

Impact of trade reforms on distribution, welfare and poverty: *the Philippine case**

The Philippine government has pursued major structural economic reforms in the past one and a half decades. One of the sectors where reforms were vigorously pursued is in foreign trade. Policies of tariff reduction, simplification of tariff structure, and "tariffication" of quantitative restrictions were some of the reforms implemented. While some of these reforms were pursued unilaterally, others were done under various multilateral agreements such as the World Trade Organization (WTO) and regional agreements under the Association of Southeast Asian Nations (ASEAN) such as the ASEAN Free Trade Area (AFTA).

Caesar B. Cororaton**

Various trade reforms

The trade reform program has three major components: the 1981-1985 Tariff Reform Program (TRP); the Import Liberalization Program (ILP); and the complimentary realignment of indirect taxes.

Under the TRP, there was a narrowing of the tariff rate structure from a range of 100-0 percent to 50-10 percent. During the period 1983-1985, sales taxes on imports and locally produced goods were equalized. At the same time, imports were liberalized as the mark-up applied on the value of imports (for sales tax valuation) was reduced and eventually eliminated. Because of

the balance of payments, economic, and political crises that took place in the mid-1980s, however, the import liberalization program was suspended. In fact, some of the items that were deregulated earlier were re-regulated during this period.

When the Aquino government took over the administration in 1986, the trade reform program of the early 1980s was resumed, resulting in the reduction of the number of regulated items from 1,802 in 1985 to 609 in 1988. Export taxes on all products except logs were also abolished.

In 1991, the government launched a major program with the issuance

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*Excerpt from a research study of the same title by the same author for the Poverty and Economic Policy (PEP) Research Network. Said research analyzes in detail the effects of trade reforms, particularly the tariff reduction policy from 1994 to 2000, on income distribution, welfare and poverty using a computable general equilibrium (CGE) model calibrated to Philippine data in 1994.

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The latest about CBMS

Reiterating CBMS' impact on Palawan's planning process

How was the community-based monitoring system (CBMS) implemented in the province of Palawan? How is it being maintained? And how has its implementation affected the overall development planning process in the province?

These are some of the questions that Ms. Jacqueline Loh, Development Consultant of the International Development Research Centre (IDRC) of Canada, had when she visited Palawan on February 26-28, 2003. Ms. Loh's visit was part of IDRC's program of assessing if and how the CBMS had benefited the locality and its populace where the system had been put in place.

On hand to meet and brief Ms. Loh on the issue were Ms. Mansueta Zabanal, Assistant Provincial Planning and Development Coordinator, Ms. Josephine Escaño, Research and Evaluation Division Chief of the Provincial Planning and Development Office (PPDO), and Engr. Dirk Heinrichs, consultant from the Centre for International Migration and Development (CIM) Integrated Experts and currently serves in the GIS Unit of Palawan. Ms. Loh was accompanied in her visit by Ms. Jasminda Asirot of the MIMAP-CBMS Philippines team. During the meeting, the PPDO gave a briefing on how the system was implemented

in the province through the vision of then Governor Salvador Socrates. According to the PPDO staff, the province benefited a lot from the system because they were able to use the CBMS results in their planning and development activities. The province is currently on its second round of the CBMS implementation and in addition to the uses that the CBMS has already provided for, the staff believe that there are still a lot more beneficial activities that can be drawn from the CBMS such as in addressing environmental concerns in the province.

Ms. Loh also had the chance to visit Aborlan, the first municipality south of Puerto Princesa City, where she and Ms. Asirot were welcomed by Aborlan Mayor Celsa Adier, Local Chief Executive, and Municipal Planning and Development Officer

Mr. Winston Adier. The Aborlan local officials shared their experience on how CBMS became a very useful instrument in the planning process of their municipality.

Meanwhile, Palawan Provincial Planning and Development Officer, Mr. Nelson Devanadera, and his wife also met Ms. Loh and Ms. Asirot and shared another perspective in terms of the feasibility of the adoption of the system by other local government units (LGUs). According to Mr. Devanadera, LGUs can tap barangay and local workers to conduct CBMS activities since they are already involved in barangay level work.

On her part, Ms. Loh noted that the success of the CBMS implementation in Palawan was largely due to the capability and commitment of the people involved in the CBMS work. In view of this, she stressed the importance of tapping the right persons for key positions in LGUs to ensure that the system becomes beneficial to all. *JPA* **MIMAP**



Ms. Jacqueline Loh, IDRC consultant, interviews Mr. Winston Adier, Municipal Planning and Development Coordinator of Aborlan, Palawan, on the municipality's experience on the conduct of the community-based monitoring system.

around the globe...

CBMS network meeting in Hanoi

Members of the international MIMAP community-based monitoring system (CBMS) network convened in Hanoi, Vietnam on January 6-10, 2003 for the network's interim meeting and training workshop on "Data Collection and Processing" facilitated by Dr. Louis Marie Asselin of the Canadian Centre for International Cooperation and Studies (CECI). The gathering, which was participated in by CBMS researchers from selected countries in Asia and Africa, provided a venue for the sharing of country experi-

ences in the conduct of CBMS research work. In particular, participants from Bangladesh, Burkina Faso, Nepal, Philippines, Senegal, Sri Lanka and Vietnam shared lessons learned and best practices in CBMS development, operationalization and institutionalization. Proposals for new CBMS initiatives in Benin, Cambodia, Ghana, Pakistan and Peru were also presented for comments during the event. In addition, a special session was held to solicit comments and suggestions from the network researchers, steering committee members and guest resource persons from the International Development Research Centre (IDRC) led by Dr. Stephen

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Advocating CBMS as monitoring tool in Sri Lanka pre-conference meet

In preparation for the Regional Conference on Poverty Monitoring in Asia scheduled to be held in Manila in March 2004, the Center for Poverty Analysis (CEPA) based in Colombo, Sri Lanka organized a meeting last February 25-27 in Kandy, Sri Lanka to draw up the objectives for the March 2004 conference as well as establish the themes for the various papers to be presented.

Invited to the Sri Lanka pre-conference meeting were members from the MIMAP-CBMS International Network represented by Lani Valencia, Senior Database Management Specialist of the MIMAP-CBMS Philippines Project, and country representatives from China, Nepal, Indonesia, Sri Lanka and Vietnam. Each country presented its organization's/project's activities on and contributions to poverty monitoring.

Meanwhile, the CBMS Network presented its ongoing activities as well as future plans for the community-based monitoring system (CBMS), a tool it developed for the purpose of monitoring the welfare status of the people, in particular, the vulnerable groups of society. LEV 



Mr. Vu Van Toan (inset), Deputy Director of the National Program for Hunger Eradication, Poverty Reduction and Job Creation, shares with CBMS network researchers Vietnam's experiences in the development and use of a community-based monitoring system.

Continuing local CBMS

CBMS goes to Labo, Camarines Norte

Pursuing their interest and faith in the benefit and usefulness of the community-based monitoring system (CBMS) for their municipality, as first introduced to them in a national conference on monitoring systems in October 2002,¹ Local Chief Executive Winifredo Balce Oco of Labo, Camarines Norte and his technical staff members, Mr. Diogenes Camino Jr. (Executive Assistant) and Mr. Ramon Lagatuz (Municipal Poverty Reduction Action Officer) recently invited the MIMAP-CBMS Network Coordinating Team composed of Ms. Jasminda Asiro and Mr. Joel Bancolita to present the nature and objectives of the CBMS to the members of the Municipal Development Council of Labo. The goal was to show to the council members the benefits that may be gained by the municipality with the adoption and use of the system in its planning and monitoring work.

Before their presentation, the Team members first made a courtesy call on Mayor Oco and a quick tour of the municipal hall. Afterwards, they met with various Labo officials, including Vice-Mayor Dindo Pardo,

Engineer Evaristo Pandi, head of the Municipal Planning and Development Office, and some members of the Sangguniang Bayan. They also had an opportunity to meet with the Camarines Norte Provincial Planning and Development Coordinator, Architect Madonna Abular, at the Provincial Capitol in Daet and with the Municipal Planning and Development Coordinators of three other nearby municipalities, namely, Mercedes, Vinzons and Panganiban. Needless to say, the Team took that occasion to invite these local officials to the presentation-briefing of the CBMS that they will conduct.

The actual briefing took place on January 28 during the Labo Municipal Development Council Meeting. In attendance during the meeting were Mayor Oco, the 52 barangay captains/secretaries of Labo, some staff from the Provincial Planning and Development Office (PPDO), representatives from certain nongovernment organizations (NGOs) and Labo's Municipal Planning and Development Office (MPDO) staff. In their presentation, the Team showed how the CBMS can help improve local governance and monitoring.

Mayor Oco acknowledged the CBMS' benefits as shown in the experience of Palawan which he personally witnessed during his visit there. Vice-Mayor Pardo supported Mayor Oco's observations and noted

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Mayor Oco discusses before the members of the Municipal Development Council the expected benefits of CBMS to their municipality.



¹See related story in *MIMAP Project Updates*, December 2002 issue.

advocacy work...

Training on CBMS survey gets underway in Labo

To effect the start of the implementation of the community-based monitoring system (CBMS) in Labo, Camarines Norte, the MIMAP-CBMS Network Coordinating Team, in cooperation with the Municipal Government of Labo, Camarines Norte through its Municipal Planning and Development Office (MPDO), conducted a training workshop on data collection on March 24-29, 2003 for the key players in the CBMS survey in the said locality.

The training workshop was participated in by the members of the CBMS-Technical Working Group of Labo, municipal and barangay development council officials, barangay health workers and nutrition scholars, Sangguniang Kabataan (SK) members and officials, and current beneficiaries of the Special Program for Employment of Students.

In his opening address to the participants, Labo Mayor, Honorable Winifredo Oco, stressed the important role that the CBMS would play in the identification of appropriate projects and programs in the locality. In particular, Mayor Oco noted that the information to be gathered by the community volunteers shall facilitate the targeting of beneficiaries of programs and projects by the municipal government. This was



further supported by the statements of the Vice-Mayor and the Chairperson of the Sangguniang Bayan, Honorable Dindo Pardo, as well as of the selected members of the

Sanggunian Board who were present during the opening ceremony.

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More Camarines Norte municipalities express interest in CBMS

Apart from the municipality of Labo, the implementation of CBMS was also formally agreed upon last March 25 by barangay and municipal officials for the municipality of Sta. Elena. During the meeting, the proposed CBMS methodology was discussed in detail by Dr. Celia

Reyes, MIMAP-CBMS Network Leader, who was invited as resource person for the occasion. After discussing the implications of the implementation of the said system, the barangay officials and the Mu-

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NEWS UPDATES

CBMS meeting in Hanoi...(from page 3)

McGurk on the proposed list of research and advocacy activities of the network presented by CBMS Network Leader, Dr. Celia Reyes.

The gathering was organized by the Socioeconomic Development Center of Vietnam and spearheaded by its CBMS Project Leader Dr. Vu Tuan Anh in cooperation with the CBMS Network Coordinating Team. Conference presentations and reference materials may be viewed in full at <http://www.panasia.org.sg/mimapph/cbmsnmeet.htm>. BEM 

CBMS goes to Labo...(from page 4)

that although the implementation and use of the CBMS may entail new and additional expenditure for Labo, he was nonetheless confident that the results will more than make up for such expense and will prove to be rewarding in terms of maximum benefits for their municipality.

Before the Council meeting ended, a formal resolution for the full implementation of the CBMS in Labo was passed by the Development Council. The resolution thereby officially authorizes Labo Mayor Oco to sign the Memorandum of Agreement (MOA) between the MIMAP-CBMS Network Coordinating Team and the municipal government of Labo for the start of the implementation of the system in Labo.

Prior to the implementation, the agreement is for the MIMAP-CBMS

team to conduct a training for the CBMS enumerators who will be involved in doing the survey. The date of the training was scheduled for March 24-29 and will involve approximately 152 enumerators and 52 field supervisors who will cover 17,647 households in Labo. The survey itself will be conducted in April, to be followed by a training on data processing. The Labo officials are optimistic that the survey results may be ready by October this year for use in their planning for next year.

Meanwhile, apart from the municipality of Labo, Mayor Oco and his staff hoped that the entire province of Camarines Norte would adopt and use the CBMS in its planning process. He therefore introduced the concept to Camarines Norte Governor Jesus Typoco who endorsed it to the PPDO Coordinator.

Further discussions between the PPDO Coordinator and the MIMAP-Philippines Project headed by Dr. Celia Reyes are expected to be held during the training workshop for enumerators.

Hopefully, the positive experience of Palawan in the use of the CBMS will find a similar path in Labo and the province of Camarines Norte. JEB 

Training on CBMS...(from page 5)

The training workshop was held in two batches to accommodate about 240 community officials and volunteers who shall undertake the CBMS survey across 52 barangays (villages)

in the municipality of Labo starting April this year. The data collection is expected to be completed by April 30, 2003. BEM 

More municipalities...(from page 5)

nicipal Planning and Development Office (MPDO) led by Mr. Bimbo Doria unanimously decided to support the said initiative. The Mayor of Sta Elena, Honorable Bernardina Borja, who was present during the meeting, likewise supported the implementation of the system. As an initial activity, a CBMS training workshop on data collection in Sta. Elena to be conducted by the MIMAP-CBMS Philippines Project Team was arranged to be held on May 5-7, 2003.

In addition, other municipalities in Camarines Norte have also expressed interest in implementing CBMS in their respective localities during the CBMS orientation meeting held in the Provincial Capitol of the province on March 27, 2003. Among these are San Vicente, Talisay, San Lorenzo Ruiz, Mercedes, Capalongga and Daet. Said meeting was organized by the Provincial Planning and Development Office (PPDO) led by Provincial Planning and Development Coordinator, Architect Madonna Abular. As a result of the meeting, the MIMAP-CBMS Philippines Team has been invited to conduct a series of CBMS orientation workshops for members of the Sanggunian Board and local officials of the respective municipalities in April. BEM 

RESEARCH RESULTS

Trade reforms...(from page 1)

of Executive Order (EO) 470 known as TRP-II. Said program is an extension of the previous one, in which tariff rates were realigned over a five-year period. The realignment involved the narrowing of the tariff rates through a series of reduction of the number of commodity lines with high tariffs, and an increase in the commodity lines with low tariffs. In particular, the program was aimed at clustering the commodities with tariffs within the 10–30 range by 1995. Despite the programmed narrowing of the tariff rates, however, about 10 percent of the total number of commodity lines were still subjected to 0-5 percent tariff and 50 percent tariff rates by the end of the program in 1995.

Meanwhile, “tariffication” of quantitative restrictions (QRs), i.e., converting QRs into tariff equivalent, started in 1992 with the implementation of EO 8. Under this program, 153 commodities saw their QRs converted into tariff equivalent rates. In a number of cases, tariff rates were raised over 100 percent, especially during the initial years of the conversion. However, a built-in program for the phase-down of the “tariffied” rates over a five-year period was also put into effect. Furthermore, in the same EO, tariff rates on 48 commodities were further realigned.

Deregulation continued on the next 286 items under the tariffication program. By the end of 1992, only 164 commodities were covered under the QRs. However, the imple-

mentation of Memorandum Order (MO) 95 in 1993 reversed the de-regulation process. In fact, QRs were reimposed on 93 items, bringing up the number of regulated items under the QR to 257. This re-regulation came largely as the result of the Magna Carta for Small Farmers passed in 1991.

In 1994, the TRP-III began with the implementation of major reforms embodied in the following EOs: (a) EO 189 implemented on January 1, 1994 which provided reduced tariff rates on capital equipment and machinery; (b) EO 204 on September 30, 1994 which mandated tariff reduction in textiles, garments, and chemical inputs; (c) EO 264 on July 22, 1995 which reduced tariffs on 4,142 harmonized lines in the manufacturing sector; and (d) EO 288 on January 1, 1996 which reduced tariffs on “nonsensitive” components of the agricultural sector.

The restructuring of tariff under these various EOs refers to a reduction in both the number of tariff tiers and the maximum tariff rates. In particular, the program was aimed at establishing a four-tier tariff schedule, namely, 3 percent for raw materials and capital equipment that are not available locally; 10 percent for raw materials and capital equipment that are available from local sources; 20 percent for intermediate goods; and 30 percent for finished goods.

Another major component of this tariff program is the uniform tariff rate, which is scheduled to be implemented starting 2004. Policy discus-

Dr. Caesar Cororaton presents the paper during the PEP Network Interim Meeting in February.



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RESEARCH RESULTS

Trade reforms...(from page 7)

sions on the issue, however, are still ongoing. At what level shall the tariff rate be made uniform eventually across sectors is still an unsettled issue at the moment.

Determining the effects

What have been the effects of these various trade reforms on income distribution and welfare?

For purposes of analysis, a computable general equilibrium (CGE) model calibrated to the 1994 Social Accounting Matrix (SAM) was employed to determine the effects of tariff reforms on income distribution and welfare.

The following are the results of the simulation tests:

* Tariff reduction results in a drop in both the domestic price of imports and the domestic price of locally produced goods. The decline

Tariff reduction results in a drop in both the domestic price of imports and the domestic price of locally produced goods. The decline in import prices leads to higher imports while the drop in local prices effectively increases export competitiveness...

in import prices leads to higher imports while the drop in local prices effectively increases export competitiveness which, in turn, translates into higher exports. Although higher imports put pressure on local production, the export pull effect as a result of improved competitiveness offsets the negative effect on output. Thus, overall output improves and the total goods available in the market improve.

* The nonfood manufacturing sector benefits from both the effects of output reallocation and labor movement of tariff reduction. Furthermore, there are indications

that show that, as a result of changes in output and factor price ratios, factor substitution favors skilled production workers in nonfood manufacturing, utilities and other agriculture sectors.

* Agriculture wages decline as a result of the drop in output of agriculture. If the compensatory tax is imposed on output through an additional indirect tax, then there is a strong tendency for factor prices to decline, resulting in a drop in household income. This is because the additional indirect tax creates a

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A view of the latest provincial poverty incidence

One way to improve the targeting schemes of both the national government agencies and local government units for various poverty alleviation program beneficiaries is to have disaggregated data at the lowest geopolitical levels. The lack of such data below the level of regions has made it difficult for various monitoring systems to identify the real eligible beneficiaries.

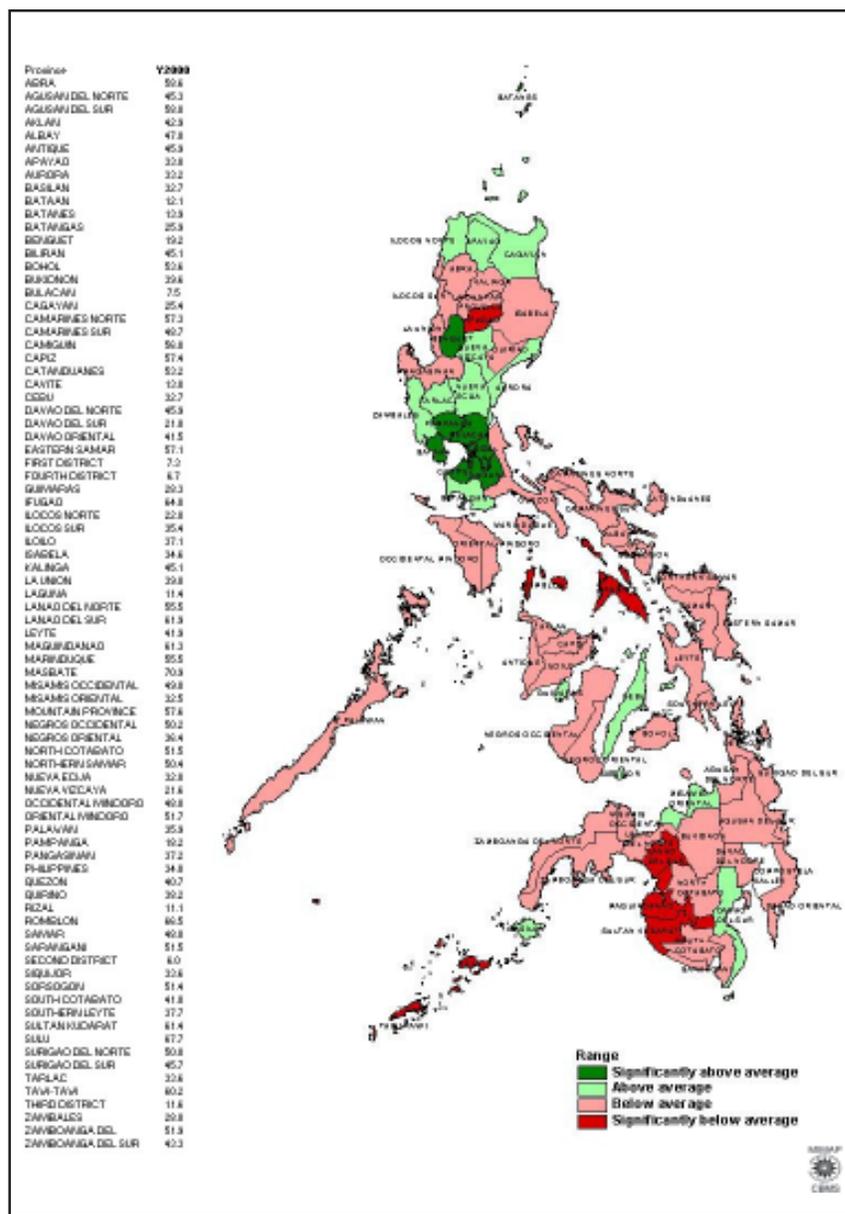
In response to this need, the National Statistical Coordination Board (NSCB) has recently released poverty incidence data at the provincial level.¹ The methodology which has undergone a series of rigorous evaluation and revalidation has paved the way for NSCB to come up with provincial poverty estimates for the first time. One of the primary considerations in releasing these provincial poverty statistics is the need for implementors of KALAHI-CIDSS to identify the poorest provinces and other government programs that depend on provincial poverty data.

These poverty estimates for 77 provinces and four districts of Metro Manila (Figure 1) were computed

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¹The next three paragraphs were based on the press release of the NSCB (<http://www.nscb.gov.ph/newsstat/2003/07Jan03.htm>).

Figure 1. Poverty incidence (population) by province, 2000



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Poverty incidence...(from page 9)

using a new provincial poverty methodology approved by the NSCB Executive Board in its meeting on January 15, 2003.

This methodology is in accordance with the definition of poverty stipulated under RA 8425—the Social Reform and Poverty Alleviation Act—which characterizes the poor as those who cannot sustain their minimum basic needs.

The said estimates have drawn a 33.0 percent poverty incidence among the population in 1997 and 34.0 percent in 2000.

Poorest provinces

Based on the data released for year 2000, Masbate ranks as the poorest province in the country, with a poverty incidence of 70.9 percent as can be seen in Table 1. Following closely are the provinces of Sulu

Table 1. Top ten provinces with the highest incidence of poverty (population), 2000

Province	Region	Incidence (in percent)
Masbate	Region V	70.9
Sulu	ARMM	67.7
Romblon	Region IV	66.5
Ifugao	CAR	64.0
Lanao del Sur	ARMM	61.9
Sultan Kudarat	Region XII	61.4
Maguindanao	ARMM	61.3
Tawi-tawi	ARMM	60.2
Abra	CAR	58.6
Agusan del Sur	Caraga	58.0

Source of data: National Statistical Coordination Board 

and Romblon with incidences of 67.7 and 66.5 percent, respectively.

Of the top ten provinces with the highest incidence of poverty, four belong to the Autonomous Region of Muslim Mindanao (ARMM), indicating that poverty alleviation efforts for this region seem to be lacking or ineffective. The Cordillera Administrative Region (CAR) has two provinces in the list, namely, Ifugao and Abra while Region IV, which has relatively less poor areas, has one province (Romblon) in the list.

Less poor provinces

In terms of provinces with the least poverty incidence, meanwhile, Table 2 shows that the second district of the National Capital Region (NCR) has the lowest incidence at

6.0 percent, followed by the fourth and first districts also of NCR. As may be expected, highly urbanized areas such as the NCR and Region IV had the most number of provinces with the least incidence. The NCR had four while Region IV had three provinces in such list.

Provinces with improvements

At the same time, improvements in the poverty situation of certain provinces are also evident in the data. For instance, the poverty alleviation programs administered in the province of Siquijor seem to be working well and effective as shown by the large decline in its incidence of poverty. Table 3 shows that from 50.5 percent of Siquijor's total population being poor in 1997, the incidence declined to only 33.6 percent in 2000, representing a plunge

Table 2. Top ten provinces with the least incidence of poverty (population), 2000

Province	Region	Incidence (in percent)
2nd District	NCR	6.0
4th District	NCR	6.7
1st District	NCR	7.3
Bulacan	Region III	7.5
Rizal	Region IV	11.1
Laguna	Region IV	11.4
3rd District	NCR	11.6
Bataan	Region III	12.1
Cavite	Region IV	13.0
Batanes	Region II	13.9

Notes:
 1st district – Manila
 2nd district – Mandaluyong, Pasig, Marikina, Quezon City and San Juan
 3rd district – Valenzuela, Caloocan City, Malabon and Navotas
 4th district – Las Piñas, Makati, Muntinlupa, Parañaque, Pasay, Pateros and Tagulug

Source of data: National Statistical Coordination Board 

INDICATORS

Table 3. Provinces with the highest declines in poverty incidence (population), 1997 and 2000

Province	Region	Poverty incidence (in percent)		
		1997	2000	% change
<i>Philippines</i>		33.0	34.0	1.0
Siquijor	Region VII	50.5	33.6	-17.0
Davao Oriental	Region XI	55.9	41.5	-14.4
Eastern Samar	Region VIII	67.2	57.1	-10.1
Bukidnon	Region X	48.3	39.6	-8.7
Guimaras	Region VI	35.7	28.3	-7.4
Mt. Province	CAR	64.7	57.6	-7.1
Benguet	CAR	26.2	19.2	-7.0
Antique	Region VI	52.6	45.9	-6.7
Southern Leyte	Region VIII	44.4	37.7	-6.7
North Cotabato	Region XII	58.1	51.5	-6.6

Source of data: National Statistical Coordination Board



Table 4: Top 10 provinces with the highest increase in poverty incidence (population), 1997 and 2000

Province	Region	Poverty incidence (in percent)		
		1997	2000	% change
Tawi-tawi	ARMM	39.2	60.2	21.0
Sultan Kudarat	Region XII	42.5	61.4	18.9
Camiguin	Region X	39.4	56.0	16.6
Maguindanao	ARMM	47.1	61.3	14.2
Bohol	Region VII	43.1	53.6	10.5
Oriental Mindoro	Region IV	41.5	51.7	10.2
Zamboanga Sur	Region IX	34.3	43.3	9.0
Negros Occidental	Region VI	41.2	50.2	9.0
Capiz	Region VI	48.5	57.4	8.9
Pampanga	Region III	9.7	18.2	8.5

Source of data: National Statistical Coordination Board



of 17.0 percentage points. Davao Oriental registered the second highest decline of incidence with 14.4 percentage points while Eastern Samar came in third with 10.1 percentage points. The latter's incidence, however, is still very high at 57.1 percent. In terms of regions, Regions VI, VIII and CAR have two provinces each in the list of top ten

with the highest decline in poverty incidence. Regions X and XII had one province each in the list.

Worse-off provinces

The exact opposite of what happened to Siquijor can be said of the province of Tawi-Tawi as it has drawn the highest increase in poverty incidence with 21.0 percentage

In view of diversity, it is difficult to provide targeting schemes for poverty reduction programs and identify beneficiaries in more micro settings in the absence of data at a smaller geopolitical level.

points (Table 4). Sultan Kudarat and Camiguin followed closely with 18.9 and 16.6 percentage point increase, respectively, between 1997 and 2000. Maguindanao got the fourth slot with a 14.2 percentage point rise in incidence. Looking at the situation from the regional perspective, Region VI is shown to have two provinces in the list while Regions III, IV, VII and IX had one province each.

Conclusion

At a glance, one can see the great variability in poverty incidence inside the collective level of a specified region. In view of such diversity, it is difficult to provide targeting schemes for poverty reduction programs and identify beneficiaries in more micro settings in the absence of data at a smaller geopolitical level. The release of these provincial estimates of poverty incidence thus provides a positive step towards more disaggregated information and more improved targeting. *LEV and JEB* 

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dampening effect on factor demand. With labor supply fixed, any drop in factor demand results in lower prices of factors. However, a more realistic experiment involves a compensatory tax on household income, as reflected in the official data on government revenue. In the experiment where this is incorpo-

rated, although agriculture wages still drop, wages of production workers improve together with the improvement in the rate of return to capital. All these translate to favorable household income effects.

* The favorable income effects, together with the drop in consumer prices as a result of tariff reduction, translate into higher household welfare as well as lower incidence of poverty as may be noted in Figure 1.

Furthermore, across household groups, tariff reduction is not only progressive but also pro-poor. All rural household groups, which have a higher incidence of poverty than urban household groups, enjoy lower incidence of poverty. Furthermore, within urban households, the experiment also results in favorable poverty incidence effects, especially those with relatively higher poverty incidence. **MIMAP**

Figure 1. Poverty incidence (in percent)
(Experiment: actual tariff change, direct tax, base elasticities)

