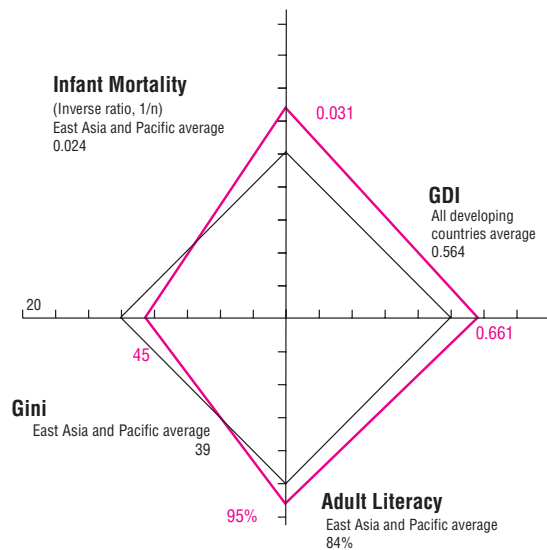


PHILIPPINES

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The Equity Diamond: National values in terracotta compared to regional ones in blue.
 Source: **Infant mortality:** UNICEF, *The State of the World's Children, 1998*; **Adult literacy:** UNICEF, *The State of the World's Children, 1998*; **GDI** (Gender Development index): UNDP, *Human Development Report 1998*; **GINI:** World Bank, *World Development indicators 1998*. (The regional average for this indicator was calculated by *Social Watch*).

MARKET-FRIENDLY, INDEED... BUT PRO-POOR?

Fortunately, the two need not conflict. If there is one useful thing that emerged from the historical boom–bust pattern of Philippine growth, it was the revelation that growth and poverty incidence are indirectly proportional (see Table 1). High growth rates are frequently accompanied by decreasing poverty incidence, while recessions almost always point to a worsening poverty situation. Hence, pump–priming the economy or avoiding contractionary measures is a critical strategy for both economic expansion and social development. Furthermore, reshaping the structure of the Philippine economy to ensure sustainable growth should increase both income and welfare.

TABLE 1.

GNP Growth Rates and Poverty Incidence (in percent)		
Year	Growth	Poverty Incidence
1985	-7.02	44.2
1988	7.71	40.2
1991	0.46	39.9
1994	5.25	35.5
1997	5.77	32.1

Source: National Statistics Office, National Statistical Coordination Board

Since growth is a necessary but insufficient condition for human development, however, the government's medium–term poverty alleviation programme demands careful scrutiny. The Social Reform Agenda (SRA) of the previous administration successfully secured the participation of civil society, but it was so encompassing that it lacked focus. According to Monsod (1998), the presence of multiple objectives diluted the pressing concerns of the poor. Moreover, lack of funds for implementation of its programmes reinforced the notion that SRA rhetoric was not backed by action.

This report first looks at the macroeconomy in 1998, which is characterised by a contagious recession. The effects on human

The year 1998 marks a significant point in the history of the Philippines. In May 1998, amidst world–wide financial crisis, one–time actor and high school dropout Joseph «Erap» Estrada won the presidential elections with the slogan, «Erap para sa mahirap» (Erap is for the poor). Deriving his legitimacy from the multitude of poor citizens who are fed up with educated but corrupt politicians, the new president is compelled not only to revive the flagging economy but also to make good on his social promises.

development indicators are discussed next. Lastly, some specific issues are cited to complete this brief and sweeping narration.

THE MACROECONOMY IN 1998

The first three quarters of 1998 saw a marked reduction in the growth rates of the gross national and domestic products (GNP and GDP). The GNP expanded by 5.2% in the first three quarters of 1997 as compared to 0.8% in 1998 (see Table 2). GDP growth rates went down from 4.9% in 1997 to 0.2% in 1998. A slight upswing can be observed from the second quarter to the third quarter of 1998. **Were it not for the increasing remittances of overseas Filipino workers, however, the GNP would have been negative for the second straight quarter.**

TABLE 2.

Gross National Product and Gross Domestic Product, Growth Rates (in percent)								
ITEM	1998			1997			Q1 to Q3	
	Q1	Q2	Q3	Q1	Q2	Q3	1998	1997
Gross National Product	2.0	(0.3)	0.8	5.4	5.3	5.2	0.8	5.3
Gross Domestic Product	1.6	(0.8)	(0.1)	5.5	5.6	4.9	0.2	5.3
Net factor income from abroad	92	10.5	18.6	4.9	(1.0)	11.1	13.0	5.0
Agriculture, fishery and forestry	(3.8)	(1.5)	(3.1)	4.9	1.8	0.4	(6.2)	2.5
Industry	1.6	(0.2)	(1.7)	5.1	7.6	6.4	(0.2)	6.4
Services	4.5	3.6	2.6	6.1	5.7	5.6	3.5	5.8

Source: National Statistical Coordination Board, Republic of the Philippines

The Philippines suffers heavily from the ongoing financial crisis. As in Thailand, the crisis became pronounced when the currency fell, from 26 to 40 pesos to the dollar in 1997. There were already signs of vulnerability before the devaluation, however. As in previous upswings, the beginning of the end was marked by an unsustainable current account deficit. External factors may have hastened its onslaught, but the depreciation was waiting to happen. Unlike its more developed Asian neighbours, the structure of the Philippine economy is still such that growth cannot be sustained for long periods of time. Hence poverty alleviation in the Philippines is more difficult.

The Philippine response to the economic crisis, however, may bear most responsibility for the ongoing contraction in the industrial and service sector. The Bangko Sentral ng Pilipinas (BSP) used up its meager international reserves resisting the initial rounds of depreciation. When this was not enough, the BSP raised reserve requirements and discount rates. Meant to be temporary, this pol-

icy turned out to be fatal. When the BSP tried to bring interest rates down, banks, highly exposed to reckless private sector borrowers, resisted by increasing their spreads, and in effect, lending became more restrictive.

These actions resulted in business closures and lay-offs. A labour force survey saw a slight increase in the unemployment rate in comparable months. For the month of January, the unemployment rate increased from 7.7% in 1997 to 8.4% in 1998. April figures saw an increase from 10.4% in 1997 to 13.3% in 1998. For July, unemployment rates went from 7.5% in 1997 to 8.9% in 1998.

True to their pro-poor and market-friendly form, the new fiscal managers attempted to remedy the situation. When they took office, they reversed market expectations of interest rates by consistently resisting a rise in the benchmark treasury bill rates. Since this was done by rejecting bids, the government had to seek other sources of funds. Foreign borrowing became unavoidable. Monitoring the allocation of this infusion of foreign funds will be a challenge for advocates. If foreign funds are used only to bail out distressed private institutions or aid inefficient cronies, then the country may be better off without them.

The government is quick to claim that the Philippines is better off than its Asian neighbours. The true impact of the economic crisis can only be understood, however, when we are reminded that the benefits of the brief two years of growth did not trickle down to the basic sectors. In other words, since the lives of most Filipinos did not improve substantially in the growth period, the little that they have can easily disappear in the contraction.

A more worrisome event that directly affects the poor is the El Niño phenomenon. The drought has caused agricultural production to shrink for the whole year of 1998. In the first three quarters, the sector contracted by 6.2% from 1997. Since most of the poor live in rural areas, El Niño impacts them directly. In fact, the labour force survey hints that a large part of the unemployment is in the agricultural sector.

SOCIAL EXPENDITURES

In hard times, the government is expected to provide safety nets for vulnerable sectors of society. Unfortunately, the situation of the government correlates with the performance of the economy, hence, the prevalence of countercyclical policies in the past. Currently, though, there has been more emphasis on fiscal prudence to prevent runaway inflation.

The last administration ignored its human development commitments and was over-concerned with inflation. In response to the crisis, former President Fidel V. Ramos ordered an across-the-board 25% mandatory cut on all agency budgets excluding personnel expenditures. This was a tremendous blow to the provision of basic social services and implementation of human development programmes. Ironically, this is the same government that launched with much fanfare the Social Reform Agenda. Lim (1998) compiles the list of programmes that line agencies felt were affected by the 25% mandatory cut (see Table 3). These include housing assistance, building of new classrooms and desks, development

of instructional materials, faculty and staff development, and nutrition and immunisation programmes.

TABLE 3.

To its credit, the Estrada administration decided to restore the

Projected Impact of 25% Mandatory Cut in Government Expenditures	
Item	Effect
Housing	Reduce housing assistance to 2,535 units 18,226 housing starts and 2,794 housing completions of the National Housing Authority
Education	Reduce classrooms by 2,567 units affecting 158,265 elementary and secondary public school students Reduce new desks by 59,353 affecting 118,706 students Inability to provide the needed instructional materials to all 1,428 classes organised under the elementary school education programme 466 blind students will not be provided braille textbooks Cutbacks in training of school personnel in special education, leading to the failure to meet the target enrollment among gifted children and children with disabilities Disallowance of honoraria to teacher-facilitators and project coordinators will affect 2,000 adult learners Reduce by 60% the printing and distribution of learning materials in the Non-Formal Education Project Restrict faculty and staff development programmes implemented by the Commission on Higher Education and by public higher education institutions.
Health	Budgets for hospitals, foreign assisted projects, Office of Special Concerns, Regional Health Offices, and Office for Public Health Service 27% reduction in case findings and treatments in the Malaria Control Programme 90 thousand tuberculosis patients may not be treated Schistosomiasis Control Programme will suffer a 26% reduction in case findings and treatments Immunisation targets for six vaccines have been reduced by 23.3% Nutrition programme will suffer a substantial reduction in beneficiaries for Vitamin A, iodine, and iron. Training activities and travelling to regions will be reduced.

Source: Lim (1998)

budget to the old level for the remaining months of 1998. Still, economic managers are reluctant to raise government expenditures over the P40 billion initial target deficit for 1998. This is rooted in the fear that some pump-priming activities being funded by foreign borrowing to revive the economy are not viable (eg, investments in inefficient sugar mills and the beleaguered Philippine Airlines). Although these will indeed generate employment and heighten purchasing power, they may not generate enough profits in the long run to repay the foreign loans. **The challenge for government is to ensure that any increased government expenditure**

must have long-term social returns as well as short-term confidence-building benefits. Most social expenditures, such as for primary education and health care, yield increasing returns in the long run, making them some of the most sensible choices for pump-priming investments.

HUMAN DEVELOPMENT INDICATORS

It is difficult to fight poverty without adequate information. Poverty data in the Philippines comes out every three years and the results are released only in the fourth year (ie, poverty data for 1997 became available only in 1998). **Formulating anti-poverty programmes is difficult without timely data and when policy-makers do not even know where the poor are located.** Poverty incidence data are also insufficient since they inform policymakers only how many poor people there are in a region. There is no additional information on the extent to which poor households access publicly provided goods and services, or on asset ownership. For example, the annual poverty threshold for the Philippines in 1997 was P11,388 (USD 285 or less than one dollar per day), which seems impossibly low. But if the government offers good social services in the community, such as free education and health care, and if poor people have access to land, then this amount is not impossible.

This lack of data is currently being remedied by statistical agencies. Methods are being developed that may not be as accurate as household surveys, but they can yield timely and useful data on an inexpensive budget. This would allow annual poverty estimates. Regarding quality of data, the Social Reform Agenda developed an approach to survey people's preferences on several basic needs at the local government level. The data may be biased, but the result can help local governments in prioritising expenditures since revenues are hardly enough to cover all needs.

The most recent income and expenditure survey shows that poverty incidence went down from 35.5% in 1994 to 32.1% in 1997 (see Table 4). Although the financial crisis and El Niño hit in 1997, the brunt of the crisis was felt only in 1998.

TABLE 4.

While the situation with regard to absolute poverty may have

Poverty and Inequality Statistics			
Year	Average Annual Income (PhP)	Poverty Incidence (%)	Gini Concentration Ratios
1985		44.2	0.4466
1988		40.2	0.4446
1991		39.9	0.4680
1994	83,161	35.5	0.4507
1997	123,881	32.1	0.4960

Source: National Statistics Office, National Statistical Coordination Board

improved prior to the financial crisis, income distribution worsened. Gini concentration ratios for the Philippines went from 0.45 in 1994 to 0.50 in 1997. This trend has not been given as much prominence as the improvement in poverty incidence since absolute poverty is usually the focus in developing countries where a substantial percentage of the people are still below a calorie-based poverty line. Nevertheless, it may indicate that growth and human development programmes have helped only those on the fringes of poverty. **The poorest of the poor remain untouched by either growth or anti-poverty programmes.**

Reproductive health care indicators improved slightly from 1993 to 1998 (see Table 6). Much remains to be done. Tetanus toxoid injections, a preventive procedure against a frequent cause of infant death, were given to only 69.1% of all babies from 1993 to 1998. Because of educational differences and access problems, most rural women, unlike urban women, still rely on nurses or midwives for prenatal care and delivery assistance.

TABLE 5.

Other human development statistics need to be updated.

Reproductive Health Indicators (% of all births in the five years preceding the survey), 1998					
Residence	Tetanus Toxoid	Prenatal Care		Assistance at Delivery	
		From Doctor	From Nurse-Midwife	From Doctor	From Nurse-Midwife
Urban	69.2	56.7	35.9	47.7	30.8
Rural	69.0	23.3	56.8	16.8	20.7
TOTAL	69.1	38.6	47.2	30.9	25.4

Source: 1998 National Demographic and Health Survey, National Statistics Office and Department of Health

The most recent education statistics are for 1993. For the population 10 years and older, 94% can read, write, and understand simple messages in their language or dialect. Of the 10 to 64 population, 84% is functionally literate or can read, write, and compute. The infant mortality rate as of 1995 was 20.6 per thousand live births.

To overcome the sparseness of data, Lim (1998) compares some human development indicators with macroeconomic variables. He found out that infant mortality is highly and positively correlated with inflation and highly and negatively correlated with GNP per capita. This finding allows us to speculate that infant mortality will not improve in the next few years and may even worsen. As mentioned above, the economy has stagnated since GNP was growing at less than 1% in 1998. Inflation will put pressure in household budgets, negatively affecting infant mortality.

Enrollment rates are positively related to GNP per capita and real government expenditure on education. With the current recession and the 25% mandatory cut in government expenditure in the first half of 1998, enrollment rates have certainly suffered. This

will have adverse effects in the future since education is a critical to long-term growth.

MARCOS' HERITAGE

The year 1997 saw adoption of the Indigenous Peoples' Rights Act (IPRA). The National Commission on Indigenous Peoples (NCIP) was created to implement the law. A campaign target of several civil society groups, the IPRA recognises the rights of indigenous peoples to non-discrimination and self-governance. Their culture, traditions and institutions are preserved and protected under this law. Most importantly, the law specifies the rights of indigenous peoples to ancestral lands and ancestral domains, two different ways of acquiring ownership of the land and the resources found on it. Although imperfect (Leonen, 1998), the law does offer opportunities for advocates to improve the plight of indigenous people both in the short and long terms.

The implementation of the IPRA is fraught with difficulties. First, the Mining Act of 1995 and the influential mining lobby created loopholes to unburden the industry of constraints to its natural resource exploitation activities. Yu (1998) reports that the appointed secretary of environment and natural resources, Antonio Cerilles, meddled in the appointment of the head of the NCIP. Cerilles has also suspended the processing of ancestral domain and land claims. Lack of funding continues to trouble the NCIP.

The shadow of the late dictator, Ferdinand Marcos, and his family loomed big in 1998. Late in 1998, wife Imelda Marcos, claimed that their family «practically own everything in the Philippines». She was referring to several huge companies controlled by former cronies who were acting, according to Mrs. Marcos, as trustees to the Marcos' legitimately-earned wealth. Her revelation reminded people of the havoc wrought by the Marcos in their economic, political and physical lives. Some 10 thousand victims of human rights violations filed a class suit against the Marcos' estate. Unfortunately for them, the government and the Marcos have persistently negotiated for compromise, the latest being a 75-25 sharing scheme. The ombudsman has repeatedly dismissed behest loan cases against several Marcos' cronies and, in mid-year, Imelda Marcos herself was exonerated of corruption charges by the highest court.

The Marcos' family's recent good luck has reinforced suspicions that the new administration is beholden to several shady characters. These include big-time tax evader Lucio Tan who openly supported President Estrada in the last elections. The new government has resisted charging Tan with tax evasion while fiscal managers are softening up to the idea of allocating acquired foreign resources to Tan's ailing Philippine Airlines. Such moves have not only dampened investor confidence in the country; they have also exposed the shallowness of the president's pro-poor stance.

MORE CONSISTENCY NEEDED

Indeed, the Estrada government has in many cases contradicted its oft-repeated «market-friendly and pro-poor» strategy. Beyond programmes that are meant for the media, the president still has to develop a long-term coherent poverty alleviation strategy. Even without long-term plans, President Estrada must consistently incorporate the ultimate objectives of human development in any economic, cultural, social, or political plan. He must heed the lesson of the past administration where poverty alleviation was only an afterthought to much vaunted but actually unsustainable growth. After all, human development is seldom achieved by seemingly perfect poverty alleviation programmes that are obviated by inequitable economic policies. It takes some persistence and consistency of action to successfully win the war against poverty.

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