

UP Centennial Lecture Series

**Poverty Reduction: What We
Know and Don't**

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UP NISMED, Diliman
31 January 2008

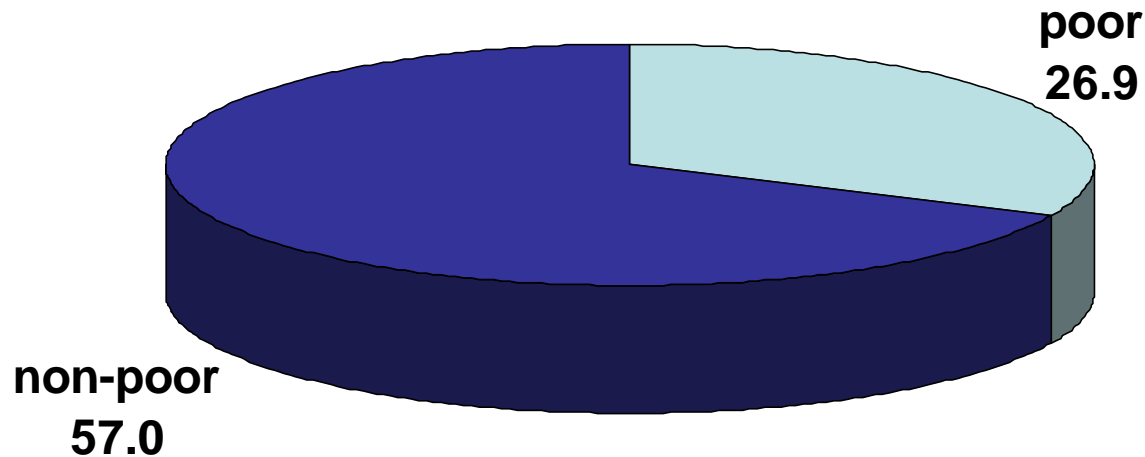
Poverty: Myths, Facts, Remedies

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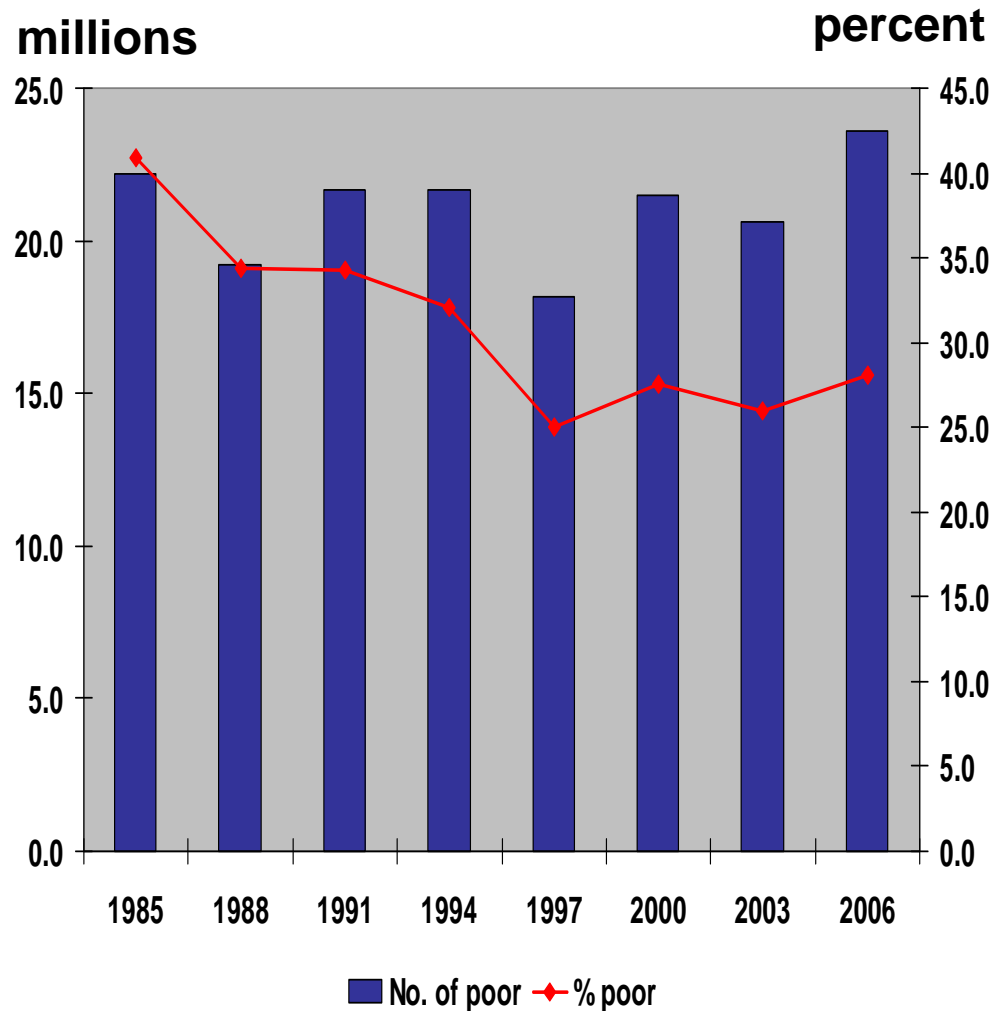
What Are the Facts?

In 2006, 1 in every 3 Filipinos was poor.



Source: Author's estimates based on official poverty lines (www.nscb.gov.ph/poverty/default.asp) and the *2006 Family Incomes and Expenditures Survey*

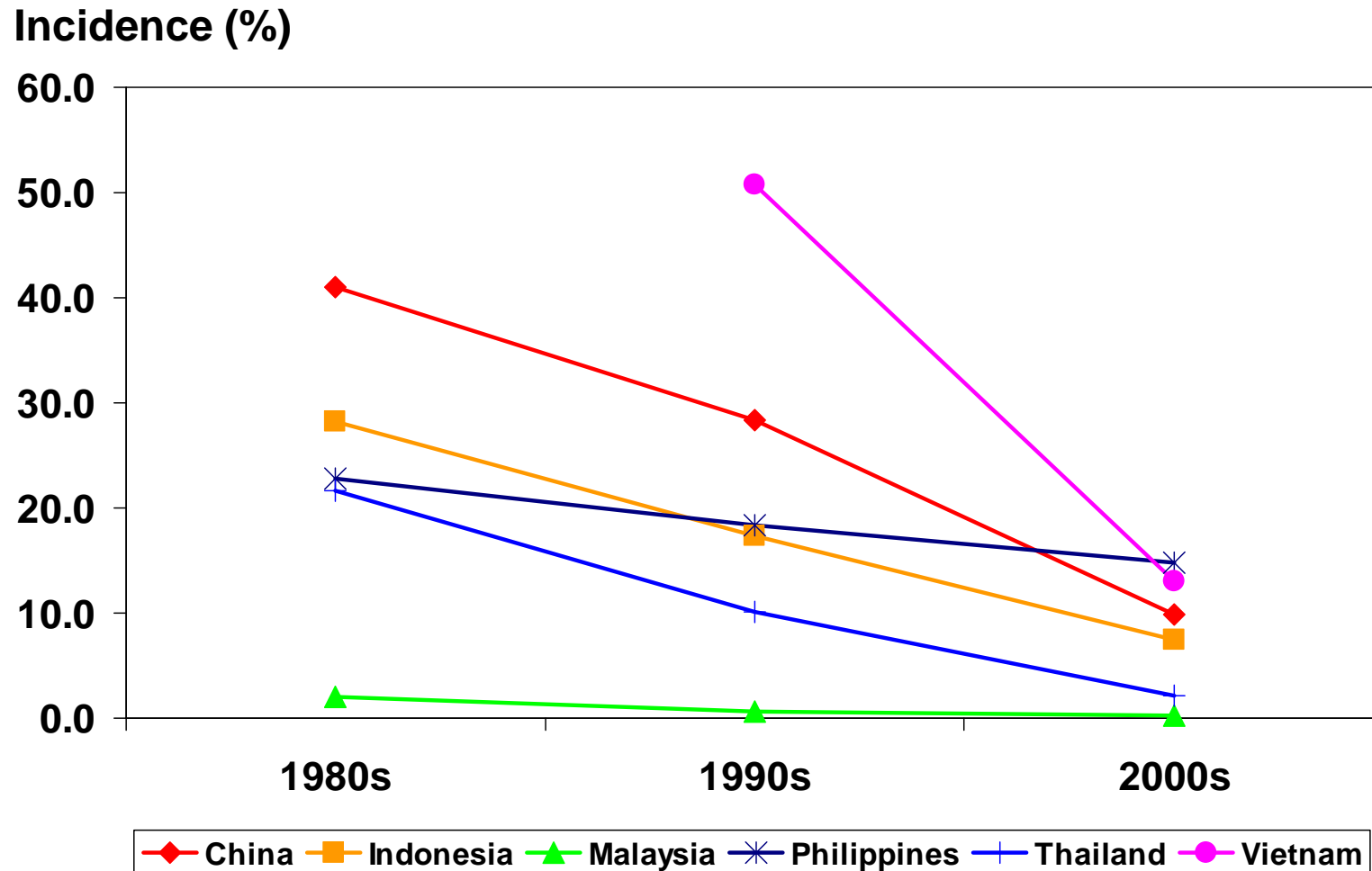
Poverty trend (Our estimates)



- ❖ Decreased, but tended to rise in recent years
- ❖ Number of poor people rose to its highest level in 2006
- ❖ Increased between 2003 and 2006 despite growth

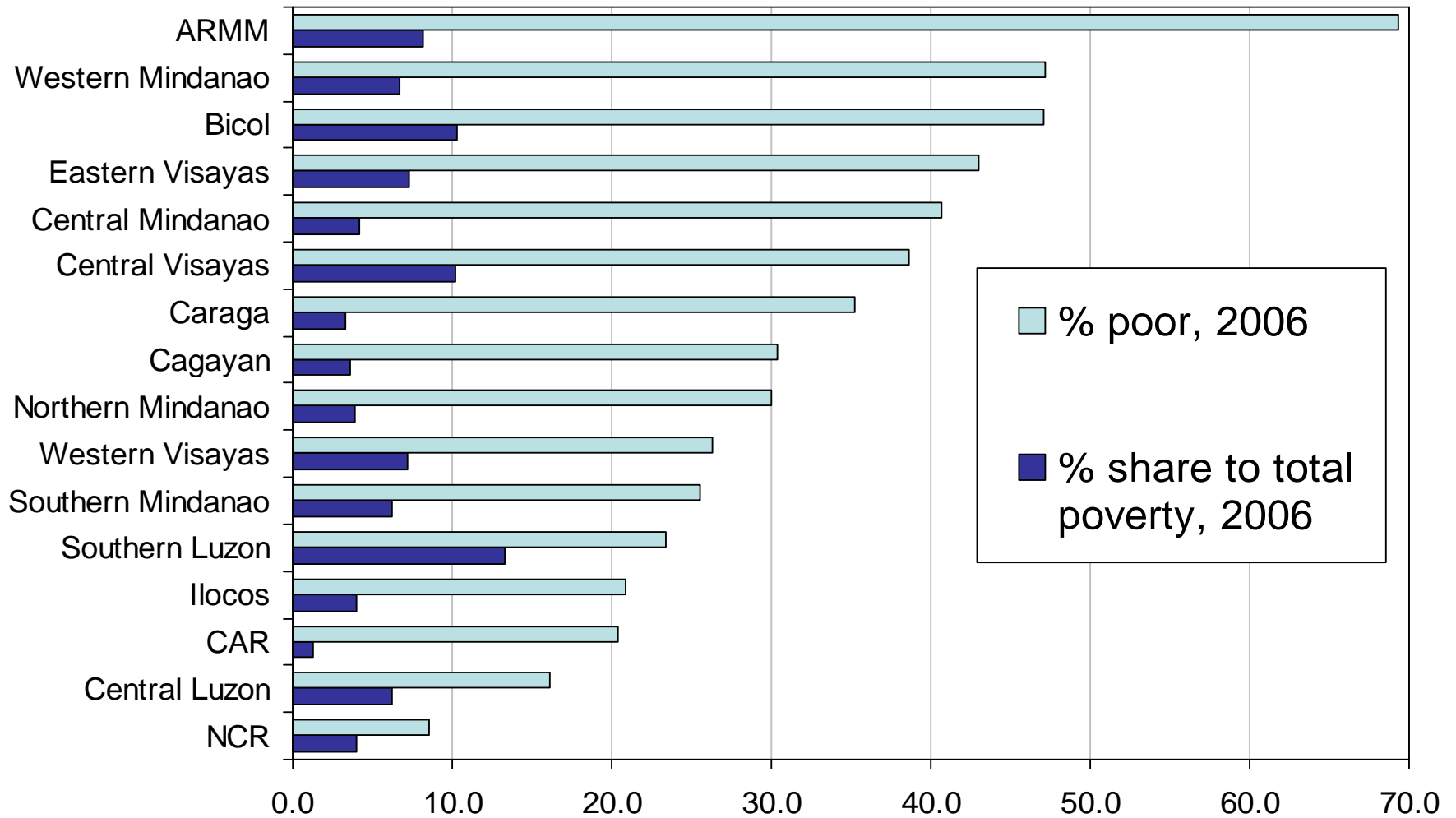
Note: Author's estimates based on *Family Incomes and Expenditures Survey*, various years.

Poverty reduction in the Philippines has lagged far behind those of its neighbors...



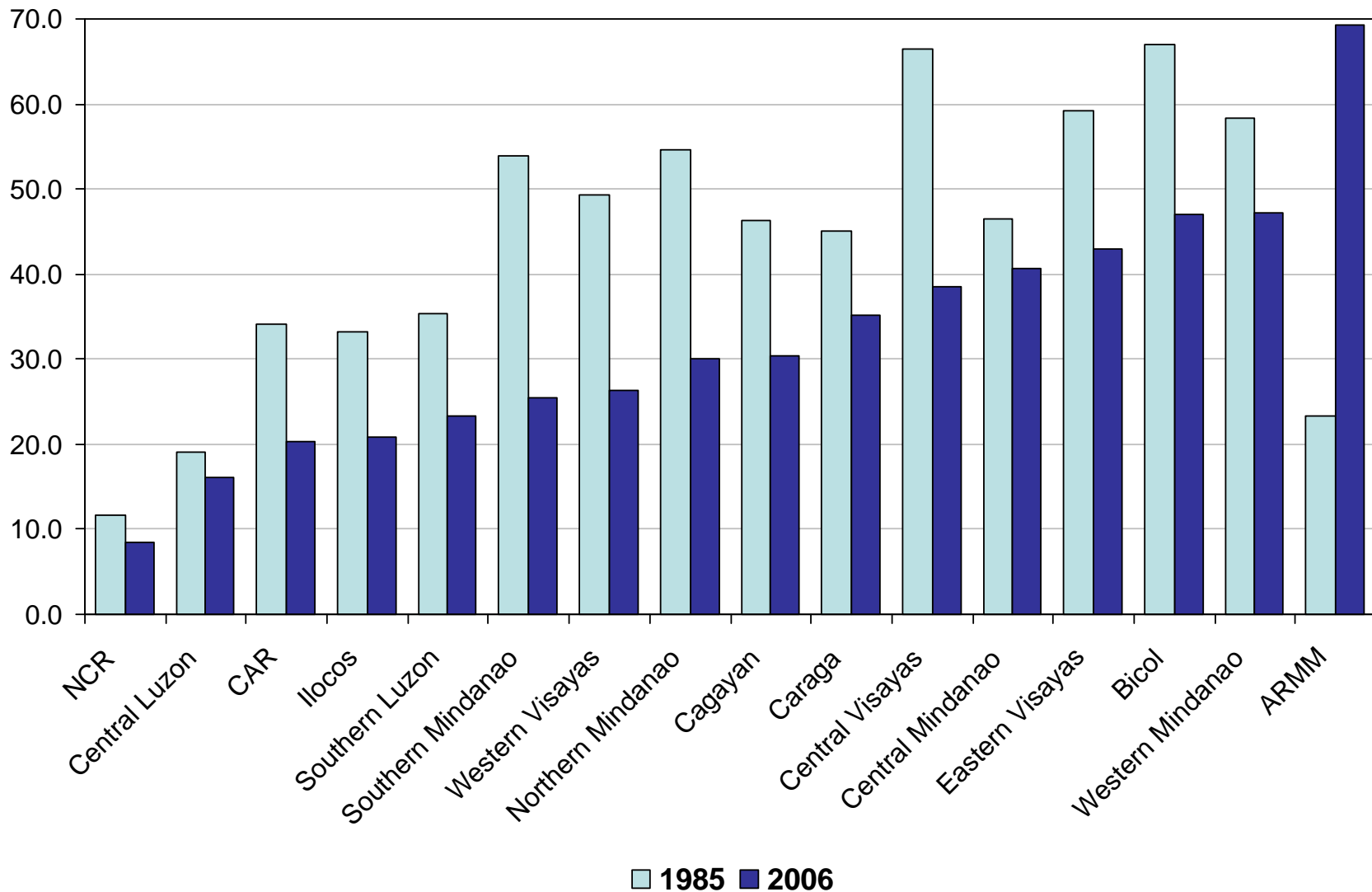
Note: World Bank estimates based on a poverty line of \$1 (PPP) a day.

Remarkably high regional diversity in the extent of poverty...



Note: Provinces were grouped consistently to their 2000 regional classification. Estimates use spatially consistent cost-of-basic-needs poverty lines (see Balisacan 2006).

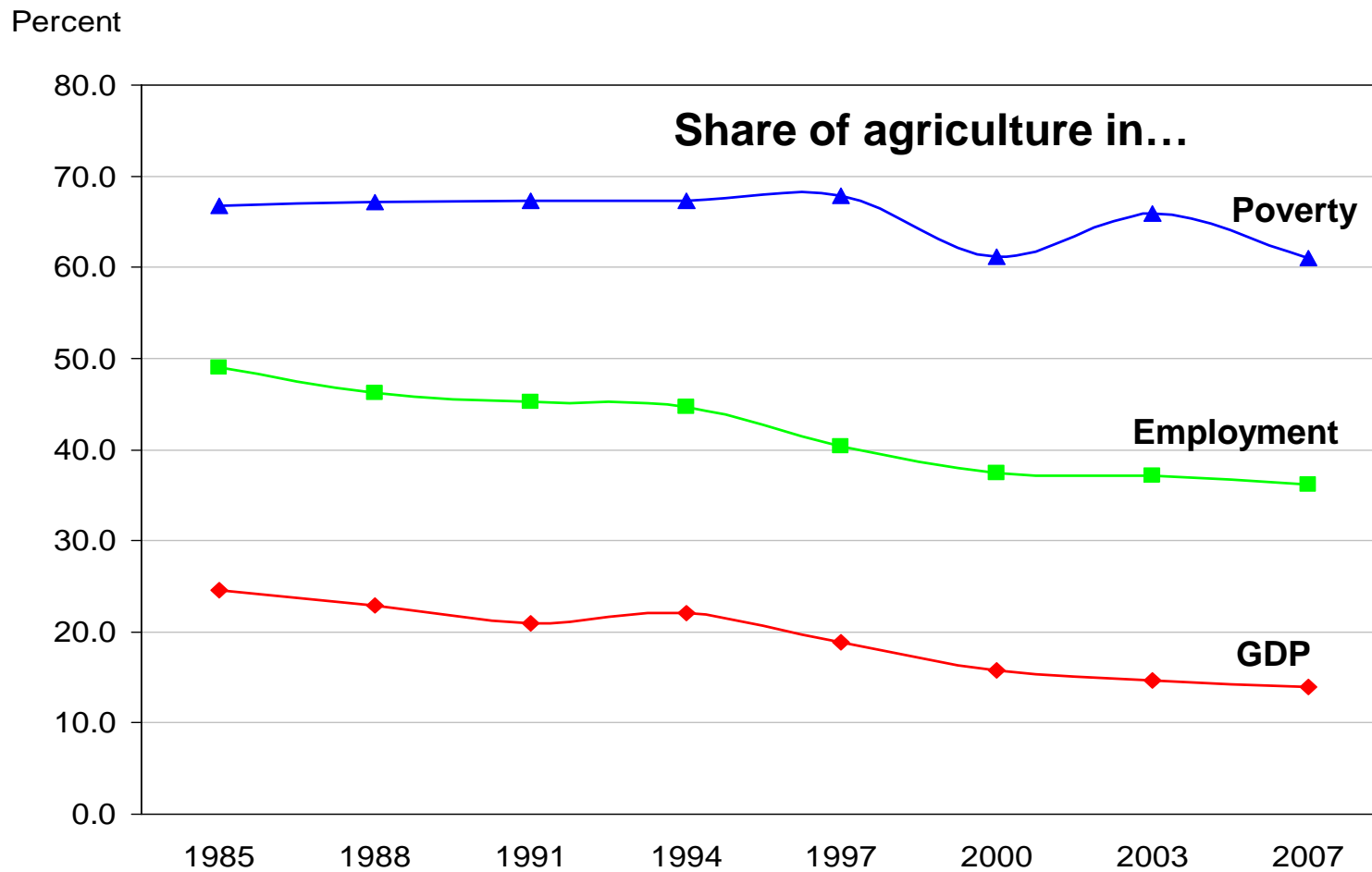
Also highly uneven progress in poverty reduction across regions...



Note: Provinces were grouped consistently to their 2000 regional classification. Estimates use spatially consistent cost-of-basic-needs poverty lines (see Balisacan 2006).

Declining importance of agriculture in the national economy...

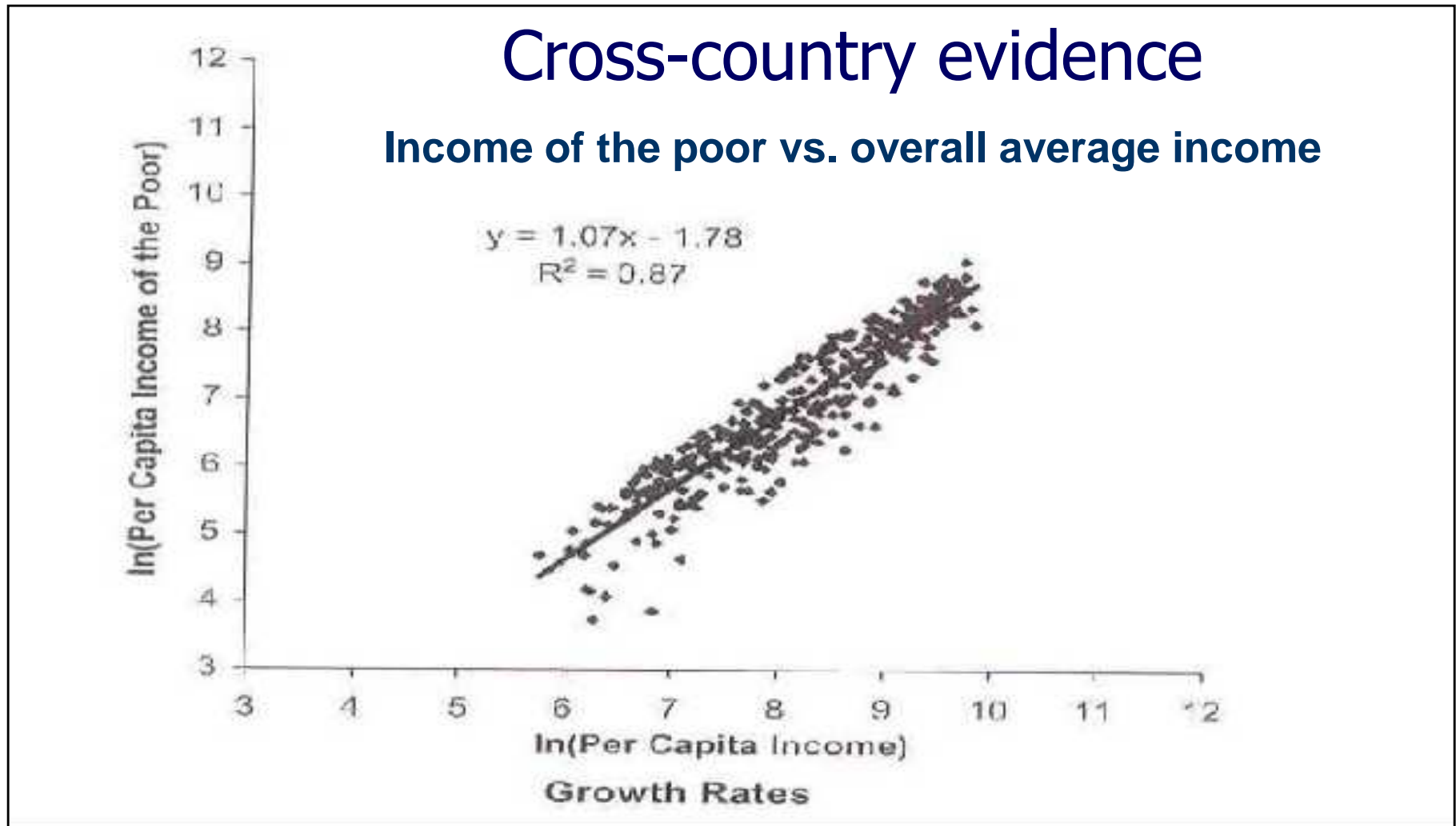
... but agriculture continues to contribute the bulk of total poverty



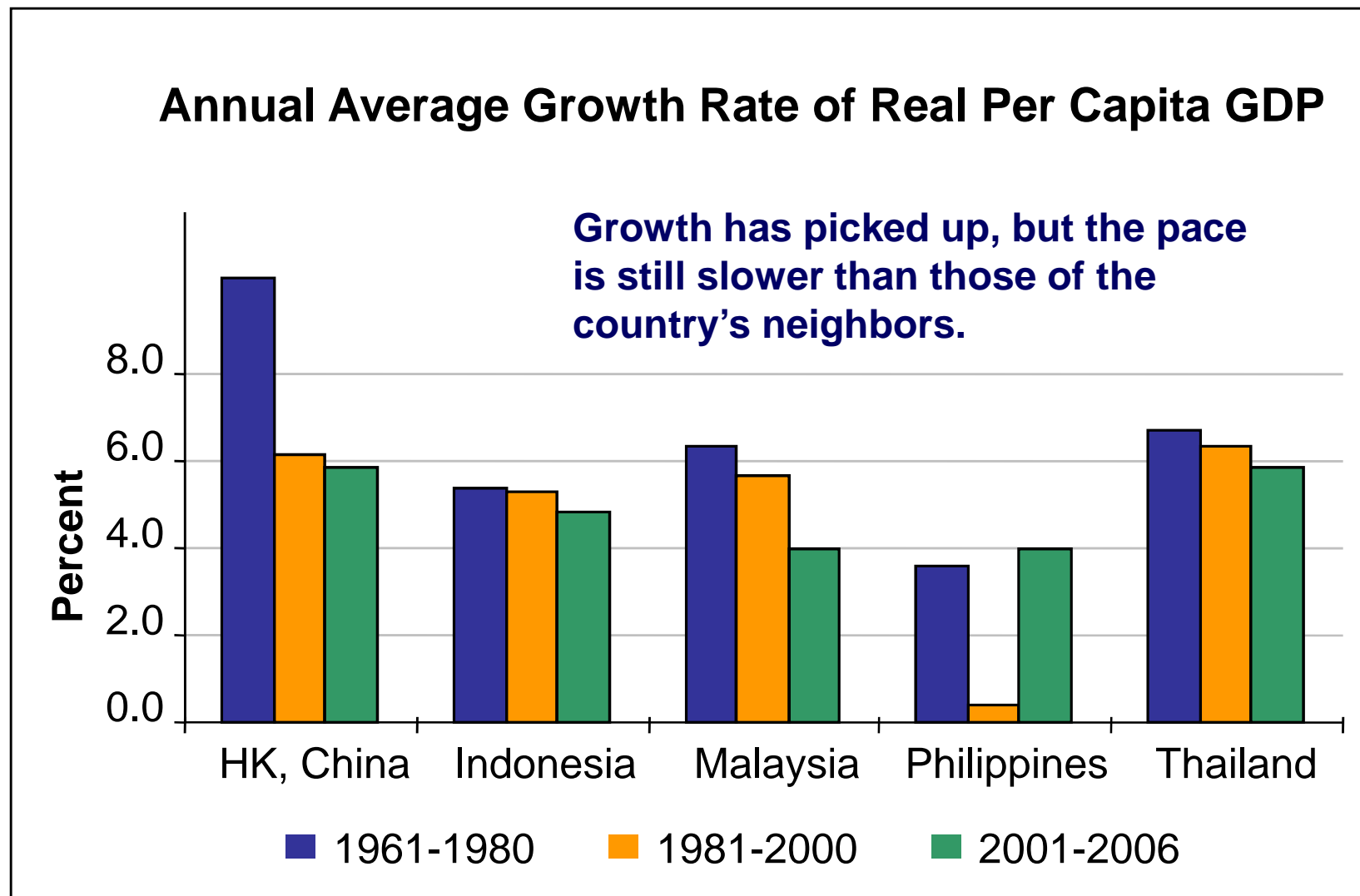
Source: Author's estimates based on FIES, various years.

What are the Key Lessons?

Primacy of sustained economic growth in poverty reduction



Primacy of sustained economic growth in poverty reduction



BUT growth is not enough

Weak response of poverty to growth in RP

<i>Country</i>	<i>Response of poverty to growth (47 Developing countries = 1.0)</i>	<i>Source</i>
Philippines	0.4	Our estimate (2006)
Philippines	0.6	Our estimate (2004)
47 Developing Countries	1.0	Ravallion (2001)
(Philippines)	(0.5)	Our estimate
China	1.2	Cline (2004)
Indonesia	1.2	Cline (2004)
Thailand	1.4	Cline (2004)
(Philippines)	(0.9)	Cline (2004)
Thailand	0.9	Deolalikar (2001)

Source: A.M. Balisacan, "Local Growth and Poverty Reduction," in A.M. Balisacan and H. Hill (eds.), *The Dynamics of Regional Development: The Philippines in East Asia* (Cheltenham, UK: Edward Elgar, 2007).

What does it take to sharpen the response of poverty to growth?

Focus on

- ❖ Creating productive employment opportunities
 - ✓ Infrastructure development is key
- ❖ Raising productivity in agriculture and diversifying economic activities in rural areas
- ❖ Expanding ACCESS of the poor to productive assets and social services, particularly education, health, and family planning services
- ❖ Seizing opportunities from globalization

The Big Challenge

- ❖ Pro-poor development agenda in a regime of weak governance
- ❖ Upgrading quality of institutions