Universalism vs targeted social policy: Philippines' experience in addressing the challenges facing the poor and disadvantaged and marginalized groups

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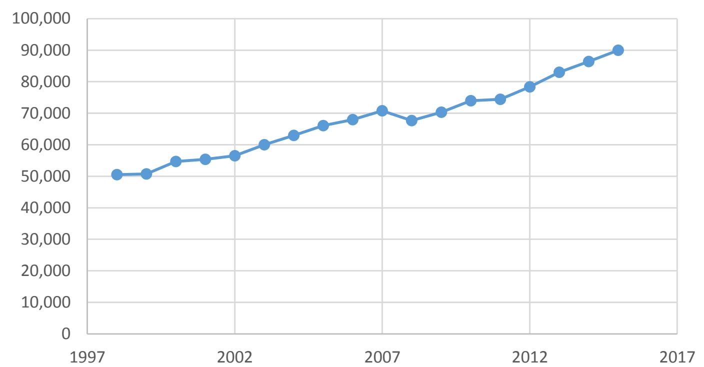
Introduction

Sir John Maynard Keynes gave a compelling argument for government intervention during instances when markets fail to stimulate economic activity. Writing at the time of the Great Depression, he advised government to put bank notes in bottles, bury them at suitable depths and hire individuals to dig up the buried notes. Perhaps, the failure of market mechanisms to address the challenges faced by the poor, the disadvantaged and marginalized groups could be considered as another of these situations that warrant government intervention.

The Philippines' experience on economic growth and poverty reduction

Figure 1 shows the time series of real per capita Gross National Income of the Philippines from 1998 to 2015. This has been a period of income expansion, except in 2008 when incomes decreased due to the adverse impact of the Global Financial Crisis and the El Nino. Average annual growth rate was about 3.5 percent, but for the period 2012-2015, the growth was much faster, at 4.7 percent.

Figure 1. Gross National Income, real per capita (Php)



Considering only the years when the Family Income and Expenditure Survey was conducted, one sees the same accelerating trend in the growth rate of per capita income. Reduction in poverty headcount ratio, however, was painfully slow except in 2015 when poverty incidence was reduced by 3.6 percentage points from the 2012 figure.

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A direct estimate of the growth elasticity of poverty reflects the very weak response of poverty to growth. It is estimated to be (in absolute values) 0.3 in 2009, 0.4 in 2012 and 1.0 in 2015. However, these elasticities include the impact of redistribution, in addition to economic growth. To somehow account for this, the gini coefficient of per capita incomes is also estimated[2]. The results are summarized in Table 1.

Table 1. Growth impact on Poverty and Inequality

	2003	2006	2009	2012	2015
Poverty Headcount (%)	24.9	26.6	26.3	25.2	21.6
Growth rate of Per Capita Income (three years ending in year)					
Cumulative		13.3	3.5	11.4	14.8
average annual		4.2	1.1	3.7	4.7
Growth elasticity of poverty		0.5	-0.3	-0.4	-1.0
Estimated gini coefficient			0.464	0.460	0.444

The estimates given above reveal the differences in the patterns of growth and its impact on poverty in the Philippines.

- The biggest puzzle is the coincidence of economic growth and poverty increase during the period 2003 to 2006. Income grew quite fast, average of 4.2 per cent per year, yet poverty incidence increased by 1.7 percentage points. This means that growth did not benefit the poor at all, therefore that the growth elasticity of poverty was positive. One recalls the political instability in the country at this time, resulting in a crisis of confidence in the political leadership.
- Between 2006 and 2009, income grew very little. In fact, per capita income contracted in 2008 due to the adverse impact of the Global Financial Crisis and the El Nino. To be fair, government implemented an economic stimulus program, but perhaps the recovery has been uneven. Poverty incidence remained almost at the same level as in 2006. Of course, with population increase, this means that the magnitude of the poor actually increased.
- Between 2009 and 2012, income growth was more than three times the growth in the previous three years. However, poverty incidence declined by only 1.1 percentage points. This implies a weak response of poverty to growth, though slightly better than was observed in 2009.
- Between 2012 and 2015, per capita income grew the fastest and redistribution effect was also the strongest, as evidenced by the high rate of poverty reduction. The growth elasticity of poverty was also the highest (in absolute value terms). Moreover, the estimated income gini was significantly lower than in 2009 and 2012. The growth incidence curve for 2012 vs 2015, shown in Figure 2, further proves this point. Note the much higher growth rate experienced by those in the lower income deciles than those in the upper deciles.

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[2] In the Philippines, the state of poverty of an individual is based on the per capita income of his family.

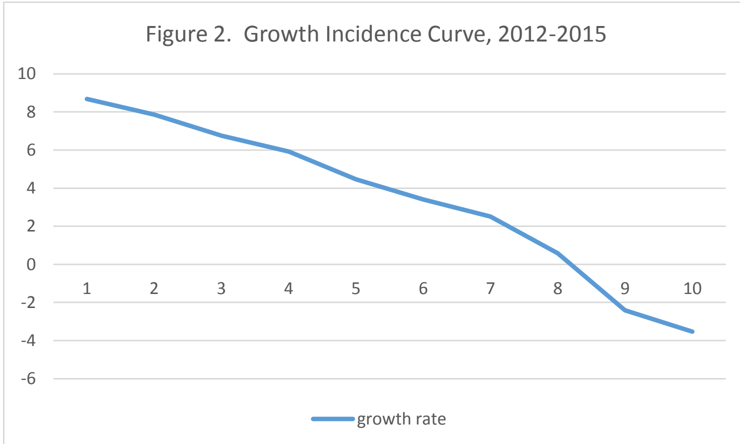

Table 1 also hints at the different approaches the government has taken to reduce poverty, in tandem with growth strategies.

- In the 90s, the centerpiece of the Ramos administration was community empowerment and community-driven development that was implemented in the twenty (then later on, twenty-six) poorest provinces. Even the monitoring systems were community-based, and partnership between civil society and local government units was institutionalized. The philosophy was that the poor know what they need to be able to participate in the growth process, except that they were much too timid to demand from government. Therefore, the poor needed to be empowered so they could engage with government, and then, the market.
- The Estrada administration implemented a convergence approach, where key government agencies focused their template interventions on the poorest 100 families per province.
- And then, under the Arroyo administration, it was back to community-driven development in the poorest municipalities, but with strong national government intervention. The Conditional Cash Transfer (CCT) program was also piloted at this time, in 2007 but covering only a few beneficiaries. This was later expanded to cover over 800,000 household beneficiaries in 2010.
- The CCT program was expanded in coverage and scope by President Aquino and reached more than 4.4 million family beneficiaries towards the end of his administration.

The expanded CCT program

The Conditional Cash Transfer program of the Philippines, in its present form, is, by far, the most aggressive poverty reduction program implemented by government. As previously mentioned, the program now covers some 4.4 million families. As a matter of context, it should be noted that there are an estimated 22.7 million families in the country in 2015. However, government is quick to say that the program is not meant to reduce current poverty, but to break the intergenerational cycle of poverty. After all, the objective is to improve the human capital of the children of the poor and this can be expected to bear fruit much later in the future.

CCT program beneficiaries are identified using a rigorous model-based proxy means test. The program then provides cash assistance, roughly 12 percent of the poverty line[3], to family beneficiaries on the condition that household members less than 18 years old and who should be attending basic education[4] are, in fact, attending school; children below school-age, as well as mothers who are pregnant and lactating, regularly seeking health care; and one or two parents attending the monthly Family Development Sessions (FDS).

Major programs of government agencies have also converged on the CCT beneficiaries. The Department of Health enrolled all beneficiaries under the PhilHealth "no balance billing" program (NBB). Department of Labor and Employment, meanwhile, provided assistance to qualified beneficiaries under its livelihood program. The Commission on Higher Education provided scholarship for higher education to beneficiaries who are of tertiary school-age (but less than 30 years old) and have not finished tertiary education. Many of those who availed of the program were CCT mothers. Some CCT beneficiaries also benefitted from programs implemented by local government units.

The NBB component of the CCT program required a lot of resources since it shouldered all expenses incurred by CCT beneficiaries whenever confined in government hospitals. The Government raised the funds by increasing the sin tax (or the taxes on alcohol and tobacco), and earmarking these for the payment of the premium, the improvement of health facilities and the procurement of needed medicines and other supplies.

In 2015, government began to implement the Modified CCT program. This "caters to families in need of special protection, i.e., street families; itinerant indigenous families; displaced families due to man-made and natural disasters; families with differently abled children, child laborers, children in conflict with the law; and other families with members with terminal disease, exploited, abandoned, victims of trafficking, etc."[5]

The enhanced CCT program

The Duterte administration is committed to enhancing the CCT program to make it more effective in reducing poverty and building up the resiliency of the beneficiaries. This also means addressing the loopholes and plugging the leaks under the previous implementation systems.

The first positive action of President Duterte is to increase the amount of the transfer. This is to restore the real value of the transfer which declined from being 15 percent of the poverty line in 2009 to less than 12 per cent in 2015. The top-up increased the value of the transfer to more than 15 percent of the poverty line.

For the coming school year, all CCT beneficiaries enrolling in tertiary education in state universities and colleges are given full scholarship. Efforts are also being done to institutionalize this in the government budget.

Most recently, modules on proper nutrition and bio-intensive gardening have been added to the FDS "curriculum." As before, several agencies converged their regular programs on the

[3] Computed for the year 2015, for a family of 5.
[4] In the Philippines, basic education pertains to elementary and secondary levels.
[5] DSWD

program beneficiaries - local governments set aside public spaces for communal gardens; national government agencies engaged in nutrition and agriculture conduct the training, provide the seedlings and the necessary implements.

Furthermore, there is the plan to expand livelihood assistance and skills training to the parents in the CCT families.

Concluding remarks

Economic growth is indeed necessary to reduce poverty. However, in a country like the Philippines, economic growth alone cannot be expected to reduce poverty in a robust manner. For one, the country is archipelagic. Economic growth will most probably occur only in selected areas or islands which are not easily accessible to other areas/islands. In other words, the core-periphery model of growth that leads to the "trickle-down" effect will not take place. For another, the country is calamity-prone making it difficult to sustain the growth, much less continuously accelerate the growth, for a prolonged period. In addition to the suspension of some economic activities at the onset, and sometimes after the onslaught, of calamities, there is the need to set aside resources for reconstruction and recovery. But these compete with resources needed for poverty reduction.

Redistributive programs are crucial in ensuring that the benefits of growth are felt, especially by the poor and marginalized. In a developing country like the Philippines, where demand for social services is quite high and demand for economic growth catalyst is just as high or higher, these redistributive programs need to be strategically implemented.

A targeted transfer program, however, is not without opposition especially coming from the lower middle income families. This income class work just as hard but are still unable to live comfortably and worse, are not qualified to receive, what is considered, "generous" government assistance. It is thus important to have a credible monitoring and evaluation system and to communicate the results in an effective and timely manner. Herein lies the challenge; for it is only when scale is attained can significant results be achieved, but this upscaling increases the number of potential critics.

Building resiliency is equally important, even more so, in calamity-prone countries like the Philippines. It will require an improvement of human capital, acquiring new skills, even self-confidence. Then, it will be about having access to finance and technology, and of course, access to the markets. Over time, CCT beneficiaries need to know that they have within themselves the means to reach their full potential and that government is just on standby to throw in the lifeline, as needed.

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