenue

In response to the fiscal crisis, Congress has passed three laws that are meant to increase the revenue take of the central government. In late 2004, Congress passed the Attrition Act of 2005 (Republic Act 9335) and a law amending the excise tax on sin products (RA 9334). The Attrition Act of 2005 provides for the creation of a reward and incentives fund in the BIR and the BOC equal to at least 15% of the difference between their actual collection and their revenue target, proceeds of which will be apportioned to the various units, officials and employees in proportion to their relative contribution to the “excess” collection. It also provides that officials and employees of these bureaus may be removed from the service if their revenue collection performance falls short of the target by at least 7.5%. On the other hand, RA 9334 provides for discrete increases in the tax rate on cigarettes (15%-80% in 2005) and on alcoholic products (22% in 2005) and every other year thereafter until 2011.<sup>14</sup>

In April 2005, Congress then passed another amendment of the National Internal Revenue Code (RA9337 or the reformed VAT law). It expands the coverage of the VAT (to include power and electric cooperatives, petroleum products, medical and legal services, agricultural non-food products, and works of art); converts the Philippine VAT system from a “consumption-type” VAT (where producers

<sup>14</sup> Under the amendment, the tax rate on cigarettes in 2011 will be 34%-143% higher than that in 2003 while the tax rate on alcoholic products in 2011 will be 122% higher than that in 2003.

are allowed to get credit for taxes paid on their inputs including their capital goods purchases) to an “income-type” VAT (where producers are allowed to get credit for taxes paid on all their inputs but the credit on the capital goods purchases is limited only to the depreciated part of capital); limits the input VAT credit to 70% of the output VAT; zero-rates the transport of passenger and cargo to foreign countries, services provided to aircrafts/ vessels engaged in international transport, and sales of goods, supplies and fuel to aircrafts and vessels engaged in international transport; reduces the excise tax rate on kerosene, diesel and bunker fuel; removes the franchise tax on power distribution utilities and domestic airlines; removes the common carriers tax on domestic shipping; increases the presumptive input VAT of agro-processors from 1.5% to 4%; provides for a temporary increase in the corporate tax rate from 32% to 35%; and increases the gross receipts tax (on royalties, rentals of property, real or personal, profits from exchange and all other items treated as gross income) of banks and non-bank financial intermediaries from 5% to 7%. In addition, as provided under the reformed VAT law, the President authorized the increase the VAT rate from 10% to 12% in January 2006.

As indicated earlier, the turnaround in the central government’s revenue effort in 2006 was primarily due to the increase in the excise tax rate on sin products in 2005 and the increase in the VAT rate from 10% to 12% in 2006. After the credible performance of the tax collection agencies in 2006, sustained improvement in tax administration has remained elusive despite the passage of the attrition law. The record of the Bureau of Internal Revenue and Bureau of Customs in meeting their revenue goals has been erratic and frequent changes in leadership has not helped any. There are also indications that the very intense focus of the tax collection agencies and the Department of Finance (DOF) on meeting revenue targets may have had adverse effects on collection effort in periods other than the very near term. Said focus may have also distracted efforts to institutionalize systematic reforms in systems and procedures.

Given the political environment, it is unlikely that the new tax measures aimed at generating additional revenues will be passed by Congress in the near to medium term.

At the same time, the positive revenue impact of the excise tax amendment and the reformed VAT law is expected to wane in the next two years as both measures have builtin sunset provisions. After the mandated adjustment in excise tax rates on sin products in 2011, they will remain fixed at that level in nominal peso terms unless Congress passes a new law mandating otherwise. On the other hand, the reformed VAT law temporarily raised the corporate tax rate but the rate will revert back to its old level after 2009.

Needless to say, improvements in tax administration are urgently needed if another fiscal crisis is not to loom its ugly head again. The experience in 1998-2005 very clearly shows that MDG spending is cut back during periods of fiscal restraint despite the lip service paid to protecting social sector spending.

## 5.2. Budget Reform Initiatives

The public expenditure management (PEM) reform introduced by the DBM as early as 2000 augurs well for shifting budgetary resources to MDG-related activities. The PEM shifts the focus of the budget process from inputs and rules-based compliance to outputs/ outcomes and greater performance orientation. It also promotes greater flexibility, transparency, and accountability.

The reforms under the PEM have two major strands: the Medium Term Expenditure Framework (MTEF) and the Organizational Performance Indicators Framework (OPIF).

The MTEF is a tool for linking policy, planning & budgeting over the medium-term. By giving emphasis on the operationalization of a multi-year (e.g., three-year) expenditure perspective, the MTEF injects the future into budgeting. In doing so, it effectively bridges the difference in the time horizon pertinent to planning and budgeting.

The MTEF also helps ensure greater predictability in the amount of resources that will be available in the medium term by encouraging the formulation of honest and realistic multi-year forecasts of government revenues. It should be emphasized that the success of the MTEF to actually yield more predictable funding for the implementing agencies is premised not only on the existence of technical capacity to arrive at good revenue forecasts but also on the executive’s commitment to have a transparent budget process and its willingness to make hard choices early on in the budget process.

In order to achieve fiscal discipline, the MTEF calls for the matching of the demand for government spending in the aggregate with the amount of resources that is available. Under the MTEF, budgeting takes on a more strategic and policy-based approach to resource allocation by ensuring the consistency between resources and aggregate policy commitments. Thus, if the MTEF is successfully applied, it can (i) promote macroeconomic stability, (ii) improve predictability of funding for line departments, and (iii) improve the allocation resource between & across sectors.

The deliberation of the Development Budget Coordinating Committee (DBCC) on the Paper on Budget Strategy (whereby implementing agencies in high priority sectors are called to defend their new spending proposals) serves as the venue for enforcing a more strategic allocation of resources during budget preparation. In line with the President’s declaration that it is “social payback” time, the Paper on Budget Strategy formulated during the preparation of the President’s budget for 2007 led to the identification of basic education and infrastructure as high priority sectors in the allocation of that year’s budget. In 2008, the application of the same process led to the addition of basic health to the high priority list.

In this regard, there is a need to help strengthen the capacity of the implementing agencies that play a major role towards the achievement of the MDGs to prepare Medium-term Expenditure Plans. Well-crafted MTEPs will facilitate these agencies’ articulation of new spending proposals that will help them upgrade their service levels in

a manner consistent with the MDG targets. In this way, they will be in a better position to secure a greater share of the fiscal space that is available.

On the other hand, the prominence given to performance/ results in the budget process under the PEM naturally reinforces the link between the government's budgetary allocations, on the one hand, and the goals, policies, strategies and priority programs, activities, and projects (PAPs) that they have included in their plans. This performanceorientation is enshrined in the OPIF which is essentially an outcome and output framework that describes a logical hierarchy of causal relationships that link the outputs (i.e., goods and services) that government delivers to the outcomes that it seeks to achieve. The OPIF is an accountability framework that helps government agencies to establish the link between the outputs that they are mandated to provide and the outcomes that government wants to achieve, to assess their accomplishments and to report on results. As such, the OPIF helps agencies focus on core activities that deliver results, and helps set priorities for allocating resources to critical outputs and activities. By clarifying how agency performance is to be measured, the OPIF also has the potential of improving the reporting of results, thereby enhancing transparency.

At present, the OPIF is still in the process of being adopted by the national government agencies. However, the OPIF has the potential of enhancing public sector accountability by making more transparent to Congress and the general public the outputs and monitorable performance targets that agencies are supposed to achieve given the budgetary resources they receive.

Prospectively, however, there is a need for the executive branch, in general, and the DBM, in particular, to engage with Congress towards the adoption of an OPIF-compliant budget.

### **5.3. Under-utilization of Appropriation Cover: Poor Absorptive Capacity or Inadequate Release of Funding Authority**

The discussion of budget execution at the DepEd in 2004 and at the DOH in 2004 and 2005 suggests that, paradoxically, some of the social sector agencies have not been able to fully utilize their appropriation cover despite the apparent lack of budget support. At this point, it is not clear whether this situation is due to poor absorptive capacity on the part of the concerned agencies or to the late/non-release of either funding authority or cash allocation by DBM.

The fund utilization rate (i.e., ratio of obligation to allotment) is a good indicator of absorptive capacity. However, the data that is available does not include allotment levels by program. Thus, we are only able to compute the ratio of obligation to appropriations. The obligation-to-appropriation ratio may also indicate absorptive capacity assuming that allotments are released on time as needed. However, in times when austerity measures are put in place and allotments come in trickles then low obligations-to-appropriations ratios may simply indicate the rationing of allotment/ cash rather than low absorptive capacity per se.

Note that the analysis of fund utilization for this study covers 2004 and 2005, years when the national government has had to struggle with fiscal consolidation. In those years, what appear to be problems with utilization may instead indicate problems with release of allotments and Notice of Cash Allocation (NCAs).

On the one hand, these findings underscore the importance of having realistic revenue estimates in ensuring the predictability of funding. On the other hand, if it is ascertained that the low utilization rates arise because of implementation problems, then these implementation issues should be addressed and should not automatically be used as a justification for a cut in future funding. This is critical given significant levels of unmet needs and funding gaps towards the attainment of the MDGs.

DepEd. Across programs, the following programs exhibited low utilization rates in 2004: teacher training (less than 1%), support to operations of distance education (76%), support to elementary education (82%), support to physical education (76%), operation of non-formal education for accreditation and equivalency program (75%), operation of medical/ dental/ nursing services (76%), school sports (81%), purchase of armchairs (0.08%). In 2005, the following programs had problems in their utilization rate: support to distance education (56%), support to elementary education ((80%), support to physical education (86%), operations of medical/ dental / nursing services (61%), hiring of new teachers (47%), operations of science high schools (72%), purchase of armchairs (82%), acquisition of textbooks (78%), creation of principal positions (61%), rationalization of school MOOE, conversion of Master Teacher Position (7%).

DOH. Across programs, the following public health programs exhibited low utilization rates in 2004 and 2005: Essential National Health Research (67% in 2004 and 62% in 2005), provision of drugs and medicines to collaborating units for emergencies (62% in 2004 and 73% in 2005), regulation of food and drugs (49% in 2005), regulation of health facilities and services (45% in 2005), regulation of health devices and technology (44% in 2005), quarantine services (75% in 2005), local health systems development (81% in 2004 and 38% in 2005), disease surveillance (80% in 2004 and 38% in 2005), TB control (87% in 2005), malaria control (60% in 2004 and 40% in 2005), schistosomiasis (50% in 2004 and 40% in 2005), prevention and control of other communicable diseases (77% in 2004 and 85% in 2005), family planning (40%-43% in 2005), family health and primary health care (76% in 2004), environmental health (61% in 2005), other population initiatives (59% in 2004 and 37% in 2005), health promotion (59% in 2004 and 33% in 2005). Likewise, health care assistance (59% in 2004 and 33% in 2005), social health insurance (62% in 2004 and 35% in 2005) and provision of drugs and medicines for collaborating centers (62% in 2004 and 73% in 2005) also had low utilization rates.

In 2008, the DOH has developed and put in place a budget expenditure tracking system that is focused on the utilization of budgetary support for public health programs.

The intent is to guard against poor absorptive capacity given the large increase in the budget for said programs.

#### 5.4. PDAF Allocation of Members of Congress

In 2003, PhP 6.2 billion was obligated as part of the PDAF allocations of members of Congress. In 2005, the aggregate PDAF obligation was equal to PhP 5.3 billion (Table 12). MDG programs captured 22% and 34% of total PDAF obligations in 2003 and 2005, respectively. Clearly, there is scope for further reallocation in favor of MDG programs in the use of the PDAF. In this regard, it is incumbent on LGUs and local communities to demand that their Congressmen prioritize MDG interventions in using their PDAF allocations.

In particular, the opportunity for such a reallocation appears to be large in the case of PDAF projects implemented by LGUs. It is noteworthy that for this sub-set of the PDAF, the share of MDG programs is a low of 6% for 2003 and 2005 (Table 13).

#### 5.5. Opportunities for Shifting Resources towards MDGs at the Local Level

A number of issues and constraints in local revenue generation and public expenditure management at the local level continue to fester to date. Some of the problem areas in local revenue generation that need the attention of local officials include: (1) poor tax registration systems and procedures which results in delinquent payments and accumulation of arrears, (2) infrequent exercise of LGU audit and enforcement authority which erodes the credibility of the system and results in low compliance; (3) limited availability of taxpayer services which increases taxpayer compliance costs, (4) inadequate local capability in tax administration, (5) complex tax structure, and (6) less-than-business-like management of local economic enterprises.

**Table 12. Percent Distribution of PDAF Allocation of Members of Congress**

	2003	2005
<b>Education</b>	<b>9.9</b>	<b>12.4</b>
Elem& HS	7.2	7.7
<b>Health</b>	<b>7.2</b>	<b>5.9</b>
Basic health	0.3	0.3
Hospital	3.8	0.4
Philhealth	0.0	0.8
Medical Assistance	3.1	4.5
<b>Social Welfare and Development</b>	<b>6.4</b>	<b>15.5</b>
<b>Infrastructure</b>	<b>7.2</b>	<b>6.5</b>
Roads & Bridges	4.6	4.5
<b>Water Supply</b>	<b>0.9</b>	<b>1.1</b>
<b>Other Structures</b>	<b>0.7</b>	<b>2.1</b>
<b>Others</b>	<b>67.8</b>	<b>56.1</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
<b>Memo item:</b>		
Total PDAF (in million pesos)	6167.94	5322.9
MDG programs as percent of total PDAF	22.3	34.3

On the other hand, some of the problem areas in planning and public expenditure management include; (1) unrealistic income estimation, (2) large lump-sum allocations and too much pork in the Annual Investment Program (AIP) and the budget, (3) poor performance targeting and measurement, (4) excessively large fiscal surpluses.

However, earlier studies show that even when incentives facing local governments are inappropriate and even under the most perverse conditions, there is scope for local initiative and for some LGUs to do better than others. Numerous examples of LGU "good practices" are available all over the country, highlighting the possible gains from interventions that aim to build LGU capacity.

At the same time, emerging developments present opportunities that augur well for increasing the flow of resources towards MDG programs and in improving local planning and public expenditure management. First, IRA is now not only automatically released but also automatically appropriated, thereby ensuring its predictability. This situation thus presents an opportunity for LGUs to plan and manage their allocation of resources more effectively and efficiently.

Second, in February 2006, the Department of Budget and Management (DBM), Department of Finance (DOF), the Department of Environment and Natural Resources (DENR) and Department of Energy (DOE) issued Joint Circular No. 2006-1 which streamlined the guidelines and procedures for the release of the share of LGUs in national wealth by reducing the documentary requirements for the same from 5 to 2. At the same time, the DBM is doing additional work on to further streamline the process. These reform initiatives are expected not only to expedite but also to increase the release of the LGU share in national wealth.

Third, the BLGF is currently putting in place mechanisms that will support LGUs in improving local revenue generation. In 2006, the BLGF has completed and distributed the updated Local Assessor's Manual so as to enhance real property tax collection. It is set to complete the revision of the Local Treasurers' Manual in 2007, the first such revision since 1954. It has also drafted an amendment of DOF/ Local Finance Circular 1-93 which is aimed at revising the situs of tax rule for banks.

Fourth, the Municipal Development Fund Office (MDFO) has launched recent initiatives that are aimed at improving LGU fiscal performance and at providing support for the MDGs. In 2007 the MDFO established a program-policy lending facility (PROLEND) which will provide provinces with a program loan in support of their policy reform efforts. The MDFO is also preparing a PhP 500 million facility in support of the achievement of the Millennium Development Goals (MDGs). The MDG Fund will be available to finance MDG-related projects of 3rd - 6th income class LGUs.

Fifth, in March 2007, the DBM, DOF, Department of Interior and Local Governments (DILG), and the National Economic and Development Authority (NEDA) issued Joint Memorandum Circular No. 1 – Guidelines on the Harmonization of Local Planning, Investment Programming,

Table 13. Percent Distribution of PDAF Projects Implemented by LGUs

	2003	2005
<b>Education</b>	<b>1.1</b>	<b>1.5</b>
of which: Elem& HS	0.9	0.4
<b>Health</b>	<b>1.7</b>	<b>1.5</b>
of which: Basic Health	0.1	0.5
Hospital	1.0	0.3
Philhealth	0.0	0.0
Medical Assistance	0.6	0.6
<b>Social Welfare and Development</b>	<b>0.4</b>	<b>3.3</b>
<b>Infrastructure</b>	<b>4.3</b>	<b>1.4</b>
of which: Roads & Bridges	3.0	0.3
<b>Water Supply</b>	<b>0.7</b>	<b>0.6</b>
<b>Other Structures</b>	<b>0.8</b>	<b>0.3</b>
<b>Others <sup>1</sup></b>	<b>91.1</b>	<b>91.3</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
<b>Memo item:</b>		
TOTAL PDAF (in million pesos)	<b>3,382</b>	<b>2,347</b>
MDG programs as percent of total PDAF	<b>5.7</b>	<b>5.7</b>

Revenue Administration, Budgeting, and Expenditure Management. This circular aims to strengthen the interface between national government agencies and LGUs as well as the complementation between and among all LGU levels in planning, investment programming, revenue administration, budgeting and expenditure management.

Sixth, the NEDA has also completed its Provincial Planning Guidelines for LGUs and is set to provide further assistance to provinces in formulating their Local Development Plans. The NEDA guidelines take the MDGs into consideration, among other concerns.

Seventh, the issuance of the Updated Budget Operations Manual (UBOM) by the Department of Budget and Management in 2006 is a major step towards the improvement of the support mechanisms for local budgeting. The UBOM makes a strong advocacy for a stronger planning-budgeting linkage. It also contains the basic principles which provide the framework for the institutionalization of results-based budgeting through the introduction of the Organizational Performance Indicator Framework (OPIF).

Prospectively, there is need to further support its

application at the local level. Given this perspective, the need to continuously intensify awareness and advocate MDGs with LGU officials cannot be over-emphasized. At the same time, there is a need for the national government to be able to leverage LGU spending priorities, especially as they relate to the MDGs, if LGUs are to maximize the gains from these emerging opportunities for greater MGD finance. In this regard, there is a need to explore the benefits of a grant program aimed at ensuring that LGUs provide MDG services that are consistent with minimum service standards of access and quality. The rationale for such a grant program stems from the fact that many of the MDG-related services (e.g., public health and environmental protection) generate externalities, i.e., benefits spillover beyond the boundaries of the local jurisdiction. Also, the central government exhibits a strong interest to achieve an over-riding national level outcome for many of these services because they fall under the ambit of what are referred to as merit goods.

In principle, national standards can be enforced in several ways. One, local governments may be enticed

to spend more on a specified service with a matching grant program (McLure and Martinez-Vazquez, 2002). Alternatively, the problem could also be addressed by designing equalization transfers aimed at providing sufficient resources to enable all local governments to provide a basic package of local services (Bird and Smart 2002).

At the same time, there is a need for policy makers to have a good understanding of how to best address the government's equity objectives in a decentralized regime. If poverty alleviation and the provision of social safety nets are viewed as a purely redistributive task, then the basic principles of public finance dictate that their provision is best assigned to the central government. To wit, local governments are constrained by the mobility of the local population in implementing poverty alleviation measures.

In particular, the implementation of poverty alleviation measures by any given LGU will tend to attract the mobile poor from other jurisdictions and drive away the better-off mobile taxpayers. This is so because the higher local tax rates needed to finance poverty alleviation measures at the sub-national level will tend to induce the migration of the better-off mobile taxpayers (Boadway and Wildasin 1984). Thus, a significant part of financing poverty alleviation expenditures will have to be generated by redistributive tax policies at the central level.

However, local governments, in general, tend to enjoy significant information and transaction cost advantages in implementing anti-poverty policies because of their very proximity to local communities. Rao (1995) posits that, in cases like this, it would be desirable to make the local residents to bear a part of the cost of such programs in order to increase the accountability of local governments in the implementation of anti-poverty programs. Thus, the case is made for a cost sharing programs between the central and local government in the implementation of anti-poverty interventions.

## 5.6. Need for Greater Budget Transparency and Credibility

Tracking actual spending. The discussion in Section 2.3 on data sources for tracking MDG spending and Section 5.3 on how the availability of spending authorization (either in the form of appropriations and allotments) does not always result in actual spending on the MDGs underscore the need for better documentation of budget execution. Since the budget is the principal tool for articulating and implementing government policy, budget transparency and credibility requires that the composition of actual expenditure should not differ considerably from the original budget. Otherwise, the budget is not a useful statement of policy intent. For purposes of tracking government's commitment to the achievement of the MDGs, Section 2.3 highlights the importance of monitoring not only the total expenditures of the implementing units but also the spending of these units on MDG-related PAPs.

As indicated earlier, both the BESF and the COA Annual Financial Report do not report actual spending at the level of the PAPs. The BESF reports on details of budget execution on the basis of expenditure obligations, disaggregated according to the sectoral distribution of public expenditures. However, the BESF does not report budget execution by PAPs (which is the basic structure of appropriations as found in the GAA). Neither does it include data on actual cash payments/disbursements. On the other hand, while the COA reports contain information on cash disbursements, it does not also document budget execution according to PAPs.

The Statement of Appropriations Allotments, Obligations and Balances (SAAOB) of each agency tracks expenditures on the basis of the budget structure found in the GAA (i.e., PAPs). However, a system that will help DBM consolidate and keep a record of the SAAOBs that are submitted by the agencies is sorely lacking.

Information on expenditure at both the commitment and the payment stage is important for monitoring budget implementation and utilization of funds released. Given the peculiarities of the Philippine budget system, DBM might also consider additional indicators by computing (i) the deviation of obligations for current year's new and automatic appropriations from allotments for current year's new and automatic appropriations, and (ii) the deviation of allotments for current year's new and automatic appropriations from the sum of new and automatic appropriations for the current year, instead of simply lumping together current and continuing expenditures. This kind of analysis is informative in terms of differentiating absorptive capacity problems from purely cash rationing problems.

At the same time, a lot remains to be done in improving the transparency of LGU fiscal data. On the one hand, the BLGF reports on the fiscal operations of LGUs and published these with a lag time of about 18 months from the close of the fiscal year. However, the sectoral disaggregation used by BLGF does not easily lend itself to the monitoring of MDG spending of LGUs. Also, the fiscal information reported does not include ex-ante data (i.e., budgeted as opposed to actual expenditure).

On the other hand, the COA consolidates LGU fiscal data with a lag time of 9 months. COA's LGU data cover both revenues and expenditures. The revenue classifications used is similar to that of the BLGF but is more detailed. Prior to the introduction of the NGAS, the COA reported LGU expenditures broken down into both functional and economic categories (with the functional classification hewing closely to the BESF's sectoral classification for the national government and is certainly better than what is found in the BLGF report). With the implementation of the NGAS, the COA now only reports LGU expenditures broken down into economic categories (i.e., PS, MOOE and CO and their various subdivisions). The NGAS no longer requires the SAAOBs to be part of the financial statements (trial balance, etc.) that accountants are required to prepare and submit to COA.<sup>15</sup>

<sup>15</sup> The preparation of the SAAOB is now the responsibility of the local budget officer.

Given this, there is a need for DBM to train local budget officers how to prepare the SAAOBs and then for DBM to consolidate the SAAOBs of LGUs. The functional classification of LGU expenditures currently found in both the BLGF and DBM reports are too aggregated for policy analysis and need urgent improvement. Just restoring the functional classification used by COA prior to NGAS will be a step in the right direction.

In fact, it might even be better if COA goes back to consolidating the SAAOBs. Tracking outputs and outcomes linked to the budget. At the same time, performance reporting of the various agencies, linking agency performance with funding, should also be made available in a more accessible manner to the public. This will help the wider public monitor

both spending and results of spending, not just at the broad sectoral level but also at the level of the implementing agencies. Starting with the preparation of the 2007 budget, the DBM has published the OPIF budget document, initially covering the 20 departments of the national government at the level of the Office of the Secretary. For the 2008 budget, the coverage of the said document has been expanded to include all attached agencies as well as the other executive offices. It is envisioned that the OPIF budget document for 2009 will include all of the fiscally autonomous agencies (FAAs) and state universities and colleges (SUCs). This effort needs to be supported until it gets embedded in the budget process and budget documentation not just at the national government level but also at the local level.



## BIBLIOGRAPHY

- Bird, Richard M. and Michael Smart (2002),**  
 "Intergovernmental Fiscal Transfers: International Lessons for Developing Countries." *World Development* 30, page 899-912
- Bird, Richard M., Jennie Litvack and M. Govinda Rao (1995).**  
 "Intergovernmental Transfers and Poverty Alleviation in Vietnam." Policy Research Working Paper 1430. Washington D.C.: World Bank.
- Boadway, Robin and David Wildasin (1984),**  
 Public Sector Economics, Little Brown Co., Boston.
- Edillon, Rosemarie (2006),**  
 "Meeting Goal 1 Are We on the Right Track?" Analysis of the Millennium Development Goals Progress and Project Methodology Improvements Background, Report submitted to UNDP-NEDA, 18 November.
- Inman, Robert P and Daniel L. Rubinfeld (1997),**  
 "Rethinking Federalism", *Journal of Economic Perspectives*, Vol. 11, No. 4, pp. 43-64.
- McLure, Charles E. and Jorge Martínez-Vázquez (2002),**  
 The Assignment of Revenues and Expenditures in Intergovernmental Fiscal Relations, World Bank Institute: Washington, D.C.. 2002
- Parker, David and Eva Jespersen (1994),**  
 20/20: Mobilizing Resources for Children. UNICEF Staff Working Paper Number 12, New York: UNICEF, 1994.
- NEDA (2007),**  
 Philippines' Mid-term Progress Report on the Millennium Development Goals. Manila: NEDA.
- Rao, Govinda (1995),**  
 "Poverty Alleviation under Fiscal Decentralization" <http://www.worldbank.org/wbi/publicfinance/documents/module%2012/Poverty.pdf>
- United Nations Development Programme (1994),**  
 Human Development Report 1994. New York: Oxford University Press.
- United Nations Development Program (1996),**  
 "Implementing the 20/20 Initiative: Issues Regarding Definitions, Modalities and Monitoring," Paper prepared for the international meeting on the 20/20 initiative, Oslo, 23-25 April.
- World Bank (1990),**  
 World Development Report 1990: Poverty. New York: Oxford University Press.
- World Bank. Poverty Reduction: Handbook and Operational Directive. Washington, D.C.: World Bank, 1992.

# Guidelines For Contributors

## Original Communications

The Social Welfare and Development (SWD) Journal accepts original and preferably unpublished articles on SWD-related programs, such as an assessment of DSWD's community and center-based programs, DSWD Projects, and other SWD-related initiatives from NGOs and other development agencies. The copyright of published articles shall be owned by the Journal.

The SWD Journal Editorial Board composed of the Editorial Adviser, Editor-in-Chief, Associate Editors, Managing Editor, and Assistant Managing Editor will review all submitted articles based on clarity of language and validity of supporting evidence. The SWD Journal Editorial Board reserves the right to reject articles proven as plagiarized and/or with weak supporting evidence, as well as the right to edit articles to conform to editorial policy.

## Manuscripts

Clear manuscripts, tables and illustrations must be encoded in Times New Roman font size 12 double-spaced on A4-sized bond paper with one (1) inch margin on all sides. Articles should be a maximum of 50 pages long including tables, charts, annexes, and title page.

The title page should contain the manuscript's complete title as well as the author's full name, degrees obtained, organization, academic affiliations, address and contact numbers. Page numbering should begin with the title page, followed by the disclosure of conflicts of interest as page 2, abstract as page 3, etc. Abbreviations must be spelled-out or defined at first appearance in the text, tables, figures, or summary. American spelling, as indicated in the Webster's International Dictionary, is preferred. Mathematical equations/formula, if any, should be written in a single line. For example:

$$a+b=c; dy/dx=B; [(a-b)(c+d)] / (m+n) = r$$

Manuscripts must also be printed on one side of the page only and submitted in triplicate along with a soft copy (diskette or CD-RW).

## Conflicts of Interest

Submitted manuscripts should contain the author's full disclosure of all potential conflicts of interest. Conflicts of interest arise when an author and/or the institutions he/she is affiliated with have financial or personal relationships that may inappropriately influence the author's opinions. These relationships are also known as dual commitments,

competing interests, or competing loyalties. As such, financial relationships such as employment, consultancies and the like should be disclosed.

Authors should also state explicitly whether potential conflicts do or do not exist and provide pertinent details in a separate page following the title page. Journal editors reserve the right to publish this information if deemed necessary.

## Summary (Abstract)

Abstracts with a maximum of 500 words should accompany all submitted articles. They should contain the salient points of the paper and follow the format prescribed for manuscripts.

## REFERENCES

The Modern Language Association (MLA) Style should be used for text format, endnotes and bibliography.

1. Book and journal titles should be italicized (i.e. *People's Journal*). Title of journal articles, working papers, and other reference documents, however, should not be italicized nor set in quotation marks but written in ALL CAPS (i.e. AN ANALYSIS OF DSWD PROGRAMS AND PROJECTS).
2. Endnotes are indicated in superscript after the quotation, paraphrased sentence, or summarized material from books, journals and other sources.  
Endnotes should be numbered consecutively. Note that there should be no space between the punctuation and the endnotes. Also, only Arabic Numbers (1, 2, 3...) are used for endnotes and not Roman Numeral Numbers (I, II, III...).
3. Indicate the endnotes at the end of the article using the following formats:

## BOOKS:

<sup>n</sup>Name of Author/s, Title of the Book (City of Publication: Name of Publishing Company, Date of Publication), Page Number/s.

\*<sup>n</sup> = the number of the endnote (i.e., 1, 2, 3...)

**For example:**

<sup>1</sup>Martin V. Kingsley and Christine N. Brown, Madame Curie: A Biography (New York: Oxford University Press, 1995), 12.

For books with three or more authors, use “et al.”

**For example:**

<sup>1</sup>Martin V. Kingsley, et al., Madame Curie: A Biography (New York: Oxford University Press, 1995), 12.

Books edited or compiled should be cited, as follows:

<sup>n</sup>Name of Author/s, “Title of Article,” in Title of the Book, ed. Name of Editor (City of Publication: Name of Publishing Company, Date of Publication), Page Number/s.

**For example:**

<sup>1</sup>Martin V. Kingsley, “Madame Curie: A Biography” in Biographies of Women Scientists, ed. Harris C. Johnston (New York: Oxford University Press, 1995), 12.

Books with no author or editor stated should be cited as follows:

<sup>n</sup>Title of the Book (City of Publication: Name of Publishing Company, Date of Publication), Page Number/s.

**For example:**

<sup>1</sup>Madame Curie: A Biography (New York: Oxford University Press, 1995), 12.

**REFERENCE BOOKS:**

<sup>n</sup>“Name of Article,” Name of Encyclopedia, Year of Publication ed.

**For example:**

<sup>3</sup>“Philippines,” Encyclopedia Britannica, 2007 ed.

**GOVERNMENT DOCUMENTS:**

<sup>n</sup>Name of Country, Name of Government Office, Title of the Article (Place of Publication: Publisher, Year of Publication), Page Number/s.

**For example:**

<sup>6</sup>Philippines, Department of Social Welfare and Development, Annual Report 2006 (Philippines: DSWD, 2006), 10-15.

**REFERENCES AUTHORED BY COMPANIES/ ORGANIZATIONS:**

<sup>n</sup>Name of Country, Name of Organization, Title of the Article (Place of Publication: Publisher, Year of Publication), Page Number/s.

**For example:**

<sup>7</sup>Philippines, Philippine Development Organization, Development Report 2006 (Philippines: PDO, 2006), 15-20.

**JOURNALS:**

<sup>n</sup>Name of author, “Title of the Article,” Title of the Journal, Magazine or Newspaper Volume Number, Issue Number (Date): Page/s.

**For example:**

<sup>8</sup>Wilbur M. Mason, “Rice Farming in the Philippines,” The Agriculture Review vol. 6, issue no. 2 (June 2007): 25.

**ONLINE SOURCES:**

<sup>n</sup>Name of author, “Title of the Article,” Cite Link (last accessed: date)

**For example:**

<sup>9</sup>Hanna G. Folger, “What is Color Therapy?” [http://www.colortherapy.com/hannah\\_g\\_folger.htm](http://www.colortherapy.com/hannah_g_folger.htm) (last accessed: June 20, 2007)

If sources will be used repeatedly, the shortened form for citations may be used, as follows:

<sup>n</sup>Last name of author, “First Words of Article Title,” Page Number.

**For example:**

<sup>10</sup>Kingsley and Brown, “Madame Curie,” 62.

## Illustrations

Clear original drawings/pictures may also be submitted along with the manuscript. Drawings/pictures should be properly identified at the back or on a separate sheet, properly numbered, with the name of artist/s, a short caption, as well as the title of the manuscript where the drawing/picture will be used. Clear and sharp photographic prints should be submitted in sizes that complement the width of the journal (8 ½ inches).

Drawings and photographs may also be scanned, saved in jpeg format, and included as a separate file attachment in the CD-RW or diskette containing the manuscript/s to be submitted.

## Tables

Tables should have a brief informative title and a Roman number separately from the figures. Each table should be encoded on a separate sheet of paper. Likewise, tables with content that can be fully incorporated in the text should be removed to minimize the number of tables.

## Brief Reviews

In addition to original research, the SWD Journal will also publish brief reviews that summarize and analyze SWD-related articles or major papers.

## Reprints

Each principal author will be furnished with two (2) copies of the Journal free of charge. Orders for additional reprints will be furnished at cost when ordered in advance of publication with senior author's permission.

---

---

The SOCIAL WELFARE AND DEVELOPMENT JOURNAL is the official journal of the Department of Social Welfare and Development. It is published three times a year. The call for submission of articles is usually done four (4) months before the release of the succeeding issue. This allows the Editorial Board to screen and edit articles.

All communications, including submission of articles, as well as those concerning editorial matters, subscriptions and change of address should be forwarded to:

The Editor-in-Chief  
Social Welfare and Development Journal  
Office of the Undersecretary for Policy and Programs  
3rd Floor, DSWD Central Office, IBP Road,  
Batasan Pambansa Complex,  
Constitution Hills, QC 1117  
Email: [arbala@dswd.gov.ph](mailto:arbala@dswd.gov.ph) / [pdpb@dswd.gov.ph](mailto:pdpb@dswd.gov.ph)

Authors will be notified by mail or email if their manuscripts have been accepted.

---

---