



REPUBLIC OF THE PHILIPPINES

NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

From global norms to national implementation: tackling poverty through human capital formation, the case of the Philippines.

ROSEMARIE G. EDILLON

Undersecretary for Policy and Planning

National Economic and Development Authority

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**Functional literacy > 90%
beginning late 1980s**

**Health outcomes are
very wanting**

Outcomes	2011	2015
Prevalence of underweight children under five (%)	20.2	21.5
Infant mortality rate per 1,000 live births	22	21
Under-five mortality rate per 1,000 live births	30	27
Maternal mortality ratio per 100,000 live births	221	149

The Life We Want

Storngly-bonded relationships

- ✓ Family is together
- ✓ Time with friends
- ✓ Work-life balance
- ✓ Strong sense of community

Comfortable lifestyle

- ✓ Free from hunger and poverty
- ✓ Secure home ownership
- ✓ Good transport
- ✓ Travel and vacation

Secure future

- ✓ Enough Resources for day-to-day needs and unexpected expenses
- ✓ Peace and security
- ✓ Long and healthy life
- ✓ Comfortable retirement



Realizing the Vision

For individuals

- A build-up of financial resources is necessary for individuals to do what they want to do, be what they want to be and obtain what they want to have.
- Poor individuals (members of poor families) are most unlikely to achieve their AmBisyon.
- Incomes increase with improved human capital
- In a country with high functional literacy rate and when the economy does not grow fast enough, an individual who is functionally literate but nothing more, will not be able to land into a high-paying job.

Income-generating function

Percapita_income = f(educ of head of family, age of head of family, squared (age of head of family), family size, number of employed members | if residing in urban area, GRDP)

In_pcinc	Coef	P> t
ln_grdp09	.1436253	0.000
urb	.2843853	0.000
hd_age	.0181199	0.964
hd_age 2	-.000098	0.303
hd_hgc	.108081	0.000
male	-.0710124	0.000
fsize	-.1423369	0.000
m_tot_emp	.1018836	
_cons	6.75705	0.000

Number of obs = 36547
F(8, 36538) = 5077.68
Prob > F = 0.0000
R-squared = 0.5470
Root MSE = .5583

Proportion of Filipinos, aged 25 years and over who finished at least some high school

Year	% of adults with at least some HS
1990	45.9
1995	51.1
2000	49.1
2005	59.7
2010	66.6
2011	68.1
2012	69.6
2013	70.1
2014	71.6
2015	71.6

In 2015, the head of an average **poor family** only finished **elementary education** while the head of an average **nonpoor family** finished at least three years of secondary education.

Income and health status

- The health status of an individual is, unarguably, an important determinant of per capita income, and most definitely, of lifetime income. The difficulty is in quantifying this importance.

$$\textit{Lifetime_income} = \sum_t f_t(\textit{educ}_t, \textit{age}_t, \textit{male}, \textit{depend}_t | \textit{access_to_growth_area}_t, \textit{GRDP}_t) \cdot P[t]$$

where $P[t]$ is the probability that the individual is in a good state of health at time t .

Determinants of health status

cumulative result of past and present behavior,

- lifestyle choices,
- diet,
- **preventive measures** undertaken (immunization, vaccine, etc.) and
- **curative procedures**, if needed,
- genetic predisposition and
- given life expectancy at birth.

Figure 1. Government spending on education, real per capita terms (Php)

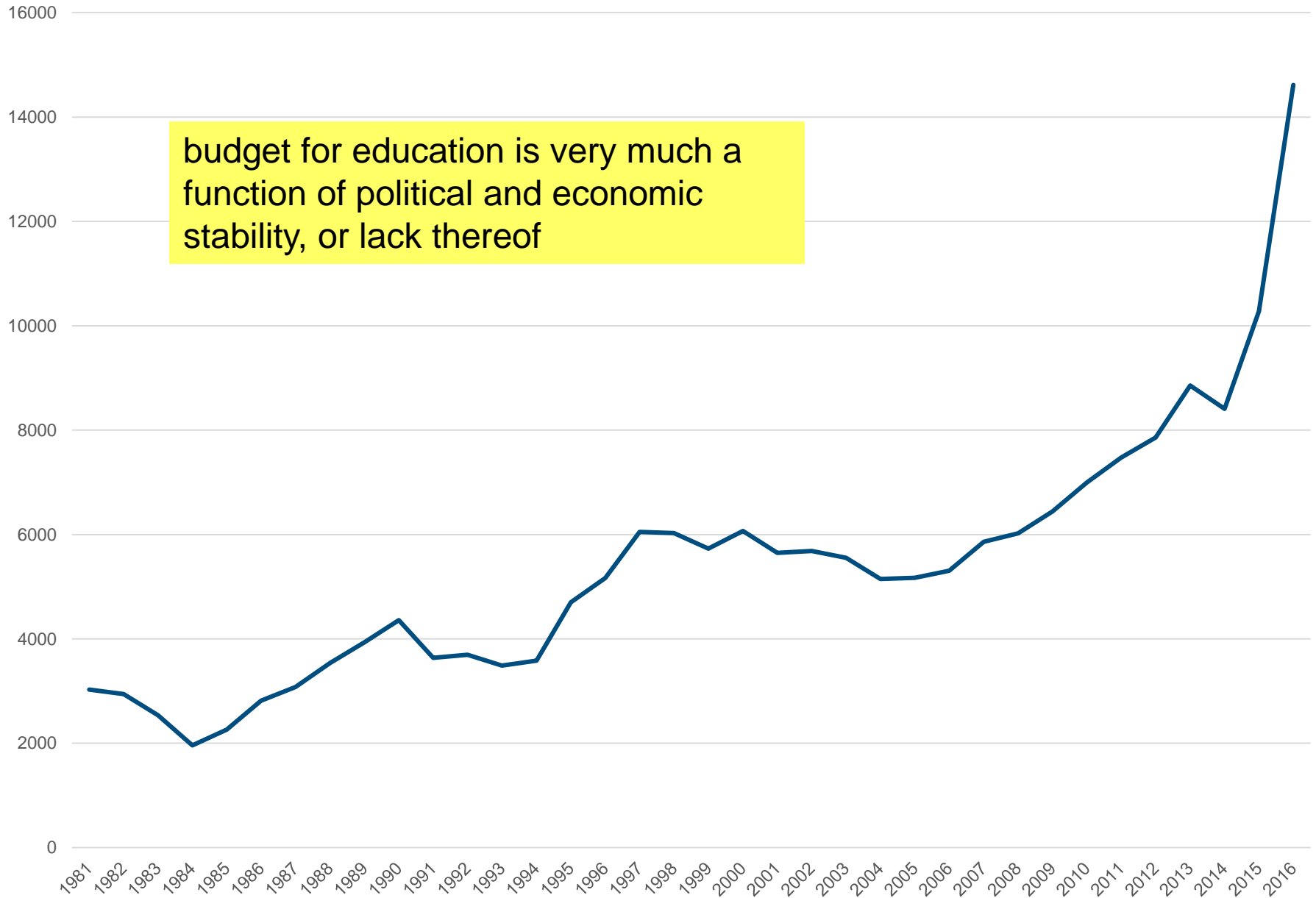
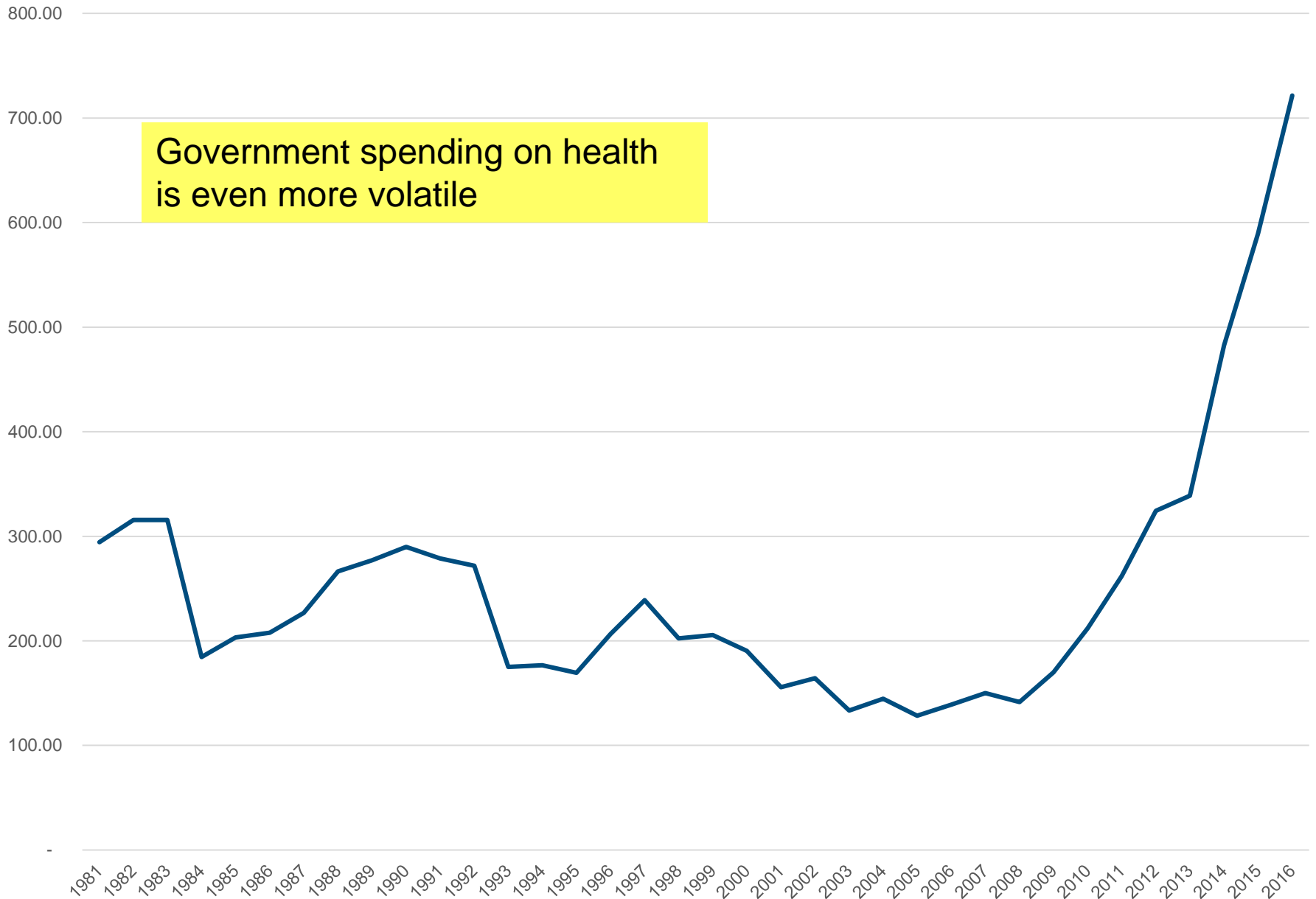


Figure 2. Government spending on health, real per capita (Php)



Improving Human Capital

Induce demand

- CCT conditional on
 - school attendance
 - Health care seeking
- Coverage under PhilHealth
- Coverage under No-Balance-Billing program

Improve supply

- Improve quality
 - K-12 program
 - Teacher training
 - Other inputs
- Increase supply (classroom-to-pupil ratio)
 - In primary level: 1:39 in 2010 to 1:34 in 2014
 - In secondary level: 1:54 to 1:48
 - Health Facility Enhancement Program

Some Remarks

- Human capital outcomes are difficult to observe
- Translation of outputs to outcomes take a long time to manifest
- Receiving quality yet affordable services (inputs) should be a fundamental right
- Governments should be held accountable for inputs and output
- Returns to human capital, if in terms of income, can only be realized given demand side conditions

2040



STRONGLY-ROOTED, COMFORTABLE, AND SECURE LIFE FOR ALL

2022



TO LAY DOWN THE FOUNDATION FOR INCLUSIVE GROWTH, A HIGH-TRUST AND RESILIENT SOCIETY, AND A GLOBALLY-COMPETITIVE KNOWLEDGE ECONOMY

ENHANCING THE SOCIAL FABRIC (MALASAKIT)

Ensure people-centered, clean, and efficient governance

Pursue swift and fair administration of justice

Promote Philippine culture and awareness

Ensure safety and build resilience

**REDUCING INEQUALITY
INEQUALITY-REDUCING TRANSFORMATION (PAGBABAGO)**

Expand economic opportunities

Increase access to economic opportunities

Accelerate human capital development

Reduce vulnerability of individuals

Accelerate strategic infrastructure development

Ensure peace and security

INCREASING GROWTH POTENTIAL (PATULOY NA PAG-UNLAD)

Advance technology adoption

Stimulate innovation

Reach for demographic dividend

Ensure ecological integrity, clean and healthy environment

IMPLEMENT STRATEGIC TRADE AND FISCAL POLICY, MAINTAIN MACROECONOMIC STABILITY, AND PROMOTE COMPETITION



The poor want to participate in the growth process