Policy Brief
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Conquering Poverty: Funding Requirements, Issues and Challenges

A national budget amounting PhP1.415 trillion for 2009 holds a lot of promise and potential in stability and development, if it will be used for the urgent needs of the country, particularly to reduce the growing number of poor Filipinos.

I. Introduction:

Conquering poverty has been the battle cry of every administration in the country. Unfortunately, while neighboring countries succeeded with their poverty alleviation efforts, with Malaysia and Thailand virtually eliminating poverty, the Philippines seems to be caught in a poverty sandpit. In fact, despite the better-than-average performance of the Philippine economy in recent years, the latest statistics indicate that poverty even worsened, with more Filipinos having incomes below the poverty line.[1] In 2006, the number of poor Filipinos reached 27.6 million, 16 percent more than the 23.8 million estimated in 2003. Of the 27.6 million poor individuals, 12.2 million could not even afford to meet their basic food needs.

That was in 2006. With the global economic crisis and the double digit inflation rate in 2008, the Philippines, like other developing countries, faces very serious setbacks in its efforts in improving the lives of Filipinos. The poorest and most vulnerable groups risk the most serious - and in some cases permanent - damage. By estimates of multilateral institutions, 100 million people around the world have already been driven into poverty this year and that number may grow further as the crisis deepens.

The 2009 budget, with its theme “Standing Firm in the Midst of Economic Challenges” boasts of investments which would fortify the nation against economic crisis and would cushion families, the poor especially, from higher living costs and worsening calamities.

It is said time and again that the budget is a vital development tool of government which reflects the administration’s economic and political priorities as well as its political will to achieve socioeconomic development. A national budget amounting to PhP 1.415 trillion holds a lot of promise and potential in our pursuit of growth, equity, stability and development, if indeed it will be utilized for the urgent needs of the country, particularly the growing number of poor Filipinos.

This paper looks at how the Arroyo administration, through the 2009 budget is keeping its promise to alleviate poverty as well as its commitment to achieve the Millennium Development Goals (MDGs) amidst economic challenges.

[1] National Statistical Coordination Board, *2006 Official Poverty Statistics*, presented on March 5, 2008.

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II. Poverty and the MDGs

Poverty has many dimensions. While its income aspect looks at the proportion of households with income less than the poverty threshold, the non-income component looks into other social indicators such as health, education and access to basic amenities among others. Considering its multifaceted nature, addressing poverty poses a daunting challenge to many governments. The attainment of the MDGs which the Philippines committed to pursue when it signed the Millennium Declaration in September 2000 is said to be the best measure of progress in addressing poverty.

The MDGs are the world's time-bound and quantified targets for addressing extreme poverty in its many dimensions—income poverty, hunger, disease, lack of adequate shelter and exclusion—while promoting gender equality, health, education and environmental sustainability.

The recent Philippine mid-term progress report on the MDGs indicates the country's high probability of attaining almost all of the eight goals.

The government is optimistic that it can achieve Goal 1 of bringing down the proportion of population with income below the poverty threshold[2] to 22.6 percent and those with income below the food threshold[3] (or living in extreme poverty) to 12.15 percent by 2015. This should not come as a surprise as the Medium-Term Philippine Development Plan (MTPDP) 2004-2010 even sets a higher target in terms of

Table 1: Rate of Progress at the National Level for MDG 1 (in percent)

MDG GOAL	Baseline (1990 or year closest to 1990)	Current Level (2005/2006 or year closest to 2005/2006)	Target by 2015	Probability of Attaining target*
Eradicate extreme poverty and hunger				
A. Proportion of families below				
Subsistence threshold	20.4	11.0 (2006)	10.2	**High**
Poverty threshold	39.9	26.9 (2006)	19.95	**High**
B. Proportion of population below				
Subsistence threshold	24.3	14.6 (2006)	12.15	**High**
Poverty threshold	45.3	32.9 (2006)	22.65	**High**
Prevalence of malnutrition among 0-5 year old children (% underweight)	34.5	24.6 (2005	17.25	**High**
Proportion of households with per capita intake below 100 percent dietary energy requirement	69.4	56.9 (2003)	34.7	**High**
Achieve universal primary education				
Elementary participation rate	85.1	84.44 (05-06)	100	**Low**
Elementary cohort survival rate	68.4	69.9 (05-06)	84.67	**Low**
Improve maternal health				
Maternal mortality ratio	209	162 (2006)	52.2	**Low**
Increase access to reproductive health services				
Prevalence rate of men and women/couples practicing responsible parenthood	40.0	50.6 (2006)	100	**Low**
Reduce child mortality				
Under 5-mortality rate (per 1,000 live births)	80.0	32.0 (2006)	26.7	**High**
Infant mortality rate (per 1,000 live births)	57.0	24.0 (2006)	19.0	**High**
Combat HIV/AIDS, Malaria and other Diseases				
HIV prevalence	< 1%	< 1% (2005)	< 1%	**High**
Malaria morbidity rate (per 100,000 population)	123.0	59.0 (2004)	24.0	**High**
Ensure environmental sustainability				
Proportion of families with access to safe drinking water	**73.7**	**80.2 (2002)**	**86.8**	**High**

Source: Philippine Mid-Term Report on the MDGs (2007), NEDA

*The probability of attaining a target for an indicator is based on the trend of progress from the baseline year to the current year. A goal is said to have a high probability of being attained if its annual rate of increase/decrease falls within the required pace of progress. On the other hand, a goal has a low probability of being achieved if its lags behind the annual required rate of progress.

[2]The poverty threshold is the income needed to meet basic food and non-food needs. The percentage of families/individuals who cannot meet both needs is referred to as the poverty incidence.

[3] The food threshold or subsistence threshold is the income needed to meet basic food needs. The percentage of families/individuals who cannot meet basic food needs is referred to as the subsistence incidence. The government uses the national subsistence incidence in measuring extreme poverty instead of the $1 a day global benchmark.

reducing poverty incidence of families to 17.89 percent and subsistence incidence to 8.98 percent in 2010.

It must be noted though that government has been criticized for reducing poverty only through statistics- by revising the poverty estimation methodology.[4] Also, the actual poverty incidence may even be much higher since those without official and permanent residence— among them, the ambulant, pushcart dwelling masses—are not counted in the government's poverty mapping. Moreover, whereas national figures paint a rosy picture, comparisons across provinces would show wide disparities and uneven progress. In Tawi-Tawi, the poorest province for example, 78.9 percent of its families were classified as poor, while poverty incidence among families in the 10 least poor provinces only ranged from zero to 15 percent.

In addition, while poverty in urban areas is on the rise, poverty in the Philippines remains a largely rural phenomenon due to the sluggish growth of the agricultural sector. Seventy three percent of the country's poor reside in rural areas. Moreso, income inequality remains one of the highest in Asia.

Going beyond income measurements, the country has improved its Human Development Index (HDI) rating from 0.758 in 2000 to 0.771 in 2005. Despite this improvement, the Philippines still lags behind its Asian neighbors.

Table 2 : Human Development Index Trends from 1975-2005

HDI RANK	1975	1980	1985	1990	1995	2000	2005
HIGH HUMAN DEVELOPMENT							
Japan	0.861	0.886	0.899	0.916	0.929	0.941	0.953
Hong Kong, China (SAR)	0.763	0.803	0.830	0.865	0.886	0.919	0.937
Singapore	0.729	0.762	0.789	0.827	0.865		0.922
Korea (Republic of)	0.713	0.747	0.785	0.825	0.861	0.892	0.921
MEDIUM HUMAN DEVELOPMENT							
Thailand	0.615	0.654	0.679	0.712	0.745	0.761	0.781
China	0.530	0.559	0.595	0.634	0.691	0.732	0.777
Philippines	0.655	0.688	0.692	0.721	0.739	0.758	0.771
Vietnam			0.590	0.620	0.672	0.711	0.733
Indonesia	0.471	0.533	0.585	0.626	0.670	0.692	0.728
India	0.419	0.450	0.487	0.521	0.551	0.578	0.619

Source: Human Development Report, 2007-2008

Box 1. Official poverty threshold: can we really live on it?

The internationally recognized poverty threshold is US$1 a day. This was recently revised to US$1.35 /day. In the Philippines, the annual per capita poverty line in 2006 is PhP15,057, which means that a person only needs PhP42 a day to stay out of poverty. Annual food threshold, on the other hand, is PhP10,024 or PhP27.80 a day, or PhP9.25 per meal. Not a few, however, have complained that in reality, these amounts are ridiculously low, and may not be enough to sustain a person's minimum basic needs to stay alive.

Box 2. Increase in income has not kept pace with inflation.

An ADB (2008) study shows that while food threshold rose by 23 percent from 2003 to 2006 following the imposition of higher VAT rate and higher oil prices, family income increased only slightly by 16 percent on the average for all income quintiles. Such scenario hindered access for both food and non-food basic needs and hence pushed 3.8 million more individuals or 700,000 more families down the poverty line in 2006.

Numerous studies[5] have identified the major causes of poverty in the Philippines. These include: (1) weak macroeconomic management; (2) employment issues; (3) high population growth rates; (4) an underperforming agricultural sector and an unfinished land reform agenda; (5) governance issues including corruption and a weak state; and (6) conflict and security issues, particularly in Mindanao.

Since public spending policy plays a critical role in poverty reduction in terms of improving the people's access to basic social services, assets, and physical infrastructure as well as providing social safety nets, experts also point to the perennially low public investment in the said programs as a reason why poverty persists in the country.

III. Conquering Poverty: Funding Requirements, Issues and Challenges

National policies spelled out in the MTPDP espouse poverty reduction as an overarching goal, while sectoral thrusts fully support poverty-reduction targets and priorities. The ultimate indicator of the government's resolve to combat poverty though is the money dedicated to back up its declarations and plans. Though infusing programs with funds does not automatically translate into outcomes, adequate financing, to a large extent, is a necessary condition to reduce poverty and attain the MDGs.

[4] On January 2003, the NSCB applied a new methodology in estimating poverty incidence. The new methodology provided for provincial poverty thresholds. Both old and new methodologies made use of the same regional menu but in the new one, ordinary rice was used in place of special rice in the menu since the latter is more expensive. The ratio of bought to not bought items in the menu have been updated using the 1993 Food Consumption Survey as reference. Such changes have rendered decreases in the estimates of subsistence and poverty thresholds.

[5] Asian Development Bank, *Poverty in the Philippines: Income, Assets and Access*, January 2005.

The government has been called on to make economic growth inclusive by investing in projects that will benefit the poor. With seven years left before 2015, the clamor to prioritize funding for the MDGs, especially for the education and health goals which the Philippines may not likely achieve, has become louder, and the response needed from government is more urgent than ever.

Components of MDG Expenditure

While one may argue that the entire budget is supportive of MDG Goal 1 of poverty reduction, the bulk of MDG expenditures are spread in the social services and economic services sectors.

Table 3: Percentage Distribution of Expenditure Program by Sector 2000-2008

PARTICULAR	2000	2001	2002	2003	2004	2005	2006	2007	2008
Economic Services	24.5	22.13	20.38	20.59	18.03	17.54	18.72	25.37	24.37
Social Services	31.2	30.36	31.06	28.79	28.71	28.02	27.91	27.71	30.77
Defense	5.3	5.09	5.24	5.39	4.99	4.87	4.98	5.38	4.98
General Public Services	18.0	17.13	17.91	17.12	16.23	15.5	15.33	17.52	16.90
Net Lending	0.4	0.56	0.35	0.68	0.64	0.84	0.78	0.84	0.98
Debt Service	20.6	24.73	25.05	27.44	31.40	33.24	32.28	23.18	22.00
Total	100.0	100.0	100.0	100.0	100.0	100	100	100	100

Source: Budget of Expenditures and Sources of Financing (BESF), various years

Except for the years 2002 and 2008, the budget share of social services had been declining in the past eight years. The share of economic services also showed a decreasing trend in the same period, except in 2006 and 2007.

The large share of debt service to total expenditures, which peaked at 33.24 percent in 2005, severely constrains the spending for social and economic related activities. Historically, the education, culture and manpower development sector has received the largest share from the budget, averaging a little over 50 percent of the total expenditures of the national government for social services. However, for the period 2000-2006, the percentage share of education to total social expenditures declined. The health sector also suffered a similar fate. While it is true that health programs have been devolved to local government units (LGUs), it must be noted that most LGUs depend on the national government for funding through Internal Revenue Allotment (IRA) and other national transfers.

Box 3. Katas ng VAT Program

Despite its unpopularity, the increasing of VAT rate from 10 percent to 12 percent in 2005 put the country's fiscal house in order and made room for additional funds for projects that address growth and poverty reduction aligned with the MDG targets. VAT collections amounted PhP 76.9 billion and PhP 88.9 billion in 2006 and 2007, respectively. For 2008, total VAT collection is estimated at PhP 108 billion of which, P27.8 billion will fund programs supportive of MDG targets.

Programs Supportive of MDG Targets Funded by VAT for 2008

Particulars	Amount (In bn pesos)
EDUCATION (Total)	14.66
14,928 teaching positions to be created	1.9
171,617 teachers and 4,882 supervisors to be trained in Math/Science/English	0.9
MOOE to rationalize provision for the same in DepEd schools	2.1
4,768 classrooms to be constructed Built-in (4,394 classrooms for P 2.15B) Special Purpose Fund (374 classrooms for .24B)	2.4
Quick Response Fund for the repairs of 6,000 classrooms	0.3
Minor repair of school	0.9
Malusog na Simula, Yaman ng Bayan	3.3
Pre-School 1,046,675 five year-olds in 4th-6th class municipalities	1.8
DepEd Computerization Program	0.26
Basic Madrasah*	0.2
School-based Management Installation and Support (school improvement plans)	0.5
Library Hubs	0.1
HEALTH (Total)	3.06
19,912 Botika ng Barangay	0.50
Immunization Program for 2.7M children	0.03
Obstetric care at the rural health I level, Including Vitamin A and iron supplements for low birth infants	1.00
Tuberculosis Control	0.54
Prevention of infectious diseases	0.99
LIVELIHOOD AND POVERTY ALLEVIATION (Total)	5.09
KALAHI-CIDSS	1.63
Tindahan Natin (6,445 TNOs)	0.16
Kalayaan Barangay Progam	1.0
Kilos Asenso Fund	2.0
Ahon Pamilyang Pilipino (20,000 poor families)	0.30
HOUSING (Total)	5.03
Core Shelter Assistance Project	0.13
NHA Resettlement Program	4.90
GRAND TOTAL	27.84

Source: DBM Sec. Andaya's Maximizing the use of RVAT, Interim Phil. Development Forum Meeting, August 2008

**Basic Madrasah- Fully implemented in public schools, this program aims to make the education of Muslim students at par with their non-Muslim counterparts in the country*

For the first half of 2008, total VAT collection amounted to PhP53.3 billion, 22 percent more than the PhP43.7 billion collected in the same period last year. The PhP18 billion windfall revenues from higher oil prices funded the Katas ng VAT program—which made the provision of subsidies in 2008 possible.

Citing preliminary data, Finance Secretary Margarito Teves said total collection from the VAT on oil for the September period was PhP 22 billion, surpassing the target of P13.98 billion. Of the PhP 22 billion, more than PhP 8 billion comprised excess revenues due to high oil prices. With the declining price of oil however, Budget Secretary Rolando Andaya said that the government will no longer enjoy windfall revenues from VAT and thus, will not be able to sustain the subsidies and other assistance programs—except those that have allotment in the 2009 budget. The non-indexation of excise taxes to inflation and the expected erosion of the tax base following the passage of RA 9504, which grants additional tax relief to individuals and corporations, also raises concern on the possible decrease in funding for MDGs and social development. At the moment, improving the efficiencies of the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) is of utmost importance, especially considering the difficulty of pushing for additional tax measures at this time.

Items Funded by Katas ng VAT (1st to 3rd tranches)

Items	Amount
Power Subsidies To Lifeline Users	P3.4 billion
Scholarships And Student Loans	P1 billion
Conversion Of Public Utility Vehicles To Make Them More Energy Efficient	P500 million
Replacement Of Incandescent Bulbs With Fluorescent Lamps	P500 million
Loans For The Wives And Relatives Of Transport Workers	P1 billion
Rehabilitation Of Areas Damaged By Typhoons	P1 billion
Upgrading Of Provincial Hospitals	P500 million
Cash Allowances For Senior Citizens Not Covered By Pension Funds	P500 million
Additional Support To FIELDS	P2 billion
Malusog Na Simula, Yaman Ng Bansa (For Mindanao Conflict Areas)	P500 million
Early Recovery Fund (For Rehabilitation Of Areas Ravaged By The Mindanao Conflict)	P500 million
Competitiveness Fund (For Businesses)	P600 million
Construction Of School Buildings	P500 million

Already on its third tranche of fund release, the Katas ng VAT program has been drawing a lot of flak for being an unsustainable doleout program, fraught with legal infirmities. Executive officials insist that the items in the program are legally funded under the Unprogrammed Fund[a] of the 2008 GAA, including the PhP 3.4 billion electricity subsidy which they claim, falls under support for infrastructure projects and social programs.

Budget experts Professors Benjamin Diokno and Leonor Briones, however, stressed that there are no items in the 2008 GAA which provides for electricity subsidy and that the support for infrastructure projects and social programs under Unprogrammed Fund will receive funding not from VAT windfall, but from savings from overestimation of debt interest as a result of the strong peso. Moreso, only priority projects under the health and education sectors fall under social programs. They furthered that if the items under Katas ng VAT are funded by VAT windfall, the excess revenue, should be treated as public funds, which should go to the General Fund and undergo the appropriations process before they can be used. Also, even if VAT collection exceeded targets, it merely offsets the shortfalls in other tax and non-tax items.

[a] Unprogrammed fund is in the nature of a contingent or stand-by authority, intended for requirements of new or urgent projects that need to be implemented during the year. Items under Unprogrammed Funds will receive funding, only when revenue collections exceed the original target submitted by the President to Congress or when additional grants or foreign funds are generated. In the 2008 General Appropriations Act (GAA), the Unprogrammed Fund has six specific purposes namely: 1) budgetary support to GOCCs, 2) strategic government reforms, 3) support to foreign-assisted projects, 4) general fund adjustment 5) support to infrastructure projects and social programs and 6) gratuities, pensions and separation benefits social programs refer to priority projects of the health and education sector Special Provision Number 5, Unprogrammed Fund, 2008 GAA

IV. The 2009 Budget: Focus and Priorities

To cope with the global turmoil, the government is intent on sustaining its economic gains by improving revenue collection and strengthening expenditure management. By focusing on four priority areas namely: (1) food sufficiency, health care and reinforcing the welfare armor, (2) fuel and energy, (3) fight for peace and good governance, and (4)forming the youth and investing in the future, the Arroyo administration hopes that the PhP 1.415 trillion national budget for 2009 will tide Filipinos over the difficulties.

To provide a "welfare armor" to the poor and vulnerable, the social services sector corners the biggest share of the budget pie with 30.7 percent, or PhP 434.0 billion; followed by economic services with 25.5 percent, PhP 361.4 billion; general public services with 16.9 percent, PhP 239.6 billion; defense with 4.6 percent, PhP 65.2 billion.

Eradicating extreme poverty and hunger is fundamental for attaining the MDGs on education and health. Poverty and hunger can become entwined in a vicious cycle since poverty, by limiting people's access to food, leads to undernutrition and food insecurity. And because undernourished people are less productive and child malnutrition has severe, permanent consequences for physical and intellectual development, hunger can lead to or help entrench poverty through generations.

To achieve the first MDG goal of reducing extreme poverty and hunger, the government has been implementing an integrated and comprehensive national poverty eradication strategy called the Kapit-Bisig Laban sa Kahirapan (KALAHI) or Linking Arms Against Poverty, which focuses on asset reform, employment and livelihood, social protection and human development services.

A. Asset reform

Various studies show that poverty incidence declined significantly among beneficiaries of the Comprehensive Agrarian Reform Program (CARP). However, the Philippines has yet to fully maximize this benefit as land distribution under CARP remains incomplete. Initially slated to be finished by 1998, CARP, after another 10 years of extension, has yet to distribute the remaining 1.8 million hectares of agricultural land for distribution to 1.6 million agrarian reform beneficiaries (ARBs).

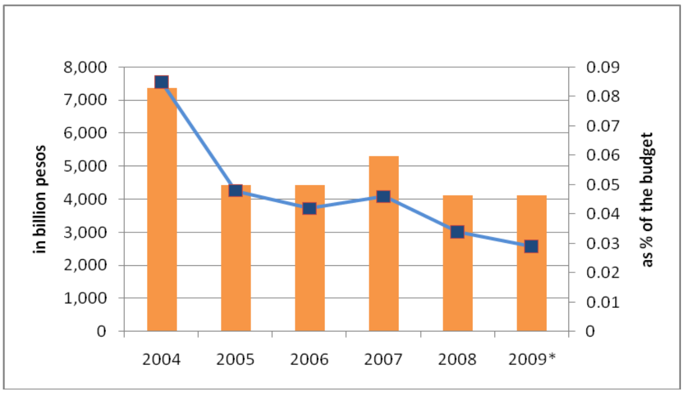
Officials of DAR reasoned that the completion of CARP was delayed primarily because funds released were not sufficient to cover the cost of land acquisition and distribution (LAD) including landowners' compensation. Since 2004, the level, as well as the share of land distribution in the budget has been declining.

Table 4: Status of Land Distribution under CARP as of June 2008

Land Type	Revised Scope	Accomplishment	Balance
DAR			
Private Agricultural Lands (Hectares [Ha.])	3,353,784	2,268,251	1,085,533
Non-Private Agricultural Lands (Ha.)	1,809,967	1,734,427	75,540
Sub-total (Ha.)	5,163,751	4,002,678	1,161,073
Agrarian Reform Beneficiaries (ARBs)	3,017,254	2,308,909	708,345
DENR			
Private Alienable & Disposable Lands (Ha.)	2,502,000	1,876,428	625,572
ISF/CBFM Areas (Ha.)	1,335,999	1,335,999	
Sub-total (Ha.)	3,837,999	3,212,427	625,572
ARBs	3,048,578	2,107,274	941,304
Total CARP (Ha.)	9,001,750	7,215,105	1,786,645
ARBs	6,065,832	4,416,183	1,649,649

Source: Presidential Agrarian Reform Committee

Figure 1. Budget for Land Distribution, 2004-2009



Source: BESF 2004-2009

Despite the expiration of CARP in June 2008, the Executive still set aside an PhP 8.8 billion budget for CARP's implementation of land distribution and agrarian justice in 2009. On top of this, PhP 5.16 billion under the Agriculture and Fisheries Modernization Program shall be added in support of the Program Beneficiaries Development (PBDs) of CARP. This is to provide ARBs adequate support service delivery to make their lands more productive and/or economically viable.

Table 5: Funding for 2009 LAD And Agrarian Justice Delivery Under CARP

Implementing agency	Amount
Dept. of Agrarian Reform	P4,038,299,000
Dept. Environment and Natural Resources	576,351,000
Dept. of Justice- Land Registration Authority	105,829,000
Dept. of Finance-Land Bank of the Philippines	4,127,075,000
Total	**P8,847,554,000**

Source: National Expenditure Program (NEP) 2009

DAR estimates that CARP will require about PhP 161.7 billion in the next 10 years to be able to specifically concentrate on acquiring and distributing the LAD balance, expediting and resolving pending agrarian cases, and providing support services to ARBs.

The World Bank (2007), however, suggests prioritizing allocative efficiency' rather than increasing expenditure on this program. This means improving the composition of expenditure, using more funds in developing land markets, for example, which may accelerate positive impact on pro-poor agricultural growth.

B. Housing

With Philippine population growing rapidly at 2.04 percent annually, the demand for housing continues to be on the rise. The Housing and Urban Development Coordinating Council (HUDCC) estimates that from 2005 to 2010, at least 3.75 million housing units need to be constructed to accommodate housing needs.

In pursuit of the MDG target to improve the lives of slum dwellers, who numbered 675,000 families in 2004, the national government seeks to provide secure tenure to 300,000 households annually consisting of: (a) 150,000 land tenure units for the urban poor; (b) 70,000 socialized housing units for the urban poor; and (c) 80,000 low-cost housing units.

For next year, the housing sector budget will increase from PhP 5.0 billion to PhP 5.3 billion.

Table 6: Budget for the Housing Sector 2007-2009

Particulars	2007	2008	2009	Change (08-09)	
	In million of pesos			Level	Percent
Housing sector of which:	**2,513**	**5,017**	**5,344**	**327**	**6.5**
- Equity for the purchase Of mortgages for Securitization (NHMFC)	-	500	400	(100)	(20.0)
- Subsidy for Community Mortgage Program (NHMFC)	500	500	500	-	-
- Insurance Guarantee (HGC)	673	200	600	400	200.0
- Local Housing Program (NHA)	-	-	300		
- Subsidy for Resettlement Program (NHA)	3,100	3,500	3,200	(300)	(8.6)

Source: DBM presentation of the proposed 2009 National Budget to the Cabinet Aug. 12,2008

The additional P300 million will be spent for the operational requirements of regulatory agencies such as HUDCC and the Housing and Land Use Regulatory Board (HLURB). Of the proposed P5.3 billion, the National Housing Authority (NHA) gets the biggest chunk with

P3.5 billion, roughly 66 percent to set up resettlement sites and build new housing units.

The National Home Mortgage Finance Corporation (NHMFC) will be provided P900 million to assist targeted beneficiaries in purchasing lots from their owners through the Community Mortgage Program (P500 million), and as equity for the payment of mortgages for securitization (P400 million). Some P600 million will be set aside for the Home Guaranty (HGC) Corporation to support its credit guarantee program that provides risk cover and task incentives for housing credits extended by finance institutions.

Given the limited government resources and increasing demand for housing, meeting the housing requirement requires the involvement of the private sector. However, private participation in socialized housing construction and finance must be expanded to include those for the poor. Housing regulation also needs to be strengthened to ensure that community development projects adhere to safety standards and come with basic amenities such as water and sanitation system.

President Arroyo in her last State of the Nation Address (SONA) claims that since 2001, some P101 billion in housing loan has been provided by Pag-IBIG to 245,903 workers, while for 2007 and the first quarter of 2008, some P14.6 billion were provided by government to guaranty the loans from banks of nearly 23,000 beneficiaries. Learning from the subprime crisis which badly hit the US, investments to create livelihood and generate employment, especially in rural areas, will not only ease rural-urban migration, but will also give borrowers a sustainable source of income to repay their housing loans.

Lastly, it was found out that majority of the poor rarely avail of government housing assistance programs due to lack of information, strong emphasis on mortgage finance, and rigid eligibility requirements. Perhaps, decent shelter could instead be provided through the rental housing market. Subsidies could be given to LGUs who would construct and manage public rental housing.

C. Employment and livelihood

Employment is a key strategy in combating poverty. Unfortunately, the economy's growth in recent years leaves much to be desired in generating jobs. Unemployment worsened in the first three quarters of 2008 with unemployment rate averaging 7.4 percent, compared to 7.0 percent in 2007.

Government estimates of jobs generated are inconsistent. Despite data from the labor force survey which consistently showed that jobs generated is less than one million annually since 2002, President Arroyo in her last SONA boasted of exceeding the minimum number of jobs targeted for 2004-2010 by 163 percent.

The government claims that the 9.78 million jobs generated from 2004 to June 2008 resulted from its efforts in providing loans to micro, small and medium enterprises, developing two million hectares of land for agribusiness, and developing key industries such as housing, tourism, mining, and ICT.

Table 9. Job Generation Program
Summary Of Accomplishments for 2004 To June 2008

Program Components and Implementing Agencies	Assumptions	Number of Jobs Created and Indicator
1. Microfinancing PCFC, Cocofinance, QuedanCor, SBGFC,LBP, NLSF	Any new loan, regardless of amount creates 1 job	1,703,623 (P93.74 bn loans released)
2. SME Lending (SULONG) SBGFC, NLSF,QuedanCor, PhilExim,	Average loan size of P80,000 supports 1 job with 30% considered as new jobs	590,462 (P130.24 bn loans released)
3. Agribusiness Land Development DA, DAR, DENR	In general, 1 hectare = 1 job; but in some commodities, 1 hectare maybe equivalent to as high as 27 jobs	1,513,965 (More than 800,000 hectares of land developed)
4. Housing HUDCC (Lead), HDMF, GSIS, SSS, NHA,HIGC, DBP	8.3 jobs per 1 house built;5 jobs per lot developed for resettlement sites; 3.3 for a small housing unit in Northrail resettlement	2,864,456 (391,118 housing units completed)
5. Tourism DOT	Every additional tourist arrival creates 1.22 new jobs (based on the study conducted by McKinsey & Co. firm for DOT)	1,071,678 (878,425 additional tourist arrivals)
6. Information and Communications Technology (ICT)	Base on reports from various industry associations and DTI-BOI	306,750
7. Mining, DENR	Actual jobs	62,736
8. Economic Zones, PEZA, SBMA, CDC	Actual jobs	597,364
9. Infrastructure DPWH, MMDA	Actual number of people hired in public construction and maintenance :Kalsada Natin, Alagaan Natin",OYSTER Program and "Trabaho Trabaho Program"	918,601
10. Apprenticeship TESDA	Actual apprentices enrolled under the Kasanayan at Hanap-Buhay (KASH) Apprenticeship Program	235,329
TOTAL		9,864,964

Source: Presidential Management Staff in coordination with concerned agencies

The House Committee on Oversight (2008) reports that majority of the beneficiaries of the job generation program come from marginalized sectors—such as the farmers and fisherfolk, the ambulant vendors and small traders who borrowed money from microfinance and unskilled workers who were hired in the construction of houses and roads.

It must be noted though that aside from being seasonal and short term in nature, most of the jobs generated are characterized by low productivity, below poverty level wages and insecure working conditions. The government must focus not only on the quantity of jobs, but the quality of employment, if it is to make any claims about reducing poverty by giving people jobs.

Moreso, in the long term, the government will have to find more permanent jobs for its work force. While deploying people as overseas contract workers eased unemployment and brought in much needed remittances, it also resulted in mass exodus of skilled workers and professionals, to the detriment of families left behind and the nation's development.

The role of the private sector in creating jobs is crucial, albeit it faces tough challenge as it tries to avert downsizing at this time of economic crunch. As a safety net to those who could possibly be laid off, the government plans to accelerate spending for infrastructure and agriculture to generate employment.

In hopes to pump prime the economy, PhP 229.6 billion or 16.2 percent of the PhP 1.415 trillion proposed national budget will be alloted for public sector infrastructure in 2009. According to estimates of the Department of Public Works and Highways (DPWH), 30 percent of infrastructure outlay goes towards the payment of labor and that the required investment needed to create one job is PhP 100,000. With the 2009 infrastructure budget, approximately 540,000 new jobs would be created. Spending on agriculture on the other hand will also increase by 62 percent to PhP 35 billion next year.

Again, in the long run, the government should not exhaust its scarce resources in short term programs to create jobs, but should instead intensify efforts to attract investors into the country. Eliminating red tape and corruption and making it easy for potential investors to secure their licenses and other business permits will lower the cost of investing in the country. Moreover, improving education by providing adequate funding to the sector, among others, should be prioritized by the government to better equip the work force and make them employable and productive.

D. Livelihood

Contributing 32 percent to the country's GDP, micro, small and medium enterprises (MSMEs), play a crucial role in development by creating jobs that help ease poverty, particularly in the countryside. However, the sector's growth is impeded by problems such as limited access to financing, low productivity, weak marketing and promotion strategies.

Under the government's microfinance program, the amount of loan ranges from PhP 5,000 to PhP 150,000 and is granted by six GFIs/GOCCs. By livelihood activity, loans to trade enterprises accounted for 54 percent, while loans to agriculture and aquaculture sectors together accounted for 28 percent of the total loan releases in 2007.

The Department of Social Welfare and Development (DSWD) also provides capital assistance and training in entrepreneurial skills to poor families to establish and self-manage a sustainable community-based microcredit organization through the Self Employment Assistance Kaunlaran (SEA-K). For 2009, SEA-K will have a budget of PhP 39 million.

Meanwhile loans for small and medium Enterprises (SMEs) are provided under the SME Unified Lending Opportunities for National Growth (SULONG) Program. Since 2003, SMEs have availed a total of PhP 143.9 billion in loans under the SULONG Program. The Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) provided the largest financing support. An additional PhP 123.63 billion is targeted to be released from 2008 until 2010.

Another government priority that aims to create investments, promote entrepreneurship and generate jobs is the One Town One Product (OTOP) Program. The said program offers a comprehensive assistance package through a convergence of services from LGUs, national government agencies (NGAs), and the private sector. This includes business counselling, skills and entrepreneurial training, product design and development, appropriate technologies and marketing. For 2009, the budget for OTOP was trimmed down to PhP 71.25 million from PhP 110.02 million this year.

Complementing the OTOP program is the Rural Micro-enterprise Promotion Program (RuMEPP), which aims to help poor entrepreneurs and rural families in 19 provinces of the five poorest regions by providing technical and financial support, which in turn benefits other small families through job opportunities. RuMEPP is a seven-year program with US$22.826M fund from the International Fund for Agricultural Development (IFAD) spearheaded by the Department of Trade and Industry. For 2009, RuMEEPP will receive PhP 30.13 million.

For the poor, access to finance is a vital key not only for tiding them over adverse shocks, but also for taking advantage of the opportunities stemming from improved market conditions and new production technologies. Banks tend to bypass the poor, especially in rural areas, since lending to the latter is considered risky and costly.

While microfinance has increased significantly in the past 10 years to help fill the unmet need for financial services, a majority of poor families in the poorer regions still do not have access to microfinance services. The absence of information for which banks can assess the creditworthiness of MSMEs hampers the provision of loans. MSMEs, on the other hand, consider bank loan offerings as generally inaccessible due to their stringent requirements in the minimum loanable amount, quality of collateral, repayment terms years of business experience and submission of business plans.

With the recent passage of the Credit Information System Act (CISA), which aims to provide for easier access to credit by small businesses, as well as better risk assessment for lenders, it is hoped that the MSMEs sector will grow robustly.

The key challenge is to develop mechanisms enabling microfinance to reach agriculture and grow at a substantially accelerated pace in order to achieve national outreach and necessary sustainability.

F. Social protection and welfare

Social protection constitutes policies and programs that seek to reduce poverty and vulnerability to risks and enhance the social status and rights of the marginalized by promoting and protecting livelihood and employment, protecting against hazards and sudden loss of income, and improving people's capacity to manage risks.

Being the top importer of rice in the world, the recent turbulence in the global food market, which resulted in higher food prices, sent a chilling reminder of the Philippine population's vulnerability to hunger and undernutrition. With poor households spending as much as 60 percent of their income on food, the rising food prices will further prevent them from getting adequate nutrition, which can jeopardize their chances of getting out of poverty.

The government, through the Department of Social Welfare and Development (DSWD) is implementing a number of social protection programs responsive to the demands of the time. As such, DSWD's budget will be more than twice its current budget, from PhP 4.98 billion this year, to PhP 10.46 billion in 2009.

The 114 percent increase in DSWD's appropriations can be attributed to the following locally funded projects:

1. *Pantawid Pamilyang Pilipino Program*[6] *(P4s) also known as Conditional Cash Transfer* is a poverty reduction strategy that provides money to extremely poor households upon satisfaction of following conditions:

    - *Pregnant women must get prenatal care starting from the first trimester, child birth is attended by skilled/trained professional, get post natal care thereafter;*
    - *Parents / guardians must attend family planning sessions/ mother's class, Parent Effectiveness Service and others;*
    - *Children 0-5 years of age get regular preventive health check ups and vaccines;*
    - *Children 3-5 years old must attend day care program/pre-school; and*
    - *Children 6-14 years of age are enrolled in schools and attend at least 85 percent of the time*

The government piloted the P4 program in Agusan Del Sur, Misamis Occidental, Pasay and Caloocan in 2007.

DSWD Secretary Esperanza Cabral explained that initially, the target beneficiaries of P4 for 2008 is 20,000, with a funding of PhP 298 million as approved by Congress. Thrilled by the idea of the CCT, President Arroyo ordered to expand P4's coverage to 300,000 families and increase the budget to PhP 2.1 billion. When

[6] *P4 is the expanded Ahon Pamilyang Pilipino Program.*

Table 10. Budget for Conditional Cash Transfer Program (2007-2009)

Pantawid Pamilyang Pilipino Program (Conditional Cash Transfer)	2007 GAA	2008 GAA	2009 GAB
Budget	**P50 M** (June-Dec 2007)	**P298 M**	**P5.0 B**
Number of Target Beneficiaries/ Households	6,000	20,000	321,000

Source: DSWD brochure on P4, NEP, 2009 asked where the additional funding came from, Sec. Cabral answered that it's from the unprogrammed funds. For 2009, the budget for P4 leaps to PhP 5 billion. DSWD estimates that the program will need PhP 5 billion annually until 2013.

Since the conditionality aspect of CCT programs ties the behavior of beneficiaries towards investing more in human capital development, CCT is fast becoming the preferred safety net program. For the Philippines, however, there are issues that have to be addressed in order to devise and implement an effective CCT program. Social Watch Philippines, points out to the issues as follows:

First, the conditionality aspect presupposes that quality and accessible education and health services are available but underutilized. This is not necessarily the case of the Philippines where there are shortages in classrooms, teachers, health centers, health facilities and health workers. Second, the capacity of implementing agencies to absorb the huge organizational and technical requirements to ensure effective monitoring of the program, including proper targeting of the poor, monitoring compliance of target beneficiaries to conditions, etc. Third, the prevalence of corruption in the Philippines is one of the highest in the region and thus raises considerable issues on the integrity and ability of the institutions to implement a program with billions of funding allocation.

The beneficiaries of P4 are households in the poorest municipalities in the poorest provinces based on the 2006 FIES. The inclusion of five Metro Manila cities in P4 priority areas, however, casts doubt on the integrity of P4's targeting mechanism since Metro Manila registered low poverty incidence level in 2006.

These issues have to be considered by Congress before approving the Executive's proposed appropriations for cash transfers to ensure that billions of public funds are not left to the discretion of politicians who can use these for personal and political gains.

2. *Malusog na Simula, Yaman ng Bansa* or Food for School Program (FSP) - The FSP is part of the Arroyo administration's Accelerated Hunger Mitigation Program (AHMP), which aims to address the supply and demand functions of hunger.

According to a survey by Gallup International the Philippines ranked 5th in the world when it comes to citizens who have had "little or no food at all" in the past year. Overall, four out of every ten Filipinos reported having little or no food at all on their tables in the last 12 months. In the latest survey result of the Social Weather Station, the number of families who experienced hunger at least once in the previous three months rose to 18 percent or around 3.3 million households in September.

For 2009, the Executive proposed to increase by 100 percent the budget for its AHMP.

The FSP is categorized as a conditional in-kind transfer. In 2006, the Department of Education (DepEd) began providing a kilo of rice to families who suffer from severe hunger for each day that their children continue to attend school and day care centers. The DSWD is in charge of rice distribution at the day care centers.

Table 11: Budget for Food Security (2008 & 2009)

Particulars	2008 GAA* (in million pesos)	2009 Proposed (in million pesos)	Increase/(Decrease) Level	Increase/(Decrease) %
FOOD	**26,336**	**55,960**	**29,624**	**100.3**
Food Production	**20,525**	**41,519**	**20,994**	**102.3**
- GMA Rice and Corn	4,200	10,200	6,000	142.9
- Seeds	615	6,180	5,564	904.5
- Irrigation	9,122	17,617	8,495	93.1
- Fertilizer	1,921	2,725	804	41.8
- FMR	4,667	4,798	131	2.8
Supply Stability	**2,160**	**4,160**	**2,000**	**92.6**
- NFA Subsidy	2,000	4,000	2,000	100
- Tindahan Natin	160	160	-	0
Hunger Mitigation	**3,651**	**10,281**	**4,755**	**200.75**
- Conditional Cash Transfer (4P)	298	5,000	4,702	1,700
- Food for School Program	3,353	5,218	1,952	26.2
DSWD	766	1,792	1,026	134
DOH	0	3,344	3,344	100
DepED	2,587	82	-2,418	-32

Source: 2008 GAA, DBM presentation (Aug. 12, 2008)

FSP's budget allocation has been on an uptrend since 2006. For 2009, PhP 4.13 billion is proposed, with the DSWD getting an additional PhP 1.02 billion, (or 134 percent increase from its 2008 FSP budget).

In addressing child malnutrition, experts point out that in-school feeding of fortified noodles and biscuits, and coco-pan to pre-school, grade 1 and 2 pupils is more effective than merely distributing rice since it is difficult to ascertain how much of the rice is actually consumed by the child. The budget for DepEd's in-school feeding program for next year is PhP 82 million.

Table 12: Allocation for FSP FY 2006-2009

Nutrition Program *(In billion pesos)*			
Particulars	**2007**	**2008**	**2009**
DepEd/ DoH (for 2009)	2.00	2.51	3.34
DSWD	0.75	0.76	1.79
Total	2.75	3.28	4.13

Source: 2009 NEP

A recent report of World Bank also raises the issue of targeting. World Bank estimates the leakage to non-poor of FSP and the NFA subsidized rice at about 40 percent. Another criticism against the program, is that it is prone to being used by politicians for election purposes, as in 2007 when rice was distributed in May, a time when children are out of school,

3. *Core Shelter Assistance Project* is a disaster mitigation intervention that provides environment friendly shelter units using locally purchased materials that withstand forces due to typhoon, earthquake and flooding. For 2009, this project will receive PhP 500 million, up by PhP 375 million from its current budget.

4. *National Household Targeting System for Poverty Reduction* aims to improve targeting of social protection projects by generating a database of poor households. The system is expected to be established next year and will receive PhP 1 billion.

5. *Self*-Employment Assistance-Kaunlaran (SEA-K)- aims to provide the poor and disadvantaged sector of the society with timely access to credit and development opportunities. SEA-K was expanded to Level II where seed capital has been increased to cover shelter needs of members in addition to microenterprise. In 2007, SEA-K received PhP 43 million, while for 2008, it received no funding. For 2009, SEA-K targets to benefit 14,000 families for both Level I and II with its PhP 39 million budget.

6. *Tindahan Natin Project (TNP)*- extends soft loans to small-time entrepreneurs who will operate sari-sari stores nationwide. The retail outlets will be identified and endorsed jointly by DSWD and LGUs, and accredited by the National Food Authority (NFA). The "Tindahan Natin" outlets offer basic commodities such as rice, noodles, sugar and canned goods at prices lower than market prices. For 2009, *Tindahan Natin* maintains it allocation of P160 million as in FY 2008.

In 2007, the Senate Finance Committee rejected the proposed PhP 160 million appropriation for TNP, pointing out that engaging in microfinance lending was beyond the competence and mandate of the DSWD. Although he recognized the good points of TNP, then Senator Franklin Drilon expressed fear that should the DSWD fail to achieve satisfactory credit collection results from its 2,600 clients, TNP may end up like the failed lending schemes of past administrations such as the *Masagana* 99 and KKK livelihood programs.

Table 13. Budget for TNP (2007-2009)

Particulars	**Budget** (in millions)			**Percentage Growth**	
	2007	2008	2009	2008 vs. 2007	2009 vs.2008
Tindahan Natin Project	0.00	160	160	100.00%	0.00%

Source: NEP 2009

Meanwhile, the Commission on Audit, in its 2007 report, found out that the low collections from repayment of loan assistance to TNP and SEA-K beneficiaries resulted in the accumulation of overdue accounts amounting PhP 33 million (for TNP) and PhP 79.4 million (for SEA-K). The low recovery rate of loan assistance deprived the government of the funds directly needed to sustain implementation of the said projects and to support other poverty reduction programs.

Box 4. Social Protection in the Philippines

While most emerging middle income nations spend close to 1 percent of GDP on social protection and assistance, the average spending of the Philippines in this area in recent years only averages 0.2 percent of GDP. For 2009, the DSWD budget of PhP 10.46 billion is less than 1 percent of the PhP 1.415 trillion national budget.

Poor targeting resulting in significant leakages of subsidies to the non-poor exacerbates the problem of inadequate funding. Poor targeting is attributed partly to the lack of reliable poverty measures, especially at the local level, and partly due to poor governance. The surveys conducted to generate poverty statistics are limited to province levels and have long intervals, making it difficult to identify and validate the poorest families being targeted (Reyes 2002). Worse, aside from not being implemented piecemeal, the lack of built in monitoring and evaluation mechanisms in most social protection schemes make impact assessment difficult.

Pro-poor projects under the Special Purpose Fund

The *Kilos Asenso* Support Fund aims to implement vital projects in rural communities such as farm-to-market roads, small bridges, day care centers, potable water supply system, agro-forestry and livelihood enterprises designed to uplift their socioeconomic conditions. For next year, national government counterpart fund for LGU projects under *Kilos Asenso* will decrease by half, from PhP 2.0 billion to PhP 1.0 billion.

The *Kalayaan Barangay* Program Fund, on the other hand, is for the rehabilitation and development of about 200 barangays across the country that had been affected by the insurgency problem. The projects covered by the program, such as construction of classrooms, water system and electrification will be implemented primarily by the Armed Force of the Philippines (AFP) engineering brigade. The barangays to be included in the program shall be determined by the President upon recommendation of the presidential adviser on the peace process and the secretary of national defense. *Kalayaan Barangay* for next year will receive PhP 1.0 billion.

When Malacañang first proposed the said programs under the 2006 national budget, the opposition legislators rejected them in suspicion that the funds may just be used to curry favors from LGU officials in exchange for securing their support for the people's initiative for the adoption of a unicameral parliamentary system then being orchestrated by the administration. The disagreement over these two lump appropriations between the Senate and the House of Representatives-Malacañang led to a deadlock in the bicameral conference negotiation on the 2006 budget. Consequently, the proposed budget was not approved and the old budget was reenacted into law.

While the intentions of the two programs are commendable, the projects under them are already being implemented by other agencies. Worse, since they fall under Special Purpose Funds, appropriations are highly discretionary, often within the direct control of the President, with either vague or no special provisions making it prone to frivolous utilization.

F. Human Development Services

Investment in human development is highly essential to reduce poverty. Without adequate levels of human capital—knowledge, skills, and health—the other assets will be less productive.

Basic Education

While there are some gains in education, key indicators show declining enrollment, high dropout rates and deteriorating education quality. The public sector is faced with the continuing exodus of students from private to public schools due to financial constraints and clamors to improve its spending levels to catch up on backlogs in key inputs. Midway through 2015, the deadline for meeting the MDGs, resources are still far too limited to ensure quality education for all.

The PhP 167 billion proposed budget for the Deped next year will finance the following education inputs:

- *PhP 2.5 billion for the creation of 19,553 new teaching and non-teaching positions;*
- *PhP 7.5 billion for the construction of new classrooms to achieve a 45:1 elementary student per classroom ratio;*
- *PhP 2.3 billion for the procurement of 37.1 million textbooks to ensure a 1:1 textbook to pupil ratio;*
- *PhP 3.4 billion for the expansion of the pre-school program covering 680,855 five-year old children;*
- *PhP 1.7 billion for the purchase of 1.4 million desks/tables/chairs; and*
- *PhP 3.7 billion for (Government Assistance to Students and Teachers in Private Education) GASTPE for 665,975 grantees.*

No less than the Constitution provides that the first priority in the budget should be for basic education. While the proposed budget for basic education next year will climb by almost PhP 20 billion, its share to the national budget slid further to just 11.87 percent compared to this year's share of 12.2 percent.

The current level of expenditure places the Philippines among the lowest spenders on education in Southeast Asia. Unless expenditure on basic education is increased to more respectable levels and the service delivery is improved, the country will surely miss its MDG targets on education.

Health

The total proposed health budget of PhP 33.3 billion include the budget for attached corporations, such as the Local Water Utilities Administration (LWUA), a recently attached agency to DOH, as well as the PhP 4.7 billion allocation for LGUs to cover the premium subsidy to indigents under the National Health Insurance Program.

The budget increase is mainly attributable to the 151 percent increase in Capital Outlay and to the 14.32 percent increase in Personal Services. It is to be noted that MOOE decreased by 4 percent.

Bulk of the proposed budget will go to the following health programs:

- An estimated PhP 8.9 billion will be utilized to conduct activities that will accelerate the attainment of MDG targets. This also includes the allocation of PhP 1.5 billion for the provision for potable water
- PhP 4 billion is allocated to upgrade selected DOH-managed and LGU-managed health hospitals;
- PhP 1 billion is allocated to speed up the implementation of the Universally Accessible Cheaper and Quality Medicines Act of 2008;
- PhP 500 million is allocated to strengthen regulatory services.

Compared to 2008, the total 2009 budget for health has increased by 32 percent. The budget for health has been on an increasing trend for the past three years — rising by 30 percent on the average from 2006. Despite the nominal increase each year, the government's spending for health is still much lower than the international standard set by the World Health Organization (WHO), which is at least 5 percent of the GDP.

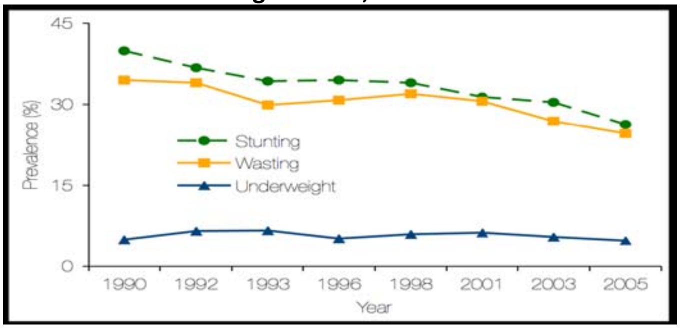
Observers point out that the perennial low public spending for health compromises not just the achievement of the country's health goals, but also our chances of reducing poverty, since poverty is no longer just an issue of income, but also of human development.

On Nutrition

While government is optimistic that it could cut into half the proportion of population below the minimum level of dietary energy consumption and the proportion of underweight children under five years old by 2015, malnutrition burden in the country remains high.

In 2003, 56.9 percent or over half of the Filipinos still do not meet the daily caloric requirement. The proportions of stunted, wasted, and underweight children-under-five (CU5) have also not significantly reduced since the 90s.

Figure 2: Prevalence of stunting, wasting, and underweight among children, 1990-2005



Source: DOST-FNRI, 2003

Moreover, poor nutrition continues to jeopardize the health of both women and children. In 2005, an estimated 28.4 percent of pregnant women in the country were nutritionally at-risk, based on the weight-for-height index. Also, about 40 percent of pregnant women were suffering from anemia in 2006, with their diet found to be grossly inadequate of essential micronutrients. These conditions increase the chances of maternal mortality and the delivery of low-birth weight infants. The latter, in turn, are also at risk of dying within their first year or of becoming undernourished in their pre-school years. Prevalence of vitamin A deficiency (VAD) also remains unabated.

Previously, the nutrition program of the DoH is primarily aimed at addressing "hidden hunger" through its micronutrient supplementation (MS) and food fortification (FF) programs. Micronutrient supplementation provides Vitamin A, iron and iodine supplementation to women and children. For pre-school children micronutrient supplementation is given twice a year through the *Garantisadong Pambata* program.

The MS program, after 20 years of implementation, still grapples with lack of health workers, insufficient and delayed distribution of supplements, people's low awareness of the importance of micronutrients and the inability of most LGUs to provide for needed supplements.

Food fortification, on the other hand, includes iodine for salt, iron and vitamin A for flour, iron for rice, vitamin A for sugar and oil. In coordination with other agencies, DoH sets the standards for the said nutrition programs while its attached agency Bureau of Food and Drugs (BFAD), which is DoH enforces the Salt Iodization and Food Fortification laws. Currently, 110 food staples (e.g., rice, flour, salt) and 121 processed food products now bear the *Sangkap Pinoy* Seal. However, BFAD's capacity to monitor and test fortified products remains limited resulting to untested mandated commodities. Surveys also show that majority of the consumers of fortified products in the market belong to high income population group.

The melamine scare, which challenged the regulatory power of DoH raised clamors to increase the budget for its regulation programs. For next year, funding for DoH's regulation programs—which include regulation of food, drugs, health facilities and services and international health surveillance will increase from PhP 1.196 billion to PhP 1.487 billion. Of the said amount, PhP 273 million will be for regulation of food fortification and salt iodization.

The National Nutrition Council (NNC) under DoH is in charge of the coordination and implementation of the Accelerated Hunger Mitigation Program (AHMP). With the transfer of the implementation of the *Malusog na Simula, Yaman ng Bansa* (Food for School Program [FSP])[7] from the Department of Education (DepEd) to NNC for 2009, NNC's budget will increase by a whopping 706 percent, from P473 million to P381 billion. The amount of P3.30 billion will be for the purchase of rice, while P402 million will be allotted for the Promotion of Good Nutrition component of AHMP, which consists of social marketing, promotion of exclusive breastfeeding, and increased consumption of vegetables; as well as nutrition education in schools.

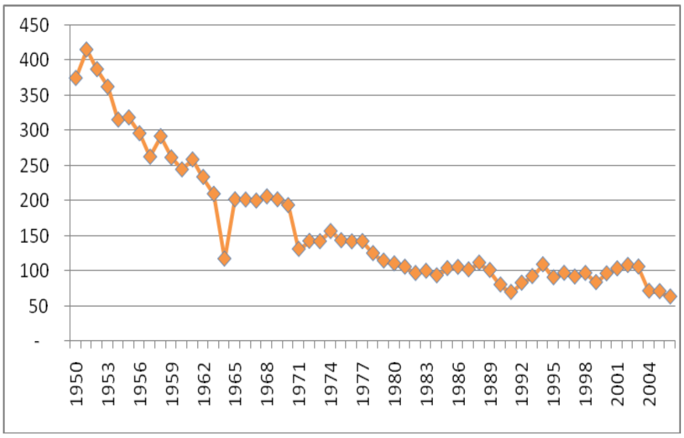
Although its intentions are noble, the FSP is deemed ineffective in addressing child malnutrition. Cross country evidence shows that in order to maximize gains, nutrition interventions should be directed to pregnant and lactating women and children below two years old. Any investments after this critical period are less likely to improve nutrition and child health. Moreso, next year's transfer of DepEd's fund for FSP to NNC unnecessarily complicates the program, since the budget would be released to the DOH but would eventually be forwarded to the DepEd, which is still the implementing agency for the feeding program.

With the country's limited resources, the government must be prudent and strategic in its spending. Since food fortification is the most assured and least-costly strategy for government to correct iodine, vitamin A and iron deficiencies among its population, enforcement of the food fortification law must be improved by redefining the roles of agencies involved in the program and upgrading the capacity of regulatory offices. The possibility of providing incentives to companies who adhere to fortification and nutrition standards can also be explored. Nutrition education and campaigns must be intensified, especially at the local level and exclusive breastfeeding must be emphasized. The billions spent for feeding programs should not merely be "pantawid gutom" but more importantly, should address malnutrition that causes lower intelligence and reduced physical capacity, which, in turn, reduce productivity, slow economic growth and perpetuate poverty.

On Improving Maternal Health

The failure of developing countries like the Philippines to accelerate the reduction of Maternal Mortality Rate (MMR) has been a source of frustration of the international community. From 209 deaths per 100,000 livebirths in 1993, MMR in the country has only declined to 162 deaths in 2006. The target reduction in MMR is 52 deaths in 2015. With the seeming plateau in the rate of MMR reduction, this goal has been identified as the least likely to be achieved for the Philippines.

Figure 2: Maternal Mortality Rate per 100,000 livebirths, 1950-2006



Source: FHSIS

A report[8] on the Women's Health and Safe Motherhood Project (WHSMP) identified the leading causes of maternal mortality to be postpartum hemorrhage (20.3%), hypertension complications of pregnancy (25%), obstructed labor, and complications resulting from abortion (9%).

[7]In 2006, the Department of Education (DepEd) began providing a kilo of rice to families who suffer from severe hunger for each day that their children continue to attend school and day care centers through the Food for School Program. The DSWD is in charge of rice distribution at the day care centers.

[8] Asian Development Bank, July 2007. *Performance Evaluation Report. Philippines: Women's Health and Safe Motherhood Project.*

Most maternal deaths can be prevented through quality maternal care. The DoH estimates that required annual funding for critical interventions to improve maternal health is PhP 4.75 billion, which includes reproductive health and family planning services, micronutrient supplementation for pregnant and lactating women, tetanus toxoid vaccination and the establishment of Basic Emergency Management Obstetric Care (BEMOC) and Comprehensive Emergency Management Obstetric Care (CEMOC).

The WHSMP is a key program to improve maternal health. The first phase which was implemented nationwide from 1995 to 2002 received funding from donors amounting PhP 1.95 billion, with government shouldering PhP 495 million as counterpart. The project could have resulted in more improvements in maternal health if the allocation was fully utilized and if the LGUs had the capacity to implement the program.

The second phase of WHSMP from 2005 to 2010, has been limited to priority provinces with funds amounting to PhP 802 million from World Bank and PhP 133 million from government. The said amounts will be for the construction/upgrading of first level referral and primary health care facilities and centers, training for health providers and for research and development. For next year, WHSMP's budget will decline by more than half, from PhP 206 million, to PhP 99.22 million.

The DoH indicated that a grand total of PhP 8.9 billion annually is needed to finance the health-related MDGs. However, yearly contribution from the national government and official development assistance (ODA) fall short of the requirement. In 2005, for example, national government allocated PhP 687 million, while ODA amounted PhP 784 million for the health goals, leaving a budgetary gap of about PhP 7.517 billion. The DoH was quick to point out that with the devolution of health services to local governments, the estimated budgetary gap for the MDG health goals as well as the entire health sector may be lower.

However, while it is true that LGUs now spend more on health than the national government, studies have shown that 70-80 percent of LGU expenditures for health are on personal services, leaving very little for the purchase of vaccines and medicines. Moreover, disaggregated figures show the yawning resource gap between the rich and poor LGUs.

In the devolved setup, LGUs are expected to be self-reliant, sustainable and financially independent from the national government. However, most LGUs still depend on national government for financing of local expenditures through the IRA and other funds.[9] Thus, ensuring the efficient and appropriate delivery of health care remains a challenge since such service is largely dependent on the efforts and absorptive capacity of the LGUs.

Table 13. Yearly cost estimate for the health programs and projects related to MDGs

MDG programs And projects	*Total Cost (Php)*
Reduction of child mortality	*1,469,938,544*
Improvement of Maternal Health	*4,750,729,673*
Halt and Reverse the spread of HIV/AIDS	*358,253,587*
Combat Malaria	*1,727,102,970*
Combat Tuberculosis	*606,877,000*
Overall Total	***8, 900, 000, 000***

Source: DoH, 2005

For 2009, the Executive is allocating PhP 8.9 billion for projects that will accelerate attainment of the MDGs. This also includes the PhP 1.5 billion allocation for the provision of potable water supply.

The challenges that confront the country's health system are multi-faceted. Inequities in access and availability of health services still persist. Geographic and socioeconomic disparities are highlighted by the geographic mal-distribution of government facilities and uneven distribution of health workers across the country. Health facilities like specialty hospitals are heavily concentrated in Metro Manila. The National Capital Region (NCR) has the most number of health personnel in contrast with ARMM, Region X1 (Southern Mindanao) and CARAGA who are deprived of doctors.[10]

If the government is to sustain and accelerate health gains of recent years, especially in the context of achieving the health targets, it is imperative that policy attention and available resources focus on health areas that would yield the optimum health impact. It is important that the new set of policy initiatives adequately address the critical issues of health inequities since most of the deficiencies in health indicators occur among the poorest segments of population.

[9] NSCB statistics show that as of June 2007, of the 1,497 municipalities in the country, most belong to the lower brackets of 3rd, 4th, 5th, or even 6th class based on revenues. Of the 131 cities on the other hand, only 40% are classified as 1st class.
[10] DoH 2005. *National Objectives for Health, Philippines 2005-2010.*

V. Conclusion

With the government's increased emphasis on poverty reduction, the challenge is to ensure that policies and investments in poverty reduction programs are coordinated, consistent, properly sequenced and responsive to the national and local development context.

Making effective and efficient investments is vital for developing countries where government resources are limited and where comprehensive income taxes are not a viable option for redistribution. Bigger spending in terms of poverty alleviation are derived from long term, productivity enhancing investments. Also, whether the benefits of public spending materialize and accrue to the poor ultimately hinges on the efficiency of implementation.

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