

# Philippines: The Development Context

## INTRODUCTION

In September 2000, the UN General Assembly concluded the Millennium Summit with the adoption of a Millennium Declaration renewing the global commitment to peace and human rights and setting specific goals and targets to wipe out poverty worldwide.

Included in the targets are:

- (a) reducing by half the number of people who live in extreme poverty, with little access to food and safe drinking water;
- (b) reducing deaths in mothers and children below five;
- (c) making primary education accessible to all;
- (d) reducing gender disparities;
- (e) providing access to reproductive health services;
- (f) pursuing national strategies for sustainable development;
- (g) reversing environmental resources losses; and
- (h) developing a global partnership for development.

The Declaration, which sets year 2015 for fulfilling most of the targets, affirms the International Development Targets (IDTs) initially set in 1996.

The Philippine government through the Multisectoral Committee on International Human Development Commitments and the Social Development Committee of the NEDA Board, in close collaboration with the UN country Team, led the preparation of the first Country Progress Report on the Millennium Development Goals. The process benefited from a series of multisectoral consultations.

## ECONOMY AND POVERTY

The Philippines has 76 million people as of year 2000. Its population is growing at 2.36 percent annually. In 2000, the annual per capita gross national product (GNP) was about \$700, using 1985 prices and exchange rate.

From 1990 to 2000, the GNP increased at an average rate of 3.4 percent annually. The growth peaked in 1996 at 7.2 percent. The Asian financial crisis in July 1997, however, halted the growth momentum, causing the GNP growth to fall to 5.3 percent that year. The after effects were mostly felt in 1998 when the GNP growth fell to 0.4 percent. Contributing to the sharp decline were the peso depreciation and the El Niño weather phenomenon. In 1999, however, the economy showed signs of recovery, posting a growth rate of 3.7 percent. The following year, it grew by 4.5 percent.

About one half of the Philippine population make a living from rural-based crops like rice, corn, coconut, and tobacco. Although agriculture accounts for only 20 percent of the national income, 40 percent of the population depend on it as a source of livelihood. With globalization, however, the present economic thrust of the government is now geared towards industrialization. Among the country's exports are electronics, garments, oil, and lumber. The services sector, which absorbs around half of the population who are employed, contributes the largest share of the country's output, comprising more than 40 percent of the country's GNP.

The poverty incidence of the population fell from 49.3 percent in 1985 to 39.4 percent in 2000. Poverty is more widespread in the rural areas and in some areas like Central Mindanao and the

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Autonomous Region of Muslim Mindanao (ARMM). Income inequality is also a problem, as the Gini coefficient has remained high at 0.48 in 2000.

In 2000, the Philippines ranked 77th out of 162 countries with respect to the Human Development Index (HDI).

Life expectancy has increased to 66.3 years for males and 71.6 years for females in 2000. The maternal mortality rate has gone down from 209 per 100,000 live births in 1990 to 172 in 1998. The children under-five mortality rate has also decreased significantly from 79.6 per 1,000 live births in 1990 to 48 in 1998.

The functional literacy rate of the population 10 years and older in 1994 is 94 percent. Significantly, the net elementary enrolment rate also rose from 85 percent in 1991 to 96 percent in 2000.

## GOVERNMENT EFFORTS

Although poverty has been a major problem in the Philippines since the 1950s, it was not until the late 1980s that poverty alleviation became the top one priority in government development plans.

Government administrators have been tackling the problem of poverty since 1986. The Aquino and Ramos governments helped bring down its incidence from 49.3 percent of the population in 1985 to 37 percent in 1997. Although the Philippines did not suffer as badly as its other neighbors from the Asian financial crisis in July 1997, there was a significant rise in unemployment.

The Arroyo administration has committed itself to pursue the war against poverty and unemployment. A comprehensive set of policies and programs directly aimed at addressing the needs of the poor has been outlined in the MTPDP for 2001-04. Its core strategies are:

- 1) Macroeconomic stability with equitable growth based on free enterprise;
- 2) Agricultural and fisheries modernization with social equity;

- 3) Comprehensive human development and protecting the vulnerable; and
- 4) Good governance and the rule of law.

The policies and strategies set forth in the MTPDP are complemented by the government's Anti-Poverty Agenda popularly known as KALAHI or "*Kapit-Bisig Laban sa Kahirapan*" (Linking Arms Against Poverty) Program. The KALAHI is the current Administration's centerpiece antipoverty program which adopts the Comprehensive and Integrated Delivery of Social Services (CIDSS) approach that provides holistic intervention at the community level, specifically in the 5<sup>th</sup> and 6<sup>th</sup> class municipalities. It aims to improve access to social services, empowerment and management of resources. It responds immediately to the most pressing needs of the poorest communities and vulnerable groups and ensures that all stakeholders are important partners.

The antipoverty agenda has five major strategies, namely:

- 1) asset reform by redistributing physical and resource assets to the poor, especially land and credit;
- 2) human development services by strengthening the capacities of the poor by increasing public spending on basic social services and raising the poor's access to basic services;
- 3) employment and livelihood opportunities by creating jobs through agriculture and fisheries activities and providing seed capital to micro and small businesses for the poor;
- 4) participation of basic sectors in governance by strengthening political participation and cultural expression of basic sectors and communities; and
- 5) social protection and security against violence by reducing the risk and vulnerability of the poor to immediate effects of economic shocks and natural and human-caused disasters.

**Table 3: Key Development Indicators**

Indicator	Value	Year
Population Size	76,498,735	2000
Population Growth Rate	2.36%	2000
HDI, HDI rank	0.744, 77 <sup>th</sup>	2000
GDI	0.739	1998
GNP per capita, PPP (US\$)	3,815	1999
Real GNP per capita (US\$)	653.5	2000
NG Tax Revenue/GDP	13.91%	2000
Budget/GDP	12.70%	2000
Exports/GDP	55.13%	2000
Total Outstanding NG Debt/GDP	65.60%	2000
External debt (% of GNP)	7.68%	2000
ODA	US\$14.13 billion	1992-1999
Social Sector Expenditures (as % of total)	40.20%	2000
Life Expectancy at Birth		
Male	66.33	2000
Female	71.58	2000
Poverty headcount ratio (% of population below national poverty line)	39.40%	2000
Reported HIV/AIDS cases of all ages, cumulative	1,441	1984-2000
Population with access to safe water supply	77.90%	1998
Proportion of underweight children (0-5 years old)	32%	1998
Functional Literacy	84%	1994
Elementary Participation Rate	96.40%	2000
Ratio of girls to boys in elementary education	95.73:100	2000
Under-5 mortality rate (per 1,000 children)	48	1998
Maternal Mortality Rate (per 100,000 live births)	172	1991-1997

Within the four-year time frame, the government is committed to the development and adoption of innovative delivery and financing mechanisms for health care, education, social welfare and housing services. It will continue to prioritize basic social services, like primary health care, nutrition, basic education, water and sanitation facilities.

Sustained growth is central to poverty reduction because in bad times, it is the poor who are hurt the most. For the poor to enjoy its benefits, growth should be broad-based and equitable.

Statistics from 1994 to 1997, however, show that the benefits hardly trickled down to the poor in periods of economic growth. Poverty alleviation programs, therefore, should entail not only sustained growth in aggregate terms but also higher growth in the sectors where the poor are mostly concentrated, like agriculture and small-scale industries.

**Table 4. Government Targets Under the Medium-Term Philippine Development Plan, 2001-2004**

<b>SOCIO-ECONOMIC TARGETS</b>
GDP growth is expected to accelerate from 3.3% in 2001 to 6.3% to 6.9% in 2006.
Gross national savings (as a % of GNP) will average around 20.5% in 2001-2006.
Exports will grow by 9.5% to 10% by 2006.
Agricultural growth to accelerate from 3.1% in 2001 to 3.9% to 4.9% by 2006.
Public savings will increase to 4.1% of GNP in 2006 from -1.3% in 2001
The consolidated public sector financial position will move towards a surplus by 2006.
Debt service ratio to increase from 12.3 in 2000 to 17.4 in 2004. Inflation to decline from 6% to 7% in 2001 to 4.5% to 5.5% in 2006.
Domestic employment is expected to grow by 3.2% to 3.5% in 2001-2006 while unemployment rate will go down to 7.6% to 8.6% by 2004 from 11.2% in 2000.
A total of 860,000 hectares of land for land reform to be distributed during the period 2001-2004.
Prevalence of underweight children aged 0-5 years old (Phil. Reference Standards) to be reduced to 7.4% by year 2004.
Access to safe water supply and sanitary toilet facilities to reach 91.8% and 86.8% respectively in 2004
Elementary participation rate to increase to 98% by SY 2004-2005.
Elementary cohort survival rate of 82% by SY 2004-2005.