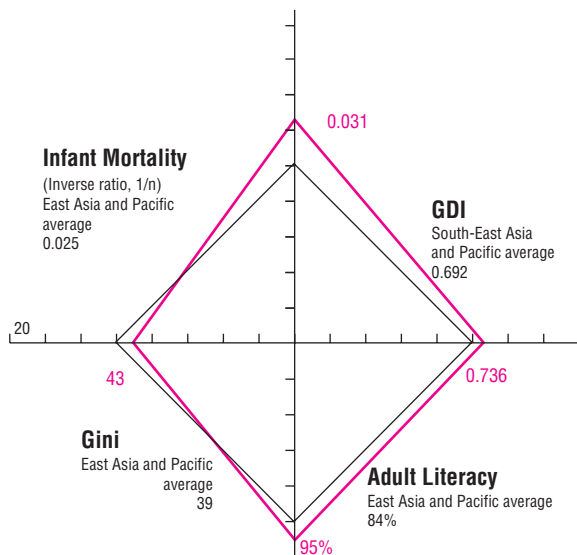


• JESSICA REYES-CANTOS



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*).

Every change in administration sees a renewed commitment to alleviate or eradicate poverty, and President Joseph «Erap» Estrada is no exception. The actor-turned-politician won in the 1998 national elections with the slogan «Erap is for the poor». Estrada aims to reduce poverty from 32% in 1997 to 25% in 2004.

COMMITMENT AND COHERENCE; A TALL ORDER?

But his term started in 1998, when the Asian financial crisis raised poverty incidence to 35%. It took nine whole years, from 1988 to 1997, to reduce poverty incidence by eight percentage points (40% – 32%). A further reduction of ten percentage points in six years, is it possible?

THE CURRENCY TURMOIL AND THE NEED FOR SOCIAL SAFETY NETS

Government officials contend that, since the Philippine economy contracted least among Asian countries in the Asian economic crisis, it should recover quickest. Their contention belies the following facts:¹

- The Asian crisis was the second economic downturn in less than a decade;
- There was a recession in 1998;
- Just after average real incomes returned to 1981 levels in 1997, the turmoil of 1998 pulled it below the 1981 level; and
- Most of the growth that will happen is illusory, since it merely recovers lost ground.

UNEMPLOYMENT AND UNDEREMPLOYMENT

Unemployment and under-employment rates have risen.² Unemployment in April 1998 of 13.3% may be attributed to *E/ Niño* (the drought), but the July and October 1998 rates were linked to the financial crisis as industrial employment had begun to drop.

¹ Emmanuel S. De Dios. «The Economic Crisis and its Impact on Labour». Philippine Center for Policy Studies, March 1999.

² «Employed» is defined as those who worked at least one hour in the reference week. «Unemployed» are those who did not work during the reference week but were actively looking for work. «Under-employed» are those who worked and sought additional employment.

TABLE 1.

Unemployment and Under-employment Rates (%) April 1997–October 1998		
	unemployment rate	under-employment rate
April 1997	10.4	23.4
July 1997	8.7	23.1
Oct 1997	7.9	20.8
Jan 1998	8.4	21.6
April 1998	13.3	21.0
July 1998	8.9	20.8
Oct 1998	9.6	23.7

Source: Current Labour Statistics, Department of Labour and Employment

The number of establishments reporting closures, retrenchments and rotations in 1997 almost doubled for the period of January–September 1998. Some 115,000 workers were affected with 50.7% laid off permanently, 32.1% laid off temporarily and 17.1% put on job rotation. Hardest hit was the industrial sector, particularly manufacturing.

TABLE 2.

Workers affected by closures and retrenchments (as percentages of total)				
	Total	Permanent	Temporary	Rotation
All Industries	100.0	50.7	32.1	17.1
Agriculture	1.5	1.2	0.3	0.1
Industry	73.2	30.4	28.0	14.8
Mnfg.	62.0	24.7	24.0	13.3
Services	25.3	19.2	3.8	2.3

Note: Total number of workers affected, 155,478.
Source: Department of Labour and Employment

POVERTY PROFILE

Using Philippine data, Arsenio M. Balisacan of the University of the Philippines School of Economics reaffirmed that macroeconomic shocks such as the Asian crisis tend to «systematically hit hardest the poorest groups in society.»³

A significant 37.7% of the poorest 40% took their children out of school (Table 3). Given the strong inverse correlation between educational attainment and poverty, safety nets geared toward

providing targeted educational assistance to the poorest decile of the population must be devised. (Table 4)

LEAST HIT, FIRST OUT?

Contrary to predictions, the Philippines, least hit by the crisis, is recovering more slowly. In 1998, the Philippines posted the lowest economic contraction (–0.5%) compared with South Korea (–5.8%); Thailand (–9.4%); and Malaysia (–7.5%). In 1999, however, its growth rate of 3.6% was dwarfed by Korea’s 9.8% and Malaysia’s 4.1%. Other comparative figures are shown in Table 5.

THE PROOF OF THE PUDDING IS IN THE EATING

Spending for social services has increased since 1995 to 34% in the proposed FY 2000 budget.

TABLE 3.

Social Allocation Ratios, 1995–2000 (%)	
Year	Social Allocation Ratio*
1995	26.9
1996	29.5
1997	32.3
1998	32.6
1999	33.8
2000	34.1

* The Social Allocation Ratio measures the share of the social services sector in the national budget: Source: Budget of Expenditures and Sources of Financing, Department of Budget and Management

Most education indicators improved, but with the exception of participation in elementary school, which exceeded the target, the rest did not meet the 1998 targets and achieving current literacy targets is viewed sceptically because the poor are taking their children out of school.

There is pressing need to address the wide gender disparities in the quality of basic education across provinces. The 1999 to 2004 Medium Term Plan wrote: «While gender disparities are not evident in basic education, they do persist in higher levels. In addition, the incidence of low-quality education is apparent

3 Arsenio M. Balisacan. «Reconstructing Poverty Profiles in the Philippines». University of the Philippines School of Economics (UPSE) Discussion Paper No. 9915, September 1999.

CUADRO 4.

Household Responses to Crisis							
Income per Decile (1997 FIES)	Total HHs responding	Percent of HH Responding to Crisis by					
		Changing eating pattern	Taking children out of school	Migrating to city or other countries	Receiving assistance from other HHs	Receiving assistance from government	Increasing working hours
1	2,256	56.7	12.4	7.8	16.5	10.7	37.5
2	2,223	52.3	9.3	5.4	17.1	8.8	36.8
3	2,211	50.7	7.3	5.4	16.3	8.4	33.6
4	2,206	51.0	8.7	5.2	17.0	6.8	33.1
5	2,180	47.8	7.1	4.5	17.2	5.9	29.4
6	2,155	48.3	5.6	3.8	16.4	5.7	27.0
7	2,138	47.0	5.0	3.7	15.0	4.5	26.1
8	2,125	44.1	3.5	3.4	12.5	2.9	22.3
9	2,097	41.4	3.2	3.1	13.8	3.9	23.1
10	2,011	33.3	1.2	3.5	12.0	2.6	18.2
Total	21,602	47.5	6.4	4.6	15.4	6.1	28.9

Source: Panel data (23,150 households) constructed from the 1997 Family Income and Expenditure Survey and the 1998 Annual Poverty Indicator Survey.

CUADRO 5.

Economies worst hit by the crisis							
	GDP Growth 1998	GDP Growth	Exports (USD)	Per-capita GNP (nominal – USD)	Inflation	Current account balance (USD)	Net foreign debt (USD)
Indonesia	-13.4%	1.8%	48,200	460	1.3%	4,400	138,000
Malaysia	-7.5%	4.1%	76,900	3,092	2.9%	9,200	42,300
Philippines	-0.5%	3.6%	32,300	907	5.7%	3,400	48,600
Singapore	1.5%	6.7%	110,000	21,828	0.9%	19,000	S/D
South Korea	-5.8%	9.8%	136,000	6,810	0.3%	30,200	142,600
Thailand	-9.4%	3.5%	53,900	1,850	-1.1%	13,300	79,300

Note: Year is 1999 unless otherwise indicated.

Source: *Asiaweek*, October 29th 1999

in some regions and groups especially in indigenous communities. For instance, the average functional literacy rates in some provinces ... are just a little over half the functional literacy rates of the top-performing provinces.»

This may explain the modest targets set by the Estrada administration for education. Even the basic literacy target has been lowered from 98% by 1998 under Ramos to 97.4% by 2004 under Estrada.

HEALTHIER PEOPLE?

Common health indicators show an improvement in health. Life expectancy rose from 66.6 years in 1993 to 68 years in 1997. Infant mortality and crude death rates dropped from 52% to 45.8% and 6.9% to 6.1% respectively. School children's nutritional status also improved from 1992 to 1996. All are well within the 1998 targets. (Table 6)

Former Asian Social Watch Coordinator Leonor M. Briones points to other indicators that are equally important.⁴ Subclinical Vitamin A Deficiency⁵ continues to be present in up to 35% of preschool children and iron-deficiency anaemia is prevalent across all age groups. The country is still plagued by «diseases of the poor» such as cholera, dysentery, malaria and dengue fever even as statistics for heart disease and other «diseases of the rich» appear to be rising.

WHERE'S THE MONEY?

Education receives the biggest piece of social services spending in the 2000 budget, but its share decreased from 19.2% in 1999 to 18.1% in 2000 with real budget allocations declining. The same is true for health services.⁶ (Table 6)

According to NEDA's progress report on implementation the 20:20 Initiative, government expenditures for human development

TABLE 6.

Social Sector Expenditure Programme, 1997–1999*							
Social Services	Nominal Levels (in million pesos) [□]			Percentage Change from 1997 Figures			
	1997 (Actual)	1998 (Ajustado)	1999 (GAA)	1998 Nominal	1999 Real	Nominal ♦	Real ♦
Education and Mainpower Development	94,973	106,267	112,375	11.89	4.26	18.32	2.09
Basic Education	77,780	85,086	90,506	9.39	1.93	16.36	0.40
Informal	938	903	746	-3.76	-10.33	-20.44	-31.35
Higher Education	14,801	17,180	17,757	16.07	8.15	19.97	3.51
Middle-Level Skills	1,453	2,291	2,302	57.64	46.89	58.38	36.65
Others	–	807	1,064				
Health	14,154	13,743	14,108	4.20	-2.80	18.00	-1.80
Preventive Health Care	1,530	1,414	1,465	-7.57	-13.87	-4.23	-17.37
Curative Health Care	7,756	7,540	8,414	-2.79	-9.42	8.48	-6.40
Others	4,868	4,790	4,229	-1.61	-8.31	-13.13	-25.05
Social Security, Welfare & Emp.	20,263	21,124	23,906	4.20	-2.80	18.00	-1.80
Housing and Community Development *	2,438	1,647	1,790	-32.40	-37.00	-26.60	-36.70

• Includes health, education and work-skills development, social security welfare and employment, and housing and community development, only.

□ Details may not add up due to rounding. The prevailing exchange rates for the mentioned years are as follows:

1997 USD 1 = PhP 29.47

1998 40.89

1999 40.00

♦ Used CPI (consumer price index) as deflator.

* Other sources of financing for housing amounted to P 30.137 billion, P20.792 billion and P18.567 billion in 1997, 1998 and 1999, respectively. Other sources include private sector funds as well as corporate funds of the National Housing Authority (NHA), the Home Development Mutual Fund (HDMF) and Home Insurance Guaranty Corporation (HIGC).

Source: Budget of Expenditures and Sources of Financing, Department of Budget and Management (DBM), as cited in the 1999 to the 2004 Medium Term Plan, National Economic and Development Authority (NEDA).

priorities increased from 15.7% in 1995 to 16.4% in 1997. But official development assistance (ODA) resources for basic social programmes from 1995 to 1998 were unstable: 14.7% in 1995, 9.6% in 1996, 18.45% in 1997, and 6.06% in 1998. This seems to indicate donor preference for financing tertiary services and infrastructure-related projects.

The National Anti-Poverty Commission (NAPC) was created by Congress under the Ramos government. Since it is the principal task of NEDA to address poverty, it is not clear why another bureaucracy was created. In April 1999, the NAPC was directed to establish livelihood programmes for the 100 poorest families in each province and city. Funding for these programmes is allocated

4 Prof. Leonor M. Briones. «The Status of the Implementation of the Philippine Commitments to the World Summit for Social Development». No date.

5 Subclinical VAD reflects a condition of deficiency in Vitamin A without the external signs of the deficiency.

6 «An Analysis of the President's Budget for Fiscal Year 2000.» Congressional Planning & Budget Office, House of Representatives, no date.

TABLE 7.

<i>Health Indicators</i>			
	1993	1997	1998 [•]
Life Expectancy (years)	66.6	68.0	67.0
Infant Mortality (per 1000 livebirths)	52.0	45.8	49.4
Crude Death Rate (per 1000 persons)	6.9	6.1	6.3
	1992	1996	1998 [•]
Preescolares desnutridos	10.0 %	8.4 %	8.4 %
Escolares desnutridos	9.4 %	7.4 %	8.4 %

• Target.

through different agencies including members of Congress and municipal mayors. Since this arrangement is conducive to political patronage, the straightforward intention of helping the poorest may lead to more chaos than coherence.

As the Philippines enters the 21st Century, the popularity rating of its president is at record low levels. Reform-oriented cabinet secretaries have resigned, raising issues of transparency and accountability. There is a ballooning budget deficit, and people are waiting for the next round of oil price increases. Given this situation, we hope the Estrada Administration will focus on its original goal. Alleviating poverty is indeed a tall order, but if the government focuses its energies on achieving this commitment, then Estrada will be remembered by our people as «the only one who delivered».

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