

POLICY BRIEF

AKI RESEARCH GRANTS ON POVERTY ISSUES

Volume V, No. 5, 2013

ISSN # 2094-3342



De La Salle University

AKI

Angelo King Institute
for Economic and Business Studies

THE IMPLICATIONS OF GOVERNMENT'S POVERTY REDUCTION PROGRAMS ON THE STATES OF POVERTY AND HUNGER IN THE PHILIPPINES

INTRODUCTION

Reduction of the severity of poverty has been an overarching goal of past administrations. Literatures have dubbed poverty in the Philippines as the basket case in Southeast Asia due to the persistence of severe economic and social distress. It reflects income inequality across regions, and efforts to eradicate it are apparent. The country remains sluggish in reducing poverty incidence as compared to neighboring economies. The Philippine economy continuously experiences slow growth and inability to sustain employment. Population growth makes this feat difficult. Equilibrium wage in the labor market is low because there is surplus in labor supply. Employment is insufficient and cannot match the growing labor force. Income provided is not ample to cover the needs of a household. Income inadequacy leads to incapacity to combat poverty.

Written by
John Paolo R. Rivera, Ph.D.
Paolo O. Reyes
School of Economics,
De La Salle University
Manila, Philippines

Mazel G. Pizarro
Nashrine B. Aliping
Bangko Sentral ng Pilipinas
Manila, Philippines

Slow economic growth cannot be solely blamed. Factors such as crises, geographical difference, and high welfare inequality are some reasons why poverty is persistent. There are efforts from the government to address these issues. From the macro strategies to immediate specific programs, there has been a wide coverage of plans to alleviate poverty. However, poverty-alleviation programs tend to be co-terminus with the administration, resulting to different programs each time. This results to redundancies, fragmentation, inefficiencies, and waste of resources.

STATE OF FOOD EQUALITY IN THE PHILIPPINES

Due to economic instability and rising food and energy prices, more households are pushed below the poverty line. Lower income households sacrifice the quality of food consumption because food prices increase while real income decreases. The Philippines has the capacity to produce sufficient food but allocation unequal, and access to food is limited.

Graphical measures of inequalities show varying degrees of food inequality in the country. Regional Lorenz curves¹ and the national Lorenz curve lie closely together with no significant distances from one another - Region II and Region XV are the most dominant² while Region X lies outside the curves, thus, implying that it is the worst region in terms of food distribution expenditure. City regions fare better, relative to national Lorenz curves. It indicates a more egalitarian food distribution system.

Another attempt to estimate food inequality is the Epanechnikov kernel density³. Results reveal the severity of poverty in the Philippines by indicating the placement of regional kernel densities versus thresholds established by the natural logarithm of the food poverty line in the country. Curves on the left denote worse poverty scenarios while curves on the right represent well-off areas. City and semi-urban regions are well-off relative to rural regions.

Regional inequality is inevitable due to the difference in regional demographics. Region VII posts a high population density, which increases the incidence of more food poverty-stricken people. Difference in food distribution is due to the existing political/social instability that indirectly affects living conditions of households. Literatures show that severity of poverty is much more prevalent in Mindanao as compared to Luzon and Visayas. This is caused by the prevailing social and political unrest in some areas. Thus, households have limited access to secure employment.

ENGLE CURVES: THE CHARACTERISTICS OF FOOD EXPENDITURE

Income would indicate the quality of food. In the Philippines, dEMnd for food increases together with purchasing power. It is observable in households which rely on income from agriculture-focused entrepreneurial activities.

¹Is a graphical representation and form of comparison whether a particular entity is better off relative to other regions. In this case, the Lorenz curves represent per capita food consumption as measured in the 2007 APIS. Refer to the completed study for the measured Lorenz curves.

²Dominant curve is the closest curve to the egalitarian line. This implies that the closer the curve to the egalitarian line the more “equal” the distribution of food consumption is.

Both posted the highest marginal effect⁴, manifesting changes in level of income derived from entrepreneurial activities coming from agriculture. Results prove the importance of job creation to augment purchasing power of households who are heavily dependent on agriculture-based income. East Asia have been documented. One of these is a co-authored study of this writer that uses a gravity model to show that bilateral merchandise trade flows within the East Asian region are associated with certain trade facilitation measures—such as time delays in trade, quality of port infrastructure, telecommunications service, and depth of credit information (Hernandez & Taningco 2010). The same study also reveals that there is substantial variation of trade facilitation across product groups, with time delays being more influential in trade flows in food and beverages (due to its “perishability”) and in transport equipment (as in this sector, there is production sharing and enforcement of just-in-time business practices).

Thus, in order to improve trade facilitation and thereby promote freer trade in goods for the Philippines, policies must be geared towards improving the quality of infrastructures—such as roads, ports, telecommunications, and other ICT-related services—as well as towards financial sector development—in order to help mitigate information asymmetries between creditors and exporters/importers relying on trade financing. More policy research must be developed covering these “behind-the-border” and “at-the-border” trade facilitation measures, and that identifying

³Is a graphical representation that depicts the distribution of the data utilized to locate the poverty line, illustrate the incidence of food poverty and provide insight about the proportion of the poor in food in various regions. Refer to the completed study for the estimated kernel densities.

⁴Is the increase in food consumption expenditure attributable to changes in explanatory variables, in this case, different sources of income of Filipino households. Refer to the completed study for the marginal effects.

GOVERNMENT PROGRAMS IMPLEMENTED: IS IT EFFECTIVE?

There have been government attempts to address poverty and hunger. The Community Based Monitoring System (CBMS) survey provides measures on access of households to various government programs.

Estimated results⁵ have varying impacts on state of hunger. For Pasay, none of the government programs are effective in addressing food security. In fact, there is no reported data on feeding programs accessible to households. There are advocacies that address social concerns but none are able to address hunger problems. Households located in remote areas do not have the means to access necessities; even access to clean water pose a problem. Furthermore, employment is the only way for these households to afford food. In Agusan Del Sur, feeding program is deemed ineffective in addressing hunger. This is due to the agricultural

background of the province. They do not necessarily rely on feeding programs as answer to hunger. It can be construed that health programs, scholarships and trainings are counterintuitive but highly significant. This is attributable to health programs being reinforced effectively in the province denoting the significant decrease in mortality rate, and families are given the opportunity to expand, thus, making them more susceptible to hunger.

FOOD POVERTY: HOW SHOULD IT BE ADDRESSED?

The development of the agricultural sector is vital to instigate food security and household sustainability since a significant portion of the poor are also engaged in agricultural activities. Furthermore, results revealed that income coming from entrepreneurial agricultural activities is sensitive to food consumption. Protecting the agricultural sector from its international counterparts is another way to contain domestic and industry growth, which will provide necessary employment and benefits to those engaged in the industry. This will enable the economy to be more self-sufficient because the implications of a strong agricultural system are less reliant on importation of agricultural products.

Government efforts support the agricultural sector. In 2002, the Hybrid Rice Commercialization Program (HRCP) was launched. This promotes the use of hybrid rice seeds which is claimed to

produce twice as much profit. Yet, due to ineffective and inefficient implementation of the project, the expected output did not materialize and the reception for the program was negative.

Commitment of the government, regardless of the governing administration, to instill poverty alleviation is a significant factor in addressing poverty. Projects have materialized to address poverty and hunger altogether. There are direct ways to answer food deficiency and oftentimes, politicians opt to distribute timely food coupons, cheaper food alternatives, and food assistance programs. However, these programs only address immediate needs and not the sustainability of food production and accessibility. It does not say that authorities concerned should altogether abandon supplementary food programs as means of short palliative intervention. Program designs should consider the balance between short and long term goals; from time to time they address the immediate needs but at the same time address the bigger goal of food poverty reduction. In the Philippines, the highly politicized feeding and poverty programs only publicize officials and never sheds light on the intent of decreasing poverty and hunger severity. Hence, these types of programs should be planned in such a way it will solicit the commitment of both the present and incoming administrations to continue on with the success the previous program has started with and attained.

⁵The complete data sets submitted to Community Based Monitoring Survey (CBMS) are Pasay, Eastern Samar and Agusan Del Sur. Nonetheless, Luzon, Visayas and Mindanao are duly represented for the study. We employed Discrete Choice Models to test the effect of various government programs to the probability of experiencing state of hunger. State of hunger, as defined by the survey, is the indicator whether a household experienced insufficient food supplies for the past 3 months. Refer to the completed study for further details

Another notable income-consumption behavior is the sensitivity of households to salaries. Since households are most responsive to salaries, it should be one of the goals of the government to address the problem of quality employment. Providing employment to the poor will relieve the government from numerous food grants and subsidies which use a significant portion of the budget (given that the government will commit to constant food support). Aside from improving the agricultural sector, the government can also delve on improving the business environment by lowering corporate-taxes of new firms, improving business methods, eliminating red tape, developing infrastructures through improved roads and transportation across the country, financial liberalization through more efficient system and broader scope of banking/financial activities. These steps encourage investment activities, making it friendlier for both immigrant and local investors. A developed business environment will make the Philippines a competitive investment ground, hence, will attract foreign direct investments and make job opportunities grow.

Government aid can do only so much. Households concerned should also strategize and manage resources responsibly. Households should learn to be self-sufficient and should not rely solely on government support. The poor should complement government efforts, by taking the resources provided to them a step further. The poor has a role too in poverty reduction. They should help themselves and harness the support given to them. It is advisable that they strive independently in order for them to climb the social ladder.

CONTACT INFORMATION

DLSU - Angelo King Institute

Room 223, St. La Salle Hall
2401 Taft Avenue
1004 Manila

Angelo King International Center
Corner of Arellano Avenue and Estrada Street
1004 Manila

+63-2-524-4611 loc. 287,
+63-2-524-5333, +63-2-5245347 (Fax)
<http://aki.dlsu.edu.ph>
AKI@dlsu.edu.ph