Project Updates

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he recent Asian financial crisis, aggravated by the occurrence of the El Niño weather phenomenon, manifested the vulnerability of Filipino families. Initially con-

Poverty in the Philippines*

Celia M. Reyes**

sidered the least affected among the crisis-stricken countries in Southeast Asia, recent data indicate otherwise and show that the impact of the crisis and El Niño on the country's poverty situation may be more significant than expected.

The figures and information in this article are culled from certain sections of the paper "Poverty Profile of the Philippines." They focus, however, only on the income-based measure of poverty.

Table 1: Per capita income, Philippines: 1991, 1994, 1997 and 1998 (in peso)

Per Capita Income and Area	1991	1994	1997	1998
In nominal terms				
Philippines	13,788	17,564	27,303	27,105
urban	18,843	23,986	39,816	39,493
rural	8,815	11,203	15,951	15,838
In real terms				
Philippines	17,343	17,564	21,877	19,799
urban	23,702	23,986	31,904	28,848
rural	14,092	11,203	12,781	11,569

Sources: Family Income and Expenditures Surveys 1991-1994 and 1997 and 1998 Annual Poverty Indicator Survey

and El Niño have caused per capita income to decline slightly in 1998 to P27,105, with urban incomes having been affected more than rural incomes.

In terms of real per capita income (in 1994 prices), the figures show that with the average inflation rate of 9.4 percent between 1991 and 1998, it has been increasing at a much lower rate of 2.3 percent. In 1991, for instance, real per capita income was recorded at P17,343. This increased to P17,564 in 1994 and then to P21,877

in 1997. In 1998, however, as a result of the financial crisis and the weather condition, this dropped to P19,799.

Table 2 illustrates the average income of families by decile from 1997 to 1998. It can be observed that the average income at current prices of the lower income deciles (deciles 1 to 6) increased from 1997 to 1998. In particular, the average income of



*Paper presented during the Fourth MIMAP Network Meeting, September 4-8, 2000, Palawan, Philippines.

**Project Director, MIMAP-Philippines and Senior Research Fellow, Philippine Institute for Development Studies (PIDS).

Income data

One of the major sources of information on the level of poverty is income. Table 1 shows the movements in the per capita income during the period 1991-1998. Between 1991 and 1997, per capita income at current prices increased at an average of 11.7 percent per year, from P13,788 in 1991 to P27, 303 in 1997. However, the combined effects of the financial crisis

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NEWS UPDATE

MIMAP-Philippines Hosts Fourth Annual Network Meeting

ceremony was Mr. Gunther Hecker, Country Director of the Asian Development Bank (ADB).

Among the high-

he Micro Impacts of Macroeconomic Adjustment Policies (MIMAP)—Philippines Project Management Office, in coordination with the International Development Research Centre (IDRC) of Canada, hosted the Fourth MIMAP Network Meeting last September 4-8, 2000 in Palawan, Philippines. The meeting brought together project leaders of 13 MIMAP country teams, thematic networks on gender, environment, health, microfinance and labor as well as representatives of selected donor agencies.

This year's meeting featured six country studies on the impact of trade liberalization. In addition, poverty trends in eight countries were also presented. Among the participating MIMAP country teams were the Philippines, India, Bangladesh, Nepal, Lao, Pakistan, Burkina Faso, Benin, Sri Lanka, Morocco, and Vietnam.

The meeting was formally opened by Dr. Randy Spence, Senior Economist of the IDRC and MIMAP team leader. The guest speaker during the opening



Gov. Joel Reyes of Palawan (2nd from right) meets with selected members of the MIMAP Policy Advisory group.

lights of this year's meeting was the presentation of the results of the community-based monitoring system (CBMS) in the province of Palawan, which is situated in the southwest of Manila. The CBMS session was graced by the Honorable Governor Joel Reyes of Palawan who shared with the group the significance of the results of the CBMS implementation for policymaking and program implementation in the province. Meanwhile, Mr. Nelson Devenadera, the Provincial Planning and Development Office (PPDO) Coordinator, discussed some of the major lessons that their department has learned from this CBMS exercise. On the last day of the gathering, the participants visited two villages (barangays Plaridel and Poblacion) in the municipality of Aborlan where

The MIMAP Program of the IDRC generally aims to assist developing countries in analyzing and creating alternative policies and programs that achieve the goals of economic stabilization and adjustment while reducing poverty and cushioning the impacts on vulnerable groups. Specifically, the program attempts to provide new instruments for policy and program design and analysis through the development of rigorous analytical tools and poverty monitoring systems. *BEM*

the CBMS was implemented this year.

Mr. Winston Adier, Municipal Planning and Development Coordinator of Aborlan, shares the CBMS results with the MIMAP team.



NEWS UPDATE

he Province of Palawan recently held its Annual Planning Convention in Puerto Princesa City with the theme "Enhancing Sustainable Growth in the New Millennium." The convention was organized by the Provincial Development Council (PDC) of Palawan as chaired by the Governor of Palawan, Gov. Joel Reyes. Serving as a forum for identifying and integrating the provincial and municipal development plans to come up with projects that the provincial government would implement throughout Palawan, the convention was participated in by the mayors and municipal planning and development coordinators of all municipalities of Palawan as well as the representatives of various sector committees under the PDC.

One major highlight of the convention was the presentation of the community-based monitoring system (CBMS) results. The results were intended to be major inputs in the planning and project-prioritizing process of the PDC. Invited as guest speaker, Dr. Celia Reyes, MIMAP-Philippines Project Director, presented the preliminary results of the CBMS survey implemented early this year. The results were based on partial con-

Palawan Holds Annual Planning Convention

solidation returns submitted by 18 municipalities of the province.

The preliminary results of the CBMS show that only 22.5 percent of households have income greater than the poverty threshold. Top unmet needs of the province include access to safe water supply (with only 49.3 percent of the total households having access to safe water) and access to sanitary toilet facilities (with 63.4 percent of the total households having access to sanitary toilet facilities). Other results show a high literacy rate of 89 percent for the province while the participation rate of children in the elementary level was registered at 83 percent and in the secondary level at 60 percent.

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IMAPE Research Project in Brown Bag Session

r. Arlene B. Inocencio, Dr. Christian Dufournaud and Mr. U-Primo E. Rodriguez presented their paper entitled "Reforming the Philippine Tax System toward a Cleaner Environment: An Applied General Equilibrium Approach" in a brown bag session held August 23, 2000 at the Philippine Institute for Development Studies (PIDS) in Makati City. The said paper is an ongoing research work under the Impacts of Macroeconomic Adjustment Policies on the Environment (IMAPE) Project.

Several studies have already used CGE models in analyzing the impacts of tax policies in the country. The ongoing research work, however, aims to go one step further by incorporating environmental variables in the model that would evaluate the impacts of tax reform on the environment. Specifically, the study would look at the effects of selected major tax reforms introduced since the mid-1980s on output, welfare and the environment. In addition, the study intends to determine the implications of the results on fiscal and environment policies.

During the presentation, the preliminary results of the simulation exercise as well as the strengths and weaknesses of the model were discussed. The participants of the brown bag session were the Research Fellows and Research Analysts of the PIDS. JPA

Poverty... (From Page 1)

decile 1 (poorest) increased by 13.3 percent, the highest among the income deciles. On the other hand, there was a decline in the average income for the upper income deciles from 1.7 percent for decile 7 to 12.4 percent for decile 10.

At constant prices, families belonging to decile 1 were the only ones who experienced an increase in the average income from P16,588 in 1997 to P17,129 in 1998, or a 3.3 percentage change. All other income deciles showed a decline in the average income but the biggest drop was evident in decile 10 (richest) which was 20.2 percent.

Sources of income

It is interesting to note the various sources of income received by both poor and nonpoor families as this gives an idea of the kind of activities engaged in by them. Table 3 provides some information on these. In 1997, 45.6 percent of total income came from wages and salaries, the bulk of which were sourced from nonagricultural activities;

26.2 percent from entrepreneurial activities; and 28.2 percent from other sources of income.

Among the poor families, the largest source of income came from entrepreneurial income which measured 39.2 percent. This was followed by wages and salaries at 37.7 percent. The share of wages and salaries coming from agricultural activities was 12.1 percent, representing the income of the landless workers in the agriculture sector.

On the other hand, the major source of income of the nonpoor families came from wages and salaries at 46.6 percent, followed by other sources of income at 28.8 percent. Almost all of the income from wages and salaries were obtained from nonagricultural activities. The main sources of other income, meanwhile, were rental value of owner-occupied dwelling unit, and cash receipts and assistance from abroad. The latter most likely constituted the remittances of overseas Filipino workers.

Table 2: Average income of families by decile in current and constant prices, 1997 and 1998

	In	Current Pr	ices	In Constant Prices					
	1997	1998	% Change	1997	1998	% Change			
Decile 1	20,702	23,449	13.3	16,588	17,129	3.3			
Decile 2	33,090	35,261	6.6	26,514	25,757	-2.9			
Decile 3	42,633	44,094	3.4	34,161	32,209	-5.7			
Decile 4	53,134	55,108	3.7	42,575	40,254	-5.5			
Decile 5	66,335	67,537	1.8	53,153	49,333	-7.2			
Decile 6	83,253	83,331	0.1	66,709	60,870	-8.8			
Decile 7	106,977	105,201	-1.7	85,719	76,845	-10.4			
Decile 8	141,441	138,430	-2.1	113,334	101,118	-10.8			
Decile 9	Decile 9 200,019 192,466 -3.8 160,272 140,589								
Decile 10 484,114 423,953 -12.4 387,912 309,681 -20.2									
Sources: 1997 Family Income and Expenditures Survey									
	1998 Annual Poverty Indicator Survey								

Table 3: Percent of income received from different sources by poor and nonpoor families: 1997, 1998

Group and Area	1997				1998			
·	Total	Poor	Nonpoor	Total	Poor	Nonpoor		
Wages and salaries Agricultural Nonagricultural		37.7 12.1 25.7	46.6 2.1 44.5	47.4	41.2	48.4 - -		
Income from entrepreneurial activities	26.2	39.2	24.6	24.5	35.3	22.7		
Other sources of income Rental value of owner-occupied dwelling unit for income	28.2 10.3	23.0 6.6	28.8 10.8	28.1 10.4	23.5 8.3	28.7 10.8		
Cash receipts, assistance from abroad Others	6.8 11.1	1.5 14.9	7.4 10.6		1.7 13.5	8.4 9.5		

Source of basic data: 1997 Family Income and Expenditures Survey 1998 Annual Poverty Indicator Survey

Note: - data not available

Table 4: Percent of income received from different sources by per capita income decile, 1997

Group and Area		Decile									
	Total	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Wages and salaries Agricultural Nonagricultural	45.6 3.2 42.4	31.2 16.7 14.5	33.7 13.5 20.2	38.5 11.2 27.3	41.8 9.0 32.8	46.0 7.1 38.9	49.5 4.2 45.3	52.1 2.9 49.2	52.3 1.7 50.6	52.3 0.7 51.7	41.3 0.6 0.7
Income from entrepreneurial activities	26.2	44.3	43.5	38.8	35.3	30.9	27.5	23.6	21.0	19.6	25.0
Other sources of income Rental value of owner-occupied dwelling unit for income Cash receipts, assistance from abroad	28.2 10.3	24.5 5.7 0.7	22.8 6.1	22.8 6.6	22.9 7.3	23.1 7.9 3.6	23.0 8.5	24.3 8.8 6.0	26.7 9.5	28.1 10.1 9.1	33.6 13.4 8.5
Others	11.1	18.1	15.5	14.4	13.2	11.6	10.0	9.5	8.9	8.9	11.7
Source: 1997 Family Income and Expenditure	es Surve	Э									

Table 5: Employed persons by sex and major industry group: Philippines, 1999

	Total	Male	Female
Total (in thousands)	28,998	17,924	11,074
Agriculture, fishery and forestry (in %)	39.1	46.7	26.9
Industry (in %)	15.6	17.5	12.4
Mining and quarrying Manufacturing Electricity, gas and water Construction	0.3 9.6 0.5 5.2	0.5 8.1 0.7 8.3	0.1 12.0 0.2 0.2
Services (in %) Wholesale and retail Transportation, storage,	45.3 15.9	35.7 9.2	60.7 26.7
communication Financing, insurance, estate	6.9	10.6	1.1
and business services Community, social	2.5	2.3	2.8
and personal services	20.0	13.7	30.1
Not adequately classified (in %)	0.0	0.1	0.0

As noted in Table 4, the share of wages and salaries increases as one goes up the income ladder. The 1997 data show, for instance, that said share registered at 31.2 percent for the first (poorest) decile and at 52.3 percent for the ninth decile though for the tenth (richest) decile, the share was lower at 41.3 per-

Source: 1999 October round of the Labor Force Survey, National

Statistics Office

cent. The share of income from entrepreneurial activities, meanwhile, declined from 44.3 percent for the first decile to 19.6 percent for the ninth decile. For the tenth decile, the share was 25 percent.

Employment

The pattern of income sources can be traced to the employment pattern. In 1999, 49.6 percent of the total employed were classified as wage and salary workers, 37.3 percent as self-employed and 13.1 percent as unpaid family workers.

As presented in Table 5, the services sector generated employment for 45.3 percent of the 29 million employed in 1999 while its sectoral share to gross domestic product (GDP) was 45.5 percent for the same year. Agriculture employed 39.1 percent of the total work force, the next biggest, and yet it only contributed 20 percent of GDP. Industry, on the other hand, provided jobs to the remaining 15.6 percent while generating 34.5 percent of the total domestic output.

Under the services sector, community, social and personal services absorbed 20 percent of the employed, majority of whom were females. The wholesale and retail subsector was another big provider of jobs, mostly to female workers, employing 15.9 percent of the total workforce.

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Poverty... (From Page 5)

Male workers dominated the agriculture sector but many of the workers in this sector were unpaid family workers. Among the industry subsectors, manufacturing and construction provided the most jobs especially to male workers.

Poverty incidence

Poverty incidence refers to the proportion of families whose incomes are below the poverty threshold. The poverty threshold is the amount of income necessary to meet basic food and nonfood requirements. In 1997, the annual per capita poverty threshold for the Philippines was P11,319 (in current prices). Table 6 enumerates the poverty thresholds per region as well as for urban and rural areas within each region. For the National Capital Region (NCR), for example, the poverty threshold was estimated to be P14,299 which was

the highest while Region 7 (Central Visayas) registered the lowest at P8,718.

To see the impact of the crisis and El Niño on poverty, the picture for 1998 would be useful. However, in the absence of official estimates for 1998, the poverty thresholds of 1997 were adjusted for inflation to arrive at estimates of poverty threshold for 1998. These estimates, also shown in Table 6, were used by this author to determine poverty incidence in 1998.

The boom-bust cycle of the Philippine economy over the period 1991-1999 led to low economic growth which, coupled with high population growth, resulted to a poor performance in the area of poverty reduction. As seen in Table 7, poverty incidence declined from 39.9 percent in 1991 to 31.8 percent in 1997, an average reduction of only 1.35 percentage points each year.

Poverty reduction was greater in the urban areas, particularly in Metro Manila, than in rural areas in the

Table 6: Annual per capita poverty line/threshold,* 1997 and 1998 (in peso)

Region		1997			1998¹	
	Total	Urban	Rural	Total	Urban	Rural
Philippines	11,319	12,577	10,178	12,420	13,800	11,168
National Capital Region	14,299	14,299	-	15,748	15,748	-
Areas Outside NCR	10,898	11,916	10,248	11,936	13,051	11,224
Region 1-Ilocos Region	11,975	12,768	11,603	13,213	14,088	12,802
Region 2-Cagayan Valley	9,880	11,654	9,402	10,813	12,755	10,290
Region 3-Central Luzon	11,839	12,926	10,467	13,029	14,225	11,519
Region 4-Southern Tagalog	12,452	13,127	11,710	13,683	14,424	12,867
Region 5-Bicol Region	10,378	11,072	10,120	11,309	12,065	11,028
Region 6-Western Visayas	10,560	10,588	10,543	11,394	11,424	11,375
Region 7-Central Visayas	8,718	9,345	8,222	9,641	10,334	9,092
Region 8-Eastern Visayas	8,727	9,991	8,250	9,455	10,824	8,938
Region 9-Western Mindanao	9,732	11,299	9,055	10,648	12,363	9,908
Region 10-Northern Mindanao	10,440	11,259	9,869	11,512	12,415	10,882
Region 11-Southern Mindanao	10,503	11,704	9,762	11,522	12,839	10,709
Region 12-Central Mindanao	11,119	12,468	10,573	12,151	13,625	11,554
Cordillera Administrative Region	12,836	13,521	12,554	13,821	14,559	13,518
Autonomous Region of Muslim Mindanao	11,134	12,603	10,711	12,293	13,915	11,826

Note: *The annual per capita income required or the amount to be spent to satisfy nutritional requirements (2000 calories) and other basic needs.

Data generated by converting the 1997 poverty threshold into 1998 prices using consumer price index (CPI).

Source of data: National Statistical Coordination Board, 1997 Final Philippine Poverty Statistics

¹Source of basic data: 1998 Annual Poverty Indicator Survey

Table 7: Poverty incidence in the Philippines by region, urban-rural: 1991, 1994, 1997 and 1998

Region	1991	1994	Total	1997 I Urban Rural		Total	1998¹ Urban	Rural
Distriction	20.0	25.5	24.0	47.0	44.4	40.7	2/ 0	F2.0
Philippines	39.9	35.5	31.8	17.9	44.4	40.6	26.0	53.9
National Capital Region (NCR)	13.2	8.0	6.4	6.4		13.7	13.7	
Region I-Ilocos	48.8	47.9	37.8	26.4	43.0	47.3	36.4	52.3
Region II-Cagayan	48.4	35.5	32.1	28.0	33.2	38.6	29.0	41.2
Region III-Central Luzon	43.3	25.2	15.4	12.7	18.8	27.4	25.0	30.3
Region IV-Southern Tagalog	31.1	29.7	25.7	15.3	37.3	32.9	22.5	44.7
Region V-Bicol	37.9	55.1	50.1	36.3	55.1	56.9	42.0	62.4
Region VI-Western Visayas	55.0	43.0	39.9	26.2	47.8	50.6	33.6	60.5
Region VII-Central Visayas	45.3	32.7	34.4	18.2	47.0	43.8	26.4	57.7
Region VIII-Eastern Visayas	41.7	37.9	40.8	29.8	44.9	47.1	38.2	50.4
Region IX-Western Mindanao	40.1	44.7	40.1	25.6	46.5	54.9	38.9	61.8
Region X-Northern Mindanao	49.7	49.2	47.0	34.2	55.7	56.2	43.4	64.9
Region XI-Southern Mindanao	53.0	40.3	38.2	26.5	45.8	48.6	33.6	58.4
Region XII-Central Mindanao	46.2	54.7	50.0	35.8	55.9	59.3	45.0	65.4
Cordillera Administrative Region	57.0	51.0	42.5	13.4	55.5	48.0	17.6	61.7
Autonomous Region of Muslim Mindanao	50.7	60.0	57.3	57.5	57.3	63.5	63.2	63.6

Source of data: National Statistical Coordination Board, 1997 Final Philippine Poverty Statistics

¹Source of basic data: 1998 Annual Poverty Indicator Survey

same period. In 1997, poverty incidence in the urban areas had declined by 13.2 percentage points while it only went down by 4.2 percentage points in the rural areas.

Poverty is greater in the rural areas than in urban areas. This is clearly shown in the data for 1997 where poverty incidence in the rural areas was measured at 44.4 percent, more than twice the 17.9 percent incidence in the

urban areas. Across regions, the NCR (Metro Manila) had the lowest at 6.4 percent and Central Luzon (Region III) came next at 15.4 percent. The Autonomous Region of Muslim Mindanao (ARMM) had the highest poverty incidence, on the other hand, with 3 out of every 5 families considered as poor.

Notwithstanding the slow rate of reduction in poverty incidence, there was nonetheless some decline from 1991 to 1997. This cannot be said in 1998 as estimates show that poverty incidence had gone up to 40.6 percent, with all regions experiencing greater pov-

Table 8: Poverty incidence by head of household

Year		Male-headed	Female-headed	Total				
1997	Total	12,058,053	2,134,286	14,192,339				
	% Poor	33.9	20.0	4,511,151				
1998	Total	12,054,331	2,316,381	14,370,711				
	% Poor	43.3	26.7	5,838,970				
Sources of basic data: 1997 Family Income and Expenditures Survey 1998 Annual Poverty Indicator Survey								

erty, including Metro Manila. Poverty incidence was highest, though, in the ARMM at 63.5 percent. Urban poverty was estimated to have reached 26 percent while rural poverty, 53.9 percent.

With population growing at 2.3 percent per year, the number of poor families went down only by 270 thousand families, from 4,780,865 in 1991 to 4,511,151 in 1997 as shown in Table 8. But in 1998, the number of poor families even went up to 5,838,970, an increase of 29.4 percent.

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MIMAP PROJECT UPDATES

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Poverty... (From Page 7)

In terms of family heads, 15 percent of the 14.1 million families in 1997 were female as also shown in Table 8. Of this number, 20 percent were considered as poor. On the other hand, of the 12.1 million male-headed families, 33.9 percent were defined as poor. This is in contrast with some South Asian countries where female-headed families are usually worse-off. In 1998, the proportion of poor families, whether male-headed or female-headed, went up. The increase, however, was larger for male-headed families.

Conclusion

Given the magnitude of poverty in the Philippines, which was even aggravated by the 1997-1998 financial crisis and El Niño, it is just appropriate that the overarching goal of the present administration is to reduce poverty. To achieve this, well-targeted interventions are needed. The poverty alleviation strategy should include the modernization of agriculture, improvement

Editorial Staff

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in productivity, and the provision of basic social services which have proven to be effective in alleviating poverty. Some of these programs are in education, health, supplemental feeding and rural infrastructure. Programs that increase access of the poor to quality education and primary health care are effective instruments in equalizing human capital.

Annual Convention... (From Page 3)

In her presentation, Dr. Reyes said that these results would be very beneficial to the barangays and municipalities, and to the province as a whole in the sense that they would provide a firmer basis for identifying community problems and prioritizing the projects to be implemented. *KCI*

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For inquiries, please write or call:

MIMAP-PMO,
Unit 7B, Vernida I Condominium,
120 Amorsolo Street, Legaspi Village,
Makati City 1229, Philippines
Tel Nos: 813-6178/816-3263
Telefax No: (632) 813-6179
E-mail: mimap@pacific.net.ph