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Philippine Human Development Report

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ERRATA

Page 13 figure title reads: **Figure 4: GDP and Human Development**

Pages 19-22 Appendix 1.3:

The following tables and figure should read as indicated:

From: Table A.1 to Appendix Table **1.3.1**
A.2 to " " **1.3.2**
A.3 to " " **1.3.3**
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Figure A.1 to Appendix Figure **1.3.1**

Pages 74-80 Appendix 3.2:

The following figures should be in pesos and should read:

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Page 83 Appendix Table 3.4 should read Appendix Table **3.2.4.**

Page 91 Figure 15: The last bar representing 54% refers to **Palawan.**

Page 95 Figure 18: legend colors should be as follows:

- ☐ **blue** - agriculture
- ☐ **light blue** - forests
- ☐ **black** - pasture and open lands
- ☐ **grey** - urban and others
- ☐ **white** - marsh and small water

Additional bibliography:

Intal, P. "Managing a Structural Reform Program: How the Indonesian Succeeded." *PIDS Development Research News* Vol. IX No. 5 (September-October 1991a).

_____. "Taking the 'Flying (Wild) Geese' to Heart: Economic Policy and Industrial Restructuring Challenge for the Philippines in the 1990s." Paper presented at the APDC Conference on Economic Interdependence in the Asia-Pacific: Macro-Micro Linkages, Hongkong, September 1991b.

Taguiwalo, M. "A Framework for Streamlining the Government Bureaucracy." Paper for the Government Streamlining Project, Philippine Institute for Development Studies, forthcoming.

World Bank. ***The Philippines: An Opening for Sustained Growth.*** Washington, D.C.: Country Department I, East Asia and Pacific Region, The World Bank, 1992.

Foreword/1

For almost fifty years since the birth of the United Nations, the world saw virtually all nations take part in a new kind of development cooperation. Working on the assumption that economic gains would trickle down to the marginalized sectors to alleviate poverty, this cooperation focused on increasing national output through sustained economic growth, and on harnessing capital and technology to transform traditional societies into modern ones.

As a result, developing countries achieved significant progress in enhancing their skills, knowledge, technology, capabilities and self-help, leading to improvements in the quality of human life. They achieved in three decades what the industrial nations accomplished in nearly a century; e.g., an increase in average life expectancy from 46 to 62 years and adult literacy rate from 43 to 60 percent.

However, the impact of progress had been erratic and uneven. In every country, glaring regional and gender disparities in income and basic and human needs continue to exist. Human deprivation on a large scale persists. Over a billion people or 20 percent of the world's population live in abject poverty, 900 million adults in the developing world still cannot read and write, 1.5 billion people have no access to primary health care, 1.75 billion are without safe water, some 400 million are deprived of housing, and 30 percent of the world's labor force, an estimated 2.8 billion, is not productively employed.

The existence of human progress side by side with human deprivation has led to the conclusion that the development approaches and policies practiced over the past half century have been fundamentally flawed. Over time, it became clear that economic growth does *not* automatically translate into human development. Economists and social scientists therefore had to rethink the idea of development and search for new paradigms. Of the emerging paradigms, perhaps the most significant are those concepts contained in the *Human Development Report* of the United Nations Development Programme (UNDP).

The various issues of *Human Development Report* measure development not by the traditional yardstick of income alone but by a more comprehensive one called the **Human Development Index (HDI)**, which reflects such indicators as life expectancy, literacy and educational attainment, and access to resources or income — all essential ingredients of a decent standard of living. This approach sees people being in the center of development, meaning that development must enable the people to enlarge their choices, acquire education, live a healthy life, enjoy a decent life, and fulfill their aspirations based on political freedom, guaranteed human rights, and self-respect.

The *1990 Human Development Report* and its annual sequels have made a significant contribution toward creating a new development paradigm for the 1990s — that is, sustainable human development, which involves a reappraisal of the nature and scope of international cooperation for development.

Sustainable human development is a concept in which growth is not only generated but is equitably distributed, people's capabilities to engage in productive employment are enhanced, people are empowered to participate in making decisions that affect their lives, and the environment is regenerated rather than destroyed. It also recognizes the empowerment of women, which comprise one-half of humanity, to unlock their vast, untapped potential. Sustainable human development is broad-based, pro-people, pro-poor, pro-growth, pro-jobs, pro-women and pro-nature.

Achieving sustainable human development, or translating this concept into action, is the challenge that faces the world. In the Philippines, to meet this challenge, the UNDP supported the initiation of the Human Development Network, an informal multi- sectoral forum of prominent independent thinkers and development practitioners. After a series of brainstorming, the Network agreed to prepare this *Philippine Human Development Report* which demonstrates the application of the conceptual framework of the **HDI** (notably by adopting the HDI methodology using Philippine data and by disaggregating data according to region and gender). This report describes the "state of income," "human capital" and "environment," underlines their interrelationship, and pinpoints policy and institutional factors that contribute to or obstruct the attainment of human development objectives. Finally, the report takes a look at the role of governance in creating a political process that will help generate a national consensus on development objectives and human development priorities.

Perhaps the most daunting task facing the Philippines, and the world, is how to finance sustainable human development. The *Philippine Human Development Report*, apart from discussing all of the above, also touches on related financing issues to draw implications for development cooperation in the country. However, due to the complexity of obtaining the necessary data, the more detailed research on this is still in progress.

As the UN prepares to commemorate its 50th anniversary and to gear up for the World Summit on Social Development in 1995, which will lay the foundations for the social development agenda into the 21st century, the UNDP offers the *1994 World Human Development Report* as its contribution to the international dialogue. In the Philippines, the *Philippine Human Development Report* hopes to contribute to national dialogues in preparation for the country's participation in the World Summit. It is our hope that the report's underlying message of sustainable human development will offer a signpost to the Philippines in shaping its own social development agenda.

KEVIN MCGRATH
Resident Representative
United Nations Development Programme

Foreword/2

The Philippines is replete with various experiences and attempts to enrich the character of social and human development reporting. In the early 1970s, the Development Academy of the Philippines pursued a Social Indicator Project to promote and improve measures of the quality of life. Social indicators were further developed in the late 1970s, under the Economic and Social Impact Analysis — Women in Development Project of the National Economic and Development Authority and the Philippine Institute for Development Studies, to trace and quantify the social impact of development at the macro and project levels.

After the 1986 February revolution, the freer political climate ignited fresh attempts to improve the quality of measuring and reporting human development. No less than the *Philippine Development Plan* was enriched through the incorporation of poverty alleviation and income distribution targets which were to be regularly assessed along with other indicators of development. Such targets were absent in previous development plans. Some NGOs and independent groups have also started issuing their own assessments of the state of development of the society, the economy or some of their components as an alternative to official government reports and the usual State-of-the-Nation Reports of the President. These served to enlarge the people's understanding of their collective and individual conditions in accordance with more popular concepts, versions and indicators of human development.

When the UNDP *Human Development Report (HDR)* was first published in 1990, it introduced the **Human Development Index (HDI)** as a more comprehensive socioeconomic measure of national progress than GNP. It was an effective reminder to the world community that development should be for the people and of the people, not just by the people.

Two years ago, a multisectoral group met in a series of "brainstorming" sessions to discuss how best to enhance the content of social and human development reports and to apply the major findings and conclusions of the *Human Development Report* in the Philippine setting. The objectives were to stimulate interest in the use of the HDI and related tools of analyses at all levels, and encourage every community to formulate strategies for improving human development.

That multisectoral group is now known as the Human Development Network, and this *Report* constitutes the first step in achieving those objectives. The *Report* analyzes the three components of the HDI, i.e., knowledge, health, and standard of living; establishes the baseline measurements; and identifies areas requiring policy attention. It highlights disparities in the country's human development by region (Metro Manila at par with South Korea, Western Mindanao just slightly better off than Zimbabwe) as well as by gender (the female HDI in Bicol is 1.13 times that of the male while the female HDI in Western Mindanao is 0.06 times that of the male HDI). It likewise makes a first attempt at assessing the country's environmental performance.

This volume also analyzes people's participation in governance, both within and outside the electoral process, and suggests how an index of this participation can be constructed and evaluated.

Finally, it looks at whether the government is putting its money where its mouth is with regard to the empowerment of the people, and then suggests innovative ways of mobilizing more resources for financing priority social and human development programs and concerns.

It is hoped that the effort embodied in this volume will be helpful in enabling all sectors of Philippine society to evaluate the progress that is being made in widening the people's choices and in ensuring that they are at the center of development.

SOLITA COLLÁS-MONSOD
Convenor
Human Development Network

The Research Team

This *Report* is a collaborative work of research teams and individuals who had come together to form the Human Development Network. Prof. Solita Collás-Monsod provided the overall guidance in conceptualizing the *Report.* Dr. Emmanuel de Dios did the technical/substantive editing.

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HUMAN DEVELOPMENT IN THE PHILIPPINES

Executive Summary

The Philippines is slowly emerging from the social ruins caused by decades of economic mismanagement and political dictatorship. The government can now afford to think about national goals and expand on them, suggesting that new opportunities besides mere survival may now indeed be open.

The question, however, is whether the people have genuine choices. How can they tell whether the programs and policies taken ostensibly in their behalf will actually contribute to their welfare? What does welfare mean, after all?

The concept of **human development** has been advanced precisely to answer these and similar questions. Human development is the process of enabling people to have wider choices. It means expanding those capabilities that enable them to live a full life as human beings. Its most important dimensions are a person's physical survival, health, level of knowledge, livelihood or income, and political freedom. These are the **minimum basic needs** that must be fulfilled.

In assessing any measure, the people must ask fundamental questions: Has it helped us and our children to live more secure and healthier lives? Does it allow us to learn more about what is going on in our community and society? Does it make us more productive and permit us to earn better incomes or livelihood? Does it increase our community's political influence over its leaders? Does it expand the role of people and their organizations in choosing, implementing, and overseeing projects?

The Philippines has, historically, had a headstart in public education and health. Therefore, it performs relatively well on literacy, educational attainment, and longevity when compared with other countries. More recently, however, the country has simply been living off its historical capital and reputation. Pressed, on the one hand, by budgetary limits and, on the other, by the need to serve a rapidly growing population, the quality of public education has declined. Access to high school and college education — especially quality education, most of which is provided by private schools — is distributed quite unequally. Similarly, the provision of public health and sanitation services has met with difficulties because of recessions and a drift in budgetary priorities for health. As a result, government priorities in the health program have become misplaced, emphasizing tertiary rather than primary health care, cure rather than prevention. For all this, the services of doctors and health personnel failed to reach the rural areas. In addition, the family planning program has only recently been revived and has much to catch up with. Malnutrition among children continues to be high for lower income groups. The health situation is now being complicated by the devolution of health activities to local governments without proper consideration given to financing.

It is in incomes, however, where the country has most noticeably lagged behind. Because of the debt crisis, the 1980s must be given up as a lost decade. The brief recovery from 1987-90 was followed by a recession in 1991, from which the country is still recovering. The effects of the debt crisis have not been fully overcome. The conversion of guaranteed foreign debt into internal public debt means that the government is now in a fiscal bind. Public resources are eaten up by debt-service payments. Therefore, government cannot undertake bold initiatives, especially in infrastructure and social services, for fear that its indebtedness may expand further. The unrealism of past IMF fiscal and monetary targets — as well as dogmatic adherence to these — has contributed to the failure of recoveries.

There are more ominous signs for the long term. Because the problem of macroeconomic financing is unsolved, many programs seeking to promote deep-going structural reforms and to arrest the erosion of the country's competitiveness simply lack credibility. These are either jeopardized by public resistance, or are implemented under circumstances that ensure the least success. Without a consensus on a competitive exchange rate, for example, programs to reduce tariffs are bound to lead to import surges, which will lead to ultimate resistance. The social safety nets that will build confidence in such measures are not in place.

Viewed from within, poor growth performance means that poverty has remained high and the poor have grown in absolute number. But even slow growth has not prevented the rich from increasing their share of income, whether in periods of boom or bust. Inequality in income has increased, and recent economic growth has benefited mostly the highly urban areas.

Poverty can be relieved if the average income can get going. But, as experience shows, if the future merely repeats past patterns of growth, then the poor are unlikely to benefit. What is needed is not simply growth but a radical change in the nature of growth: toward more use of labor, less penalties to agriculture and industries related to agriculture, and a greater emphasis on regional development.

The environment suffers in both periods of economic growth and failure. When economic growth occurs, it is built on an unsustainable extraction and use of resources (e.g., denuded forests and polluted streams). But when it fails, poverty and population growth make unsupportable demands on the environment. Public response to the magnitude and urgency of the environmental crisis is lackluster. This is reflected in the scarcity of research and information and in the lack of political will to address the crisis that threatens the various ecosystems.

The most complex and contentious area of human development is the political sphere. Ideally, people should participate as far as possible in running their own affairs and take a direct hand in selecting their representatives. Elections that guarantee the right of suffrage, opportunities for election, and implementation of results are indispensable, though insufficient, requirements.

Compared to some richer countries, the Philippines is more politically developed. But although formal institutions of democracy and channels for people's participation exist, there are formidable obstacles to genuine people's participation. Among these are the political dominance of a socio-economic elite, the absence of genuine party-politics, and an uninformed, intimidated, or dependent electorate. These factors trivialize the electoral system and rob it of its potential as an instrument of change.

Besides voting in elections, people can and should participate in governance in other ways. People's organizations (POs) and non-government organizations (NGOs) are important channels of participation on a sustained and regular basis: through lobbying and protest to change policies, direct implementation of their own programs and projects, and monitoring those of the government.

By providing for the participation of POs and NGOs, the Local Government Code, its defects notwithstanding, is a potentially powerful channel for regular people's participation if it can overcome the resistance and suspicion of local political leaders.

Initially, POs and NGOs have been concerned with stressing their autonomy and differentiating their activities from those of the government. Lobbying and protest have been their most visible, if negative, forms of "participation." The many alternative programs they have implemented will remain limited in scope and ultimately unsustainable unless supported by larger policy changes. The efforts of POs and NGOs must be

supported by government, either because the latter has become responsive enough to desire cooperation, or because the former have won a measure of political power. Hence, the importance for POs and NGOs to combine electoral politics with extra-parliamentary activities and program implementation cannot be overemphasized. In a word, what the present period calls for is a "mainstreaming" of all development efforts.

Several observations can be drawn: First, it is important to resume growth in income. But this growth must be of a different kind, one whose benefits are more equitably distributed across various sectors and regions of the country. Second, the extreme disparity in access to education, health, and nutrition is primarily related to the inequality in income. To some extent, this means that if the goal of improving income is achieved, *some* of the problems in health and education will take care of themselves.

Not all problems in human development may be solved by attaining rapid economic growth. Many marginal sectors will remain too ill-equipped — in terms of education, skills, social and economic infrastructure — to participate in and benefit from even rapid growth.

The inequality in human development has a distinctly *geographical* dimension, even more than that based on gender. The South, especially Regions IX, X, XI, and XII, has been historically underserved by government, and this shows in the statistics. These regions can be ranked among those with low levels of human development.

Basically, however, little will change unless policies change; and for this to occur, the country's politics must change toward more participation, involving especially the marginalized sectors in making decisions that affect them.

RECOMMENDATIONS

- There should be more determined efforts to revive the economy and follow a sustainable growth path. If growth averages only 3-4 percent a year, the conditions of the poor are bound to worsen. The key areas for economic survival are: aggressive promotion of foreign and returning Filipino capital, a moderate relaxation of monetary targets, and financing for focused and targeted social expenditures.
- The government must seriously consider the possibility of shifting its infrastructure priorities from Luzon to Mindanao and the Visayas.
- There are still serious questions whether growth can be revived and sustained, and at what cost. The government continues to suffer from a fiscal crisis. It is heavily in debt, and there are no quick and painless fixes to the crisis, but the government must stress the following: reducing waste and the bureaucracy, improving collection of existing taxes, and using private investments and foreign aid for infrastructure and utilities.
- To sustain growth, government must quickly address the problem of overvaluation of the peso, which is jeopardizing the fate of manufacturing and exports. Domestic and foreign investments must be attracted to infrastructure and utilities. The tariff structure must be further refined. Cooperation between labor, management, and government must be strengthened for industrial peace, productivity, and price stability.
- Agriculture and rural development must be stressed through improvements in rural infrastructure (including irrigation) and technical assistance.
- Poverty alleviation measures must be provided to the most vulnerable of the poor. Preference must be given to programs that are decentralized, area-based, and participatory.
- Aside from the aggregate targets of reducing total poverty incidence from 40 to 30 percent by 1998, verifiable targets are needed in the provision of health services, access to and use of clean water, sanitary toilets, and hospitals and doctors in rural areas.
- The budget and official development assistance (ODA) going to social services must be reviewed. The budget allocation for social and priority human development services should be kept to at least 20 percent while that from ODA be raised to the same level from 11.4 percent in 1991. Concrete opportunities for raising revenues and intersectoral and intrasectoral allocation should be explored (Appendix 3.2).
- Amounts used for tertiary education may be gradually reduced over three years by 50 percent

or more, and the savings may be used to improve the quality of primary and secondary education and to expand access to primary health care. The remaining budget for higher education may be allocated to scholarships and research support programs. Programs with potentially high development impact should be emphasized, e.g., graduate studies in the sciences, history, and environment.

- A comprehensive system of scholarships should be directed to bright, poor students, awarded to individuals, and should be transferable across both private and public institutions. Students at state institutions of higher education must be charged full tuition, with those on scholarship paying the fees directly. This financing system is meant to compel public institutions to compete with the private sector and allow the government to direct its subsidy programs to specific groups of deserving students.
- The budget for health care must be increased. With overall limits to spending, budgets of other line agencies must be realigned to provide the poor with basic needs in health. Targeted programs for nutrition of school age children and for nutrition education must be introduced to eliminate severe malnutrition or substantially reduce it from the current rate of 14 percent.
- A special program for women's education, health, and livelihood must be designed, especially in the southern parts of the archipelago.
- The environmental crisis must be addressed quickly and in a comprehensive way for each ecosystem. The government must involve the local communities in resource conservation and monitoring. There is a need for more data gathering at the local level.
- Radical reforms must continue in the electoral system, such as updating party lists, imposing more effective limits to electoral spending, and prohibiting political dynasties through legislation.
- Elections must immediately be held to fill the seats for all sectoral representatives in Congress, as called for by the Constitution.
- There is a need to check the ballooning of special funds disbursed by Congress and the executive and to entrust the allocation of these funds to the local government units instead.
- POs and NGOs must concentrate on the local-level initiatives of concretely improving people's lives and putting their pronouncements into practice. The continuing credibility of POs and NGOs lies in their links with the basic sectors and involvement in successful and sustainable projects.
- The internecine conflicts of the Left should not be allowed to degenerate into violence, but should be seen as part of healthy ideological debate. In particular, these debates should not interfere with the political tasks of concretely securing support for people's social and economic interests.

CHAPTER 1

The Meaning of Human Development

What Does Development Really Mean?

It may seem strange that such an abstract, speculative question should matter to ordinary people. But this question precisely underlies both the interest and apprehension surrounding *Philippines 2000*, the administration's summary phrase for its vision of development. Despite its lack of definition and its evident political expediency, the idea of *Philippines 2000* has gained currency and is repeatedly intoned simply because it fills a need. Even critics give it some validity by constantly making reference to it.

There is general skepticism about the government's plans, but for the most part, this has something to do with how realistic are the targets. Can a given growth rate or level of income be attained in a given time? This is an important question, but still less fundamental than the question of whether the set goals and criteria for measuring success are themselves right and adequate. Nevertheless, what now appears to be the overriding objective of the government is for the nation to achieve the status of a newly industrialized country (NIC) such as that achieved by South Korea, Taiwan, and Hong Kong or, more modestly, by Malaysia or Thailand.

This objective reflects a manner of thinking that tends to equate development with *economic* development which, although a complex process, is often perceived by the public in terms of raising incomes per person, or per capita GNP.[1]

The government targets an average GNP growth rate of 7.5 percent annually until 1998 and a per capita income of over $1,000 before that. This is combined with a promise to reduce the incidence of absolute poverty from 40 percent in 1991 to 30 percent by 1998. The underlying suggestion is that aggregate growth will enhance the welfare of the poor. But, of course, even in these terms, the fact remains that Filipinos have not yet regained the average incomes they earned in 1982.

Why Rapid Income Growth is an Insufficient Measure of Success

There is certainly nothing wrong about Filipinos aspiring for high and increased incomes. There is no reason to denigrate the goal of sustained income growth, or to underestimate the magnitude of changes needed to bring it about. Indeed, the pursuit of sustained income growth is the first order of business, and it is in this aspect of genuine development that the country has most lagged behind (Chapter 2).

Although important, per capita income is only *one aspect* of development. There are good reasons to qual-

[1] A sophisticated definition would refer to the size of the industrial or manufacturing sector. But this is ambiguous since there are obviously developed countries whose manufacturing sectors are in fact shrinking in favor of services, just as the Philippines' services sector is expanding. The difference between them is simply income — the services sector in one case yields higher incomes and productivity than in the other. Hence, the common reduction of the difference in income has a basis.

ify this preoccupation with per capita income by placing it in perspective. *First*, it is not enough to pose the goal of rapid income growth only in a broad and aggregate sense since this tends to de-emphasize the question of internal distribution. Two things were wrong with growth in the past: (*a*) it could not be sustained for long, and (*b*) it was not equitably distributed. The current preoccupation with growth seems to address only the first problem. In the country's experience, whether growth has risen or fallen, inequality has remained or has even worsened, and the number of poor people has increased in absolute terms. Some studies (Balisacan 1993) suggest that the lot of the poor has worsened because the distribution of income has deteriorated.

Many of the factors that made past growth inequitable *also* made it unsustainable. The most important examples are trade and industrial policies that favored the use of machinery instead of labor, and the "price-scissors" that penalized agriculture.[2] If many of these wrong policies can be redressed, future growth can be sustained and made more equitable. But unless the goal of a better income distribution is rendered more tangible and explicit, there is nothing to distinguish rapid growth based on a massive "empowerment" of the majority from rapid growth that grows on the backs of the poor.

Second, even if economic growth is revived and sustained, large pockets of people will, in the short-run, continue to have little or no means of participating or competing in the markets, and, therefore, no means of sharing in the newly-created incomes. These people include subsistence producers such as upland farmers, small fisherfolk, landless farm workers, unskilled workers, scavengers in the cities, and others. For many of these so-called "core" or "subsistence" poor,[3] purely market-opening and market-enhancing programs will be largely irrelevant since in terms of education, health, and skills, they are the least prepared to make use of new market opportunities. For many of them, there is no guarantee that, even under conditions of growth, things will not get worse before they get better.

In fact, many aspects of welfare that are immediately useful to the very poor (public safety and protection from harrassment, health care and micronutrient provision, education, water supply systems and sanitation) will be weakly reflected in earned incomes. Many of these welfare services are difficult to buy or to supply privately,[4] and their provision does not translate immediately into visibly higher incomes. Therefore, if the goal is rapid income growth, the question that arises is, what importance shall be attached to elements that do *not* immediately contribute to that goal?

It is heartening when the government targets not only growth but makes the equally important commitment to reduce poverty incidence. But even this raises questions. The numerical goal of reducing poverty incidence carries a bias: it can be achieved most expediently by focusing efforts on those groups that are already on the margin of being non-poor, i.e., the "survival" poor. It implicitly gives less value, therefore, to policies and programs that make the poorest *less* poor though they remain poor nonetheless.[5] Yet, can this really be the intention? If not, then at the very least, separate targets for education, health, nutrition, water and sanitation, and others must be set even though these have no large bearing on measured incomes or GNP. (It is hardly reassuring when a government professing concern for the poor also cuts out the budgets for the surveys that monitor poverty.)

Finally, among the national priorities, the assessment of the cost of rapid growth in terms of political and social institutions needs elaboration. The challenge to a reductionist "growthmanship" interpretation of

[2]This refers to policies that depress prices for agricultural products and raise prices for their inputs. Examples are price and trade controls on important staples such as rice and corn, and high prices for fertilizer, other chemical inputs, and packaging materials as a result of the tariff structure.

[3]In contrast to the "survival" poor who are closer to escaping poverty.

[4]This is because most of these are so-called "public goods" for which a case can be made for public provision. For the very affluent, many of these public goods can also be privately supplied (e.g., private security agencies, high quality private schooling, private medical care, water purifiers, and others).

[5]As Balisacan (1993) has pointed out, this is a consequence of adopting the simple headcount measure of poverty. Other measures of poverty incidence would be sensitive to changes in inequality or redistribution among groups of the population.

Philippines 2000 is to specify exactly to what lengths it should go in order to achieve the goal of, for example, double-digit growth. Can this goal be achieved under a system of civil liberties and democratic institutions? To be sure, leaders of authoritarian NICs (typified by Lee Kuan Yew of Singapore) continue to doubt whether NIC-hood can be achieved in the Philippines under a system that is characterized as too "Western." If this pessimistic assessment should happen to be right, what choice should society take? Shall it choose salvation through supergrowth or the preservation of democratic practices and institutions? This question has not been resolved.

In these respects, the reduction of social and economic goals to achieve NIC-hood, while not entirely wrong, is inadequate as a development strategy. At the very least, it oversimplifies the process of development and invites a distortion of priorities.

Meaning of Human Development

Human well-being improves when incomes rise or when command over commodities expands. At the household or family level, an adequate source of livelihood is needed to raise well-being. But high income and well-being are not always synonymous. Well-being is not always reducible to the amount of commodities a household can buy. Other factors — including geographical availability of public services and facilities, social and cultural values, demographic factors, psychological states, and others — may contribute to poor conditions of health, nutrition, or literacy despite relatively adequate income.

For example, some goods and services may simply not be readily available for purchase. In remote and unserved areas, it is not easy for a household, even with income, to buy physical security, news and information, medical care, a full education, and others. Ordinarily, adequate family income results in good nutrition, health, and high literacy for family members, but not if culture, for example, gives lower priority to females. Even among people with higher income, spending is not always allocated in the manner most consistent with well-being (e.g., expenditures on tobacco, alcohol, gambling, expensive entertainment).[6] All these merely demonstrate that higher incomes represent only *means* and are not synonymous with well-being itself. Incomes are not outcomes.

Therefore, human development must relate mainly to outcomes or results. These outcomes must in turn refer to an expansion of those capabilities that make life humane. *Human development may be defined as the process of enabling people to have wider choices* (UNDP 1990, 1991, 1992). In particular, the most important dimensions of human capabilities relate to a person's physical survival and health, level of knowledge, livelihood or income, and political freedom.

Physical survival and health

The most basic level of human well-being is the state of a person's health and nutrition, or the length of human life itself. In present-day societies, this is closely related to physical safety in a peaceful environment, access to adequate food supplies, preventive and curative health care, and a healthy environment. In terms of a simple but crude measure, longevity or length of life has been used to represent physical well-being. The argument is that the state of physical safety, nutrition, efficacy of health interventions, and others are all ultimately reflected in this variable. The statistical measure used for this is average life expectancy at birth among the population. In the Philippines, the use of this variable suffers from the infrequency of population census, which is the only source of reliable life expectancy statistics. (The regional data provisionally used in this Report are estimates based on the 1980 Census of Households; the 1990 Census figures are still being finalized.)

A person's capacity to be productive is a value in itself. For policy intervention, however, other indicators may be more useful — for example, the incidence of deaths attributed to violent encounters or insurgency, infant and child mortality, female mortality during childbearing, incidence of specific diseases, prevalence of various degrees and types of malnutrition and micronutrient deficiencies, and others. Here, as in other di-

[6]This is also true among the poor and was one reason, among others, why the government's official poverty threshold was redefined in 1991 to exclude such expenditures. This resulted in a lower threshold and incidence of poverty.

mensions of human development, a better understanding of the specific features of the problem will lead to superior measures for evaluation and monitoring.

Table 1 shows life expectancy figures between 1980 and 1991. The national average in 1991 was about 65 years, three years more than the level of a decade ago. Improvements were recorded in all the regions. As expected, the National Capital Region (NCR) ranks highest. The lowest ranking regions are all found in Mindanao. In Luzon, Cagayan Valley and Bicol are the only regions below the national average while in the Visayas, it is Eastern Visayas. This geographical pattern is most likely closely related to the lack of access to health care facilities (partly the absence of infrastructure), poor conditions of public order and safety, and disparities in regional incomes.

The ranking based on life expectancy is admittedly crude and can be justified only as a first approximation. Even the high rank assigned to Metro Manila must be qualified since it fails to reflect the deterioration in the *quality* of urban life as a result of the worsening environment. A person may experience frequent respiratory illness but live long nonetheless due to frequent hospitalization. This situation is certainly inferior to one where people live long because they are free of illness. A simple index of longevity would fail to capture this difference.

Table 1
LIFE EXPECTANCY (in years)

	Region	1980	1991	Rank 1980	Rank 1991
	National Capital Region	66.1	68.6	1	1
I	Ilocos	63.0	66.2	5	5
II	Cagayan Valley	58.3	61.6	8/9	8/9
III	C. Luzon	65.1	68.2	2	2
IV	S. Tagalog	64.3	67.3	3	3
V	Bicol	61.2	64.3	7	7
VI	W. Visayas	62.2	65.2	6	6
VII	C. Visayas	63.9	67.2	4	4
VIII	E. Visayas	58.3	61.6	8/9	8/9
IX	W. Mindanao	51.5	54.7	12	12/13
X	N. Mindanao	55.0	59.1	10	10
XI	S. Mindanao	54.4	57.7	11	11
XII	C. Mindanao	51.5	54.7	13	12/13
	PHILIPPINES	61.6	64.9		

Level of knowledge

People's achievements depend on the extent of their understanding of their natural, social, and cultural environment. Today, this capability is primarily associated with the process of formal education, and the acquisition of literacy and numeracy, although it must be recognized that, historically, societies will have different traditions of nurturing knowledge. In more modern terms, for example, radio, television, and cinema (comics and newspapers to a lesser extent) have served as influential bearers of values and information along with the formal educational system. These forms make different (typically less) demands on literacy and numeracy. For example, weather forecasts aired by a commercial radio fulfill a vital function in production for fisherfolk. Warnings of natural disasters (e.g., impending volcanic eruptions and lahar danger) have saved countless lives in Central Luzon. Certainly, political education has been mediated primarily by the mass media. In certain instances where formal education is unavailable, both government and non-government organizations have also experimented with more flexible forms of non-formal education. In short, attempts to assess people's levels of knowledge must also take into account the different channels by which people actually learn and gain information. These forms may not be restricted to the spread of formal education.

An important problem — especially in the Philippines where different cultures, religions, and ethnolinguistic groups exist — is whether the existing systems of formal education or mass media make enough efforts to respect the integrity of local languages and cultures. To the extent that they fail to do so, then they may be regarded as irrelevant or threatening and risk rejection. For example, it would be inappropriate to insist on putting up schools with full western (Judaeo-Christian) tradition in predominantly Muslim areas. The same sensitivity should be present when dealing with tribal cultures. In such contexts, the lack of achievement in formal education may have more to do with the defects in the system being put up than with deficiencies in the level of human development.

Finally, there are large differences in the quality of formal education for the same level of attainment. This is due to the differences in quality between public and private education and among public schools themselves as distributed in the various regions.[7] Recent studies that seek to measure these quality differences are very few and difficult to find.

Concededly, some appropriate system of education and a minimal level of literacy are indispensable for developing the capacity to learn. For purposes of constructing a human development index in this *Report*, the state of knowledge may be measured as a combination of (a) adult literacy rate and (b) average educational attainment among the population, measured as mean years of schooling. In the method of constructing an index used by various international human development reports, the literacy rate and the educational attainment are given weights of two- thirds and one-third, respectively. The literacy rate more closely measures a basic outcome, while educational attainment indicates degree or quality of knowledge.

Again, for policy purposes, other measures may be used to monitor not only outcomes but crucial *inputs* into the process. Formal education is monitored using rates of enrolment and of completion (cohort-survival). There is still much work to do, however, in developing measures of education quality. Besides the effectivity of formal education, the reach of mass media and communications may also be measured: radio listenership, TV viewership, newspaper circulation, telephone density, and others. Even the quality of outcomes in terms of literacy may be improved. Statistics on literacy measure only the most rudimentary or basic literacy (the ability to read and write one's name and a simple message), and they tend to give a favorable picture due to the near-universal provision of elementary education. Closer measures of ability, however, such as tests for *functional* literacy, have shown less reassuring results. In 1989, it was estimated that almost one-fourth of all Filipino adults were functionally illiterate.

Tables 2 and 3 show the performance of the various regions in literacy and schooling. Nationally, over the past decade, mean years of schooling rose from six to seven years, and literacy improved from 83 to 94 percent. There are some variations across regions. The regions with the lowest educational attainment are Western and Central Mindanao; Southern and Northern Mindanao rate much better. Eastern Visayas also fares poorly on both measures, and Central Visayas ranks only 10th, lower than some regions in Mindanao and the poorer Luzon regions of Cagayan and Bicol. This points to a deficiency not easily seen by simply identifying the region with the fastest-growing province, Cebu. In Luzon, the high achievement of the Ilocos region in both schooling and literacy is noteworthy, while the achievements of the NCR and regions close to it are high, as might be expected.

▮ Livelihood and income

As a component of human development, livelihood has two dimensions. First, it yields income which supports consumption and further improvement of human capabilities. Second, it expresses people's capacity to be productive and to contribute meaningfully to society. Discussions about growth consider livelihood as im-

Table 2
LITERACY RATES (in percent)

Region	1980	1991	Rank 1980	Rank 1991
National Capital Region	96.60	99.09	1	1
I Ilocos	85.08	95.80	4	4
II Cagayan Valley	79.32	91.30	9	6
III Central Luzon	88.50	97.80	2	2
IV S. Tagalog	85.81	96.81	3	3
V Bicol	83.48	95.31	5	5
VI W. Visayas	81.16	93.00	7	7
VII C. Visayas	76.09	91.00	11	10
VIII E. Visayas	78.49	89.81	10	11
IX W. Mindanao	64.97	81.32	12	13
X N. Mindanao	83.37	92.90	6	8
XI S. Mindanao	80.06	91.89	8	9
XII C. Mindanao	64.60	83.01	13	12
PHILIPPINES	82.72	93.54		

[7] It should be remembered that the poorer quality of public *vis-a-vis* private education was not always a given. The decline may be dated after the war.

Table 3
MEAN YEARS OF SCHOOLING (in number of years)

Region	1980	1991	Rank 1980	Rank 1991
National Capital Region	9.17	9.73	1	1
I Ilocos	5.85	7.25	3	3
II Cagayan Valley	5.27	6.30	9	9
III Central Luzon	6.18	7.35	2	2
IV S. Tagalog	5.84	7.18	4	4
V Bicol	5.41	6.42	8	8
VI W. Visayas	5.51	6.58	7	7
VII C. Visayas	4.96	6.03	10	10
VIII E. Visayas	4.80	5.75	11	11
X W. Mindanao	4.27	5.32	13	13
X N. Mindanao	5.78	6.75	5	5
XI S. Mindanao	5.61	6.59	6	6
XII C. Mindanao	4.29	5.79	12	12
PHILIPPINES	**5.93**	**7.05**		

portant because of the size of income that it generates. It is this aspect of growth that is most important in a poor country. Higher income gives greater command over more commodities of better quality and wider variety, facilitating a richer human existence. Incomes may be used to invest further in health, education, training, and other forms of human capital (Chapter 3). Strictly speaking, however, income in this sense merely captures a *potential* improvement in the quality of life. As mentioned earlier, the actual use of income for this purpose will depend on other factors.

Aside from higher income, which enables one to finance consumption and invest in human capital, a person's capacity to be productive is valuable in itself. If the pay always translates into fulfillment, income and productivity coincide. In more economically developed societies, however, the problem of alienation from work shows that there are dimensions of work not captured by pay alone. Nevertheless, income derived from productive work is one of the most important sources of personal advantage and opportunity, and should be the main concern in poorer societies such as the Philippines.

Ideally, assessment of livelihood and income should deal not only with their current levels but also with the question of whether these can be sustained. For this reason (as in the case of health), the condition of the environment must be considered. Current levels of income may be high for some provinces due to the presence of some natural resources — such as forest, marine life, and minerals — that are exploited. As the resources are depleted, sources of livelihood and income typically decline and current levels cannot be sustained. When current income levels are used to measure livelihood, one becomes blind to the issue of sustainability except in the long term, when average productivity and income finally fall. For this reason, it is probably wise to monitor the state of the environment separately; high and rising levels of income must be discounted to the extent that they are associated with unsustainable resource depletion. (For more on this, see Chapter 4.)

Apart from per capita income, the most well-known indicator of welfare is the headcount measure of poverty incidence (i.e., the number of households in an area living below the official regional poverty threshold). Table 4 enumerates the figures for the country and each region for the years 1985, 1988, and 1991. Between these years, there was an apparent improvement and then a stagnation in the headcount measure. The absolute number of poor households continued to rise over those years. On a regional basis, poverty incidence was highest for Bicol, Northern Mindanao, and Southern and Central Mindanao. It was lowest for Metro Manila, the surrounding regions (Central Luzon, Southern Tagalog), and the Ilocos region.

Following the convention in various inter-country human development reports, income shall be the variable taken to represent the dimension of livelihood. However, GNP or GDP per capita is adjusted to reflect the hypothesis that the more income contributes less to human development, the higher is the income that has already been achieved. This is done by discounting levels of per capita income above the poverty threshold. The various international HDRs work by setting an "international poverty line."[8] But in making interre-

[8]The HDR used the figure of $4,629 per capita per annum in 1989 values.

Table 4
POVERTY INCIDENCE BY REGION, 1985, 1988 and 1991

Region		1985	1988	1991	Rank 1991
National Capital Region		23.0	21.6	14.9	1
I	Ilocos	37.5	44.9	49.4	3
II	Cagayan Valley	37.8	40.4	43.1	9
III	C. Luzon	27.7	29.3	33.0	2
IV	S. Tagalog	40.3	41.1	38.0	4
V	Bicol	60.5	54.5	56.1	13
VI	W .Visayas	59.9	49.4	46.7	7
VII	C. Visayas	57.4	46.8	42.4	6
VIII	E. Visayas	59.0	48.9	40.7	5
IX	W. Mindanao	54.3	38.7	54.5	11
X	N. Mindanao	53.1	46.1	55.2	12
XI	S. Mindanao	43.9	43.1	47.5	8
XII	C. Mindanao	51.7	36.1	51.0	10
PHILIPPINES		44.2	40.2	40.7	

gional comparisons, region-specific official poverty lines are used.

There are two possible sets of data for representing average regional incomes. The first is the GDP or product figures at the regional level, which are available annually. The other is from the *1991 Family Income and Expenditure Survey* (FIES), which gives average income figures per region. Both sets are imperfect. GDP reflects only the output produced and is imperfectly related to the incomes earned by inhabitants of the region. For example, the profits of a plantation in Mindanao owned by a transnational corporation with offices based in Manila form part of regional GDP, but if these are remitted to Manila — or worse, overseas — they do not form part of Mindanao's income. On the other hand, the FIES income data typically underrepresent the higher income brackets. For example, using that series, Central Visayas (despite Cebu) would be poorer than Cagayan Valley or even Western Visayas. This imperfect relationship is seen in Figure 1. In the figure, the regions are arranged according to decreasing GDP per capita, represented by the columns. The fact that the line representing income does not always move in the same direction shows that the two series do not coincide.

In the end, however, for purposes of developing a measure, this *Report* provisionally adopts the series of regional GDP per capita in order to follow the spirit of the UNDP methodology as closely as possible. (Appendix 1.2 discusses the shortcomings and possible refinements.) Regional GDP per capita is adjusted using the poverty thresholds of the various regions in order to arrive at Table 5, the adjusted regional GDP figures. Since the same (national or international) poverty threshold is used, the ranking based on the adjusted GDP figures will not differ from the original. The only

Figure 1
REGIONAL GDP PER CAPITA AND AVERAGE INCOME (in 1991 pesos)

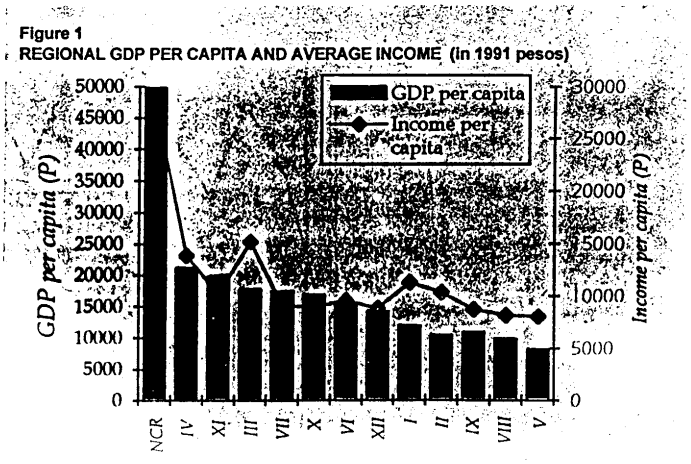


Table 5
ADJUSTED AND UNADJUSTED GDP PER CAPITA, 1991
(in current pesos)

Region	Unadjusted	Adjusted	Rank
National Capital Region	49,752	8,001	1
I Ilocos	11,905	7,485	9
II Cagayan Valley	10,304	7,459	11
III C. Luzon	17,596	7,595	4
IV S. Tagalog	21,137	7,641	2
V Bicol	8,052	7,403	13
VI W. Visayas	15,093	7,548	7
VII C. Visayas	17,346	7,591	5
VIII E. Visayas	9,791	7,449	12
IX W. Mindanao	10,783	7,467	10
X N. Mindanao	16,722	7,582	6
XI S. Mindanao	19,790	7,625	3
XII C. Mindanao	14,148	7,515	8

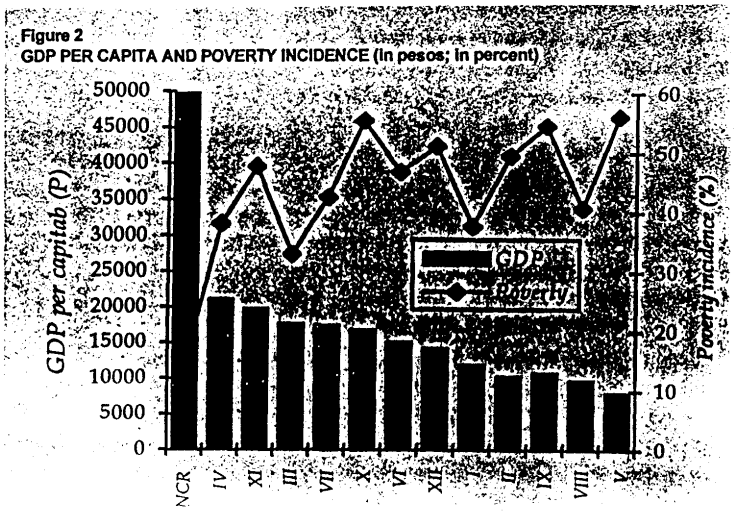
difference is that the gaps between regions become smaller because of the diminishing importance of the additional income above the poverty threshold for human development. (See Appendix 1.1 for the methodology.)

Based on GDP per capita, the poorest regions are Bicol, where poverty incidence (Table 4) is also highest, Eastern Visayas, Cagayan Valley, and Western Mindanao. Some areas, such as Southern and Northern Mindanao, rank high or above average in terms of GDP per capita, but badly perform in terms of poverty alleviation. This points to a situation where the fruits of production in those regions fail to redound to the benefit of their inhabitants. This is also seen in Figure 2. If a higher GDP per capita always translates into lower poverty incidence, then the line representing poverty incidence would be uniformly rising as regional GDP per capita falls. Figure 2 clearly shows that this is not always the case.

▮ Political freedom and people's right to participate in social decisions

This is the last component of human development. This is a typically sensitive diplomatic issue across countries, and international editions of the *HDR* have stopped trying to evaluate the political systems of other countries for their democratic qualities. Nonetheless, political freedom and participation in human development remain as the principal channels for expressing and realizing oneself in the community. In the Philippines, this component is especially important because the country has committed to pursuing economic development through democratic processes.

Figure 2
GDP PER CAPITA AND POVERTY INCIDENCE (in pesos; in percent)



Some may object to the inclusion of particular forms of political process (democratic and participatory forms) as components of human development. After all, these are merely *means* to well-being, not outcomes, and are culturally relative. Chapters 5 and 6 of this *Report* contain a closer discussion of the importance of people's participation in governance and some suggestions for measuring the extent and quality of this participation. Even here, however, it may already be argued that politics and social decisionmaking are distinctly human activities that call for autonomous personal involvement. Human development becomes parochial when the scope for human decisionmaking is restricted and human affairs are reduced to matters of the gut. The intrinsic value of freedom is such that, regardless of the choices that people ultimately make, a widening of the *scope* of potential choices represents a welfare improvement.[9]

The *Human Development Report* (1992) puts it aptly: "If growth is seen... not as an end in itself but as a part of human development, democracy cannot be set aside. Growth-oriented strategies can sometimes afford to be blind to democracy. People-oriented development strategies cannot. They must be based on popular participation — in economic, social, and political life." (UNDP 1992:27)

The Human Development Index

In sum, the components of human development are human capabilities, namely, longevity and health, knowledge, income, and political freedom and participation. The country and its various regions have been ranked according to each of these capabilities with varying results. Typically, one region does well in some respects but less in others. Which ones do worse and

Box 1.1
COMPUTING THE HDI

Constructing and computing for a human development index (HDI) has been established and gradually developed by the United Nations Development Programme in the various editions of the *Human Development Report*. Broadly, it involves specifying dimensions along which development may be measured. These are: longevity, state of knowledge, and income.

Suppose there are n areas or regions involved, and Z_{ik} denotes the score of the ith region on the kth dimension (k = 1,2,3). Some regions will rate highest on the kth criterion and others will rate lowest. Denote these scores respectively as Z_k^{max} and Z_k^{mink}. For each region i, a *deprivation ratio* for criterion k, namely D_{ik} may then be defined as follows:

$$D_{ik} = (Z_k^{max} - Z_{ik})/(Z_k^{max} - Z_k^{min}) \qquad (1)$$

which merely measures how well or how poorly, relative to others, the region i fares on the kth criterion. It is obvious D_{ik} has a value of zero (i.e., zero deprivation) if region i has the highest score for k and a value of one for the worst performer. The *average deprivation ratio* of the region, represented as D_i, is simply the average of the D_{ik} over all k criteria:

$$D_i = (D_{i1} + D_{i2} + D_{i3})/3 \qquad (2)$$

The higher the score, the worse it is for the region. For example, a region that performed worst on *all* three criteria would have an average ratio exactly equal to one. Finally, the *human development index* for region i, denoted as H_i is computed simply as the difference between one and the average deprivation ratio, that is:

$$H_i = 1 - D_i \qquad (3)$$

The higher the H_i (or the lower the D_i which is the same thing), the better is the region's rating on human development. In more recent years, some refinements have been made when computing for HDI at the international level. Series that are sensitive to income distribution and gender inequalities, among others, are now available for some countries (UNDP 1992). Empirical equivalents to some metaconcepts have also been revised. Since the 1991 HDR, for example, "knowledge" has been measured not simply by adult literacy but by mean years of schooling as well.

[9] Hence, suppose a person actually chooses x from among the available alternatives x, y, and z. It can be argued that this same person becomes deprived if he or she were confronted only with x and y, even though the preferred alternative x is still available. (It should be noted that others do not always agree that this represents a deprivation; they argue that "irrelevant alternatives" do not matter. See, for example, Arrow (1954) and Sen (1982).

Table 6
HUMAN DEVELOPMENT INDICES: INTERCOUNTRY COMPARISONS, 1990

	Country	Life Expectancy (Years) 1990	Adult Literacy (%) 1990	Mean Years of Schooling 1990	Real GDP per cap (PPP) $US	Human Development Index (HDI)
1	Canada	77.0	99.0	12.1	18,635	0.982
2	Japan	78.6	99.0	10.7	14,311	0.981
6	USA	75.9	99.0	12.3	20,998	0.976
34	South Korea	70.1	96.3	8.8	6,117	0.871
40	Singapore	74.0	85.0	3.9	15,108	0.848
51	Malaysia	70.1	78.4	5.3	5,649	0.789
69	Thailand	66.1	93.0	3.8	3,569	0.685
79	China	70.1	73.3	4.8	2,656	0.612
80	Philippines	64.9	93.5	7.0	2,269	0.600
98	Indonesia	61.5	77.0	3.9	2,034	0.491
121	India	59.1	48.2	2.4	910	0.297
135	Bangladesh	51.8	35.3	2.0	820	0.185

which ones do better? Policymakers and planners will instinctively know that one area is "poorer" than another without always having to back up this judgement with data. People are often able to grasp a reality without having to measure it. Human development is probably such a concept and any attempt to pin it down with numbers will always be provisional.

Still it is useful and informative to substantiate judgement and gut feel with data. This is what the computation of a *human development index* (HDI) does. The HDI is nothing more than a *combined measure* that seeks to capture all the human development factors mentioned above (except political participation, the measurement of which is still experimental). The HDI for each region is computed according to a formula, yielding a single number that allows countries or regions to be ranked in relative terms on a scale with a maximum value of one and a minimum value of zero. Box 1.1 describes the procedure in more detail.

The HDIs for various countries are computed in the international editions of the *Human Development Report* which appear annually. In those indices, the Philippines ranks as medium in human development, with an HDI value of 0.6 in 1990 (Table 6). This means the country is more than halfway between the best and the worst performers in the world. The country's rank would probably improve further if the HDI were to include an index for political freedom.

In what components does the Philippines fare well or worse? Table 6 shows that the Philippines ranks high in terms of literacy and schooling. Its achievements in this sector are superior even to those of Singapore. On the other hand, life expectancy and incomes are lower. It is worthwhile to compare the country to Thailand and China, where educational attainment is lower but life expectancies and GDP are significantly higher.

The table also shows that some countries have lesser mean years of schooling than the Philippines but have higher literacy rates. In Singapore, literacy is 88 percent but mean years of schooling is only 3.9 years. This most likely reflects the poor quality of education inputs in the Philippines, i.e., effort in education is high without corresponding satisfactory results.

But the main contention in this *Report* is that national averages, while already useful, mask further disparities across regions and groups of the population.

The main effort taken in this *Report*, therefore, is to compute HDI for the various regions of the Philippines. Information on national averages are bound to conceal wide regional disparities in distribution. It would be more useful for makers and students of policy if the achievements and deficiencies in human development were to be given a geographical focus. This local focus becomes more important in the light of recent political changes in which a large amount of the functions and finances that impinge on human development had been devolved to the local government units (province, city, municipality, and barangay) and their leaders.

If the HDI is computed for the regions as if they were individual countries,[10] how would they fare? The results are shown on Table 7. Most of the underlying data have already been discussed in the tables containing regional statistics on life expectancy, educational attainment, and income.

The lopsidedness of the distribution is striking. Metro Manila would have an HDI comparable to that of South Korea and better than that of Malaysia. It is the only region that would be considered as having a "high" HDI by international standards (greater than 0.8). On the other extreme, Eastern Visayas (Region VIII), Central Mindanao (Region XII), and Western Mindanao (Region IX) would be regarded as having "low" levels of human development (below 0.5). In particular, the worst performing region, Western Mindanao, would do worse than the Solomon Islands and only slightly better than Zimbabwe and Myanmar (Burma). All the other regions would fall in the range of "moderate" human development.

Table 7
REGIONAL HDIs IN 1991 AS COMPARED TO OTHER COUNTRIES*

HIGH HDI		
USSR		0.873
	NCR	0.871
S. Korea		0.871
Malaysia		0.789
MEDIUM HDI		
Thailand		0.685
Syria		0.665
	Region IV	0.665
Libya		0.659
Sri Lanka		0.651
	Region III	0.647
China		0.612
	Region VII	0.608
Peru		0.600
	Region VI	0.580
	Region I	0.574
Mongolia		0.574
Lebanon		0.561
	Region XI	0.550
Gabon		0.545
	Region X	0.541
Guyana		0.539
Algeria		0.533
	Region V	0.515
	Region II	0.500
LOW HDI		
El Salvador		0.498
Nicaragua		0.496
Indonesia		0.491
	Region VIII	0.487
Honduras		0.473
Vietnam		0.464
	Region XII	0.447
Solomon Islands		0.434
	Region IX	0.410
Zimbabwe		0.397
Myanmar		0.385

*Figures for other countries pertain to 1989.

National Standards

It may be argued that the proper standard to measure a region of the country would be to bring it up against other regions, rather than against other countries.[11] In

[10]This means that their incomes, life expectancy, and educational attainment statistics are compared with the best and worst performing among all countries. In addition, an "international poverty line" is used rather than the region's own poverty line.

[11]This is not entirely a valid argument since the bias in a cross-country comparison could go either way. The top performers would pull the maximum standards upward, tending to make the region look worse, while the bottom performers would pull the

Table 8
REGIONAL HUMAN DEVELOPMENT INDICES
Inter-regional Comparison, 1980 and 1991

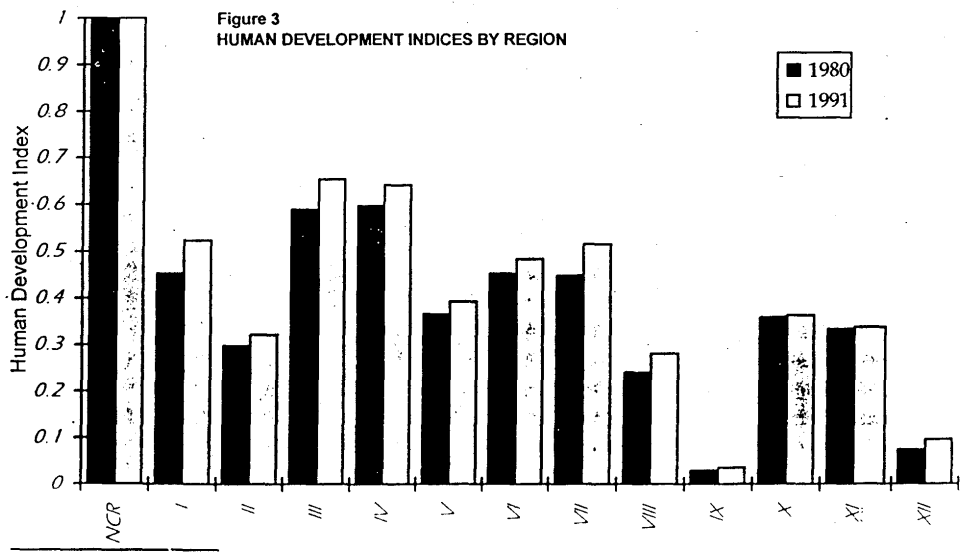
Region		1980	1991	Rank 1980	Rank 1991
National Capital Region		1.0000	1.0000	1	1
I	Ilocos	0.4522	0.5228	4	4
II	Cagayan Valley	0.2967	0.3202	10	10
III	Central Luzon	0.5880	0.6531	3	3
IV	S. Tagalog	0.5968	0.6431	2	2
V	Bicol	0.3641	0.3923	7	7
VI	W. Visayas	0.4515	0.4825	5	6
VII	C. Visayas	0.4471	0.5146	6	5
VIII	E. Visayas	0.2387	0.2794	11	11
IX	W. Mindanao	0.0296	0.0358	13	13
X	N. Mindanao	0.3563	0.3613	8	8
XI	S. Mindanao	0.3309	0.3367	9	9
XII	C. Mindanao	0.0740	0.0963	12	12

this section, therefore, HDIs are computed using levels of longevity, educational attainment, and income actually attained by some regions in the country as minimum and maximum standards. This is done for 1980 and 1991 to see whether changes in HDI levels and ranking among the regions have occurred within that decade. The results are shown in Table 8 and Figure 3.

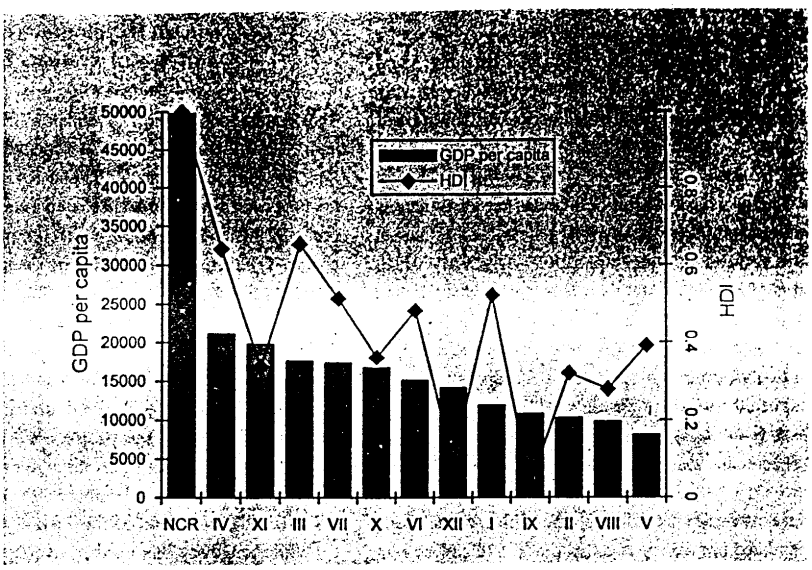
How Regions Fare in Human Development

As expected, the NCR ranked highest overall and in terms of each variable. This may be attributed to the concentration of economic activity, infrastructure, educational and health facilities in the capital. Southern Tagalog (IV), Central Luzon (III), Central Visayas (VII) and the Ilocos (I) ranked second to fifth, respectively. This order changed only slightly in a decade. Central Visayas (VII) improved its rank relative to 1980, when it was behind Western Visayas. This is accounted for primarily by an improvement in GDP per capita (partly reflecting Cebu's growth in recent years) and a higher literacy rate compared to a decade ago. The

Figure 3
HUMAN DEVELOPMENT INDICES BY REGION



minimum standards downward, tending to make the region look better. In the case of the Philippines, the absolute values of HDIs for the region are higher when compared to other countries than in an interregional comparison. This means that there were even more countries which did worse than the worst performing region in the Philippines.



lowest human development indices are found for Eastern Visayas (VIII), Central Mindanao (XII), and Western Mindanao (IX).

It is interesting to contrast this ranking with that of GDP per capita, on the one hand, and that of official poverty incidence, on the other (Tables 4 and 5). In Table 4, poverty incidence in each of the regions is presented for the years 1985, 1988 and 1991, using the new official measure. The trend in poverty incidence for those years showed some improvement between 1985 and 1988, and slightly worsened between 1988 and 1991.[12]

There is some discrepancy between the rankings of the "worst-off" regions under an HDI ranking and under a poverty-incidence ranking. For example, Bicol (V) is recorded as having the highest poverty incidence and, therefore, being the worst off region. On the other hand, it is not at the bottom but somewhere in the middle (seventh) in the HDI rankings. This apparent discrepancy is accounted for by the relatively higher educational attainment and life expectancy variables (where it ranked fifth and seventh, respectively) despite the region's relatively low average incomes.

On the other extreme, the GDP per capita for Western Mindanao (IX) is not particularly low (it is lowest for Bicol), yet this region performed worst in terms of HDI, while Bicol did not rate as poorly. Why? Again it is primarily because of non-income variables. Life expectancy in Region IX is the lowest for the entire country (55 years); so are the rate of literacy (81 percent) and the mean years of schooling (5.3 years). Poverty incidence in Region IX is a high 55 percent, which suggests that income in the region is distributed very unevenly.

Finally, how well is GDP per capita, the income variable, related with the human development index? Does high GDP always correlate well with high human development? This is not an easy question, but somehow, an answer may be seen in Figure 4, where regions are again arranged according to decreasing GDP.

Generally, regions with higher products have higher HDIs. Metro Manila, Southern Tagalog, Central Visayas, for example, have higher HDIs than Bicol, Cagayan Valley, or Western Visayas. But there are exceptions. If the hypothesis were always true, then HDI would, more or less, uniformly decline with GDP.

[12]There has been an increase in the absolute number of poor families between 1988 and 1991 from 25 million to 29 million. Expressed as a proportion, the incidence increased from 45.5 to 46.5 percent of the total population. As a proportion of families, the incidence has barely changed. The reason is an increase in average family size from 5.91 to 6.02 between the two years.

As the figure suggests, however, better GDP per capita does not always translate in a high HDI. Regions IX and XII show HDIs that do not correspond with relatively high per capita product; while Ilocos (I) and even Bicol (V) have HDIs that seem respectable relative to their low incomes.

The principal conclusion that can be drawn here is that economic development largely influences human development, but there are aspects of poverty which rapid growth will not readily solve. Certainly, the kind of growth that occurs and the redistribution of its benefits will matter. Other aspects are equally relevant. In particular, access to basic services such as education and health care — as well as social-cultural influences — may either aggravate or mitigate deprivation with respect to incomes. A blind spot of this sort may be built into official poverty-threshold computations since these computations presume, among others, that legally mandated provisions of social services (e.g., free education up to high school) are indeed available when in fact they may not be. In terms of the ranking of the regions, the HDI yields a distinct message. The indicators and the overall index itself graphically depict the deprivation of the country's southern regions. Western and Central Mindanao, and the poorer parts of the Visayas (Eastern) are consistently the worst performers on all human development indicators. Purely income-based measures tend to mask this since some Mindanao regions are also large producers. The indices suggest, however, that production is either occurring inequitably, or there are some needs besides income which the people in those parts do not receive adequately. All Mindanao regions and all Visayas, except Central Visayas, may be classified as having "low" human development levels. In Luzon, the low performers are Cagayan Valley and Bicol, while Central Luzon and Southern Tagalog may be regarded as having "moderate" levels. As if to underscore the disparity, only the National Capital Region rates as having a "high" HDI.

What has caused the low HDI among these regions? In Regions IX and XII, the causes are war and loss of security, remoteness of many areas, poor infrastructure and lack of educational and health facilities, clashing cultural beliefs and practices, and unequal distribution of wealth, for in fact these regions are relatively rich.

Human Development and Social Systems

The demand for a measure of human welfare or level of human development is really a demand for a *bottom line.* By itself, the concept of human development does not propose any new strategies or approaches to development. Instead, it proposes a common yardstick against which to measure the performance of whole economies and societies — regardless of ideologies, institutions, strategies, and cultural norms — in relation to the objective which they invariably claim to pursue, namely, raising people's welfare. Human development demands that any ideology, vision, strategy, or program claiming to work for the people must be subject to measurement in human terms through prolonging and improving the quality of human life and enriching knowledge, income, and political freedom.

While longevity, knowledge, livelihood, and freedom are irreducible concerns for rich and poor countries alike, their specific meanings will differ from one society to the next. For a poor country, the nature of human development concerns is more stark and obvious. A set of *minimum basic needs* must be met for a human being to function. This cannot be denied without denying the humanity of the person. In these circumstances, longevity and health may be understood as simply preventing early death by securing adequate nutrition and avoiding disease; the demand for knowledge may simply be attaining useful elementary or high school education; livelihood may deal not so much with job fulfillment but more with having a basic access to an income adequate to subsist; and finally, political participation is exercising basic rights without fear of intimidation. *In short, minimum basic needs are the content of human development in the context of a poor country or region.*

By contrast, these same concerns will have a different content when applied to richer countries. Therefore, "each country will have its own human agenda, but the basic principle should be the same — to put people at the centre of development and to focus on their needs and their potential. Human development spans the full range of human needs and ambition" (UNDP 1992:13).

Human development, in principle, is closely related to economic development, but the two do not always

move in the same direction. While its urgency may be most evident in countries and regions considered economically poor, there are certain dimensions (e.g., the environment, humanizing work, political freedom) in which even more affluent societies may not always rate the highest. For an individual, income from work or livelihood is a basic capability in itself, as well as a means to acquire other basic capabilities (e.g., access to education or health). Beyond a certain point where fundamental capabilities are secured, however, more income contributes less to well-being. Other achievements may become more important. Similarly, at the country or regional level, increase in income contributes more to human development when the country or region is poor than when it is already affluent.

Because it represents a *bottom line,* human development cannot and need not make hard-and-fast prescriptions about the character of social systems required to raise human well-being. Nothing in the concept of human development presumes that a society which greatly relies on markets and private enterprise will contribute more toward human development than a society which is based on large-scale planning and government intervention. Similarly, there is still an ongoing debate on whether autocratic political regimes (such as those in Singapore and, until recently, South Korea) perform better in terms of human development (e.g., education, health, and incomes) than democratic systems.

The experience and history of other societies have much to say. For example, the final failure of socialist experiments in Eastern Europe in the past decade is a powerful argument for preferring economic activities coordinated through the markets. In the 1970s, the Philippines' poor growth and equity due to the government's large-scale involvement in the economy also led to a consensus regarding benefits to be had from market-led development. The abuse of power that prevailed under the Marcos regime led many people to turn away from one-man rule.

In general, it is more practical for communities and societies to shape their own visions, institutions, and strategies in a way that most effectively contributes to human development. Still, some aspects of human development must be recognized and observed if any social undertaking is to contribute to genuine human development. Among these aspects are:

- A PRIORITY TO ELIMINATE ABSOLUTE POVERTY. Human development applies to all; therefore, the attainment of basic capabilities must be assured for all. Though it may be debated if society should really seek to equalize economic *outcomes*, it is not debatable that society should strive to equalize basic human *opportunities* and *capabilities*. Any inequality that results from differences in effort, talent, creativity, business acumen, and even wealth is not incompatible with human development, but inequality based on the denial of basic capabilities to others is. For this reason, the agenda for human development always includes, as a first step, the elimination of poverty through rising incomes among the poor and provision of basic social services. It should also include the equalization of opportunities between the sexes (Appendix 1.3).

  There are actually two priorities here: the first is providing a framework that will sustain the growth in incomes of the people. The second is making affordable to people the other minimum basic needs that will immediately improve their lot and enable them to participate in the mainstream of the economy.
- SUSTAINABILITY. The expansion of choices and capabilities for the present generation should not be at the expense of future generations. The present generation must set limits to the exploitation of the natural environment, lest it deprive future generations of their own choices. From a human viewpoint, the state of the environment is not part of a *bottom line* measure; after all, if a deteriorating environment is detrimental to human existence, it should ultimately be reflected in poorer health and shorter lives, a lower capacity to learn, and declining incomes.

  Still, from a human development perspective, it makes sense to be concerned with the environment for two reasons. First, a good deal of the damage to human existence caused by environmental degradation is slow-acting and difficult to detect (e.g., the effect of lead pollution on the future intelligence of children). Second, an important amount of damage to the environment is

irreversible or takes a very long time to redress (e.g., regeneration of the rain forest). For these reasons, it is prudent not to wait for the bad effects to manifest; action should be taken to prevent them. This makes monitoring of the state of the environment necessary.

- A GUARANTEE OF POLITICAL RIGHTS AND PARTICIPATION. Political rights and participation are part of human well-being. Therefore, the expansion of choices for and capabilities of a few should not lead to the denial of choices for the many. The rights of others to attain their choices should be observed. There must be an effective system by which people can influence political decisions, especially those that directly affect them.

From these aspects, regardless of the ultimate shape or type of social arrangements, human development should move in the direction of social and economic *equity, participation* and *sustainability.*

The succeeding chapters of this *Report* shall inquire into the reasons for the current state of human development in the different regions of the country along the lines already suggested here. Chapter 2 deals with the state of income, Chapter 3 with the state of human capital, and Chapter 4 with environment. Chapters 5 and 6 deal with political participation and governance.

Appendix 1. 1
ADJUSTING GDP PER CAPITA

The adjusted GDP per capita used in the text is an adjusted figure using the poverty threshold, as suggested in the various editions of the *Human Development Report*. Suppose the per capita income or product of region i is y_i and the national per capita poverty threshold is y^*. Now determine the integer k so that $(k - 1)y^* < y_i < ky^*$. Then the adjusted GDP per capita w_i is obtained according to the formula:

$$w_i = y^* + 2(y_i - y^*)^{1/2} + 3(y_i - 2y^*)^{1/3} + \ldots + (k + 1)(y_i - ky^*)^{1/(k+1)}$$

For example, in 1991 the regional product per capita of Region X was w_{10} = P16,722, while the national poverty threshold per capita was y^* = P7,350. By inspection it can be seen that 16,722 is not more than twice the poverty threshold, that is,

$$(1 \times 7350) < 16{,}722 < (2 \times 7350)$$

Therefore, $k = 2$, and one needs to go further than the second term in the formula such that:

$$w_{10} = 7350 + 2(16{,}722 - 7350)^{1/2} + 3(16{,}722 - 14{,}700)^{1/3} = 7{,}581.55$$

Expression (1) is meant to represent the judgement that the effect of an already high income is to reduce the effect on welfare of further additions to income.

Appendix 1.2
ON STATISTICAL DIFFICULTIES AND FUTURE WORK

The use of regional GDP per capita to represent incomes for the regions is an important shortcoming of the regional HDIs used in this *Report*. While on a national scale, there may be a close relationship between incomes earned and output produced, this may not always be true at the regional level. Fish caught in Palawan may be recorded as output for the region, but the incomes may be earned in Navotas. To that extent, the representation of regional incomes may even be overstated for many poor regions, tending to give a better picture than warranted. And yet, the regional GDP figures are currently the only variables related to income regularly available at the regional level, although some work is underway to gradually provide provincial income accounts. It may also be possible to use income data from the family income and expenditure surveys to better represent regional incomes and, perhaps, also provincial incomes.

The second point has to do with the completeness of the index. It is an implicit and unfortunate assumption of an interregional comparison that the NCR represents the goal other regions ought to emulate. This seems to go against the common belief of those who have lived in the metropolis that it is far from being a model for human development. Part of this owes to the partial and preliminary character of the HDI used. It excludes an important human need for a clean and safe environment. If such a component were included in the HDI, then it is likely that the gap between the NCR and other regions that have managed to better preserve their environment (perhaps earning less income as a consequence) would be significantly narrowed. On the other hand, even the standards set by the metropolis are hardly extravagant. Even the incomes used in the computations were adjusted, so that the preponderance of income at the expense of other important concerns was surely mitigated. The poor performance of other regions relative to such a standard is only a measure of how much more needs to be done.

Two major steps need to be taken further to develop the HDI and make it more useful. First, it would be most helpful to construct an index at the *provincial level.* This is desirable not only to have a closer definition of the problem, but also to have provincial data that would correspond more closely to a definite locus of authority and decision. Public authorities and institutions would, thus, be held more accountable for the results. The second step would be to include finer or more up-to-date information on the dimensions of human development. Malnutrition and morbidity might be finer measures of physical well-being than simple life expectancy. As discussed, the quality of the environment should be included in the measure. This has not been attempted at this time due to the need to further develop other indices and the desire to make regional statistics compatible with those computed at a cross-country level.

Finally, there is concern as to the continuity of the data series used in this *Report.* The timing of the present *Report* is fortunate in that it comes soon after a population census and income and expenditure surveys were conducted. These data series, however, are not always available. Population censuses are a decade apart, while income and expenditure surveys are typically undertaken only every three years. The one scheduled for 1994, in fact, is unlikely to push through for lack of budget.

Appendix 1.3
GENDER-SENSITIVE HDI

The human development index (HDI) becomes even more persuasive and informative when applied to specific groups and particular areas. The discussion in the main text demonstrated how it may be applied to different regions. Here, HDI is further disaggregated according to gender to examine the problem of unequal status between women and men.

It is generally thought that the prominence gained by some women in public life and in private careers indicates the higher status accorded women in the Philippines compared with other countries. The question is whether this is reflected in more objective indicators.

Data on life expectancy (Table A.1) generally confirm observations elsewhere that when confronted with the same conditions, women live longer than men. As a whole and for each region, *life expectancy* among women is higher. Through time, owing to improvements in health, knowledge, better incomes, and provision of health services, one expects an increase in life expectancies across the board. What is striking about gender-specific statistics on life expectancies, however, is not that female life expectancy continues to be higher, but that the differences between women's life expectancies in different regions are much larger than those between men and women. A woman in Manila or Central Luzon may expect to live up to 70 years, but the life of a woman in Central or Western Mindanao may be 14 years shorter. This difference completely overshadows the "advantage" they have over men in the region.

In *schooling achievement*, the data (Table A.2) suggest that provision of universal elementary education has done much to equalize educational achievement among regions and between sexes. Women still receive less schooling than men, but the differences are slight. Through time, the average educational achievement for both sexes has increased, and the gap between them has narrowed.

The same pattern is repeated for *literacy* (Table A.3). This is not surprising, since the same factors that determine schooling determine literacy. In most regions, the differences between male and female literacy rarely exceed one percentage point, and in some cases, the ratio is more than one. In regions where illiteracy among women is substantial (such as Western and Central Mindanao, where female illiteracy is close to 20 percent), illiteracy among men is also highest, and where the gap between male and female literacy is widest.

There are no comprehensive regional data on *earnings* differences between men and women, especially for equal work performed. The data used in Table A.4 are rudimentary ones from the labor force survey taken in 1990. Since they do not standardize for equal work and qualifications, universally lower earnings for women cannot be attributed narrowly to discrimination on the job. A large part will also be due to the *kinds* of work available to women and the typically smaller number of *hours* that they can devote to regular jobs, since they must also work at home without pay. In a fundamental sense, even the latter factors may reflect inequality of opportunities among the sexes.

Appendix Table 1.3.1
LIFE EXPECTANCY, FEMALE AND MALE, 1990

	Region	Female	Male	Female as % of Male
	National Capital Region	70.2	67.1	104.62
I	Ilocos	68.1	64.5	105.58
II	CagayanValley	63.3	59.9	105.68
III	C. Luzon	70.3	66.3	106.03
IV	S.Tagalog	69.3	65.5	105.80
V	Bicol	66.9	61.8	108.25
VI	W. Visayas	67.2	63.3	106.16
VII	C. Visayas	69.1	65.3	105.82
VIII	E. Visayas	63.3	59.9	105.68
IX	W. Mindanao	56.3	53.2	105.82
X	N. Mindanao	59.9	58.4	102.57
XI	S. Mindanao	59.3	56.1	102.57
XII	C. Mindanao	56.3	58.2	105.70
	PHILIPPINES	66.7	63.1	105.70

Appendix Table 1.3.2
MEAN YEARS OF SCHOOLING BY GENDER AND REGION, 1991 (25 years and over)

Region	Female	Male	Female as % of Male
National Capital Region	9.49	9.98	95.09
I Ilocos	7.03	7.47	94.11
II CagayanValley	6.36	6.49	98.00
III C. Luzon	7.12	7.60	93.68
IV S.Tagalog	7.05	7.31	96.44
V Bicol	6.38	6.46	98.76
VI W. Visayas	6.69	6.47	103.40
VII C. Visayas	5.95	6.11	97.38
VIII E. Visayas	5.91	5.59	105.72
IX W. Mindanao	5.18	5.44	95.22
X N. Mindanao	6.86	6.65	103.16
XI S. Mindanao	6.66	6.53	101.99
XII C. Mindanao	5.59	5.98	93.48
PHILIPPINES	6.98	7.13	97.90

Compared to similar data in the past, the figures suggest that the difference in earnings between women and men may have narrowed in the last decade. This is not surprising since an increasing number of women have been joining the labor force in formal sector jobs with better pay. Nonetheless, a large gap remains. Income differentials were largest in Central and Western Mindanao and least in the Ilocos and the NCR, although even in the latter these were less than 60 percent of what men earned. The regions where differentials were greatest were also those that did poorly in the other components of HDI. It is also expected that income differentials are less for the more economically developed regions such as the NCR or Central and Southern Luzon. In the poorer regions, there are less opportunities for women to join the workforce.

Using these sets of data, HDIs may now be computed by gender and by region. The results (Table A.5) should be understood as if males and females had been segregated into different regions and compared relative to the best and the worst. The males in NCR did best, followed by females in NCR. Women in Western Mindanao were at the bottom rung. In some regions (Ilocos, Eastern, Western, and Central Visayas, and Bicol), the women appeared to do somewhat better than men, but this is small comfort since the dominant inequality remains between the richer and the poorer regions.

By dividing the female HDI of a region into its male HDI, a ratio is obtained which, if it exceeds one, implies that women do better than men in that region. This is shown in the last column of Table A.5. The regions where women may be said to fare better than men are the Ilocos, Southern Tagalog, Bicol, and all of the Visayas. It seems particularly difficult to be a woman in Western and Central Mindanao.

When the unadjusted HDIs discussed earlier are adjusted for the ratio of female-male differences, the result is a gender-sensitive regional HDI. (This is obtained by multiplying the unadjusted regional HDIs with the female-male ratios in Table A.5.) The regions

Appendix Table 1.3.3
LITERACY RATE: FEMALE AND MALE, 1991
(10 years and over; in percent)

Region	Female	Male	Female as Ratio of Male
National Capital Region	98.95	99.24	0.9971
I Ilocos	95.04	96.57	0.9842
II Cagayan Valley	91.25	91.36	0.9988
III C. Luzon	97.51	98.10	0.9940
IV S. Tagalog	96.50	97.12	0.9936
V Bicol	95.24	95.38	0.9985
VI W.Visayas	93.38	92.53	1.0092
VII C.Visayas	90.93	91.07	0.9985
VIII E. Visayas	91.00	88.68	1.0262
IX W. Mindanao	80.23	82.38	0.9767
X N. Mindanao	93.35	92.52	1.0090
XI S. Mindanao	91.77	92.01	0.9974
XII C. Mindanao	81.33	84.69	0.9602
PHILIPPINES	93.37	93.70	0.9965

Appendix Table 1.3.4
AVERAGE EARNINGS, FEMALE AND MALE, 1990*
(in pesos)

Region	Female	Male	Female as % of Male
National Capital Region	2,853	5,081	56.15
I Ilocos	1,062	2,147	59.46
II Cagayan Valley	1,048	3,263	32.11
III Central Luzon	1,601	3,424	46.76
IV S.Tagalog	1,418	3,160	44.87
V Bicol	879	2,311	38.04
VI W. Visayas	1,008	2,626	38.38
VII C Visayas	993	2,374	41.83
VIII E. Visayas	788	2,037	38.68
IX W. Mindanao	854	3,642	23.45
X N. Mindanao	959	2,746	34.92
XI S. Mindanao	1,245	3,232	38.52
XII C. Mindanao	805	3,964	20.31
PHILIPPINES	1,317	3,148	41.84

*From the third quarter Labor Force Survey, 1990.

Appendix Table 1.3.5
MALE AND FEMALE HUMAN DEVELOPMENT INDEX
BY REGION, 1991

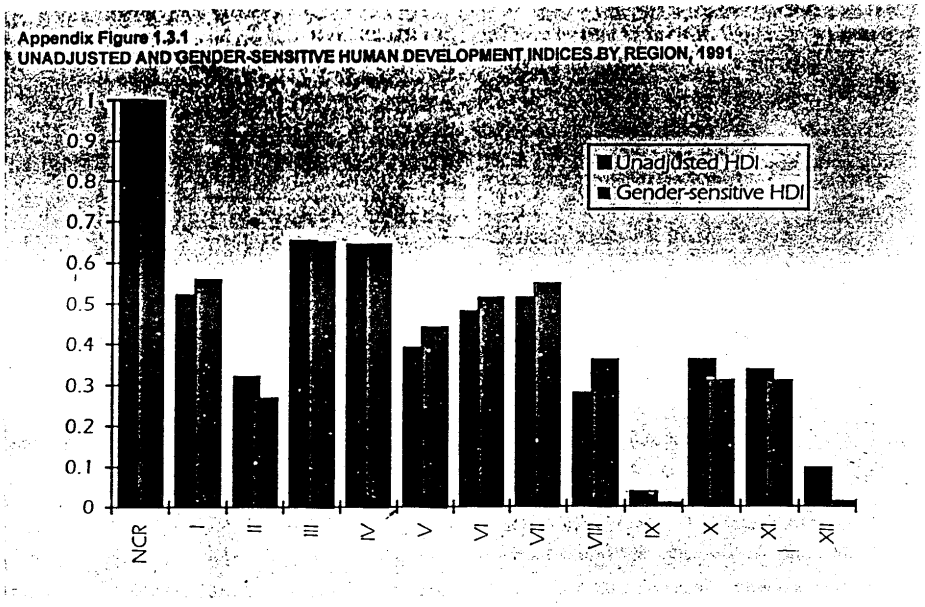
Region	Female	Male	Female as % of Male
National Capital Region	0.9976	1.0000	0.9976
I Ilocos	0.5227	0.4879	1.0712
II Cagayan Valley	0.3472	0.4146	0.8374
III C. Luzon	0.6857	0.6893	0.9946
IV S.Tagalog	0.6214	0.6209	1.0007
V Bicol	0.4384	0.3888	1.1278
VI W. Visayas	0.4646	0.4355	1.0667
VII C. Visayas	0.4564	0.4281	1.0661
VIII E. Visayas	0.2841	0.2199	1.2918
IX W.Mindanao	0.0106	0.1758	0.0606
X N. Mindanao	0.2898	0.3387	0.8555
XI S. Mindanao	0.3007	0.3273	0.9186
XII C. Mindanao	0.0290	0.3727	0.0779

Appendix Table 1.3.6
GENDER-SENSITIVE HUMAN DEVELOPMENT INDEX
BY REGION, 1980 and 1991

Region	Unadjusted HDI	Rank	Gender Sensitive HDI	Rank
National Capital Region	1.0000	1	0.9976	1
I Ilocos	0.5228	4	0.5600	4
II Cagayan Valley	0.3202	10	0.2681	11
III C. Luzon	0.6531	2	0.6496	2
IV S Tagalog	0.6431	3	0.6436	3
V Bicol	0.3923	7	0.4424	7
VI W. Visayas	0.4825	6	0.5147	6
VII C. Visayas	0.5146	5	0.5486	5
VIII E. Visayas	0.2794	11	0.3609	8
IX W. Mindanao	0.0358	13	0.0022	13
X N. Mindanao	0.3613	8	0.3091	9
XI S. Mindanao	0.3367	9	0.3093	10
XII C. Mindanao	0.0963	12	0.0075	12

where the female-male ratios are less than one (or less than 100 percent) will see their HDIs adjusted downwards. The results of this exercise are shown in Table A.6 and Figure A.1. The rankings after this adjustment do not change substantially, except for the improvement in the rating for Eastern Visayas. The already low ratings for Western and Central Mindanao and Cagayan Valley are accentuated.

Appendix Figure 1.3.1
UNADJUSTED AND GENDER-SENSITIVE HUMAN DEVELOPMENT INDICES BY REGION, 1991



CHAPTER 2

The State of Income

Human welfare cannot be reduced to income or earnings alone. It is erroneous to say that greater human development invariably means striving for the highest income. *Opulence*, which is the goal of maximizing income, cannot be the essence of human development. However, income or earnings are still the most popular measure of levels of human existence. Comparisons across countries show that, among the components of human development, income is where the Philippines has lagged behind the most.

Where a market economy prevails, earned income becomes almost synonymous with the means to support, maintain, and uplift human life. Higher income means greater command over quantities and qualities of goods and services. Health, nutrition, and education, for example, are broadly related to income, both as causes and consequences. Therefore, while the importance of raising income may be disputed at higher levels of opulence, its significance in a situation of extreme poverty and deprivation cannot be denied. If the human development indices (HDI) for the Philippines and its various regions is any indication, the greater anomaly in the country's human development record is to be found not in incommensurate efforts to provide direct social services, but in the simple failure to secure higher income for the people.

What determines how much people earn? People earn income when the resources they own are used in production, either by themselves or by others. When labor is employed, or when equipment, land, or financial assets are used in productive work, their owners obtain claims to social output in the form of wages and salaries, rent, interest, and others. Generally, incomes improve over a broad front when total production in the economy increases. Thus, *growth* in production is the first determinant of income although in recent years, earnings by the growing number of overseas workers have augmented incomes from domestic production.

Incomes also depend on the amount and quality of *wealth* controlled by a household. A peasant household can live only from labor incomes earned by working family members. It will earn correspondingly less if its members lack skills, are malnourished, or illiterate. By contrast, families who own assets such as land, substantial bank deposits, shares in corporations, bonds, and others will be better off. In this country, political capital or influence sometimes substitutes for asset ownership, since it can provide access to the state's vast resources for one's own benefits.

In addition, however, the kind and the amount of income earned will depend on changing technologies and on the different strategies and priorities pursued by societies and governments. If much of the production required by the economy uses little labor, then owners of labor power are forced to sell their services for lower wages, must contend with unemployment, or create their own employment in the so-called *informal sector*.

Production growth, wealth distribution, political influence, technological changes, and economic policies, alone or combined, affect people's incomes in one way

Table 9
GROSS REGIONAL DOMESTIC PRODUCT (GRDP) PER CAPITA LEVELS AND GROWTH RATES

Region										
National Capital Region		30,655	27,082	6.1	-1.56	4.59	1.74	4.69	1.77	-1.12
I	Ilocos	6,891	7,014	4.5	0.70	3.27	2.09	-1.23	1.33	0.16
II	Cagayan Valley	7,821	5,944	7.3	-3.23	2.66	-0.06	-5.60	0.22	-2.46
III	C. Luzon	10,968	10,945	5.9	0.08	4.38	2.40	-2.34	1.96	-0.02
IV	S. Tagalog	14,117	12,397	5.7	-1.74	4.41	1.56	-4.49	1.67	-1.17
V	Bicol	5,265	4,727	5.4	-0.09	2.49	1.31	-2.40	0.22	-0.98
VI	W. Visayas	10,069	8,788	3.4	-1.37	2.99	0.98	-3.60	0.81	-1.23
VII	C. Visayas	9,912	9,823	7.7	-1.07	4.40	1.88	-3.03	2.44	-0.08
VIII	E. Visayas	5,416	5,286	3.5	1.32	1.82	1.59	-0.51	0.02	-0.22
IX	W. Mindanao	7,626	6,488	11.0	-0.73	2.07	0.78	-3.03	-0.13	-1.46
X	N. Mindanao	13,348	9,857	8.7	-2.69	2.07	-0.12	-5.30	-0.51	-2.76
XI	S. Mindanao	14,413	11,539	4.9	-1.90	2.51	0.48	-4.42	0.06	-0.20
XII	C. Mindanao	10,196	8,170	8.3	-1.10	1.91	0.53	-3.67	-0.58	-1.99
PHILIPPINES		12,620	11,311	6.0	-1.27	3.70	1.41	-3.68	1.31	-0.99

[a]Economic and Social Statistics Office, National Statistical Coordination Board.
[b]Philippine Institute for Development Studies, "Balanced Regional Development Study," Annex L, May 1990.
1975-1980 data are in 1972 constant prices.

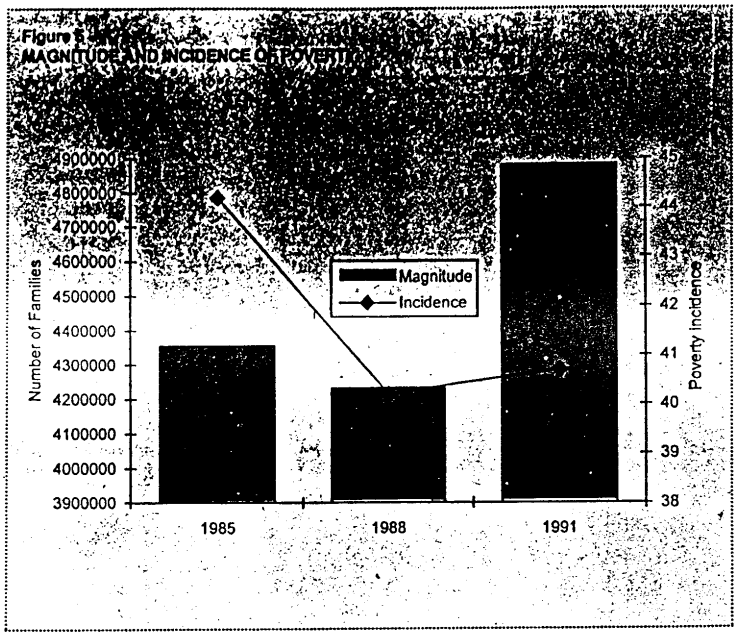
or another. At the level of the entire economy, incomes are measured by the *gross national product* (GNP), and average incomes are simply GNP divided by the population, or GNP per capita.

Incomes, Poverty, and Inequality

Viewed nationally, across regions or by sector, indicators of Philippine income over the last decade tell only one story: decline. Incomes per person fell drastically and still have to recover the level attained in the early 1980s (see also Figure 8). In addition, whatever income was created has been unequally distributed. Absolute poverty among the people has remained a serious problem.

The fall in per capita income is the direct outcome of stagnating output and a failure to recover. Complicating this is rapid population growth. Over the past two decades, real per capita incomes swang wildly, reflecting the "boom-bust" cycle of the economy. The longer trend has been one of decline. Filipinos have not regained the average level of incomes they earned a decade ago.

Income growth in the mid-1970s was moderately rapid. This was deceptive, however, since it was supported only by large amounts of foreign borrowings and could not long be sustained. As a result, the economy began to falter at the turn of the 1980s, then contracted precipituously during the mid-1980s in the worst reces-



sion the country ever experienced in forty years. During the latter part of the 1980s, average incomes recovered modestly but their recovery was fragile, and they soon declined in 1991 and 1992.

Clearly, the ups and downs of per capita income are primarily caused by the ups and downs of domestic production, or what is known as gross domestic product (GDP). In addition, incomes earned from abroad also dropped during the mid-1980s despite growing remittances from overseas workers due to heavy claims on the country by foreign creditors. The subsequent moderation of external debt service and rising remittances resulted in a slight increase in national incomes during 1991-1992, although domestic production continued to fall.

The picture at the national level is largely repeated in the regions, with some variations (Table 9). During the 1980-1985 period, Cagayan Valley, Northern and Southern Mindanao, Metro Manila and Southern Tagalog suffered the largest cuts in income, while regional incomes in Central Luzon and Bicol remained largely intact. During the tentative economic recovery between 1985 and 1991, Metro Manila, Southern Tagalog, Central Visayas and Central Luzon benefited most. The poor growth performance during the 1980s explains the continuing problem of poverty over the past decade.

Official measures of the *incidence of poverty*[1] increased between 1971 and 1985 (NSCB 1992), then improved somewhat in 1991 (Table 10). Nonetheless, since the population increased over the same period, the total number of poor families rose from 4.36 million in 1985 to 4.88 million in 1991 (Figure 5). Two out of every five Filipino households are poor. Since poorer families are also larger in general, the 40 percent poverty incidence in terms of families in 1991 translates into 46.5 percent poverty incidence in terms of population (NSCB 1992).

Subsistence poverty refers to the inability to earn enough income to meet the minimum food requirements of a normal person (i.e., 2,000 calories per day). This remains equally serious. There were 2.42 million families in subsistence poverty in 1991, or about one in every five Filipino households. This has hardly

[1]The number of poor families as a proportion of the total number of families.

Table 10
POVERTY INCIDENCE, SUBSISTENCE POVERTY AND REGIONAL SHARE OF THE TOTAL POOR FAMILIES
(by region; 1985, 1988 and 1991; in percent)

		Total Poverty Incidence			Subsistence Poverty Incidence			Share in Total Poor
	Region	1985	1988	1991	1985	1988	1991	1991
	NCR	23.0	21.6	14.9	6.0	5.0	2.5	5.7
	Non-NCR	47.5	43.1	44.9	27.2	22.7	23.1	94.3
	CAR	—	41.9	37.6	—	16.4	19.8	1.8
I	Ilocos	37.5	44.9	49.4	15.5	19.6	24.7	7.0
II	Cagayan Valley	37.8	40.4	43.1	19.1	18.4	20.6	4.0
III	C. Luzon	27.7	29.3	33.0	11.6	10.2	12.7	8.2
IV	S. Tagalog	40.3	41.1	38.0	20.3	21.7	17.8	12.4
V	Bicol	60.5	54.5	56.1	37.4	31.5	31.2	9.6
VI	W. Visayas	59.9	49.4	46.7	33.6	25.9	22.8	10.6
VII	C. Visayas	57.4	46.8	42.4	39.6	27.6	23.3	7.3
VIII	E .Visayas	59.0	48.9	40.7	42.4	31.2	24.8	5.4
IX	W. Mindanao	54.3	38.7	54.5	34.6	22.8	24.8	6.6
X	N. Mindanao	53.1	46.1	55.2	33.4	27.2	35.0	7.7
XI	S. Mindanao	43.9	43.1	47.5	23.3	24.0	27.2	8.0
XII	C. Mindanao	57.7	36.1	51.0	29.6	16.8	25.8	5.7
PHILIPPINES		**44.2**	**40.2**	**40.7**	**24.4**	**20.3**	**20.2**	**100.0**

Source: Technical Working Group on Poverty Determination, National Statistical Coordination Board.

changed from the 2.40 million households in 1985.[2]

Who are the poor? Where are they? With two out of five Filipino families living in poverty, it may be easy to generalize about the conditions and causes of poverty. Nonetheless, it is a fallacy to think that the poor are all alike, and that, therefore, their problems can be remedied by panaceas. In fact, there are many kinds of poor, to be found in different places in the country. The more they are delineated and the specific problems identified, the more focused and effective public intervention will be.

National averages hide many important differences across regions and between urban and rural areas. For example, poverty incidence may be disaggregated by region, and between urban and rural (Figure 6, and Tables 10 and 11). The following will be noted:

First, as may be expected, poverty incidence in Metro Manila is much lower than in the rest of the

[2]Estimates of total- and subsistence-poverty incidence are very sensitive to the measurement of the poverty threshold. The World Bank (1992) noted that Philippine poverty and subsistence poverty thresholds are substantially higher than Thailand or Indonesia, largely because the other countries assume a larger contribution of rice to calorie-intake and a larger share of food in total expenditures. Roughly adjusting for the "overestimation," the subsistence poverty rate in 1985 and 1988 would be 10.2 percent and 8.8 percent, respectively, instead of 24.2 and 20.8 percent, respectively, while the adjusted poverty incidence would be 31.9 percent in 1985 and 31.1 percent in 1988 (World Bank 1992: 324-26). Nevertheless, poverty thresholds are influenced by social norms; in principle, the official estimates reflect such norms. Thus, the discussion in the paper relies on the official estimates of poverty threshold income.

Figure 6
TOTAL AND SUBSISTENCE POVERTY ACROSS REGIONS, 1991

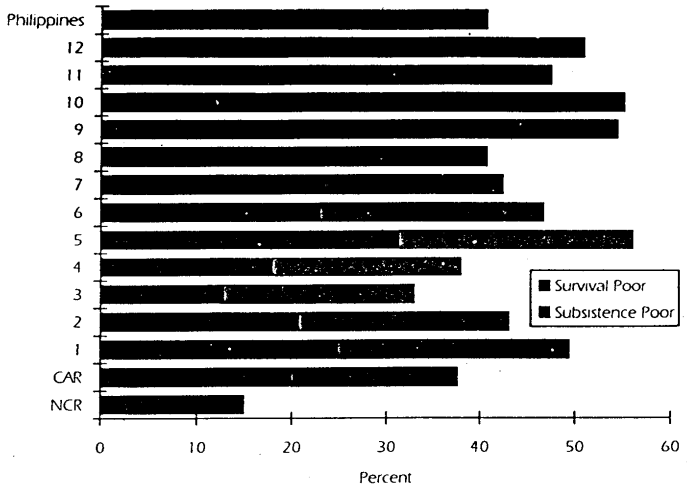


Table 11
RURAL AND URBAN POVERTY INCIDENCE BY REGION (as percent of all families)

Region	Rural			Urban		
	1985	1988	1991	1985	1988	1991
National Capital Region	—	—	—	23.0	21.6	14.9
Cordillera Autonomous Region	—	44.7	43.9	—	42.5	23.5
I Ilocos	37.1	46.0	49.4	39.0	41.0	49.5
II Cagayan Valley	38.1	40.1	43.1	36.2	42.3	43.2
III C. Luzon	29.7	30.9	35.4	24.9	27.0	31.3
IV S. Tagalog	44.5	46.1	46.4	33.2	31.5	30.1
V Bicol	65.3	55.9	53.5	42.1	49.3	62.0
VI W. Visayas	63.1	53.5	52.4	51.5	38.9	37.7
VII C. Visayas	61.8	54.2	52.7	47.7	31.1	29.3
VIII E. Visayas	60.7	51.2	41.6	52.5	41.1	38.7
IX W. Mindanao	55.6	39.6	57.5	47.5	34.5	47.7
X N. Mindanao	54.3	48.0	61.1	49.7	40.9	47.8
XI S. Mindanao	47.4	50.9	51.3	37.4	29.4	43.1
XII C. Mindanao	53.7	35.1	48.9	42.5	40.9	55.3
PHILIPPINES	50.7	46.3	49.1	33.6	30.1	32.2

Source: Technical Working Group on Poverty Determination, National Statistical Coordination Board.

country. But more important, poverty incidence in Metro Manila declined substantially during the period 1985-1991, while that outside the capital was reduced only marginally. As a result, Metro Manila's poverty incidence, which had been half that of the rest of the country in 1985, became only one-third of the poverty incidence everywhere else by 1991. The relative magnitude of changes in subsistence poverty incidence between the capital and the rest of the country during 1985-1991 is even more dramatic (Table 10). The implication is very clear: in terms of poverty alleviation, the economic recovery of the latter 1980s benefited largely the Metro Manila region.

Further breakdown in Table 10 shows regional variations in performance with respect to poverty alleviation. Apart from Metro Manila, the Visayas (Regions VI, VII and VIII) showed a similarly substantial reduction in poverty incidence during 1985-1991. In contrast, Regions I, II and III experienced significant deterioration in poverty incidence. The deterioration is particularly large for Region I, the so-called "Marcos country," which was somewhat neglected during the early post- Marcos years. Two other regions, Regions X and XI, also experienced some deterioration in poverty incidence. Region V (Bicol), which registered the highest poverty incidence in 1985, improved somewhat during 1985-1991; nevertheless, it still has the highest poverty incidence.

Through time, there have been marked shifts in the composition of poverty of urban and rural areas in some regions (Table 11). In Regions V and XII, urban poverty incidence rose substantially, while rural poverty incidence dropped significantly. In contrast, declines in urban poverty incidence were somewhat negated by increases in rural poverty incidence in Regions IV and IX. These compositional shifts may simply reflect changes in classification of areas according to National Statistics Office (NSO) criteria or more profound locational shifts in development and underdevelopment (Balisacan 1992).

Regions differ in population size; therefore regional figures on poverty incidence do not fully capture the magnitude of where the poor are in terms of absolute numbers. Table 11 decomposes the total number of poor families in 1991 by region and by rural or urban location. It shows that Region IV, especially its rural areas (most probably Mindoro, Palawan and Quezon), has the largest number of poor families in the country. Metro Manila has the lowest poverty incidence, accounting for 7.3 percent of the total number of poor families. The other regions with the largest concentration of poor families are Region VI (especially rural Western Visayas), Region V (especially rural Bicolandia), Region VII (especially rural Central Visayas), Region XI (especially rural Southern Mindanao) and Region III (roughly split between rural and urban Central Luzon). The top seven regions (including Metro Manila) account for nearly two-thirds of the poor families in the country.

Some 72 percent of all the poor families are in the rural areas. About 60 percent earned their income primarily from agriculture, either as farmers, agricultural workers, fishermen or forestry workers. The rest are primarily production, transportation and service workers, and unemployed. This suggests that in addressing poverty, it is important to disperse economic development to the regions outside Metro Manila, that agricultural productivity and growth is a priority, and that employment and better-paying jobs are central to the country's agro-industrial development strategy.

The larger the size of the family, the greater the poverty. In 1988, for example, only 25 percent of two-person families were poor, but 67 percent of families with more than seven members were poor. It suggests that poverty incidence would be lower if, among other things, average family size were smaller.

Whether and how an increase in overall incomes makes a dent on poverty will depend on two things: (1) *average income*, i.e., whether the region is rich or poor; and (2) *distribution of income*, i.e., whether it is distributed more or less equally.

Income inequality affects the extent of absolute poverty. Given two regions with almost similar average incomes, greater poverty will prevail in the region with the more unequal income distribution. This is especially true when the economy is stagnant or shrinking. The 1988 figures in Table 12, for example, shows that Central Luzon, where income distribution is more equal, tends to have a lower incidence of poverty than Region VI or VII.

On the other hand, it is also true that high average incomes can make up for the bad effects of unequal

Table 12
INCOME INEQUALITY, PER CAPITA INCOME AND POVERTY INCIDENCE BY REGION, 1985, 1988 and 1991

Region	Inequality (Gini Coefficient)			Poverty Incidence (percent of families)			Per Capita Income (pesos)		
	1985	1988	1991	1985	1988	1991	1985	1988	1991
National Capital Region	0.4146	0.4258	0.4397	23.0	21.6	14.9	24,372	26,975	27,082
Cordillera Autonomous Region*	n.a.	0.3741	0.4374	n.a.	41.9	37.6	n.a.	n.a.	n.a.
I Ilocos	0.4011	0.3743	0.4058	37.5	44.9	49.4	6,478	6,883	7,000
II Cagayan Valley	0.3856	0.3952	0.4209	37.8	40.4	43.1	5,864	6,192	5,944
III C. Luzon	0.3992	0.3861	0.4079	27.7	29.3	33.0	9,743	10,671	10,945
IV S. Tagalog	0.4058	0.4034	0.4278	40.3	41.1	38.0	11,222	12,159	12,397
V Bicol	0.3798	0.3876	0.3971	60.5	54.5	56.1	4,663	4,577	4,727
VI W. Visayas	0.4499	0.4080	0.4037	59.9	49.4	46.7	8,375	8,673	8,788
VII C. Visayas	0.4537	0.4602	0.4647	57.4	46.8	42.4	8,500	9,685	9,823
VIII E. Visayas	0.3904	0.4041	0.4417	59.0	48.9	40.7	5,280	5,345	5,286
IX W. Mindanao	0.3047	0.4087	0.4476	54.3	38.7	54.5	6,539	6,425	6,488
X N. Mindanao	0.4539	0.4424	0.4007	53.1	46.1	55.2	10,164	10,294	9,857
XI S. Mindanao	0.3932	0.4019	0.4452	43.9	43.1	47.5	11,497	11,871	11,539
XII C. Mindanao	0.3709	0.3583	0.3754	57.7	36.1	51.0	8,459	8,570	8,170
PHILIPPINES	**0.4466**	**0.4446**	**0.4735**	**44.2**	**40.2**	**40.7**	**10,461**	**11,243**	**11,311**

*For 1985, included in Regions II and III.

Sources: National Statistical Coordination Board. "Highlights of the 1991 Family Income and Expenditure Survey;" NEDA National Planning and Policy Staff and Development Planning and Research Project, "Income Distribution in the Philippines (1957-1988): An Application of the Dagum Model to the Family Income and Expenditure Survey (FIES) Data" by Ma. Cynthia S. Bantilan et al.

income distribution. Poverty in a much richer region is likely to be less than that in a comparatively poorer region even when the richer region has a less egalitarian income distribution. This is obvious in Table 12 when Metro Manila, for example, is compared with Bicol and Cagayan Valley. Similarly, when the distribution of income does not differ much, higher average incomes will be associated with lower poverty incidence. This is true for Central Luzon in comparison with Cagayan Valley or Eastern Visayas.

Changes in any one region's poverty incidence, income inequality, and average incomes through time are more difficult to explain (Table 12). Over the period 1985-1991, poverty incidence worsened in some regions even if average income increased slightly, simply because income inequality worsened. Examples are Regions II and XI. For the same reason, poverty incidence was reduced in Regions VI and XII because their average incomes increased while income distribution remained the same, or improved. In contrast, however, poverty incidence was reduced in Regions IV, V, VII, VIII and NCR despite the worsening of income inequality. A likely explanation for this is that a good number of the poor in these regions were only slightly below the poverty threshold in 1985; as a result, when average incomes increased marginally during 1985-1991, these

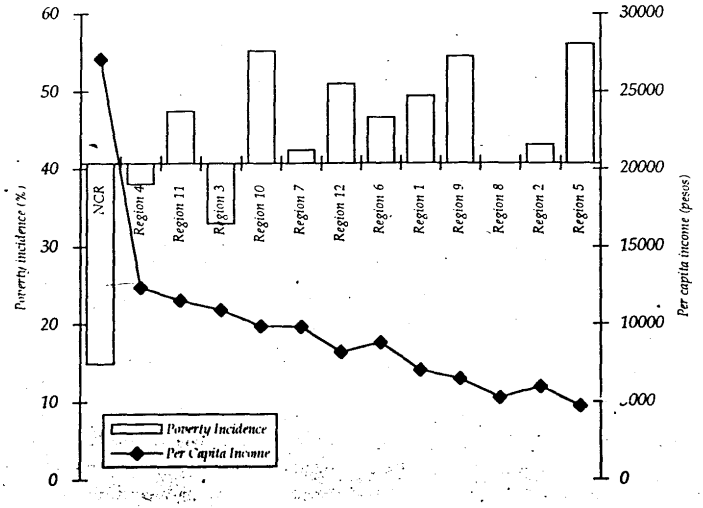
Box 2.1
AVERAGE INCOME AND POVERTY, 1991

The figure here classifies regions according to decreasing per capita income (actually, product), using the right hand scale. National Capital Region (NCR) has the highest average income, followed by Region IV, Region XI, and so on. The national per capita income in 1991 was P11,311.

The bars measured on the left hand axis show the incidence of poverty for each region, measured as a percent of the total population. NCR has a poverty incidence of 14.9 percent. The horizontal axis is drawn coinciding with the national poverty incidence of 40.7, so that if a region's bar is above the horizontal, that means its poverty incidence is above the national average. Region 8 happens to have a poverty incidence that is exactly equal to the national level. Only NCR, Region III, and Region IV have poverty incidence levels below the national level.

Does a higher regional per capita product imply lower poverty incidence? The picture is mixed. The observation is certainly true for NCR and Region IV, which have higher than average product and lower than average poverty levels. Likewise, Region V has the lowest per capita product and also the highest povery incidence. Region IX is also a classic case of low incomes and high poverty. These cases are "predictable".

But there are some unexpected results. Region XI has the third highest average product, yet its poverty incidence is much higher than that of Region VIII (third lowest in income); Region X has a higher product per capita than Region VII, yet its poverty incidence is also much higher. Clearly, other factors are at work, the most important of which is income distribution. Incomes in Regions X and XI happen to be unequally distributed because the profitable economic activities in these areas benefit a narrower group of people.



households graduated into the category of the non-poor.[3]

These observations provide straightforward lessons. When deprivation in some very poor regions are equally distributed, priority should be given to raising the level of growth and of incomes. Where there is a good degree of inequality, it is important to distinguish whether high or increasing income inequality signifies the presence or absence of growing opportunities. Generally, where average incomes are rising, poverty will be reduced, although inequality may increase. In poorer regions, where no new economic opportunities are pre-

[3] It is also possible that there are some measurement or estimation errors in the establishment of the region-specific threshold incomes by NSCB.

sent, both poverty and inequality will be high; indeed, the inequality itself will be a cause of poverty. Again, in this case, growth in incomes is of primary importance.

Reducing the incidence of poverty, therefore, largely entails a sustained high growth rate of the economy, accompanied by a more equal distribution of the fruits of economic growth.

Unfortunately, Philippine society has always been characterized by increasing inequality in incomes, in good times and in bad. Figure 7 shows the shares in income of the poorest 40 percent and richest 20 percent of the population over the period 1985-1991.

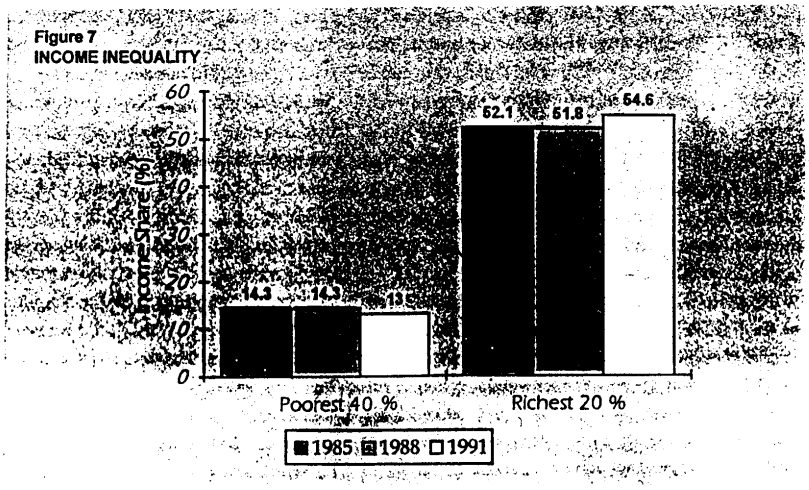
Poverty and Rural Underdevelopment

The poor in the Philippines are still primarily rural people. They are poor because they lack access to good lands or natural resources and must work with inferior resources. This condition applies to farmers in the uplands, indigenous peoples, small-farm cultivators in rainfed lowland areas, artisanal fishermen, and landless agricultural workers.

Among urban households, the poor are those with little skills, the unemployed, and the underemployed, e.g., scavengers, peddlers and unskilled laborers. Typically, whether in town or country, the poor must take on multiple jobs since the incomes from their "primary occupations" are too meager to sustain them. Therefore, additional, part-time, or seasonal work is always sought. More members of poor households are in the labor market seeking work, primarily in the informal sector, to help meet the household's daily needs (Imperial et al. 1993).

Studies of poor rural households in Northern Mindanao vividly picture the effects of poverty. Almost 9 percent of all families eat less than three meals a day, and a considerable percentage of children are malnourished (Madigan 1988). Spending on health is extremely low, and the rate of getting sick (morbidity) among rural households is high. Such households have been excluded from the modern health care system. Housing, water supply, and sanitation facilities are equally wanting. Poor families have high fertility and infant mortality rates. Another study of Northern Mindanao (Costello 1989) finds the poorest municipalities in the region's inaccessible areas: remote uplands and offshore islands with little transportation contact with the region's economic growth points. This shows clearly that *infrastructure* — i.e., access through highways or coasts to the region's economic growth points — is indispensable for economic development. In short, an important condition of the poor is their exclusion from the mainstream of economic life.

The relationship between rural development and household welfare is somewhat involved, but must be



understood nonetheless.[4] Obviously rural households will always respond to their economic, physical and social surroundings as best as they can. But how well they can do so depends on the means available to them, namely, their labor, skills, access to land and natural resources, and the quality of these means. The incomes they earn simply reflect how good or how poor are these resources over which they dispose. For example, landless rural households can rely only on earnings from unskilled labor, and this determines why they are way down on the ladder of rural poverty. Owner-cultivators and farm renters, on the other hand, may earn from tilling the land and from occasional forays into the rural labor market and will be somewhat better off. But even this depends on whether they have good access to markets for outputs and inputs. Farmers in the uplands may have land to till, but the quality of land is poor and the markets are more difficult to reach and they earn less as a result. Similarly, small fisherfolk have access only to degraded and overfished municipal fishery grounds and this is reflected in their incomes.

When there is a great need for labor in either urban and rural areas, wages and incomes of rural households (especially the landless) will tend to increase. Differences in the quality and economic value of lands tilled and natural resources managed is a major determinant of the variation in incomes among the owner-cultivators, farm renters, and fisherfolk.

The basic aspects of human development — nutrition, health, and education — cannot be considered in isolation from each other; instead, they are the outcomes of a household's choices, given the constraints it faces. Age and sex, sociocultural beliefs, and *current incomes* will determine how much of a priority a household is willing to place on health and education as against, for example, savings or investment. Higher incomes will generally lead to a higher desire for better nutrition, health, and education, as well as a greater ability to obtain these.

Apart from income, however, nutrition also depends on the physical availability and price of food, whether imported or produced domestically. Similarly, it is not only income that determines health and education status but also the physical presence of personnel and facilities in the rural areas. The concentration of facilities in the urban centers means that, even for the same level of income, a rural family must spend more than an urban family to obtain the same quality of health care or education. For this reason, direct government provision is often needed in remote areas. In turn, rising levels of health and education are needed for a household to improve its prospects of earning income over time. This is discussed in more detail in the chapter on the State of Human Capital.

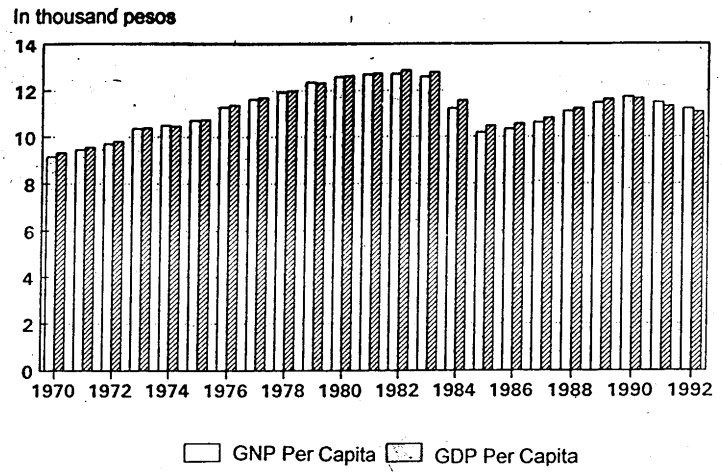
In all this, the direction of government policies and the magnitude of its spending have a critical and pervasive influence on the economy and on the human development condition of the households. The government's development strategy shapes the extent of domestic and foreign investments, the allocation of capital between industry and agriculture, and the employment effect of investments and economic growth. Government expenditure policies determine the allocation between current and capital expenditures and among the competing budgetary claims from the social sector, defense, general administration, and economic support services. Agrarian and natural resource policies determine the extent of access to agricultural land and other natural resources in the rural sector. Finally, government macroeconomic policies influence the availability and pricing of food imports/exports, the incentives to household and corporate savings and investments, and the labor force participation rates of household members. In sum, the quality of governance shapes the character of development and the welfare status of the rural (and urban) households.

The disturbing prospect is the emergence of a vicious cycle. Rural unemployment and underemployment cause poverty; poverty leads to poor nutrition, health and education, poor quality and low productivity of labor force, and high fertility, morbidity and mortality rates. Low household savings and investments tighten the noose of economic stagnation and poverty.

At the household level, breaking this vicious cycle means "voting with the feet," i.e., migrating to urban areas or leaving the country in search of a job. At the national level, breaking the cycle requires a shift in government development strategy toward greater commitment to employment creation, substantially improved rural infrastructure, increased government pro-

[4]The rest of the section draws from Intal (1989).

Figure 8
GNP AND GDP PER CAPITA (1985 prices)



vision of basic health and education services, increased focus on food security, and improved access to land and natural resources by many of the rural poor. Above all else, there is a need for a continuously high economic growth, well above the population growth rate, and an end to the boom-bust cycles of past decades.

Why is Philippine Economic Performance So Poor?

If the "stop-go" pattern of economic growth is to be broken, its causes must be understood. In the 1980s, the economy ran true to the form of the previous two decades. The only difference was that the period between boom and bust was now compressed into a shorter time (Figure 8). The "high-flying" 1970s ended with the big crash of 1984-1985; the brief economic recovery of 1987-1989 ultimately ended in a recession and economic stagnation during 1991-1992. The "stop-go" pattern pervades all sectors, with manufacturing and industry being the most volatile and agriculture registering the least growth fluctuation. The year 1994 is now being touted as the first year of recovery for the economy. But whether this recovery represents something new or shall simply repeat the pattern will depend on whether lessons have indeed been learned.

The 1980s must be given up as a lost decade for the Philippines. The economy staggered from one crisis to the next, while the economy of rest of the Western Pacific region surged (Table 13). In that period, the country's income, industrial output, and exports grew even more slowly than the average of the 20 severely indebted countries.

The reasons for the economy's failure during the 1980s are as follows: (1) the need to implement stabilization measures as a consequence of the debt crisis; (2) loss of international competitiveness in the light of dynamic changes that occurred in the Asia-Pacific region during the decade; and (3) uncertainty in politics and in the policy regime, especially as perceived by foreign investors.

Debt and Stabilization

Under the prevailing system of international finance and politics, highly indebted countries are compelled to undergo wrenching economic adjustments before they recover. The process of adjustment invariably takes several years and involves declines in per capita incomes. The Philippines is the only Asian country in the

Table 13
PHILIPPINE ECONOMIC PERFORMANCE IN INTERNATIONAL PERSPECTIVES, 1965-1989
(average annual growth in percent)

Philippines	GDP growth	Industrial growth	Inflation rate	Gross domestic investment	Export growth (in US$)
1965-1980	5.9	8.0	11.7	8.5	4.6
1980-1989	0.7	-0.8	14.8	-7.8	1.3
Severely indebted countries					
1965-1980	6.1	6.9	29.1	8.3	-0.2
1980-1989	1.9	1.5	140.5	-2.0	3.9
Other ASEAN[a]					
1965-1980	8.0	11.1[a]	12.9	12.0	6.9
1980-1989	5.8	6.2	3.6	4.2	8.3
East Asia[b]					
1965-1980	7.3	10.9	9.3	11.1	10.0
1980-1989	7.9	10.4	6.0	9.9	10.0

[a]Simple average.
[b]Includes ASEAN and China.
[c]Excludes Malaysia.
Source of basic data: *World Development Report 1991.*

"club" of 20 severely indebted middle income countries, and its wrenching experience in economic adjustment since the 1983-1985 economic crisis sharply contrasts to the ebullience of the rest of East and Southeast Asia. Filipinos themselves have tagged their country as the "sick man of Asia," an indication of their eroded self-confidence.

Because the Philippines could no longer borrow from commercial banks and had to restructure its external debt, it was compelled to subsist on severely limited foreign exchange reserves. For most of the 1980s, the management of the macroeconomy was placed under the tight control of the International Monetary Fund, and macroeconomic stabilization inevitably took primacy over economic growth. The country made net payments to foreign creditors of some $12 billion during 1983-1991. Given the country's low international reserves, export earnings or foreign investment would have had to rise substantially in order for the economy to grow sustainably. Failing that, pump priming the economy through domestic financing of the concomitant fiscal deficit could not be sustained for long and the growth of the economy had to be sacrificed ultimately through stringent monetary and fiscal policies. By the second half of 1989, the domestic financing of the budget deficit (using primarily short-term debt), together with the "mopping up" operations of the Central Bank led to rising domestic interest rates which significantly pushed up government expenditures on domestic debt service. To address the worsening internal debt service problem and the rising trade deficit, the government implemented stringent fiscal policy beginning in late 1990, thus, starting the economic stagnation during 1991-1992.

It is instructive to contrast the experience of the Philippines in macroeconomic management to that of other similarly indebted countries, for example, Indonesia, during the 1980s. In contrast to the Philippines, Indonesia received positive net resource transfers during its critical macroeconomic adjustment period

Table 14
MACROECONOMIC INDICATORS: THE PHILIPPINES AND INDONESIA COMPARED

	[illegible]		[illegible]		[illegible]	
	PH	ID	PH	ID	PH	ID
Net resource transfer (in billion US$)	1.9	0.6	-1.1	2.7	-1.8	-3.3
Foreign borrowing (as share of government deficit*)	233.8	100.2	30.0	100.1	54.6	100
Government deficit* (as a percent of GNP)	2.2	3.7	1.9	4.6	2.5	6.4
Broad money (M2) (as percent of GNP)	21.9	8.0	22.6	24.2	24.7	34.1
Claims on private sector	28.0	11.7	26.8	9.3	16.7	34.2
Real GNP growth rate (% p.a.)	4.6	6.7	-3.3	5.0	5.3	7.2

*Government deficit refers only to central government

(1983-1987), implemented a less stringent fiscal policy with its budget deficit financed from foreign borrowing, vigorously pursued an expansionary credit policy (as indicated by the sharp rise in the share of broad money M_2 to GNP and in the share of domestic credits going to the private sector) within the framework of an overall prudent monetary policy (indicated by the stable ratio of narrow money-M_1-to GNP). Given a financially healthy Central Bank, it succeeded in effecting a relatively non- inflationary depreciation of the Indonesian rupiah, such that there was a significant real depreciation of the rupiah. It posted positive deposit interest rates that helped encourage the rising domestic savings rate. On the other hand, as Table 14 shows, the Philippines was hobbled by substantial negative net resource transfers to its creditors and by a financially precarious Central Bank. As a result, fiscal policy was tighter, with the ratio of national government deficits to GNP being lower than in Indonesia. Credit policy was decidedly stringent *vis-a- vis* the private sector, so that the share of credits going to the private sector dramatically declined during the late 1980s. In addition, because the currency devaluations were undertaken only as a last resort and not as part of a competitive strategy, the devaluations proved far more inflationary and much less effective than those in Indonesia (Intal 1991a).

The dilemma of the Philippine macroeconomic adjustment process is that the large negative net resource transfers weakened the government's credibility and dampened the prospects for national consensus on the structural reforms needed to ensure a sustainable growth path. At the same time, because there was no strong structural reform program to improve the efficiency and competitiveness of the economy and its exports, the balance-of-payments crisis eventually recurred after the slump in initial demand. Attempts to pump-prime the economy and achieve economic recovery put renewed pressure on the country's meager international reserves (Intal 1991b).

Erosion of Competitiveness

After the initial burst of reforms in its early months, the Aquino administration failed to forge a national consensus on the needed structural reforms. As a result, it largely muddled through in its economic management during much of the first four and a half years. During its last 18 months, it resolved to push through with the needed structural reforms toward more open trade, especially with the implementation of the tariff reform program under Executive Order 470, financial and foreign exchange liberalization, privatization, and a more liberal investment regime exemplified by the Foreign Investments Act of 1991. It may be argued that had there been a more decisive resolution of the policy dilemma of the Philippine macroeconomic adjustment process, the structural reform package would have been more credible and more vigorously implemented, the policy rules of the game would have been firmly set in place, thereby giving clear policy signals to the private sector earlier, and the positive impact on the economy of such reforms would have been greater (Intal 1991b).

The current administration has continued the push for greater economic openness, investment-friendli-

ness, privatization, deregulation and liberalization. It has adopted the attainment of international competitiveness and the enhancement of human resource development as critical pillars of the country's development strategy toward higher economic growth during the 1990s.

Nevertheless, the challenge of substantially improving the country's international competitiveness remains great (Tables 15 and 16 and Figure 9). As Table 15 indicates, Philippine labor productivity growth, especially in manufacturing and even in agriculture, has significantly lagged behind that of China, Indonesia, Malaysia and Thailand during 1975-1990. Table 16 also indicates the deterioration in the quality of infrastructure in the Philippines compared to its ASEAN neighbors. Moreover, Figure 9 shows the substantial loss in price competitiveness of the Philippines *vis-a-vis* China and Indonesia as a result of the successful real depreciations of China's yuan and of Indonesia's rupiah during the 1980s. Finally, the substantial decline in the domestic savings rate (Figure 10) limits the leeway for non-inflationary government pump-priming and implies much greater reliance on foreign investments for the needed hike in investment in the country.

From what has just been said, it is obvious that the peso will have to depreciate further in real terms, in order to regain somewhat the loss in price competitiveness *vis-a-vis* China and Indonesia and, at the same time, gain some price competitiveness *vis-a-vis* Thailand and Malaysia. In addition, labor productivity growth needs to be significantly increased. Among other things, this calls for improvements in the quality of infrastructure, the allocation of scarce capital resources, the entrepreneurial responses to competition, and the robustness of the country's economic expansion. The Philippines needs to have a coherent, clear and realistic plan to substantially raise agricultural productivity (rooted in substantial improvement of resources in farm infrastructure, including irrigation, varietal research and more effective and focused agricultural support services toward improved productivity and crop diversification) to be able to compete internationally, especially in view of the much better land/labor endowment of the other ASEAN countries (Thailand, Malaysia, Indonesia). Similarly, the domestic savings rate (Figure 10) especially that of the private sector and the government's tax effort must be raised substantially.

Table 15
AVERAGE LABOR PRODUCTIVITY INDICES: ASEAN-4 AND CHINA (1975=100)

	[illegible]	[illegible]	[illegible]	[illegible]
China				
Overall	100	122	166	203[b]
Indonesia				
Overall	100[a]	126	131	140b
Manufacturing	100[a]	156	195	227[b]
Malaysia				
Overall	100	125	138	163
Manufacturing	100	106	117	161
Philippines				
Overall	100	120	96	104
Manufacturing	100	122	107	119
Thailand				
Overall	100	118	136	167[b]
Manufacturing	100	121	131	165[b]

[a]1976; [b]1989

Note: Average labor productivity is measured as the ratio of the gross value added at constant prices to total employment.

Institutional Capacity

Finally, there is a growing need to significantly improve institutional support and the capability of those sectors and agents that will play a key role in the global competition for goods, services and investments. These include government's pro-active support for exports and small and medium enterprises through aggressive technology, investment, and market search and match-ups, simpler and faster processing of investments and exports applications and papers, more effective and facilitative management of official development assistance (ODA) resources, greater funding of and improved institutional programs on technology-based skills training; the redirection of the industrial relations environment toward a more cooperative, rather than adversarial, labor-management-government relations,

Figure 9
PRICE COMPETITIVENESS INDEX OF THE PHILIPPINES VS. SELECTED ASIAN COU

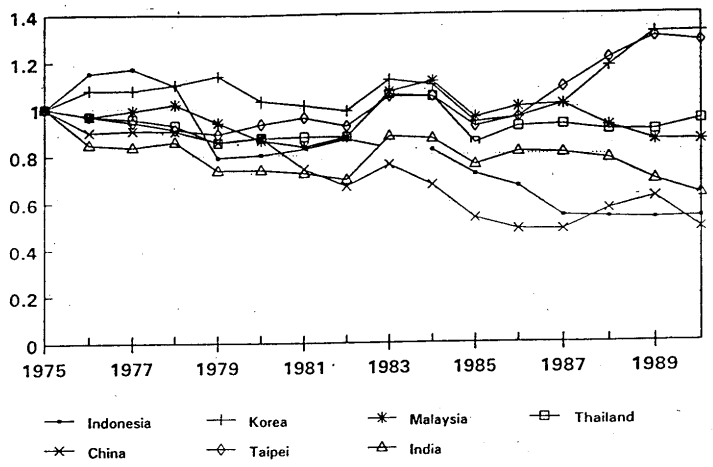


Figure 10
DECLINE IN DOMESTIC SAVINGS, 1970-1991

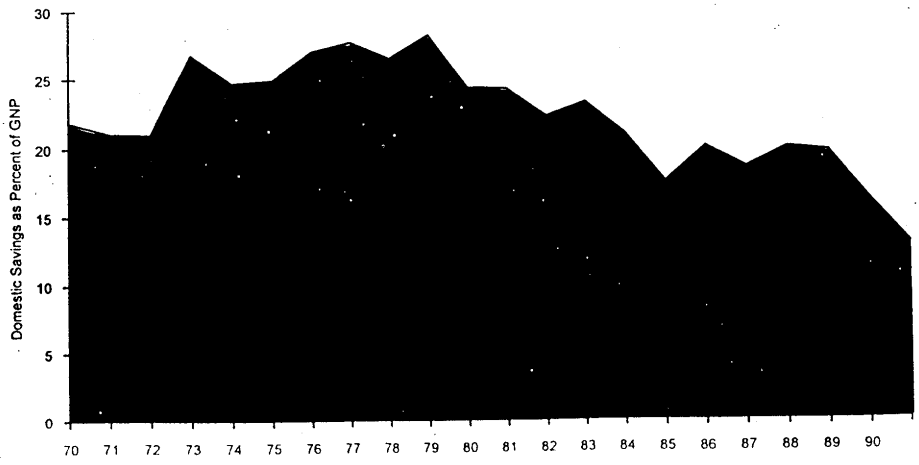


Table 16
SELECTED INDICATORS FOR ASEAN- 4

		1970	1975	1985	1990
Investment Ratio (GDCF:GNP) (%)					
	Philippines	21.6	27.6	20.0	12.6	16.5
	Indonesia	15.7[a]	22.8	27.8	32.3	31.7
	Thailand	20.5[b]	24.7	24.0	22.5	29.0
	Malaysia	23.1[c]	21.7	31.7	31.5	33.1
INDUSTRIAL RELATIONS						
No. of Strikes and Lockouts						
	Philippines	104.0	62.0	371.0	187.0	—
	Indonesia	1.0[a]	13.0	498.0	78.0	37.0[f]
	Thailand	22.0	241.0	18.0	4.0	10.0[f]
	Malaysia	26.0	73.0	30.0	25.0	17.0
Number of Workdays not Worked ('000)						
	Philippines	994.7	105.3	2457.7	955.2	
	Indonesia	9.1	3.0	33.8	557.0	48.6[f]
	Thailand	7.7	722.9	6.4	13.1	89.3[f]
	Malaysia	2.3	46.7	24.5	36.0	24.9
INFRASTRUCTURE						
Length of Paved Roads ('000)						
	Philippines	13.5	10.5	27.7	21.3	23.4
	Indonesia	20.4	33.1	56.5	83.6	89.5[f]
	Thailand	10.1	15.2	22.4	31.3	38.8[h]
	Malaysia	16.0	18.5	20.0	25.9	35.9[h]
No. of Commercial Vehicles ('000)						
	Philippines	179.4	273.2	392.9	514.4	764.9
	Indonesia	125.9	231.5	560.1	1072.6	1257.1[f]
	Thailand	162.8	246.2	140.8	684.7	689.9[f]
	Malaysia	72.6	157.7	204.8	311.1	407.1
Power Production (GWH) ('000)						
	Philippines	100.0	157.8	206.4	264.4	299.3[h]
	Indonesia	100.0	183.9	618.9	1303.4	1817.8[h]
	Thailand	100.0	195.1	332.5	532.0	860.4[h]
	Malaysia	100.0	163.4	287.5	426.2	611.9[h]

Agricultural Wages (P/D)	1970	1975	1980	1985	1990
Philippines	946.0	879.0	894.5[d]	4334.2	4342.9
Indonesia	643.0	859.0	1412.0	1936.0	2035.0[h]
Thailand	82.0	183.0	391.0	586.0	539.0[h]
Malaysia	48.0	359.0	702.0	1773.0	1668.0
Telephone Density (Per 100 persons)					
Philippines	0.8	1.2	1.1	1.2[d]	1.5
Indonesia	0.2	0.2	0.3	0.4	0.5[g]
Thailand	0.4	0.8	1.1	1.5	1.9[e]
Malaysia	1.6	2.4	4.4	8.2	11.4

[a]1971; [b]1972; [c]1973; [d]1982; [e]1986; [f]1987; [g]1988; [h]1989.

Sources: Yearbook of Labor Statistics, ILO (1977, 1989-1990); Statistical Yearbook of Asia and the Pacific, UN (1991, 1980); Key Indicators of Developing Asian Pacific Countries, ADB (1985, 1991); Philippine Statistical Yearbook, 1991.

and the inculcation of an export culture where on-time performance and product quality consistency are given emphasis.

Employment, Economic Dualism, and Regional Development

For most poor Filipino households, labor is the major economic resource over which they dispose. Clearly, income from labor depends on whether and how badly labor is required. As the experience of rapidly growing economies has shown, where employment is full, wages and salaries will be rising across a broad front. Reducing poverty, therefore, implies generating a large number of jobs and means of livelihood, especially in the better-paying formal sector, to employ hitherto abundant labor.

But how big is the unemployment problem? Table 17 presents the labor force participation rates and the unemployment and underemployment rates during the 1980s. The situation is straightforward: labor force participation rates have been rising, the unemployment rate remains high, and the underemployment rate is very high.[5]

Viewed together with Figure 8, Table 17 clearly shows that a reduction in the unemployment and underemployment results in a faster pace of economic growth. From this, it may be inferred that high and sustained economic growth is central to employment and poverty alleviation.

An ever-growing number of people join the labor force annually, while a considerable number remain unemployed or underemployed. As a result, real wages have not increased but have declined or remained constant. Real agricultural wages barely changed during the 1980s (Table 18). They stagnated in most regions, except for Central Luzon and Southern Tagalog which are closest to Metro Manila and, thus, are strongly influenced by its industrial wages and cost of living.

Real wages in agriculture have been relatively constant and substantially lower than the formally legislated minimum wage applied to large industrial firms. This suggests that agricultural labor is highly mobile, creating a large national pool of "surplus" labor. In

[5]The *labor force* refers to people of working age (15 years and above), who are either employed or unemployed. The labor force participation rate are these same people, taken as a proportion of the working age population.

People who have not worked at all during the week the survey was taken are regarded as unemployed. The underemployed, on the other hand, are people who worked less than the normal number of hours in a week, or who worked the normal number of hours but are still looking for work. The unemployment and underemployment rates, respectively, are the number of unemployed and underemployed people, as a proportion of the labor force.

Table 17
LABOR FORCE PARTICIPATION, UNEMPLOYMENT AND UNDEREMPLOYMENT RATES, 1981-1992

	Labor Force Participation Rate	Unemployment Rate	Underemployment Rate	
			A	B
1981	61.7	23.9	14.5	—
1982	60.1	9.4	25.5	13.9
1983	63.6	7.9	29.8	17.2
1984	63.5	10.6	36.4	22.5
1985	63.4	11.1	22.2	15.3
1986	63.8	11.1	28.4	17.8
1987	65.7	9.1	23.9	11.1
1988	65.4	8.3	23.6	11.4
1989	64.4	8.4	22.7	10.9
1990	64.5	8.1	22.6	13.9
1991	64.5	9.0	22.1	N.A.
1992	65.0	8.6		

Notes: Series A refers to those who worked for the reference quarter, but still wanted additional work, expressed as a proportion of the employed; Series B refers to those who worked less than 65 days in the quarter but still wanted additional work, expressed as proportion of the employed.

Source: National Statistics Office;
Balisacan, Arsenio M., "Urban Poverty in the Philippines: Incidence, Determinants and Policies."

contrast, real wages in industry have risen in the latter 1980s because of legislated or mandated increases, and because of more serious implementation by the government of the mandated minimum wages in recent years (Reyes and Sanchez 1990; World Bank 1992). Real wage increases in the industrial sector outstripped the small increases in labor productivity during the latter 1980s (Table 19 and Figure 11).

The government-mandated increases in real wages in the industrial sector, together with a significantly lower and relatively constant real wage rate in agriculture means the labor market is dualistic. This has led to greater reliance of industrial firms on temporary, casual, contractual and other flexible labor arrangements in the face of economic shocks. Coupled with poor infrastructure facilities and an overvalued peso, the higher real wages have reduced the country's international competitiveness in unskilled labor-intensive manufactures, slowed commodity diversification of exports, discouraged employment generation in the formal sector, and, thereby, delayed the increase in the market-determined real wage (i.e., elimination of the "surplus labor").

In view of this, government intervention in the labor market must be redirected away from minimum wage fixing and toward indicative wages based on productivity and differentiated according to industry and region (Intal and Sanchez 1993). There is an urgent need — even if temporary — for greater flexibility in labor arrangements, especially in the export sector. An option worth exploring is the temporary suspension of legal impediments to subcontracting arrangements.

In the current situation, it is easier for laborers to move across regions than to change sectors, especially from agriculture to industry. This has some implications on the country's development policy for the regions. With funds being scarce and with the urgency of the need to provide infrastructure facilities to attract investments, it is preferable *in the short run* to develop a few selected sites as "investment and export platforms" rather than to spread the resources thinly. The problem with such a course, however, is that it could exacerbate the already large disparities in average incomes among the regions described earlier. The current favorite investment sites will typically be those with higher incomes and better infrastructure (e.g., Calabar, Cebu, Subic, Cagayan de Oro-Iligan corridor, Davao City to General Santos City corridor, and Central Luzon). There are large differences in physical and social infrastructure among the various regions. As expected, Metro Manila is pre-eminent in almost all respects, road density, households with electricity, literacy rate and households with level III water supply. Other better-endowed regions are Central Luzon, Calabar, Ilocos, and, to a lesser extent, Central Visayas, Western Visayas, Northern Mindanao and Southern Mindanao.

A good strategy would be for government to further relax regulations and aggressively facilitate private sector participation in infrastructure investment in the selected investment and export areas. By promoting and

Table 18
WAGE RATES IN AGRICULTURE BY REGION, 1980-1991

Region	In Pesos at 1980 Prices			Index		
	1980	1985	1988	1991	1990	1991
I Ilocos	11.05	11.05	11.06	11.05	100.4	100.3
II Cagayan Valley	10.41	10.40	10.40	10.42	94.6	94.6
III C. Luzon	12.13	12.12	12.14	12.12	110.2	110.0
IV S. Tagalog	12.32	12.33	12.32	12.32	111.9	111.8
V Bicol	10.92	10.93	10.93	10.92	99.2	99.1
VI W. Visayas	10.42	10.41	10.42	10.42	94.6	94.6
VII C. Visayas	10.21	10.19	10.21	10.20	92.7	92.6
VIII E. Visayas	11.60	11.59	11.59	11.60	105.4	105.3
IX W. Mindanao	10.23	10.23	10.23	10.22	92.9	92.8
X N. Mindanao	10.87	10.85	10.86	10.88	98.7	98.7
XI S. Mindanao	10.73	10.75	10.73	10.74	97.5	97.5
XII C. Mindanao	10.80	10.79	10.81	10.79	98.1	98.0
PHILIPPINES	**11.01**	**10.99**	**11.00**	**11.02**	**100.0**	**100.0**

Figure 11
NON-AGRICULTURAL PRODUCTIVITY AND REAL WAGES

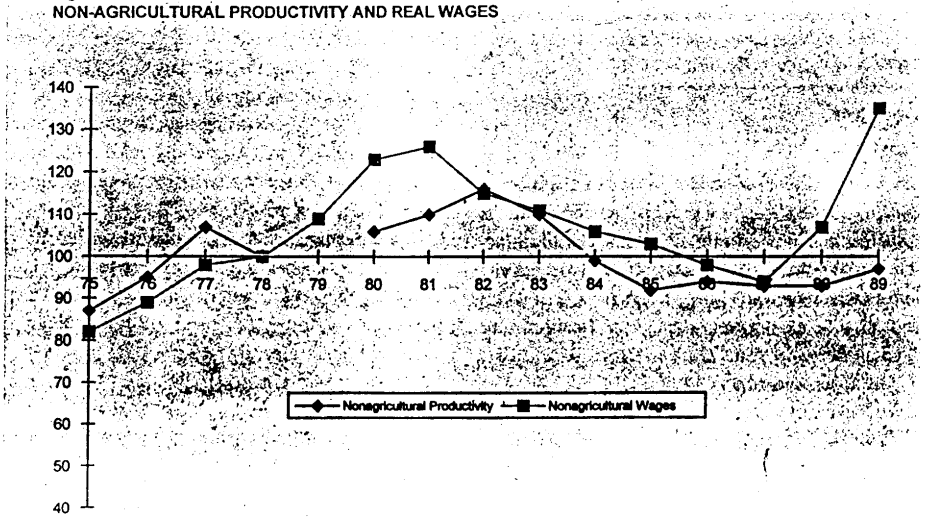


Table 19
INDEX OF AVERAGE LABOR PRODUCTIVITY AND REAL LEGISLATED WAGES, 1975-1989; 1978=100

	Non-agriculture		Agriculture	
	Labor productivity[a]	Real wage[b]	Labor productivity[c]	Real wage[d]
1975	87	82	92	75
1976	95	89	101	n.a.
1977	107	98	108	96
1978	100	100	100	100
1979	n.a.	109	114	114
1980	106	123	109	132
1981	110	126	107	132
1982	116	115	111	122
1983	110	111	98	118
1984	99	106	102	111
1985	92	103	106	106
1986	94	98	103	106
1987	93	94	105	105
1988	93	107	109	125
1989	97	135	115	n.a.

[a]Average labor productivity in manufacturing, indexed at 1978=100.
[b]Legislated wages in real terms indexed at 1978=100. Wage includes cost of living allowances and 13th month pay.
[c]Average labor productivity in agriculture.
[d]Legislated wage in the plantation sector.

facilitating private sector involvement in these areas, the government may use a larger proportion of its resources to improve the physical and social infrastructure and significantly improve agricultural productivity in the more depressed regions (Regions V, VIII, IX, II and XII). Subcontracting arrangements may also be supported between firms in key selected investment and export zones and firms and households in the more depressed regions.

With the other measures discussed earlier, employment generation would be accelerated, interregional economic linkages strengthened, the country's international competitiveness enhanced, economic growth rate increased, and poverty incidence reduced.

Generating Income Growth and Combating Poverty

The policy insights from the previous discussion can be pulled together into a coherent package for generating income growth and combating poverty. The anti-poverty package can be decomposed into three major thrusts, namely:

▮ Reviving the economy

This is an issue of stimulating the economy through fiscal and monetary policy. More than two years of macroeconomic stabilization program led to a virtual stagnation of domestic output and to declining per capita incomes. But now, the macroeconomic environment is finally conducive to moderate pump-priming by the government to help push economic recovery forward.

Currently favorable conditions include lower interest rates, single digit inflation, and a high level of international reserves. The energy crisis that plagued the country during the second half of 1992 and first half of 1993 had eased up significantly because of the aggressive pursuit since late 1992 of private investments in power generation. As more fast-track projects come on stream and the maintenance of existing power plants improves, power outages should become only intermittent throughout 1994, in contrast to the six to eight-hour power outages during the first half of 1993. The improved power outlook should give a one-time productivity boost toward increasing the capacity utilization in the industrial sector. A carefully calculated pump-priming of the economy should, therefore, have only minimal effects on inflation.

The economy should not be overstimulated, however. The present situation is no license to expand the public deficit indiscriminately. There is a need to control the total budget deficit,[6] lest economic stability is once more endangered by deteriorating government finances and frenzied borrowing. The debt service prob-

[6]This is the consolidated public sector deficit, which includes that of the national and local governments, public corporations, the Social Security System (SSS), Government Service Insurance System (GSIS), the Oil Price Stabilization Fund (OPSF), and the Central Bank, among others.

lem of the government remains critical; if a large deficit is financed from domestic borrowing, domestic interest rates could shoot up once more and create an unsustainable debt service spiral where the government needs to borrow more funds simply to pay off debt.

The national government should seek to finance any necessary increase in its deficit through long-term foreign loans, which are cheaper. In this respect, the Philippines' regained access to international commercial lending, hard-earned and costly as it was, should be fully utilized. Once more, a cautionary note: the government should resort to foreign borrowing to the extent that borrowing is *necessary at all.* Clearly, this does not rationalize indiscriminate foreign borrowing, nor foreign borrowing for the wrong purpose, such as that by the *Bangko Sentral* to prop up the exchange rate.

The aim of stimulating the economy is to nudge the private sector toward taking greater risks and putting in more investments, not to replace private with government initiative. Specifically, the appropriate pump priming program for the Philippines is as follows:

(a) *Aggressive promotion of both foreign and returning Filipino capital from abroad.* The country needs a big boost in the amount devoted to investment because many of its current industries, including agriculture, lag behind technologically. A rapid catch-up is needed if high growth and better global competitiveness are to be achieved.

Further, the expected large current account deficits in 1994 and succeeding years cannot be financed without substantial investments from abroad. Therefore, aggressive investment promotion and facilitation are *central* to economic recovery and sustained growth.

The remarkable surge in the stock exchanges in 1993 and the spate of foreign investment missions to the country are encouraging signs of stronger foreign investor interest in the country. But these positive points need to be consolidated by credible policies and tangible performances, lest they become no more than speculative bubbles.

(b) *Moderate relaxation of monetary targets in the short run.* Monetary policy under the various stabilization programs has up to now been restrictive. This is inappropriate if the aim is to shift over to a mode of growth. More relaxed monetary targets will allow a reduction in the reserve requirements and a lowering of interest rates to boost investments, and a depreciation of the peso to push exports. They will also allow the national government, if necessary, to draw down some of its deposits with the central bank to help finance the incremental budget deficit.

(c) *Easier budgets to finance focused and targeted social expenditures.* Budgetary support is required for health, nutrition, food, housing, and education for the most vulnerable poverty groups. A targeted poverty alleviation program strengthens the political support for needed structural reforms.

(d) *Improvements in tax administration and tax enhancements.* Improved tax administration is long overdue and should be the preferred means of closing the fiscal gap. At the same time, a larger take in the right taxes should help dampen expectations, lest prices start increasing rapidly with an easier monetary policy.

(e) *Facilitation of private investments and official development assistance (ODA) expenditures in infrastructure and utilities development.* Greater flexibility is needed in the use of ODA to strengthen match-ups between private investments and ODA funds for the government's infrastructure program. This involves greater reliance on more realistic utility pricing, user charges for infrastructure projects, and probably some degree of liberalization (at least for a given period) on foreign equity participation and rates of return restrictions in the utilities industry.

(f) *Active and reliable communication on the state of power and infrastructure development and the state of peace and order.* The aim should be to reduce uncertainty among investors and encourage private investments both in industry and agriculture.

The time is ripe for the government to prod the economy toward economic recovery. In contrast to

classical pump-priming programs of make-work infrastructure projects, it may be more appropriate is focus on prudent easing up of monetary and fiscal ceilings, targeted poverty alleviation, aggressive investment facilitation and promotion, pro-active communication, and improved tax administration. The prudent easing up of fiscal and monetary policies in the short run would not induce a debt service spiral if the incremental budget deficit is financed from abroad.

Sustaining high growth

Growth will be sustained and will become equitable only if structural and sectoral policy reforms push through. Philippine economic growth in the past could not be sustained because government policies did not encourage a drive for productivity, efficiency and international competitiveness. This was fatal in the light of large-scale restructuring and relocation of industries in Japan and other countries in East Asia. Industrial advantages were rapidly lost, gained, or redistributed in the 1970s and the 1980s, but the Philippines was largely left out in the process owing to instability and the long-term decline in productivity.

In addition, the path of growth the country took did not encourage greater equity in the distribution of income; instead it heightened inequity. This was because past strategies failed to emphasize enough use of labor and land, the country's relatively more abundant resources. Instead, they encouraged the use of capital and non-renewable resources. By contrast, a strategy based on using labor and land would be more efficient, productive, and equitable, with a greater dispersal over the countryside. If the relative scarcities of factors of production are reflected in their prices (wages, rents, interest rates, and others.) then domestic and foreign investments would, of themselves, flow in areas with the highest impact on employment and output.

Since 1986, the Philippine government has pursued a program of structural and sectoral reforms toward a more open and competitive economy and a stronger and more stable macroeconomic environment. Fits, starts, and occasional uncertainty notwithstanding, a significant amount has been accomplished. Thus, for example, the the financial sector was substantially deregulated, the tariff and nontariff systems rendered more uniform and less protectionist, the foreign investment regulatory regime substantially liberalized, and foreign exchange market virtually freed. The Philippines now compares favorably with a number of developing countries in terms of economic openness, outwardness, and extent of deregulation of the economy (World Bank 1992).

Nevertheless, while semi-skilled and professional Filipino labor is inexpensive compared to the rest of East Asia, the wages of unskilled production labor — which is important for the export of unskilled-labor intensive goods which seems to be at the heart of the initial take off toward industrialization — have become comparatively higher than those of China, Vietnam, Indonesia, Sri Lanka and a few other countries. This worrisome trend is helped along by the continuing strength of the peso, which also makes domestic wages look high in comparison with those of competing countries.

As a result, the Philippines is slowly being squeezed out of the unskilled labor-intensive exports by lower cost, labor abundant countries like China and Indonesia. The Philippines may, therefore, have to focus instead on semi-skilled labor intensive industries (e.g., high-end garments; metal-based and engineering-based industries; and electronics). However, to compete in these areas *vis-a-vis* Thailand, Malaysia, Singapore and others, the country needs a vastly improved infrastructure including telecommunications, a vibrant domestic economy for economies scale and for cushioning the fluctuations in the export market, and more efficient and stable government procedures, rules, and regulations. Without such efficient complementary factors, not much will change from the present where the country instead *exports* its semi-skilled labor to the rest of the world rather than uses it at home.

The Philippines needs to push its structural and sectoral reform program further to maintain economic growth at a rate much higher than population growth. The following are the key components of this reform program:

(a) *Peso depreciation.* Changes in the exchange rate have been extremely contentious in the past because of their effects on prices and real incomes. But there can be no getting around the fact that the country's price competitiveness has deteriorated seriously *vis-a-vis* China and Indonesia (Figure 9).

A depreciation can help remedy this, as well as improve the country's competitiveness *vis-a-vis* Thailand and Malaysia.

A depreciation can be accomplished primarily through astute and pro-active monetary management.

(b) *Attracting domestic and foreign private investments in infrastructure and utilities.* This means acceleration of the current policy direction toward investment liberalization and competition measures in utilities (including inter-island shipping). Perhaps, restrictions on foreign equity participation in utilities can be liberalized for a certain period of time (i.e., with a sunset clause). There may also be a need for greater flexibility and streamlined procedures for project evaluation and approval, as well as deregulation in utility pricing.

(c) *Further refinements of the tariff structure.* The purpose is to ensure that Philippine industries with export potential are not unnecessarily taxed (jewelry is an example) compared with the competing industries in other countries. There is a need to determine how the Philippine tariff structure can be harmonized with those of relevant countries in the region, such as Thailand and Indonesia.

d) *Stronger cooperation between labor, management, and government.* As the economy becomes more open and competes with the rest of the world economies, especially of East Asia, it will become increasingly evident that in many respects the Philippine management and labor groups compete with the management and labor groups of the rest of the world (especially East Asia).

Fostering industrial peace and enhancing labor-management cooperation toward greater agro-industrial productivity and competitiveness would necessitate some redefinition of government intervention in industrial relations (Intal and Sanchez 1993). Specifically, this would mean a deemphasis on mandatory wage fixing and a greater emphasis on (i) private sector collective bargaining as the mechanism for wage adjustments and (ii) human resource development role of the workplace. There may be a need for a "social compact" in which the key roles of the government, employers and workers are indicated and agreed upon. The role of the government includes responsible fiscal and monetary policies, strong focus on employment creation, more efficient bureaucracy, market friendly regulations, effective intermediation between employers and workers, and tapping unions as agents of government poverty alleviation programs. The role of firms includes (i) investment in upgrading labor skills and better technology to raise labor productivity and (ii) investment in improved work environment. The role of labor unions is responsible unionism with an economy-wide view of labor's basic interests.

(e) *Focus on agricultural productivity and countryside development.* The deterioration in international competitiveness of the Philippines during the 1980s was not only in industry but also in agriculture. Improved agricultural productivity would help stabilize food prices, dampen increases in wage costs, and reduce overall inflationary pressures in the economy. Since most of the poor are in the rural areas and are involved in agriculture, addressing poverty and raising income growth necessitate improving agricultural productivity and farm incomes. Given the limited budgetary resources, there is a need to redirect the agricultural budget away from subsidies in grain purchases and sales through the National Food Authority and toward increased expenditures in irrigation and agricultural research. Improvements in agricultural service administration and in the organization of the agricultural research and extension system are also needed. (David, Ponce and Intal, 1993.)

Countryside development involves not only improving rural infrastructure but also pro-active government technical assistance to small- and medium-scale firms in the regions and in the countryside. A more aggressive pursuit of job subcontracting to the regions will help strengthen the market base for the small- and medium-scale firms in the countryside. The development of these firms in the countryside, which is the essence of rural industrialization, increases the nonfarm incomes of rural

households. Thus, with higher farm and nonfarm incomes of the rural households, rural poverty can be substantially reduced.

(f) *Further streamlining of the government bureaucracy.* In addition to improvements in tax effort through tax enhancements and better tax administration (including more effective measures against tax evasion), it is important to streamline further the government bureaucracy. Given the budget constraint, the present size of the bureaucracy has resulted in the stagnation of real incomes of public sector employees at a very low level compared with those of the organized private sector. As a result, it is difficult to attract and maintain good and well-trained persons in the government. Poor governance has many side-effects, a poorly performing and poorly paid bureaucracy exacts substantial transactions costs from private business, and this contributes to the poor international competitiveness of the country. Thus, it may be better to have fewer but better paid government personnel. This calls for government reorganization, streamlining, and redefinition of the nature of governance toward greater reliance on private initiative, decentralization, market-based regulation, greater accountability, and cost effectiveness. In this regard, the more specific recommendations of the Department of Budget and Management-Philippine Institute for Development Studies (DBM-PIDS research project (Taguiwalo, forthcoming) are worth considering.

(g) *Continuing reform of property rights, including agrarian reform, and investments in resource regeneration.* The policy direction toward community resource management and social forestry helps encourage more responsible utilization of natural resources. When the benefits of improved resource management are more directly felt and (as under social forestry) largely privatized, then the so-called "tragedy of the commons" is negated and the incentive to resource conservation, regeneration or improvement is strengthened. Nevertheless, given the magnitude of resource degradation in the country, a substantial portion of the investment for resource regeneration would have to be shouldered by the government. Investment in resource regeneration has good side effects (e.g., slower erosion rate), hence, taxation to finance public investments in resource regeneration is meritorious. In addition, to strengthen further the incentive structure toward resource conservation and regeneration, it is important to implement more appropriate pricing of resource extraction to account for externalities.

Targeting poverty alleviation measures for the most vulnerable poverty groups

This primarily involves social expenditures, food subsidies and livelihood programs. Because poverty is pervasive in the Philippines, the broad-based measures of reviving and restructuring the economy to make economic growth more sustainable are central to the anti-poverty program. Nevertheless, poor households have varying capabilities and opportunities to benefit from economic growth. Indeed, many of them may even be adversely affected during the process of structural reform. Thus, hand in hand with efforts at improving overall economic growth and structure, there should be a well-thought out targeted poverty alleviation program aimed primarily at the poorest of the poor (core poor). The program would include food subsidies to the core poor to eliminate serious malnutrition, basic maternal and child health care, education subsidies (e.g., tuition, books, and others) to very poor children to prevent forced dropouts in the primary and elementary schools, basic water and sanitation facilities, especially in congested urban slums, and small livelihood grants to cooperative groupings of the more entrepreneurially inclined very poor households.

Lessons from poverty alleviation projects (PAP) undertaken by nongovernment organizations show that successful PAPs necessitate long term, highly focused, participatory and flexible interventions (with a heavy dose of capability building measure) given the heterogeneity of poor households (Imperial et al. 1993). Government poverty alleviation programs may have to be drastically redesigned, from a focus on sectoral programs undertaken by the various departments toward a focus on specific groups of poor households. The poverty alleviation program has to be area-based and its

implementation highly decentralized. Thus, the logical implementors of the poverty alleviation program are the local government units (LGUs) rather than the central government departments. The challenge for the LGUs and the national government is how to pull together national and local government programs and resources into a coherent, focused and integrated program of intervention to the area-defined targeted poor households.

The defining characteristic of the program is that it is limited and targeted. Given the magnitude of the poverty problem in the Philippines, a very ambitious and broad-based poverty alleviation program requires enormous budgetary resources, which could endanger the objectives of prudent fiscal policy and macroeconomic stability. The significant adverse effect of large public sector Philippine Assistance Program (PAP) subsidies on the budget and on the macroeconomy has already been demonstrated in some countries (e.g., Egypt). Thus, the poverty alleviation program should largely be a supplement to, rather than substitute for, the macroeconomic recovery and reform program.

Appendix 2.1
MONITORING THE STATE OF INCOME

There is a fairly elaborate and extensive system of monitoring and gathering information on the state of income in the country at present, given the centrality of income as measure of economic development and indicator of poverty. However, this system is geared for national and regional data only. There is as yet no systematic mechanism to monitor the state of income and welfare of selected poverty groups. Thus, the challenges are how to refine and decentralize further the monitoring of the state of income and its determinants and how to institutionalize a mechanism of monitoring the state of income and welfare of selected poverty groups that are of policy interest to the government.

Monitoring National and Regional Income

The three most important tools for measuring the state of income are the national and regional income accounts, the family income and expenditures survey, and the household labor force and employment surveys. The national and regional income accounts provide the summary measures of national and regional production, income, and expenditures. The national income accounts are estimated annually and (with greater errors) quarterly. The regional income accounts are estimated only annually and with a much greater lag than the national income accounts because of the greater difficulty of generating relevant regional data.

The family income and expenditures survey offers rich information on the level and sources of household incomes and the level and distribution of household expenditures. This is currently the primary source of data for the official estimates of poverty incidence and income distribution. However, the survey is undertaken every three years only; as such, it cannot be used to monitor the state of income of households more frequently. Ideally, the survey should be undertaken annually; however, the national statistics office faces severe funding constraints. The third most important survey, the labor force survey, is undertaken much more frequently, i.e., every quarter. The survey sample is much more limited than that of the family income and expenditure survey. Nevertheless, in principle, the labor force survey can be tapped to provide interim indicators of the state of household incomes at the national level.

Refinements of the three measurement tools described above may center on strengthening the measures of productivity and on improving the sampling frames to make the estimates more internally consistent. To have more readily available measures of productivity, estimates of the value of capital stock and employment can be included as an adjunct to the national income accounts.

Monitoring Income and Welfare of Poverty Groups

This is where the major challenge lies. While there are ad hoc and recurrent surveys of poor groups by nongovernment organizations (NGOs) and by the Department of Social Welfare and Development, there is no systematic mechanism to monitor, on a regular basis and in a statistically sound way, the state of income and welfare of the poor, especially the very poor. Funding constraints, lack of effective demand for such data from the government agencies, and probably even difficulties in establishing sampling frames are the most important reasons for the failure to institutionalize a monitoring mechanism on the state of income and welfare of the very poor.

There may be three approaches to gathering systematic information on the very poor on a regular basis, namely: panel data, area-based survey, and community-based census. A panel data of a limited sample of households nationwide can provide important insights on the process of social transformation or degeneration of the very poor. It may not be easy, however, to establish sampling frames for representativeness because the very poor tend to be more mobile and hold several "jobs." The area- based survey is useful for the preparation of the area-based poverty alleviation program of the LGUs. The community-based, community-managed census requires a much simpler questionnaire and may focus solely on indicators (not estimates of level) of income and welfare in order to minimize response errors. The census will be useful for poverty alleviation program design at the local level (i.e., provincial down to the barangay level). The experience on

basic minimum indicators (BMI) of Thailand and of the United Nations Children's Fund (UNICEF) (CPAP/UPCA 1992) indicate that a community-based, community-managed census and an area-based survey are workable and useful.

The Presidential Commission to Fight Poverty (1993) has put forward a set of minimum basic needs (MBN) indicators to measure the level of welfare of poor households. These indicators have been recommended for adoption and implementation by the 1993 National Workshop on Poverty Alleviation and Countryside Development. The indicators measure the state of poverty, nutrition, health, food consumption, housing, water and sanitation, basic maternal and child care, basic education and people's participation.

Aside from monitoring MBN indicators, it is useful to monitor changes in the determinants of the level of income and welfare of the very poor in order to have a deeper understanding of the coping mechanisms and the social transformation process of the poor. Is there a definable poverty ladder? How transitory or permanent is the poverty condition of the very poor households? How are their resource endowments changing? These are possible questions that may be addressed by a longitudinal study of panel data, which can be more detailed than the area-based survey and the community census in order to help probe household behavior and environmental constraints to poverty alleviation.

In sum, it is recommended that a system of monitoring the MBNs and state of income and welfare of the poor households be institutionalized at the national and local levels through panel data, area-based surveys and community-based, community-managed census, in addition to the family income and expenditure survey.

CHAPTER 3

The State of Human Capital

Filipinos lag behind other countries in terms of income but rank high in education and health. With an average income of US$780 in 1990, their average life expectancy is 64 years; 93 percent of the adult population is literate with an average 7.5 years of schooling completed. These figures are higher than those of Thailand and Indonesia although Thailand's per capita income has recently doubled that of the Philippines, while Indonesia's is slightly lower than that of the Philippines.

A number of reasons lie behind this achievement. Most important is the fact that much of higher education in the Philippines is private. Because of this, the government was able to concentrate its resources at the primary level and to easily expand the public elementary school system. The Philippines also had an early start in providing mass primary education.[1] The result was high enrolment rates at all levels: 100 percent at primary, 67.3 percent at secondary, and 32.8 percent at the tertiary levels. Private schools take in less than 10 percent of primary pupils, but enrol 35-40 percent of high school and 85 percent of college students.

Essentially, the same situation prevails in the health sector. Private hospitals and clinics operate alongside government facilities. Self-financing and dependent on paying clients, private hospitals provide 53 percent of all hospital beds. There are 1,209 private and 590 public hospitals in the country.

While the *average* achievement in health and education is notable, a closer look reveals serious problems, since neither health nor education is equally accessible to all Filipinos (Box 3.1). Ultimately, this inequality is traceable to the unequal distribution of income. Except for primary education, government has not succeeded in equalizing access to the different facilities for human capital. This chapter dwells on that problem of distribution.

The Nature of Human Capital

More general than either health or education is the idea of *human capital* (HC). It refers to those personal attributes that enhance a person's capabilities in all endeavors, whether on the job or at home. The term "capital" is an analogy: the attributes of a person are quite similar to a *stock of wealth* that may be accumu-

[1] By providing widespread primary education the United States government effectively dampened the Filipino people's resistance to the occupation. American teachers were brought in to simultaneously teach pupils and teachers. At the same time, the colonial government turned a blind eye to the entry of private schools that provided the three levels of schooling as demand warranted. Hundreds of both public and private schools opened in the four decades preceding the Second World War. When the country gained independence in 1946, the expansionary education policy was continued. Private schools were allowed to open with a minimum of quality requirements. The ease of private sector entry resulted in a rapid expansion of the whole educational system. Private colleges and universities, many of which also offered primary and secondary programs, grew both in number and in enrolment (Tan 1990).

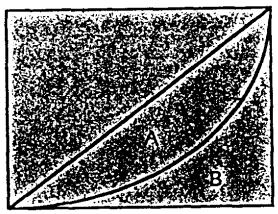
Box 3.1
LORENZ CURVES AND GINI RATIOS

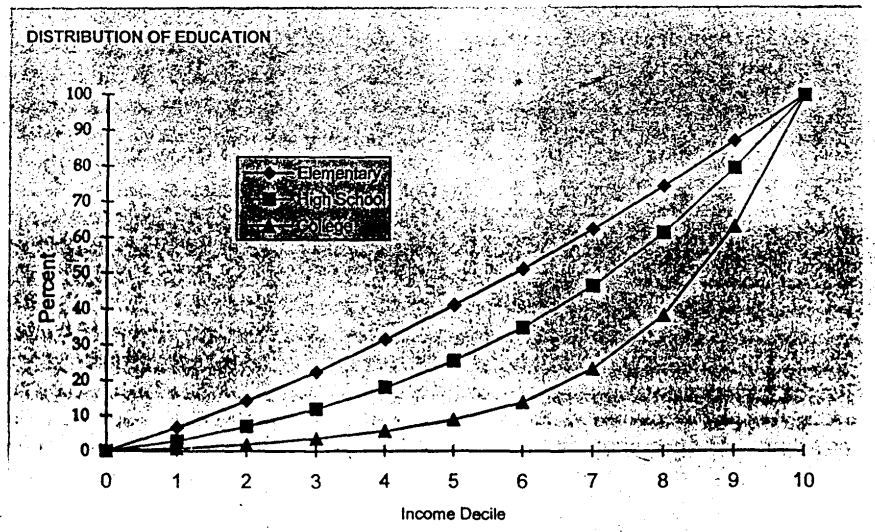
Lorenz curves are a way of visualizing the equality of distributions which is equivalent to computing Gini coefficients. If education level *x*, say elementary education, is equally distributed over the population regardless of income, then the poorest 10 percent (i.e., first income decile) of the population should represent 10 percent of the population who have attained *x*; the first two deciles should represent 20 percent, and so on. If these were to be plotted in such a diagram as the above, perfect equality would then be represented by a straight line.

On the other hand, if more of education were to be found only among the higher (richer) deciles, then the lower deciles would represent a lower percentage of the people possessing that level of education. For example, the poorest 50 percent (first five deciles) may account for only 9 percent of those having that level of education. Graphically, instead of a straight line, a bowed out curve would result. The more unequal the distribution of education, the more curved the graph will be.

In the figure below, Lorenz curves have been plotted for elementary, high school, and college education (using data in Table 26). It is obvious that the curve for elementary education is virtually a straight line, indicating its equal distribution among the people. On the other hand, the curve for high school is bowed out, and the curve for college is bent even more. This means college education is more inequitably distributed than high school, and the latter in turn is more inequitably distributed than elementary education.

In the typical Lorenz diagram (below right), the equivalent of a Gini ratio is the size of the area between the given curve and the straight line of equality (denoted by A), divided by the entire area below the line of equality (A + B), i.e., A/ (A+B). If education is equally distributed among the population, the quotient would equal zero (since the curve would coincide with the line of equality, and the area *A* would be zero). On the other extreme, if education is distributed extremely inequitably, as when the richest 10 percent possesses all of it, then the curve would be L-shaped, the area A would be equal to the area A + B, and the quotient would be equal to one. Thus, a Gini coefficient is zero under perfect equality, and one under perfect inequality.





lated with effort or expense today in exchange for returns or benefits in the future.

Education is a good example. The amount people "invest" in education consists of the fees they pay to schools, the incomes they forego (since they could be working otherwise), and the effort they exert at learning. The expected future "payoff" takes the form of a higher-paying job, social status, and personal fulfillment, among others.

As the example shows, money income is only one (but perhaps the most important) of the returns to be obtained from a stock of human wealth. Apart from higher pay, they also include greater ability to run a family, consume and invest intelligently, have fulfilling social relations, and participate in the affairs of the country and community.

The sum of monetary and nonmonetary benefits earned from this human capital — again by analogy — may be called *full income.* A person is well or ill depending on whether this full income is higher or lower, and that depends in turn on whether a person's stock of human capital is large or small.

But what determines whether a person has "high" or "low" human capital? Some human capital is inherited, some is acquired, and there are ways in which the deficiencies in one can be compensated for by the other. Genetically determined intellectual and physical talents are obviously inherited. While anyone may learn to play basketball or to sing, for example, inborn talent may make excellence more accessible to a Jaworski or a Lea Salonga than to others. A more subtle kind of HC "inheritance" is the cultural environment, which may impart desirable as well as undesirable traits and values such as honesty, a sense of responsibility, civic-mindedness, a sense of justice, industry, initiative and independence, and healthy habits.

If all the differences in human capital were genetically ordained or God-given, there would be little scope for public policy. However, most human capital that matter are *acquired* in society; they include health, education, training, and increasingly, even improvements in appearance and personality. Since the state of a person's human capital has a good deal to do with well-being, then the distribution of social access to acquired human capital becomes a matter of public concern.

Human Capital Processes

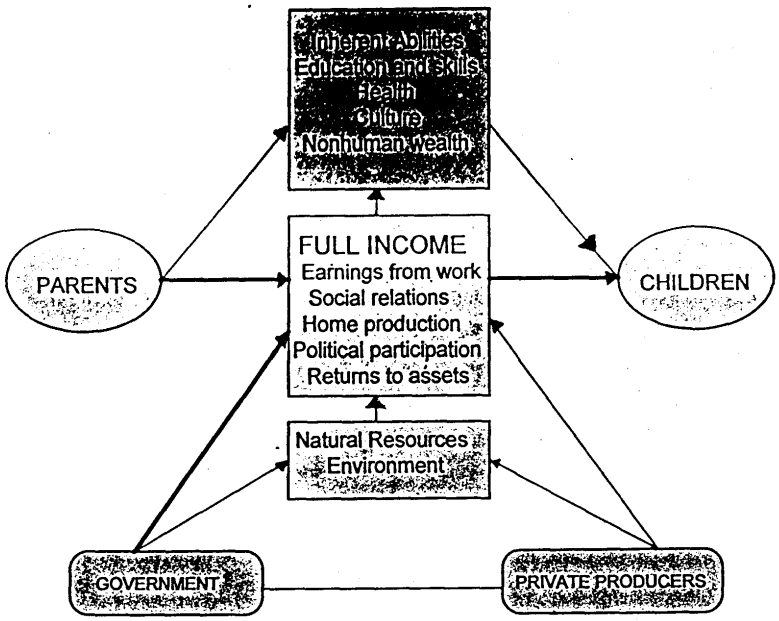
Human capital is formed over time and across generations, and various forms of HC interact. For example, inherited ability determines the rate at which knowledge and training are acquired. A healthier person learns faster; conversely, a more educated person is likely to be better informed on health practices.

The processes affecting the acquisition of human capital are summarized in Figure 12. It shows the nature of human capital processes — the interactions among the HC forms, their inter-temporal nature and the intergenerational transfers. One oval represents the parents' HC and another for their children's HC. Investments in HC are made now in anticipation of benefits in the future. Parents decide for their children at some stages and jointly with the children at other stages; this is obvious in the choice of schools and careers, for example. Parents directly transmit values, discipline, and some genetic characteristics. Their decisions are influenced by government policies, particularly those that affect their full income and what they can spend for their children, as well as by the cost and returns of each HC alternative. Policies on education and health generally have an impact on the prices of services. Economic development and other macroeconomic policies determine employment opportunities for both parents and children. Policies on education and health determine their prices.

Within each box or for each individual, there are interactions among the different HC components. The inter-generational transfer of HC is shown by the arrows that link the parents' and the children's ovals. The government is part of the environment in which the HC processes take place. It directly affects parents' full income and the prices and returns of children's HC.

People cannot borrow money to fund human capital investments for themselves or their children as easily as they might borrow money for a business (a difficult proposition in itself). For the most part, therefore, the parents' existing HC level will determine their full income and will set the amount and forms of human capital they can afford for their children. In addition, parents bequeath to their children heritable HC. For both reasons, there is a strong link between the level of parents' human capital and that of their children. Par-

Figure 12
HUMAN CAPITAL AND FULL INCOME GENERATIONS



ents with good education, health, and "social background" are better able to send their children to good schools and provide for health care and a supportive home environment. Thus, without social intervention, discrepancy in poverty and wealth is perpetuated across generations, reinforcing the common notion that "the rich become richer, and the poor poorer."

Kinds of human capital

Different forms of HC will have widely different costs, such as primary education in private versus public schools, university versus high school education, outpatient health service versus confinement or surgical service. Few families will be able to afford more expensive forms of human capital. Transportation costs and the time required to obtain an HC service will further raise the effective price. The poorer and more remote the household, the fewer the HC options for the children. An initial distribution of HC or income and cost structure of HC services will determine the next generation's distribution of HC and income.

Among HC alternatives, education is the most crucial for social mobility and equity. Apart from improving job and pay prospects, education helps improve decisionmaking and the scope of choice in many areas. Better educated people have more information on nutrition, the location and price of social services, and others. They adjust more readily to labor market changes; for example, a worker who has finished high school has the option to study for a college degree and to improve prospects, while a worker with only elementary education has no such option. Those in college, in turn, can change fields. The occupations available to the more highly educated — such as the professional, academic, and administrative positions — usually cultivate personal traits that encourage more independent and enterprising or innovative views and undertakings. In contrast, blue-collar works that impose discipline and docility among workers cultivate the opposite traits. Occupational traits are transmitted to children and so

they are perpetuated inter-generationally. Even supposedly "inherent" ability, as measured by IQ, is found to improve with education. As a result, the inequality in income and education tends to persist, trapping those in the lowest rung of the distribution.

The contribution of health to HC differs from that of education. A minimum level of health is a fundamental constraint on all activities, including work and further HC investments such as education. This minimum health level is achieved by the fulfillment of basic needs: subsistence food, minimum shelter, and clothing. What is known as the *poverty income threshold* is simply that amount needed to procure these basic needs.

Above this minimum, health may be further improved, but its additional contribution to full income becomes less. For this reason, health levels will not vary as widely among people compared with education or incomes. Beyond a certain point, even if they could afford it, most people would not spend larger amounts on further improvements in health since normal functioning would be less dependent on it. But this also means that public interest must focus on the distribution of health below the threshold. In contrast, education can be increased virtually indefinitely. Inequality in education would tend to be worse for any given level of per capita income, income inequality, or government subsidy.

Differences in intervention

Because the two forms of HC differ by nature, they entail different types of intervention. Health is probably easier to influence than education. Health strategies are fairly straightforward, e.g., campaigns for nutrition education, nutrition supplements, provision of clean water and sanitary sewage facilities, control of parasitic diseases, immunization against common diseases, and maternal care. The income elasticity of health is also likely to be quite high. As family incomes increase and the standard of living rises, health improvements are quick and substantial.

Education is more complex and, therefore, it is more difficult to change its distribution. Policy must aim first of all at reducing the initial handicaps in values, customs, and information among poor families before poor children can even begin to compete in the markets for education and labor. Moreover, expenditures on education are "lumpy," entailing substantial amounts over a definite period of time of one's life. As a result, even if incomes should subsequently increase, the demand for education would not respond quickly.

Finally, the provision of quality education is uneven and its effects are difficult to monitor since they depend on individual characteristics and choices. This implies that subsidies intending to change the distribution of education are bound to involve larger amounts and more complex policy designs.

Trends in Human Capital Indicators and Policy

The various indicators for education and health have been rising over the last four decades, even during the 1980s when the country suffered a series of major economic upheavals. The annual growth of GNP averaged 4.9 percent in the 1960s, 5.9 percent in the 1970s, but only 1.6 percent in the 1980s.

In the 1960s and 1970s, when per capita incomes were rising, households had increasing resources to spend for consumption and investments, including investments in human capital. The government also had higher revenues and could borrow externally in the 1970s to spend for social services. As a result, the HC indices improved. Literacy rate rose from 82.6 to 83.3 percent, and life expectancy from 58.1 to 61.6 years, between 1970 and 1980 (Table 20).

Effects of recession

Surprisingly, HC development continued to improve during the difficult decade of the 1980s. Real income per capita had declined from P12,620 to P10,461 in 1980-1985. The trend reversed in 1986, but per capita income recovered slowly to P11,592 in 1990. Nonetheless, by 1990, the literacy rate had improved significantly to 93.5 percent and life expectancy had risen to 64.6 years.

These improvements are consistent with more proximate HC indicators such as the infant mortality rate, nutritional status, and enrolment rates. The overall death rate declined from 6.1 to 5.4 per 1,000 people, and infant mortality declined from 44.1 to 27.5 per 1,000 live births. The nutritional status of children, as measured anthropometrically, improved significantly. Among the 0-6 years old, the percentage of underweight (those

Table 20
DISTRIBUTION OF GOVERNMENT EXPENDITURE IN SOCIAL SERVICES, DEBT SERVICE AND DEFENSE, 1970-1992

Year	Real GDP Per Capita (1985 prices)	Total Govt Expenditures[a] (%)	Social Services Share[b] (%)	Education Share[b] (%)	Health Share[b] (%)	Debt Service Share[b] (%)	Defense Share[b] (%)	Literacy (%)	Life Expectancy (years)
1970	9,170	9.7	34.8	28.0	5.6	6.0	15.2	82.6	58.1
1980	12,620	15.6	20.8	10.7	3.7	9.4	15.1	83.3	61.6
1985	10,461	13.4	19.8	14.0	4.1	24.5	13.1		63.1
1986	10,560	18.8	18.3	13.0	3.1	24.5	10.1		63.4
1987	10,805	23.1	17.7	11.0	2.6	45.1	8.1		63.7
1988	11,213	21.1	18.5	13.1	3.3	42.5	10.9		64.0
1989	11,612	19.0	19.1	13.5	3.9	41.2	9.8		64.3
1990	11,592	21.2	19.2	13.1	3.1	41.6	8.9	93.5	64.6
1991		20.7	17.6	11.4	3.1	41.1	8.5		64.9
1992			20.6	12.2	3.0	36.4	8.0		65.2

[a] As a percentage of GNP

[b] As a percentage of total government expenditures.

Sources: *Philippine Statistical Yearbook*, 1982, 1991, and 1992;
NSO Census of Population and Housing, 1970, 1980 and 1990;
International Financial Statistic Yearbook 1992.

weighing less than 75 percent of normal body weight) and stunted (those weighing below 90 percent of standard weight but not below 75 percent) improved in 10 out of 11 regions, including Metro Manila.

The problem of illiteracy appears to exist only among the adult population who were unable to enrol in school when they were of school age. As time passed, their share in total population has gradually fallen, thus, raising the share of the literate population. Economic recession had little negative impact on this trend since most children were able to continue going to elementary school. The enrolment rate at this level has remained stable. On the other hand, enrolment rates at the secondary and tertiary levels declined slightly during the 1980s. This is expected since high school and college education cost much more than elementary education. Consequently, they have been more strongly affected by the recession. At the same time, unemployment among the better educated increased, thus, the attractiveness of further schooling has diminished.

As a percentage of GNP, government expenditures increased from about 10 percent in 1970 to 15.6 percent in 1980. This increased further under the Aquino administration, despite the fact that debt service absorbed as much as 39.3 percent of the budget between 1986-1991 and prevented significant increases in social service expenditures. Education obtained only 12.5 percent share, and health a much smaller share of 3.2 percent (Table 20). Real per capita expenditure on health averaged less than P30.

Spending on health

Per capita public expenditures on health increased marginally by a few pesos in the latter part of the 1980s, while the allocation to primary and tertiary health care remained about the same as in the 1970s. However, the government's delivery system for primary health care seemed to have improved tremendously. Better delivery is the most probable explanation for the upward trend in access and in the use of various public health services. The use of safe water by households increased from 65 to 75 percent. Access to health care facilities, especially in rural areas, also increased as the government spread barangay health stations (BHS) and mu-

nicipal health centers. BHS and rural health units increased from 9,982 to 12,982, or by 20 percent, from 1981 to 1991. Each BHS is manned by a midwife who provides initial diagnosis, simple treatment, and referrals for the more serious ailments. The immunization campaign was a priority program during the Aquino administration (1986-1992) and is being intensified under the current one. Improvements in sanitation and primary health care led to a reduction in infection and parasitic assaults and, thus, prevented significant nutritional losses.

One of the important concerns in the coming years, however, is ensuring that the devolution of responsibilities to the various local governments does not result in major disruptions in the provision of health services.

Spending on education

The education budget has been devoted mostly to the elementary level, since public efforts have concentrated in providing universal primary education to the ever increasing young children. Population growth has been high at about 2.4 percent per year.

In the early 1970s, however, the share of tertiary education started to rise.when the system of state universities and colleges (SUCs) was expanded. Until then, state-supported tertiary education consisted only of one prestigious university, the University of the Philippines (UP), and two special colleges (one agricultural and one teacher training). There were secondary and post-secondary "trade" or vocational schools. The Marcos government decided to expand the university system and spread its presence in all the regions of the country. Vocational institutes were converted to colleges or universities, and new ones were established. The number had reached 85 by 1992.

SUCs generally charge minimal tuition to all students irrespective of field, level of specialization, and family background. Admission is based on a cognitive type entrance examination, which has proved to be biased in favor of students from urban and higher socio-economic background.[2] The SUCs differ in quality, as reflected in the quality of schooling achieved by their faculty. Inefficiencies in SUC operations are apparent from wide differences in costs per student, which range from P4,000 to P38,000 (1989). High costs are due not to better quality but mainly to small enrolment size. The highest-cost SUCs are small provincial colleges that have failed to attract enough students because of their poor quality and unmarketable program offerings.

As for the public secondary schools, they were the responsibility of local governments until 1988, supported by student tuition and local government funds. The national government operated a few special high schools such as the Philippine Science High School. In 1988, the Free High School Law was enacted by Congress, providing for free education in all public high schools. The national government contributes to the local government finances, standardizes teachers' salaries, and subsidizes the tuition in private schools of students who cannot be accommodated in the public high schools.

These changes meant a greater role of the national government in the provision of education and a greater degree of centralization of the two higher education levels. The new SUCs intensified the proliferation of higher educational institutions but added little to the system's efficiency and equity. The SUCs were increased at a time when unemployment among college graduates was already high. Obviously, the elementary level is being crowded out. The share in the national budget of elementary education has declined from 86.6 percent in 1980 (larger than in 1970) to 63.7 percent in 1990 (Table 21). On the other hand, the budget share of high school education increased from 11.0 to 33.2 percent for the same year, and that of tertiary education from 2.4 to 3.1 percent. The cost per student in public elementary school rose from P314 to P1,161, and that in public high school from P210 to P2,258. The average cost at SUCs is about P10,000. These figures imply that providing an additional place for a high school student costs twice as much as that for an elementary pupil. To accommodate an additional college student costs about 10 times as much.

[2]UP instituted a socialized tuition scheme where tuition rates are scaled down according to student's family income and wealth. Full tuition is set below cost so all UP students continue to be subsidized. The current full tuition level is about 50 percent of the tuition rate in the two most prestigious private universities, P12,000 vs P26,000. About 50 percent of UP students come from urban rich families.

Table 21
DISTRIBUTION OF EDUCATION BUDGET BY LEVEL
AND REAL PER CAPITA COST OF EDUCATION IN PUBLIC SCHOOLS

	Percent of Budget			Cost per Student	
Year	Elementary	High School	College	Elementary	High School
1980	86.6	11.0	2.4	314.0	210.7
1981	83.6	13.6	2.8	341.2	281.8
1982	84.3	13.0	2.7	394.9	293.6
1983	83.7	13.6	2.7	457.7	338.0
1984	84.6	13.0	2.4	479.4	306.2
1985	84.4	13.2	2.4	540.1	370.4
1986	85.0	12.8	2.2	693.5	447.3
1987	83.0	14.6	2.4	867.3	652.7
1988	81.2	16.1	2.7	952.4	763.0
1989	78.2	18.6	3.2	1,099.0	1,001.0
1990	63.7	33.2	3.1	1,160.7	2,258.1
1991	69.3	27.3	3.4	1,148.1	1,644.5
1992	76.7	20.7	2.6		

Distribution of Health and Education Across Regions

There are significant differences in each HC index across the various regions (Table 22). These differences are in turn related to differences in the regional distribution of income and to differing access to government facilities.

The first four columns of Table 22 give the level of per capita real GDP (1990), the share of income of the first two deciles of families, and the poverty incidence across 13 regions of the country. Wide regional variations in all four income variables are observed. Per capita income ranges from P4,675 in Region V to P28,273 in NCR (1990). Region IV, a neighboring region of Manila, has the second highest income, even higher than that of Region VII which contains the second most industrialized city.

In all the regions, the share in income of the 50 percent poorest families is less than 7 percent. Income inequality partly explains the high poverty incidence in all regions. Poverty incidence ranges from 22.6 percent in NCR to 66.6 percent in Region XII. Region X is noteworthy for having high income per capita but with the highest poverty incidence of 58.8 percent. This is partly because its poorest 20 percent of families share only 5.3 percent of total income.

The last five columns of Table 22 are primary HC indicators — life expectancy (LE), infant mortality rate (IMR), child mortality rate (CMR), literacy rate, and mean years of schooling. LE ranges from 68.4 years for NCR to 54.4 years for Region XII. IMR has an even wider range. It is as low as 11.9 (per 1,000 live births) in Region I and as high as 69.6 in Region II. CMR has a similarly wide range of from 6.9 to 20.5 per 1,000. Literacy rate and mean years of education, in contrast to the health indicator, have narrower variations. The widespread presence of elementary schools all over the country has allowed for a more equal distribution of literacy and mean years of schooling. At higher levels of education, however, the distribution is very unequal.

Using pooled-time series of regional data, the 1993 World Bank country study estimates that a 1 percent increase in family spending improves life expectancy

Table 22
PER CAPITA INCOME, SHARE OF THE POOR IN INCOME, POVERTY INCIDENCE, HEALTH EXPENDITURES PER CAPITA, BY REGION, 1988-1991

Region	GDP per capita (1985 prices) 990	Income share of poorest (1+2) percent (in percent) 991		Percent poor food poor (1991)	Per capita health spending (1980 prices) 990	Life expectancy (1990)	Total fertility rate (per 1,000 in 5yrs)	[illegible]	[illegible] (1990)	Years of schooling (1990)
		First 6%	Second 6%							
NCR	28,273	2.4	2.5	14.9	5.0	68.4	21.9	8.9	99.1	9.7
I Ilocos	7,030	2.4	3.7	49.4	21.3	66.0	11.8	7.4	95.8	7.7
II Cagayan Valley	5,860	2.4	3.6	43.1	25.8	61.3	69.6	18.5	91.3	7.3
III C. Luzon	11,135	2.1	3.6	44.0	16.7	68.0	25.2	7.3	97.8	7.7
IV S. Tagalog	12,504	2.2	3.4	38.0	17.5	67.1	51.1	14.3	96.8	7.5
V Bicol	4,675	2.5	4.0	56.1	26.8	64.0	32.8	15.0	95.3	6.9
VI W. Visayas	8,828	2.7	4.0	46.7	20.6	65.0	33.7	11.4	93.0	7.0
VII C. Visayas	10,101	1.7	3.0	42.4	18.7	66.9	20.3	6.9	91.0	6.5
VIII E. Visayas	5,373	2.3	3.5	40.7	31.5	61.3	50.2	15.4	89.8	6.5
IX W. Mindanao	6,635	2.4	3.7	54.5	19.8	54.4	15.9	9.6	81.3	6.0
X N. Mindanao	10,528	2.0	3.3	55.2	19.8	58.8	55.6	18.0	92.9	7.5
XI S. Mindanao	11,730	2.0	3.2	47.5	16.3	57.4	34.2	8.4	91.9	7.3
XII C Mindanao	8,599	2.7	4.0	51.0	14.6	54.4	54.2	20.5	83.0	6.6
PHILIPPINES	**11,592**	**1.8**	**2.9**	**40.1**		**64.6**	**35.3**	**12.0**	**93.5**	**7.5**

Sources: GDP/capita from 1992 *Philippine Statistical Yearbook;*
NSO: NSCB Share in Income (1 + 2 quintile) from 1991 FIES.
World Bank Report No. 11061-PH, April 1993.

by 0.3 percent. A 1 percent increase in government expenditures on health, on the other hand, was found to raise life expectancy by a larger figure, about 0.5 percent. The greater efficacy of public health provision in raising life expectancy is an important argument for expanding access to it.

Distribution of education across regions

In all regions, the enrolment rate at the elementary level was more than 100 percent. This means that the number of pupils enroled, as a proportion of school-age children, is 100 percent[3] (Table 23).

At the high school and college levels, enrolment rates are lower and vary widely across regions. For 1987, the rate ranged from 47.7 percent in Region IX to 102.8 percent in NCR for the high school level. At the college level, the range was wider: from 14.3 percent for Region IV to 97.2 percent for NCR.

How deeply has the educational system affected the work force in each region? The picture is given in Table 24, which divides the labor force according to educational attainment based on 1988 data. Note the proportions of the labor force at the two ends of educational attainment — zero schooling and completed college

[3]The enrolment figure includes repeaters, so that the figure of 100 percent does not imply that all school-age children are actually enroled.

Table 23
ENROLMENT RATES BY LEVEL OF SCHOOLING AND BY REGION, 1980 and 1987 (in percent)

		Elementary		High School		Tertiary	
	Region	1980	1987	1980	1987	1980	1987
	NCR	107.3	105.6	110.0	102.8	91.2	97.1
I	Ilocos	111.5	111.5	87.6	80.9	34.1	32.0
II	Cagayan Valley	111.0	104.2	63.6	58.8	16.9	18.0
III	Central Luzon	113.0	107.7	66.7	72.8	19.5	21.8
IV	S. Tagalog	108.7	106.9	65.4	72.3	13.9	14.3
V	Bicol	113.7	105.4	60.4	56.6	20.2	19.0
VI	W. Visayas	115.0	104.0	73.6	63.9	36.2	29.8
VII	C. Visayas	109.3	103.5	56.8	56.7	42.1	29.2
VIII	E. Visayas	100.9	99.2	56.9	49.2	19.4	20.8
IX	W. Mindanao	102.0	110.3	39.7	47.7	17.2	17.5
X	N. Mindanao	109.8	114.9	58.9	63.1	26.1	28.7
XI	S. Mindanao	110.4	116.8	58.6	63.6	22.0	20.1
XII	C. Mindanao	116.1	121.0	51.5	54.4	44.2	18.7
PHILIPPINES		**110.1**	**108.0**	**67.3**	**67.3**	**32.8**	**30.6**

Enrolment rate for elementary is total enrolment divided by population aged 7-12; the rate for high school is for aged 13-16, that for college is 17-20. The actual ages of those enroled in each level include those below and above the age range. This explains the greater than 100 percent enrolment in elementary school. The high rate in NCR is explained by the fact that the concentration of tertiary institutions attract students from the provinces.

education. In the NCR, less than 1 percent of the labor force has no education. In Region XII, the proportion is as high as 12.1 percent. Almost 70 percent of the labor force have four to six years of elementary and high school attainment, but this proportion varies across regions. Similarly, the proportion of the labor force with college education is 11.3 percent for the nation as a whole, but the figures range from 7.6 percent for Region IX to as high as 21.6 percent for NCR.

The *Gini ratio* is a common measure of inequality, typically used for incomes. It ranges from 0 in the case of complete equality in the distribution, to 1 in the case of complete inequality. It is commonly used to measure income inequality, but here it shall be used to examine the distribution of education. If 10 percent of all graduates originate from the poorest 10 percent of the population, 20 percent of graduates from the poorest 20 percent, and so on, then education may be said to be evenly distributed, and the corresponding *Gini* is equal to zero. The larger the deviations from this ideal, the closer the *Gini ratio* is to one (Box 3.1 describes a way of visualizing this).

The *Gini ratio* is estimated here for each major educational level (Table 25). As expected, and consistent with the more than 100 percent enrolment rate in the first four years of elementary education, the *Gini* for elementary schooling is close to zero.

As one moves to higher levels, however, the share of the poor in education falls at increasing rate. Only 2.9 percent of high school graduates and 0.7 percent of college graduates come from the poorest 10 percent of families. In contrast, 20.4 percent and 36.8 percent, respectively, originate from the richest 10 percent of the labor force. The *Gini ratios* for the four schooling levels are 0.014, 0.115, 0.322, and 0.580.

Table 24
PERCENTAGE DISTRIBUTION OF THE LABOR FORCE BY EDUCATION AND LOCATION, 1988

		0 Education	1-3 Elementary	4-6 Elementary	High School	1-3 College	Complete College
	NCR	0.6	1.5	16.1	46.5	21.6	13.7
I	Ilocos	4.3	6.0	33.7	38.8	10.3	6.9
II	Cagayan Valley	3.2	8.0	39.2	34.1	7.8	7.4
III	C. Luzon	2.9	5.9	37.0	37.3	10.6	6.3
IV	S. Tagalog	3.1	7.2	38.4	34.4	10.4	6.6
V	Bicol	3.1	7.7	48.5	28.1	7.2	5.4
VI	W. Visayas	4.3	10.7	38.8	30.4	9.0	6.8
VII	C. Visayas	5.7	11.7	42.1	26.9	8.2	5.4
VIII	E. Visayas	4.7	11.6	43.7	27.1	7.4	5.6
IX	W. Mindanao	11.3	12.6	38.8	26.1	7.6	3.6
X	N. Mindanao	2.4	8.0	37.5	33.8	11.1	7.2
XI	S. Mindanao	3.2	8.8	36.4	35.1	10.3	6.1
XII	C. Mindanao	12.1	8.2	33.2	31.2	10.1	5.3
	ARMM	6.6	7.7	34.6	36.7	9.3	5.3
	PHILIPPINES	4.1	7.6	35.6	34.2	11.1	7.2
	Urban	1.7	3.4	23.8	41.4	17.4	12.3
	Rural	5.6	10.3	43.3	29.9	7.0	3.9
	Male	3.5	8.4	35.4	35.4	11.5	5.7
	Female	4.6	6.8	35.8	33.4	10.7	8.6

Being in an urban location where schools are more accessible substantially raises the completion rate of high school and college education.Table 26 shows that the *Gini ratio* for high school is 0.185 for urban areas, versus 0.313 for rural. For college, the *Gini ratio* is 0.426 for urban and 0.610 for rural.

Health across regions

On the distribution of health, the national average life expectancy (LE) improved only marginally over the 1981-1989 period. On the other hand, the mortality rate, especially among infants, declined rather significantly. LE estimates differ. Flieger gave relatively large gains in LE of 52.7, 55.8 and 59.3 years for 1960, 1970 and 1975, while Cabigon's figures are 56.9, 59.3, 60.5 and 62.6 years for 1960, 1970, 1975 and 1980 (Herrin 1993). Flieger's estimates seem to correspond better with the drop in mortality rates. The levels and the gains differ among the regions. For males, there is a difference of 14.1 years in LE between NCR and Region XII, or 65.8 vs 51.7 years. For female, the figures are 69.2 versus 54.8 years.

The nutritional indicators for children are measured anthropometrically and by food intake (Table 27). *Severe malnutrition* is said to prevail for children who weigh less than 75 percent of the normal weight for their age. *Stunting*, on the other hand, is described as a condition where the child's weight is less than 90 percent of normal (but not less than 75 percent). Among children 0-6 years of age, some 14 percent were severely

Table 25
PERCENT DISTRIBUTION OF SCHOOLING BY INCOME DECILE

Income Decile	Finished Primary Education (Gr. 4)	Finished Elementary	Finished High School	Finished College
1st	9.65	6.57	2.87	0.73
2nd	9.62	7.64	4.11	1.11
3rd	9.72	8.19	4.87	1.72
4th	9.81	9.06	6.16	2.07
5th	10.01	9.58	7.51	3.25
6th	9.87	10.12	9.26	4.93
7th	10.30	11.20	11.64	9.40
8th	10.42	12.07	14.93	15.03
9th	10.43	12.71	18.24	25.00
10th	10.17	12.85	20.42	36.77
Gini ratio	0.014	0.115	0.322	0.580

malnourished in 1989. The malnutrition rate among female children was almost twice that for males. On the other hand, 11.6 percent of children in the same age group were stunted, with marginal differences between sexes.

Stunting worsens with age as undernourishment continues and its effects cumulate. The average stunting rate is higher for children aged 7-10 years at 14.2 percent. The rate of stunting for each age group is highest in Regions VIII and V, and lowest for NCR and Regions I and II. The low rate of stunting in Region I is a minor surprise since it is a poor agricultural area, but it may have to do with better eating habits. In Regions IV, VIII and X, about 20 percent of 7- 10-year olds were stunted.

The number of underweight children will obviously decline as incomes rise. Tables 28 and 29 show this relationship clearly for the country and by region. For the country as a whole, the rate declines from 16.4 percent underweight for the poorest one- fourth of the population to 8.4 percent for the richest one- fourth. The pattern for the 12 regions is similar. In Bicol, 28.6 percent of the children in the poorest quartile were

Table 26
PERCENT DISTRIBUTION OF SCHOOLING BY INCOME DECILE AND RURAL-URBAN LOCATION

Income decile	Finished primary education (Gr. 4)		Finished elementary		Finished high school		Finished college	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
1st	7.92	9.09	6.20	6.64	3.35	3.58	1.36	1.0
2nd	8.65	9.04	7.63	7.31	5.13	4.31	1.82	1.0
3rd	9.23	9.48	8.56	8.13	6.41	5.24	2.23	1.7
4th	9.29	9.59	9.08	8.64	7.85	5.67	3.58	2.3
5th	10.19	9.70	9.97	9.23	8.79	7.46	5.73	2.6
6th	10.50	10.05	10.81	9.97	10.71	8.08	7.76	3.6
7th	10.82	9.99	11.36	10.33	12.54	9.48	12.63	5.5
8th	11.24	10.55	12.04	11.71	13.99	12.73	16.12	10.9
9th	11.64	10.99	12.64	13.10	15.87	18.07	22.53	21.3
10th	10.52	11.52	11.70	14.93	15.36	25.40	26.24	49.8
Gini ratio	0.005	0.013	0.055	0.108	0.185	0.313	0.426	0.610

Source: 1988 Labor Force Survey, Second quarter.

Table 27
PERCENTAGE OF NUTRITIONALLY-AT-RISK CHILDREN (0-6, AND 7-10 YEARS OLD) BY REGION (1978, 1982, and 1989)

	1978	1982	1989	1989 Male	1989 Female	1982	1989	1989 Male	1989 Female	1989	1989 Male	1989 Female	1989	1989
NCR	14.7	16.8	10.8	6.5	11.1	14.1	6.0	6.9	5.0	10.0	7.9	12.2	12.8	7.4
Region I	18.0	18.0	14.2	11.2	14.3	22.2	7.7	6.9	8.6	9.3	9.1	9.7	7.0	9.9
Region II	15.7	14.9	11.2	5.2	13.4	22.9	7.8	10.3	5.4	8.5	6.0	11.1	8.6	11.5
Region III	15.1	16.7	14.8	8.8	16.4	15.1	12.7	12.7	12.7	9.7	5.9	13.9	15.0	12.5
Region IV	22.6	18.7	14.4	9.1	15.8	21.2	9.4	8.4	10.3	10.4	6.0	14.8	13.8	18.8
Region V	24.0	15.5	19.4	16.2	22.1	21.1	16.5	17.1	15.8	11.8	10.1	13.7	18.9	19.4
Region VI	27.1	16.8	16.2	12.5	19.7	19.5	13.1	14.0	13.9	8.8	7.5	9.8	22.0	12.1
Region VII	29.3	15.2	14.8	9.8	19.9	21.6	12.8	11.6	13.9	9.5	5.2	13.5	13.5	20.6
Region VIII	28.5	20.1	16.7	13.0	19.7	25.6	17.4	17.5	17.4	9.7	7.9	11.2	12.9	13.7
Region IX	n.a.	n.a.	11.3	7.0	18.6	n.a.	11.8	13.8	9.9	8.3	4.0	12.6	14.0	20.3
Region X	16.1	16.1	9.4	5.8	15.1	22.1	10.0	10.0	10.0	6.0	2.7	11.0	9.6	12.2
Region XI	27.7	20.0	14.1	10.0	16.9	27.8	9.0	8.4	9.5	8.1	7.8	8.7	11.7	15.0
Region XII	n.a.	n.a.	11.3	8.8	13.9	n.a.	10.5	9.8	11.1	5.6	5.6	5.6	—	—
PHILIPPINES	—	—	14.0	9.8	17.0	—	11.6	11.8	11.6	9.0	6.7	11.4	13.9	14.2

Source: Food and Nutrition Research Institute.

severely malnourished; in Region VIII, the rate was 31.2 percent. In Regions X and XI, the rates were only 9.0 percent and 9.6 percent, respectively.

The other important determinants of health are access and actual use of health facilities. Tables 30 and 31 show the physicians, midwives and hospital beds available to the population of the 13 regions. In regions with large rural areas, government midwives rather than doctors predominate. Rural areas are provided with barangay health stations manned by midwives for first aid and diagnoses for referral to appropriate health facilities. Essentially, the number of private hospitals, doctors, dentists and nurses in a region is determined by demand, i.e., population size and income. Government provision of these health facilities and personnel complements the private supply. The regional variation in the per capita supply shows how well or how poorly the government is able to compensate for the lack of private services.

Deliveries attended by physicians significantly increase as family income increases (Table 31 and Figure 13). As may be expected, the rates of attendance by physicians differ substantially between urban and rural families. In the urban areas, deliveries attended by physicians were about 24 percent in the lowest income class and 61.8 percent in the highest income class. The corresponding figures for rural areas are 4.8 percent and 27.1 percent, respectively. A very similar pattern is observed for deliveries in hospitals. It is noteworthy, however, that in urban centers, the percentage of families going to government hospitals does not differ too much across income classes. What does differ is the percentage of families who use private hospitals; this clearly rises with income. The use of hospitals is much lower in rural areas than in urban areas and increases with income for both types of hospital. The poor in the villages are unable to use either type of hospital. Dis-

Table 28
PERCENTAGE OF 0-6 YEAR-OLD CHILDREN WITH 75 PERCENT OR LESS OF WEIGHT- FOR-AGE STANDARD BY FOOD EXPENDITURE QUARTILE AND BY REGION, 1989-1990

	Region	First Quartile	Second Quartile	Third Quartile	Fourth Quartile	Total Sample
	NCR	33.7	7.9	3.6	3.1	850
I	Ilocos	19.8	9.0	14.9	8.6	728
II	Cagayan Valley	11.7	4.4	12.0	9.2	628
III	C. Luzon	19.4	10.9	12.4	7.4	625
IV	S. Tagalog	12.9	17.7	10.4	6.0	1,146
V	Bicol	20.6	26.1	19.7	11.9	623
VI	W. Visayas	16.9	19.3	15.9	10.5	520
VII	C. Visayas	14.7	22.5	16.1	7.1	312
VIII	E. Visayas	31.2	14.3	12.0	5.7	520
IX	W. Mindanao	11.4	11.2	12.4	8.4	520
X	N. Mindanao	9.0	14.6	9.2	8.9	623
XI	S. Mindanao	9.6	10.8	20.6	9.8	513
XII	C. Mindanao	19.5	10.3	6.7	8.3	416
	PHILIPPINES	16.4	14.6	13.7	8.4	8,008

Table 29
PERCENTAGE OF 7-10 YEAR OLD CHILDREN WITH 70 PERCENT OR LESS OF WEIGHT FOR AGE STANDARD BY FOOD EXPENDITURE QUARTILE AND BY REGION, 1989-1990

	Region	First Quartile	Second Quartile	Third Quartile	Fourth Quartile	Total Sample
	NCR	7.1	3.6	1.9	2.3	456
I	Ilocos	6.1	2.9	3.7		392
II	Cagayan Valley	5.5		0.3	2.4	332
III	Central Luzon	16.0	5.4	3.9	0.5	335
IV	S. Tagalog	7.6	3.7	4.1	1.5	614
V	Bicol	10.5	5.9	7.3	2.9	337
VI	W. Visayas	9.4	9.8	12.1	2.7	280
VII	C. Visayas	8.9	4.9	3.8	5.1	168
VIII	E. Visayas	12.9	3.9	3.4	3.7	280
IX	W. Mindanao	2.0	1.0	6.8	2.3	280
X	N. Mindanao	9.6	2.2	3.1	6.9	336
XI	S. Mindanao	2.6	2.3	0.9	0.8	282
XII	C. Mindanao	5.2	6.6	5.0	3.0	224
	PHILIPPINES	8.4	4.5	5.7	2.8	4,306

Table 30
ACCESS TO SAFE DRINKING WATER AND POPULATION PER HEALTH FACILITY AND HEALTH PERSONNEL

Region	With Access To Sanitary Toilet (Percent of Households)		With Access To Safe Drinking Water (Percent of Households)		Population Per Physician		Population Per Hospital Bed		Population Per Midwife	
	1981	1989	1981	1987	1981	1986	1981	1987	1975	1987
NCR	84.7	94.0	94.4	99.4	7308	3938	198	258	5353	4167
I Ilocos	80.1	80.9	61.0	91.1	5603	4746	630	723	4957	3222
II Cagayan Valley	78.7	79.2	56.5	87.5	8663	5187	782	827	6121	3408
III Central Luzon	59.1	80.1	70.4	89.2	7167	7347	757	1022	4008	4093
IV S. Tagalog	56.3	71.0	68.2	91.3	8766	7793	744	1017		4977
V Bicol	32.0	68.5	60.3	85.3	18372	7483	790	831	8525	4183
VI W. Visayas	27.7	59.4	61.7	87.7	11733	8432	896	1134	5219	4526
VII C.. Visayas	57.1	67.0	72.5	88.1	6661	7460	655	704	5999	3991
VIII E. Visayas	53.7	60.7	48.5	88.4	9566	5812	1034	1061	8158	3060
IX W. Mindanao	31.0	52.3	44.6	80.9	16681	7633	1056	968	8331	4371
X N. Mindanao	66.3	81.4	65.0	93.2	6764	6807	604	655	5178	3175
XI S. Mindanao	49.3	83.2	50.0	94.5	15773	10253	715	644	8147	4267
XII C. Mindanao	39.1	51.0	46.3	71.1	21438	7593	819	673	7082	2939
PHILIPPINES	56.5	73.2	64.5	89.6	8942	6427	562	654	5772	3926

Sources: DOH, 1987 *National Health Survey*, APMC, *Physician and Nurse Manpower Survey Report*, 1971; ROP, *Strategy for Actions (Health Sector)*, 1974-1975; NEDA, Social Services Division; Professional Regulation Commission; PMA Membership List; PDA Membership List; DOH Bureau of Dental Services; DOH Bureau of Licensing and Regulations Hospital Statistical Reports; DOH Planning Services; DECS Health Nutrition Center; *PNA Nurse Manpower Survey*, 1980 and 1987; Medicare Hospital Accreditation Forms

tance and travel cost are likely to be important reasons. Access to and use of safe water is also positively related to income. The proportions of use of sanitary water are only 56.6 percent for the poorest families and 92.9 percent for the richest. The corresponding figures for sanitary toilet use are 58.6 and 91.0 percent, respectively (Table 32).

Monetary Outcomes of Education

In a previous section, it was seen that families whose heads have higher education and higher income have better nutrition and better access to health facilities. We examine more closely the income-education relationship by looking at intervening variables such as employment/unemployment and hours of work. In a situation of high open unemployment and underemployment, as has prevailed over the past decade, total earnings are likely to be as importantly determined by actual time worked as by the wage rate or hourly earnings. We find that unemployment and hours of work differ across labor force categories and are related, to some extent, to education level.

Unemployment has worsened since the downturn of the economy in the 1980s, with open unemployment rate increasing from 5.3 percent to 13.3 percent in 1986. It

Figure 13
PERCENT OF DELIVERIES ATTENDED BY PHYSICIANS BY INCOME BRACKET

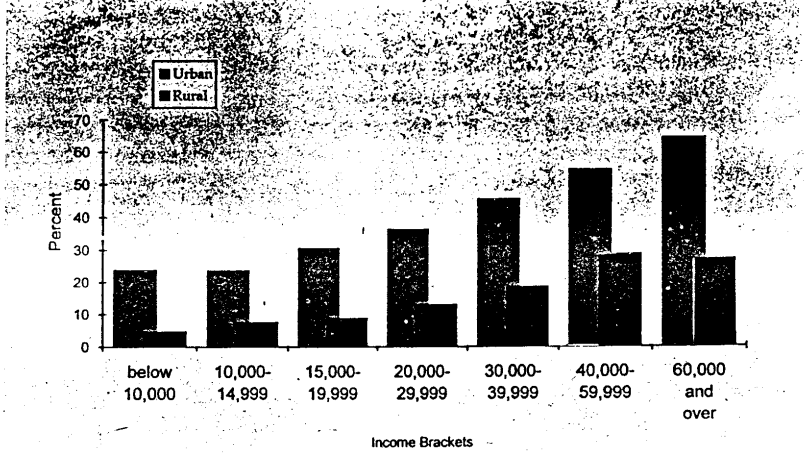


Table 31
ACCESS TO SELECTED HEALTH SERVICES AND FACILITIES BY INCOME CLASS AND RURAL-URBAN LOCATION, 1987

Income Class (in pesos)	Delivery Attended by Physician		Delivery in Government Hospitals		Delivery in Private Hospitals	
	Urban	Rural	Urban	Rural	Urban	Rural
Below 10,000	24.0	4.8	23.3	3.3	3.6	0.5
10,000-14,999	23.8	7.6	17.7	6.1	5.1	1.6
15,000-19,999	30.6	8.8	19.8	6.9	10.6	1.8
20,000-29,999	36.3	13.0	26.4	7.3	11.6	4.6
30,000-39,999	45.3	18.4	24.1	9.9	22.1	8.7
40,000-59,999	54.2	28.7	29.3	13.6	27.1	18.1
60,000 and more	64.0	27.1	20.5	13.4	44.7	12.8
Not reported	61.8		41.6			

Source: National Health Survey, 1987.

Table 32
ACCESS TO SAFE WATER AND SANITARY TOILETS BY INCOME CLASS, 1987

Income class (in pesos)	Access to Safe Water	Access to Sanitary Toilet
Below 10,000	56.6	58.6
10,000-14,999	62.1	75.2
15,000-19,999	75.1	78.7
20,000-29,999	78.1	82.4
30,000-39,999	92.7	87.0
40,000-59,999	90.3	96.9
60,000 and more	92.9	91.0

Source: National Health Survey, 1987.

has declined slowly since then, reaching 9.0 percent in 1991. Underemployment[4] had been high, about 25 percent in the 1980s and 22.0 in 1991. Both open unemployment and underemployment vary by education (Table 33). The open unemployment rate tends to rise with higher educational attainment, but the underemployment rate has the opposite pattern. Fewer college graduates are underemployed, 13.1 percent versus 25.0 percent for those with only elementary schooling. The open unemployment rates for both groups are 12.5 percent and 5.5 percent, respectively.

Most college graduates work in wage jobs (90 percent), and the greater majority are in the professional, administrative, and clerical occupations (70 percent). Close to half of them work in government agencies where the civil service law provides them with greater job stability. The proportion in wage jobs for all workers is 45.4 percent and for government service, 5.5 percent. When the unemployment rate is adjusted for underemployment in time worked, the fulltime equivalent unemployment rate of college graduates turns out to be the lowest at 15.0 percent versus 18.1 percent for the elementary educated and a little over 20 percent for those with high school education.

At present, there is little research on hours worked. In the Philippines, underemployment definitely explains the differences in hours worked, but it is also possible that it is partly due to ill health. Individuals whose physiological development has been impaired by inadequate nutrition and more serious bouts of common diseases may be unable to meet the normal physical requirements of blue-collar work (Tan 1989). Workers may adjust to this physical handicap by reducing the total time worked or by working in less physically strenuous jobs, which seems to be in short supply. The observable outcomes are in the form of shorter work day, intermittent absences, and early retirement. Earnings are reduced by shorter hours, due to lack of labor market opportunities and/or poor health. These reasons are confounded in the data and it is still not possible to distinguish their relative influence on average hours worked.

There is an inter-generational trap in health and earnings. Those with lower education tend to work in blue-collar jobs which require more physical exertions. If these workers also have poorer health and, therefore, unable to work the full hours, their earnings are reduced, resulting in less resources for their children. Data show that those with higher education are mostly in white collar occupations and are earning more because their wage rate is generallly higher, they work longer, and have lower effective rates of unemployment.

A separate study (Appendix 3.1) conducted for this report quantifies the effect of various levels of education, location, and hours worked on total household income. It is designed to take the inter-generational effects into account, since what is measured is not simply the household head's income but that of the entire family. The objective is to confirm that education matters a lot in increasing household income.

The effect of education varies widely across regions. It is low in NCR where most of the higher educated labor force are already to be found. It is also lower in Region X which has relatively abundant university facilities. The varied effect of education across regions suggests that there may be large opportunities for increasing incomes if people are able to move around (Table 34).

[4]Defined here as the proportion of the employed who desire additional hours of work whether or not they are already working the standard 40-hour week.

Table 33
LABOR FORCE PARTICIPATION, UNEMPLOYMENT, AND UNDEREMPLOYMENT, BY LEVEL OF EDUCATION (October 1991)

Educational Attainment	Labor Force Participation Rate (%)	Open Unemployment (%)	Unemployment Adjusted for Hours (%)	Underemployment (%)
No education	56.5	5.4	17.4	21.2
Grade 1-5	70.9	5.1	18.2	25.0
Elementary graduate	69.7	5.9	18.0	25.4
High school 1-3	49.2	9.6	20.7	23.6
High school graduate	67.5	12.6	20.2	20.5
College 1-3	50.6	14.4	20.9	18.8
College graduate	84.9	12.5	15.0	13.1
PHILIPPINES	**64.5**	**9.0**	**18.7**	**22.1**

Source: G. Camaje (1993) "Unemployment of higher-educated labor." Dissertation draft, UPSE 1993, using data from the Labor Force Survey, October 1991.

Human Capital Among Women

Available data support the impression that women in the Philippines experience much less sexual discrimination than in most other countries. Their average educational attainment is only slightly lower than that of men, but their life expectancy is higher. Employment experience is mixed, however. Women have a disproportionately larger share in the professional, administrative, and executive occupational category (Table 35). It should be thought that this is generally desirable, even prestigious. After all, the working environment in this occupational category is generally regarded as safer, cleaner, and more comfortable. But two things should be noted: first, women are to be found in the lower rungs of this category. The majority are school teachers and nurses. Fewer women reach the very top positions in business and government; they are a minority in Congress, the courts, and the Cabinet. (See also Chapter 5.)

Second, this pattern reflects the traditional role assigned to women, which discourages them from participating more in the labor-force, except in occupations that are deemed appropriate to them, i.e., those entailing lighter work and a safer environment. Positions in other job categories (such as in agriculture, construction, transport), which in other countries may also be done by women, may simply not be available to them. As an indication, more women (22.4 percent) than men (11.1 percent) are employed as unpaid family workers.

Women appear to suffer from some discrimination in human capital investment during childhood. A smaller proportion of women than men finish elementary and move on to high school and college. According to the population census of 1990, females made up half of the population of school age (7 years), but they also comprised more than half (51.9 percent) of those who had *no* schooling, suggesting a disparity. Six percent of the total female population of school age had completed no schooling, while the figure for males was 5.6 percent. Similarly, females made up 49.3 percent of those who had reached elementary level, a figure smaller than their share of the relevant population. Again, this indicates that a disparity exists and suggests at the least, that schooling among females may be typically delayed (Table 36).

A smaller proportion of women than men complete elementary education and move on to high school and college. In the 1990 Census, 25.79 percent of school-age females reached high school, slightly lower than the figure of 26.52 percent for males. The female-male ratio is then 0.9725 for high school and 0.9513 for college.

On the other hand, women seem able in later life to overcome the discrimination in human capital investment which they suffered during childhood. More

Table 34
ESTIMATED PERCENTAGE DIFFERENCES IN HOUSEHOLD INCOMES FOR DIFFERENT LEVELS OF EDUCATIONAL ATTAINMENT OF THE HOUSEHOLD HEAD (No education = 100)

Region	No Schooling Completed	Some Elementary	Elementary Graduate	Some High School	High School Graduate	Some College	College Graduate
NCR	100	111	122	126	142	161	281
I Ilocos	100	157	211	234	314	410	919
II Cagayan Valley	100	155	208	229	305	397	885
III C. Luzon	100	128	154	166	205	252	302
IV S. Tagalog	100	138	173	188	240	303	636
V Bicol	100	185	264	299	418	560	1,315
VI W. Visayas	100	185	226	253	343	452	1,031
VII C. Visayas	100	185	265	300	419	561	1,319
VIII E. Visayas	100	205	302	345	491	665	1,593
IX W. Mindanao	100	144	184	202	263	336	723
X N. Mindanao	100	108	112	115	124	134	190
XI S. Mindanao	100	142	181	198	256	326	698
XII C. Mindanao	100	138	189	183	233	292	608
XIII ARMM	100	154	205	227	302	392	873
Average income for sample (in pesos)	P27,285	P34,347	P40,940	P43,848	P53,678	P65,456	P128,189

women than men are able to complete college education. Thirty-six percent more young women than young men completed a college degree (1.798 versus 1.322 million), suggesting a greater perseverance among women to finish the tertiary level. This greater drive may be related to the fact that, for this kind of investment, the kinds of work open to these women are more limited to the upper categories, and to the fact that they are accorded lower priority in the inheritance of land and other non-human wealth.

Women have a higher life expectancy despite the fact that they suffer a higher rate of nutritional deficiency during early childhood. Families appear to give preference to boys in the allocation of food. The proportion of malnourished children is significantly higher for girls than for boys. Underweight children, on the average, is 14.0 percent for boys and 17.0 percent for girls. The difference varies across regions, ranging respectively from 5.8 percent versus 15.1 percent in Region IX, and 11.2 percent versus 14.3 percent in Region I. A similar pattern is observed for other measures of malnutrition. Malnutrition among girls is countered by lower mortality among women at older ages, and this explains the higher statistic on life expectancy observed for women as a whole.

Conclusions and Recommendations

Inequality in income and human capital (HC) tends to be transmitted from generation to generation. Parents' initial endowment of both human and non-human capital determines the level of their monetary and non-monetary income and, consequently the level of affordable capital they can invest in and directly transfer to their children. Government subsidy lowers the price in the use of income and so relaxes the income constraint

Table 35
DISTRIBUTION OF THE EMPLOYED BY OCCUPATION

Occupation	Distribution of Males (percent)	Distribution of Females (percent)	Female Share in Occupation (percent)
Professional, administrative, and executive	4.8	11.2	57.3
Clerical workers	3.3	6.5	53.1
Sales workers	7.2	25.5	66.7
Service workers	6.0	14.1	56.9
Agriculture, forestry, and related occupations	51.8	30.0	24.7
Production and transport	26.8	12.5	20.9
Others	0.2	0.1	33.3
Total	100.0	100.0	36.2

Source: Integrated Survey of Households Bulletin (Series No. 63) January, July, and October 1990.

with respect to choices of use. The paper looked at the distribution of income and the various forms of HC, particularly health and education. Health is indicated by the nutritional status of children, life expectancy, and mortality rates; education by the level of schooling. The distribution of health by class of income is less unequal than the distribution of education by level. The difference in the distribution of these HC forms may be attributed to the difference in their nature and to government policy. Health is an output of the consumption of basic needs. Families who are able to meet basic needs would achieve some minimum level of health. Higher consumption levels will improve health further but at fast diminishing rate. On the other hand, educational investment depends on survival or on having minimum health first. And even with marginal increases in income, the amount of educational investment especially at the higher levels makes the investment less income elastic.

The government has succeeded in providing some basic health facilities. About 78 percent of households have access to a sanitary source of water, and 73 percent use sanitary toilets. Government hospitals, community clinics, and village health stations are present in the countryside. However, access to these are still unequally distributed, specially between urban and rural households. Child nutrition is still a problem. Severe malnutrition of children is very high at 14 percent. Poverty only partly explains malnutrition, since it is observed across all income classes. Among others, this likely implies poor nutrition education.

In education, the government has succeeded in enroling most every child in the first grade. With the free high school law in place, the secondary level is likely to be more equally distributed. But very little has been

Table 36
HOUSEHOLD POPULATION 7 YEARS OLD AND ABOVE, BY HIGHEST GRADE COMPLETED AND SEX, 1990

	Male	Female	Total	Female Share (percent)
No Grade	1,366,127	1,472,717	2,838,844	51.88
Elementary			24,630,569	49.31
High School	6,482,427	6,297,766	12,780,193	49.28
College	1,916,612	1,820,852	3,737,464	48.72
Degree Holder	1,322,972	1,798,372	3,121,344	57.62
Others	873,921	883,007	1,756,928	50.26
Total	24,447,551	24,417,791	48,865,342	49.97

Source: 1990 Philippine Population Census.

done about the distribution of the tertiary level, which exhibits very intense inequality. The University of the Philippine's socialized tuition scheme is reaching only about 10,000 out of about one million college students. While the provincial public universities may be catering to the middle classes who could not otherwise afford private college education, little of the subsidy reaches the poor.

Rural households are less able to access health care facilities and to invest in higher education than urban households. There are stark differences in the Gini ratios for urban and rural secondary and tertiary education. Access to and use of clean water, sanitary toilets, and hospitals and doctors are also substantially lower in rural areas. Policymakers can make use of the statistics presented here to identify targets for their health and education programs.

The *public provision* of social services, such as primary education and primary health care, is the single most important determinant of the poor's access to and use of such services. Universal enrolment at the primary level had been achieved largely due to the accessibility of primary schools in all towns and most villages in the country. The consumption of sanitary water was also due to its widespread availability.

Other social services have not been as accessible; therefore, their consumption had remained limited to a few. The free high school law guarantees universal secondary enrolment and provides tuition to students who are not admitted to public high schools. But the subsidy is limited to school fees or public school costs, and does not cover the opportunity cost of the student's time.

At the college level, distribution is even worse. Admission to state universities and colleges, which charge minimal tuition, tends to be biased for the higher income groups. The subsidy for higher education is geared neither toward achieving efficiency or equity, yet state subsidy for higher education has been increasing and is apparently eating into the subsidy for primary and high school education and primary health care — which by contrast *are* more equitably distributed.

The national budget for social services should be reallocated. The budget for tertiary education may be gradually reduced over three years by 50 percent or more. The amount saved may then be used to improve the quality of primary and secondary education and to expand access to primary health care.

The budget for health care is too meager, ranging from P5 to P31 per capita in 1990, and must be increased. The child-feeding program does not appear to be a priority of the current administiration, although child malnutrition remains serious. With overall limits to spending, it may be necessary to realign the budgets of other line agencies in order to provide the poor with basic needs in health.

While physical access to primary and secondary education is high, the quality of instruction must be substantially improved. The obviously superior performance of affluent students in admission tests at the state university is a consequence of the inferior quality of previous schooling among those who could not afford better but expensive private schools.

The budget that remains for higher education may be allocated to scholarships and research support programs. Programs with potentially high development impact should be emphasized, e.g., graduate studies in the sciences, history, and environment.

Scholarships should be directed to poor but bright students, awarded to individuals, and transferable across both private and public institutions. Students at state institutions must be charged full tuition, with those on scholarship paying the fees directly. This financing system is meant to compel public institutions to compete with the private sector and allow the government to direct its subsidy programs to specific groups of deserving students.

Appendix 3.1
WHAT DETERMINES HOW MUCH THE HOUSEHOLDS EARN?

We estimated an eclectic household earnings function by linear ordinary least squares (OLS):

$$Y = a_0 + a_1E + a_2R + a_3A + a_4A^2 + a_5L + a_6H + e$$

where

Y = household annual income;

E = education of head: elementary, incomplete high school, complete high school,incomplete college and complete college;

R = regional location of household, 1, 2,... 12, NCR = 0;

L = urban or rural location of household;

A = age in years of head;

H = hours worked of all members of the household.

The idea of the function is to show that the advantages of household head's education redounds not just to his own labor market opportunities but also to the members of his family. The income is not just labor income but also includes income from physical wealth and the effect of better decisions. The function tells more about inter-generational linkages; it is not an estimate of the rate of return to schooling.

We applied the OLS estimate to the whole sample and separately for each occupation. While it is true that the "higher" occupations (professional, administrative and executive) generally require college education and are in fact manned mainly by college educated people, other occupations also have highly educated workers. The separate regressions would show the relative importance of education in each occupation (see Appendix Table 3.1.1).

For the whole sample, all independent variables except Age^2 are significant at the 5 percent level or better. Education helps increase household income. The completion of college increases household income by P100,904 from zero education, while completion of high school raises it by just one-fourth that of college. Each year of experience, as proxied by age, adds an average of P2,010 to income, while every hour of work per week adds P159. If the total unemployment rate of about 15 percent is reduced to zero, the equivalent increase in income would be P49,600 per household (52 weeks x 40 x .15 x P159). Eliminating unemployment will wipe out poverty.

The separate regression runs for the various occupations have interesting results as seen in the accompanying table. In agriculture and production, education, age, hours worked and urban location have significant coefficients of the expected sign. However, not all the regional dummies have a significant influence on household income. In the service occupation, only the three highest education categories are significant; age is significant but hours worked is not. Again, some regional dummies are significant. For the professional group, only college education matters. The table text summarizes the effect of education and of location on household income. The relative influence of education and region on household income can be more easily compared. For the total sample, households with zero education have an average income of P27,285. The increment in income per change in education category is U-shaped. It is quite high between zero and some elementary education, with a 25.4 percent increase, then the rate of increase falls in the next two education categories, to only 7.1 percent between completed elementary and some high school. Completion of high school increases income by 22.4 percent but completion of college almost doubles the income. The effect of education varies widely across regions. It is very low in NCR where most of the higher educated labor force is to be found, and lower in Region X which has relatively abundant university facilities.

Appendix Table 3.1.1

FACTORS INFLUENCING HOUSEHOLD INCOME (PESOS PER ANNUM) BY OCCUPATION (ordinary least square estimates)

	Factory worker	Production laborer	Service	Sales	Clerical	Professional Executive Administrative
Constant	23,058,888[a]	-42,370[a]	-52,102[a]	8,896	67,662[b]	10,820
Grade 1	4,412[a]	8,039[b]	-1,807	23,340	58,504[a]	50,541
Elementary graduate	8,869[a]	13,024[a]	5,961	33,301	-29,742[a]	81,112
High school	12,929[a]	16,083[a]	7,725	37,472	-35,637[a]	90,246
High school graduate	17,387[a]	23,144[a]	23,316[c]	52,417[c]	-22,862[a]	176,639[c]
College undergraduate	23,062[a]	32,425[a]	32,230[b]	69,061[b]	-8,716	13,369
College graduate	44,782[a]	61,991[a]	64,225[a]	148,943[a]	155,943[a]	182,497[b]
Age	3,005[a]	2,372[a]	3,005[a]	-19	606	-692
Age^2	-11[a]	-19[a]	-24[a]	18	3	58
Urban	5,608a	4,134[a]	6,882[b]	10,013	22,352	22,352
Hours worked	161[a]	122[a]	42	51	-302	249
Region 1	-10,980[b]	-15,630[a]	-20,875[a]	-64,041[a]	-21279[c]	-204,200[a]
Region 2	-9,142[c]	-12,159[a]	-18,138[b]	-69,591[b]	-9,090	-217,451[a]
Region 3	-2,323	1,006	-6,697	-56,334[a]	-11,124	-191,666[a]
Region 4	-8,101	-6,818[a]	-8,087[c]	-59,020[a]	-12,166[c]	-207,640[a]
Region 5	-15,020[a]	-18,129[a]	-10,542	-70,869[a]	-31,704[a]	-220,530[a]
Region 6	-11,092[b]	-17,617[a]	-15,522[a]	-63,977[a]	-12,868	-198,982[a]
Region 7	-17,420[a]	-16,123[a]	-18,275[a]	-64,979[a]	-28,407[a]	-200,500[a]
Region 8	-16,256[a]	-17,777[a]	-24,523[a]	-56,664[b]	-41,238[a]	-230,547[a]
Region 9	-88,78[c]	-10,031[a]	-21,009[a]	-46,879[c]	-29,316[b]	-227,644[a]
Region 10	-5,959	-12,855[a]	-10,947[c]	-71,727[a]	-2,131[b]	-235,608
Region 11	-7,640	-7,284[a]	-1,122	-58,571[a]	-20,371[b]	-198,256[a]
Region 12	-4,635	-7710[b]	-14,734[b]	-48,370[b]	-9,370	-191,826[a]
Region 13	-15,580[a]	-7565[a]	-1,171	-47,788	-28,689[b]	-213,725[a]

Significant at

[a] 0.001 level

[b] 0.01 level

[c] 0.1 level

Appendix 3.2
FINANCING SOCIAL PROGRAMS IN THE PHILIPPINES: PUBLIC POLICY AND BUDGET RESTRUCTURING*

*Rosario G. Manasan and Gilberto M. Llanto***

With the economic crisis of 1984-1985, the worst in postwar years, in which the gross domestic product (GDP) shrunk considerably, the Philippines performed dismally in terms of most human indicators. Infant mortality rate hovered between 59 to 57 per 1,000 live births from 1980 to 1990. Between 1989 and 1990, 14 percent of pre-school children were underweight, 11.6 percent stunted, and 9 percent wasted. In 1990, only 80 percent of the population had access to safe water and 70 percent to sanitary toilets.

As of 1989, more than a quarter of the population was found to be functional illiterates. The drop-out rate in the primary grades was 30 percent. Even at present, there are barangays without an elementary school, and most of the existing ones have inadequate facilities.

In response to these problems, the government prioritized social and human development goals in the *Medium-Term Philippine Development Plan, 1993-1998*. Mid-decade goals (MDGs) for Filipino children and mothers were laid down in health, education, water supply, and sanitation. However, the biggest constraint in achieving these goals was financing.

In 1993, for example, the fund available from both government and donors was only ₱798 million, or 65.4 percent of the estimated total cost of the MDGs. Given the fiscal constraints in the public sector, there is an urgent need for innovative ways to mobilize more resources for the social sector.

Government Revenues

Government revenues may come from tax and non-tax sources. Taxes, the principal source of income for the government, accounted for 86 percent of national revenues in 1992. On the other hand, non- tax revenues, such as grants, user charges, income from public sector enterprises and proceeds from privatization, constituted the remaining 14 percent.

Reforms in both the structure and administration of the tax system in the last half of the 1980s have improved the government's revenue performance, as evidenced by a favorable growth in tax revenue and an improved buoyancy of the tax system since 1986. However, estimates of tax evasion in recent years indicate that vast opportunities exist for collecting more taxes without raising the rate of existing taxes or imposing new taxes. Assuming that the margin of error in the estimated tax evasion level is 50 percent and that the government is able to collect 50 percent of the amount of taxes evaded, about ₱17.6 billion can be raised yearly by curbing evasion of the individual income tax and the VAT alone.

The revenue potential of user charges, or the fees that the government exacts from the private sector beneficiaries of publicly provided goods or services, has not been fully exploited. The share of user charges to total national government revenues has continuously declined from 15.3 percent in 1976 to 5.8 percent in 1992, largely due to government's failure to automatically adjust user charges to reflect changes in cost of producing goods or services.

Capital receipts from the sale of government properties, on the other hand, significantly improved non-tax revenues between 1987 and 1992. If the government's divestment program is accelerated, some 3.2 billion can be generated yearly within the next five years. However, the potential income from this source is expected to dwindle as the privatization program winds up in the medium-term.

*This is one of UNICEF-commissioned studies in four countries in support of "20/20: Mobilizing Resources for Children in the 1990s."

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Official Development Assistance (ODA)

The country funded 2.9 percent of its GNP in 1990-1991 from ODA sources. Major sources of ODA and other official flows are Japan, the World Bank, Asian Development Bank, the United States, Germany, Canada, Australia, and the Netherlands. Their priority areas of assistance are economic and infrastructure development, poverty alleviation, environmental protection, structural adjustment, population planning, democratic reforms, protection of human rights, and improved administration. Recently, there has been a focus on social and human development.

From 1989 to 1991, the average amount of external assistance disbursed to the Philippines was $1.5 billion a year. This financed projects in agriculture, energy, transport, communications, natural resources, local area development, and industry. Health, education, and other social development projects accounted for only 11.4 percent of total ODA disbursement in 1991. This relatively low allocation was partly due to the donors' preference for other areas of assistance. It was also a manifestation of the government's failure to push for the social sector in its negotiations, and of official reluctance to use official loans to fund human development projects.

In May 1991, the United Nations Development Programme (UNDP) proposed what is now known as the "20/20" initiative, which calls on developing countries to devote at least 20 percent of their budgets, or 5 percent of their GNP, to basic human needs. It also appeals to all donors to allot 20 percent of development aid for the same purpose. This initiative underscores the importance of restructuring national budgets and international development aid in line with the priorities established at the World Summit for Children.

Government Expenditures in the Non-Social Sectors

Total government expenditure was reduced by an annual average of 11 percent in real terms during the economic crisis of 1984-1985. National defense and security, social services, and the economic sector suffered the brunt of the adjustment. When the economy recovered, real total government expenditure increased by an average of 8.4 percent yearly between 1986 and 1993. Government resources were reallocated from the economic sector and national defense to debt service, general public administration, and social services.

This rapid expansion of government expenditures during the period did not indicate growth; rather, it was due to the huge debt service which accounted for 30.3 percent of the total budget. Net of debt service, total government expenditure actually contracted from 15.3 percent in 1975-1982 to 11.1 percent in 1983-1985, then slightly recovered to 13.1 percent in 1986-1993. Per capita government expenditure net of debt service in real terms was lower in 1992 (1,733) than in 1981 (2,031). In effect, debt burden hampered the government's capacity to provide services to the people.

External debt jumped from $2 billion in 1970 to $24 billion in 1983. Domestic debt accumulated from 1986 to 1991 when the government was unable to borrow from foreign banks. Through a number of debt reduction schemes instituted since 1986, the government has freed some resources to augment the budgetary allocation for the social sector. Domestic debt grew at an annual average rate of 28.3 percent, which was twice the growth rate of the GNP. Coupled with high interest rate regime, this led to an unsustainable situation in which the large stock of domestic debt resulted in an ever-increasing domestic debt burden, which led to further increases in the fiscal deficit that had to be financed by more domestic borrowing and, consequently, to an ever-growing debt stock. Other analysts have suggested that the problem may be mitigated by increasing the average maturity of public sector debt, improving the efficiency of the primary and secondary market for debt issues, and developing a small savers instrument. These moves were expected to lower the interest rate on holders of government securities. Analysts have shown that a 1 percentage point reduction in interest rate leads to a 1.4 billion reduction in interest payments.

Next to debt service, general public administration is the second fastest-growing major item in the government's budget. In 1990, it was 2.7 percent of the GNP. If the budget for general public administration is pegged at its 1975-1985 level (1.4 percent of GNP) or set at a level similar to Thailand's (1.2 percent of GNP), then the government can save, annually, 7.5 billion or

10.2 billion, respectively.

Government expenditure on national defense and peace and order declined from 3.5 percent of GNP in 1975 to 1.6 percent in 1985. In 1993, it settled at 1.9 percent. Relative to other ASEAN countries, this budget allocation is the lowest, yet it is still three times larger than the national budget on health.

Outlay for the economic service sector was the slowest-growing major expenditure item in the budget from 1975 to 1982 and from 1986 to 1993. Government expenditure for this sector dropped from 7.6 percent of GNP to 5.5 percent, and the share of this sector to total budget went down from 45.6 percent to 24.8 percent during the same period.

The marked increase in total national government capital outlay between 1986 and 1993 was largely the effect of the dramatic increase in current expenditure from 11.6 percent of GNP in 1975-1985 to 18.3 percent in 1986-1993. The rapid growth was due to increases in three items — interest payment, personal services expenditure, and current transfers (or subsidies) to government corporations.

Given the government's limited capacity to generate resources, an evaluation of the relative benefits and costs arising from its various subsidy programs must be undertaken. Some 4 billion can be saved yearly if the fiscal incentive package of the Board of Investments (BOI) is limited to exports while net operating loss carry-over and accelerated depreciation are provided to all firms (to allow the Philippines to remain competitive in drawing foreign direct investments). Similarly, the 0.8 billion spent yearly on explicit and implicit subsidy to the National Food Authority (NFA) may be reallocated to other areas since the NFA had not been effective in stabilizing the price of palay and rice and in reaching a substantial number of farmer and consumer beneficiaries.

Government Expenditures in the Social Sector

National government expenditures in the social services sector grew substantially in both nominal and real terms in 1986-1993 following an improvement in the macroeconomic environment and in the government's commitment to social service concerns. Government outlay for the sector rose from 3.2 percent of GNP in 1975-1985 to 4.1 percent in the last eight years.

The share of the social services sector in the national budget (social allocation ratio) declined from 20.9 percent in 1981-1982 to 16.7 percent in 1983-1985, but rose to 18.5 percent in 1986- 1993. However, the social allocation ratio, when measured relative to total government expenditure net of debt service, increased from 22.8 percent to 24.0 percent and 30.1 percent, respectively. Despite this relative improvement, the ratio is still low compared to the UNDP target of 40 percent and to the ratios in many Asian countries.

On the other hand, the social priority ratio (i.e., the share of expenditure on human development priorities relative to the total expenditure on the social services sector) was less affected by the macroeconomic environment. It rose constantly from 39.2 percent in 1981 to 59.1 percent in 1991. The country's social priority ratio is higher than the average for most developing countries and the UNDP target of 50 percent.

Like the social allocation ratio, the human expenditure ratio (ratio of expenditure on human development priorities to GNP) is vulnerable to overall economic developments. Thus, the human expenditure ratio dropped from 1.5 percent in 1980-1981 to 1.25 percent in 1983-1985, but increased to 2.3 percent in 1986-1989 before dropping again to 1.9 percent in 1990.

1. Health and Nutrition

The country's overall health status in terms of mortality, morbidity and nutrition has not improved over the last decade. The trend is closely linked to high fertility level, low level of education among women, and poor environmental sanitation.

Government expenditure on health, nutrition and population sectors dipped from 0.6 percent of GNP in 1975-1982 to 0.5 percent in 1983-1985. This recovered in 1986 and peaked at 0.7 percent in 1990, only to settle back at 0.5 percent in 1991 and onwards. In contrast, the average expenditure for these sectors in 17 selected Asian countries is 1.4 percent of GDP and 5 percent of total central government expenditure in 1990.

In 1980-1990, 51 percent of total government expenditure on health was allocated for maintenance and operating expenditure, 41 percent for personal services expenditure, and 8 percent for capital outlays.

By function, 70 percent of the Department of Health (DOH) budget is allocated for curative care, 20 percent for preventive care, and 10 percent for administrative services.

The DOH administers some 26 national level public health programs. In 1993, it appropriated 1.1 billion for these programs; donors committed another 1 billion. The more important of these programs and their budgets are:

- Family Planning Program - 395 million, largely financed by donors
- Tuberculosis Control Program - 365 million, primarily financed by government
- Environmental Health Program - 236 million, 54 percent of which is government fund
- Expanded Program of Immunization - 225 million, 40 percent of which is provided by the government
- Malaria Control Program - 212 million, and
- Nutrition Programs - 119 million.

Among the issues and challenges that confront the health sector are:

UNDER-INVESTMENT IN THE HEALTH SECTOR RELATIVE TO OTHER SECTORS. Per capita general government expenditure on health reached 192 ($7.22) in 1993. Even if all this amount is spent on basic health care, it is not enough to cover the price of a minimum package of basic health interventions, estimated by the World Bank to cost $12 per capita in 1990 (or $12.61 in 1993, assuming an inflation rate of 2.5 percent yearly).

OVER-ALLOCATION FOR CURATIVE CARE. Given that the primary goal of resource allocation is to obtain the maximum health gain per peso spent, the strongest argument for increasing government expenditure on public health services is the cost-effectiveness of preventive/ community health interventions relative to curative care interventions. Although existing estimates of the cost-effectiveness of alternative types of health interventions are crude, they indicate that the cost of saving life is much higher (at least two to five times as much) in curative care than in preventive care. Ironically, 70 percent of the DOH budget is spent on curative care.

OVER-ALLOCATION FOR ADMINISTRATIVE SERVICES. The devolution of a substantial number of DOH personnel (45,000 out of 75,000) and amount of budget (3.9 billion out of 10 billion) should have led to a proportionate reduction in the outlay for general administrative services. On the contrary, DOH appropriation for this item rose by 86.1 percent in 1993. Even after adjusting for inflation and regular growth in government expenditure, this allocation was about 382 million higher than what the DOH's reduced personnel and budget warranted.[1]

UNDER-FUNDING OF MAINTENANCE AND OPERATING EXPENDITURES. The production of health services is labor-intensive. However, the shortage of complementary inputs like drugs, medicines, supplies, fuel, and building and vehicle maintenance reduces the effectiveness of the health staff. The ratio of real DOH personal services expenditure to maintenance and operating expenditure rose from an average of 0.63 in 1980-1982 to 1.02 in 1989-1991. Considering the government's proclivity to impose across-the- board reductions in maintenance expenditure during periods of budgetary restraint, this trend is worrisome and efforts should be made to secure financing of this expenditure item.

USE OF LESS COST-EFFECTIVE INTERVENTIONS. In 1991, only 49.5 percent of diarrheal cases among children under five were treated with oral rehydration therapy (ORT). Moreover, 84 percent of hospitalization cases in 1989 were due to respiratory and gastrointestinal infections, both of which can be treated in Barangay Health Stations (BHS).

POOR LOGISTICS MANAGEMENT SYSTEM. Logistics problems are pervasive, particularly in the distribution of drugs and medicines. The DOH logistics system for drugs and medicines is riddled with problems in the following areas: planning, accreditation of suppliers, procurement, distribution, and inventory management. Reforms in the system have been initiated and have to be sustained.

LOW COST RECOVERY IN GOVERNMENT HOSPITALS. In 1993, 1.8 billion was allocated for hospital facilities retained by DOH (640 million for eight tertiary medical centers in Metro Manila and 1.2 billion for regional

[1]Similarly, some P106.5 million could have been saved in 1993 if the Department of Social Welfare and Development (DSWD) reduced its appropriation for general administrative expenditures after devolution.

medical centers and hospitals). On the average, government tertiary hospitals recover about 5 percent of their expenditures. If another 10 percent of their operations costs are recovered from fees and charges (bringing the recovery level to 15 percent), some 180 million in additional revenues can be generated. This amount is almost sufficient to finance the cost (186 million) of achieving the Expanded Program of Immunization (EPI) targets under the mid-decade goals in 1993. Similarly, the cost of operating LGU hospitals was 3.3 billion in 1993. If another 10 percent of this cost is recovered from user fees, another 330 million can be mobilized by LGUs.

2. Education

The country performed well in terms of enrolment and literacy rates in the 1980s. Gross enrolment in formal education grew by an average of 2.37 percent annually in the last decade. By 1993, gross enrolment was 16.5 million compared to 12.8 million in 1981.

The share of public schools in the total elementary enrolment slightly declined to 92.6 percent in 1992-1993 from 93.3 percent in 1989-1990 and 94.8 percent in 1981-1982. At the secondary level, the public schools' share increased to 65 percent from 63.5 percent and 54.2 percent, respectively, during the same periods. Meanwhile, of the total enrolment in the tertiary level in 1992-1993, 19 percent was in public schools, compared to 10 percent in 1981-1982. The increase in enrolment in public secondary and tertiary schools can be traced to the provision of free secondary education and accessibility of public schools following the creation of barangay/ rural high schools and several state colleges and universities.

Dropout rate, or the proportion to total enrolment of pupils who left schools during a given school year, declined substantially at the primary level from 3 percent in 1981-1982 to 1.6 percent in 1992-1993, and slightly at the secondary level from 6.3 percent in 1983-1984 to 5.9 in 1991-1992. Graduation rates for both primary and secondary levels were relatively high at 97 percent and 94 percent, respectively, in 1990-1991 compared to 90 percent and 96 percent, respectively, in 1981-1982.

In 1992-1993, 1.4 million students, or 8 percent of total enrolment, were in tertiary level, of which 81 percent was in private schools. Their survival rate was low primarily due to the difficulty of financially sustaining a college education and to the bleak prospect of finding a job after graduation. Performance rate in licensure examinations was also low at 39 percent.

Latest data show that there are over 2,000 colleges and universities in the country, of which more than three-fourths are private schools. State universities and colleges (SUCs) proliferated between 1975 and 1988 when over a hundred SUCs were either created by statutes or converted by executive orders. This was a remarkable improvement from the situation in 1965-1966 when there were only 466 tertiary schools. The number of elementary and secondary schools also increased from 21,877 and 2,537 to 34,570 and 5,701, respectively, during the same period.

Despite increases in the number of schools and in participation rates in recent years, many areas still lack basic educational facilities. One out of four barangays is without an elementary school, and 61 of the country's 1,540 municipalities nationwide have neither public nor private high school. Moreover, 48 percent of primary schools does not have water supply, while 61 percent does not have electricity. Although enrolment-to-school ratio and teacher-to-pupil ratio are fairly stable, there is an observed deterioration in the quality of education and a continuing problem of lack of access by the disadvantaged. There are also disparities in the regional distribution of educational facilities; thus, the National Capital Region, Central Luzon and Southern Tagalog outrank other regions in terms of educational performance.

In the 1960s and the early 1970s, government allocated almost one-third of its national budget to education. The budget has since decreased to less than 10 percent until 1986 when it started to increase again. The rapid growth of the schoolage population has brought tremendous pressure on existing facilities and personnel resources, making it imperative to increase budget through intersectoral and intrasectoral budget reallocation.

However, public schools tend to be less cost-effective than private schools. Operating cost per student in public elementary schools was estimated at 940 in 1986 compared to 662 in private schools. At the secondary level, cost per student was estimated at 1,250 in public

schools compared to 753 in private schools. At the tertiary level, the estimated cost per student at SUCs in 1993 was 12,800, higher than that in private schools. Increasing the share of tuition from 10 to 20 percent will allow the government to free about 750 million, which can then be used for improving the quality of basic education.

The major issues and challenges that beset the education sector, among others, are: (1) deteriorating quality of basic education; (2) disparity in the quality of education between public and private schools, and among regions, which could be exacerbated by the devolution of education concerns to LGUs; (3) inadequate school facilities; (4) lack of competent teachers; (5) access to higher education by the disadvantaged groups; (6) mismatch between education and skills training and the actual demands for jobs; and (7) rationalization of public tertiary education.

3. Water and Sanitation

Water supply coverage continuously improved from 59 percent to 80 percent of the population from 1980 to 1990, except for a noticeable decline in 1986-1987 due to underinvestment by the Department of Public Works and Highways. In 1992, 62 percent of residents in Manila had access to potable water, 58 percent in other urban areas, and 84 percent in rural areas.

According to a recent survey of households, 12 percent used spring water and other sources due to absence of convenient sources; 19 percent had water for only 6 to 12 hours; 65 percent had water for free; and 30 percent of the 483 communal water facilities inspected was within 10 meters from a latrine. The survey also showed that 85 percent of the households had sanitary toilets; a number of the toilets were in controlled areas but served many households; and 40 percent of the 73 communal sanitation facilities inspected was poorly maintained.

Sanitation also improved from 50 to 70 percent of the population from 1980 to 1989. However, water and sanitation-related diseases such as diarrhea, typhoid fever, infectious hepatitis, and schistosomiasis increased during the same period. In fact, diarrheal morbidity cases increased by 300 percent, making it the third leading cause of deaths among infants and children under five years old. Low health impact is traced largely to inadequate utilization of water and sanitation facilities and poor hygiene practices. Facilities are sometimes installed near sources of contamination, essential parts are poorly installed, or the quality of materials used is substandard. Increasing access to water and sanitation facilities alone is not enough. Experience shows that proper utilization of facilities, effective hygiene education, and viable community participation strategies should be strengthened to effect positive behavioral change.

As of 1991, the Metropolitan Waterworks and Sewerage System (MWSS) serviced a population of 938 million through 709,742 water service connections. Only 42 percent of the daily supply of 2.4 million liters of water generated revenues; the remaining 58 percent was lost due to leakage and firefighting purposes (32%), illegal connection and withdrawals (14%), and measurement errors (12%). A 5 percent reduction in water losses alone would gain for MWSS 388 million. In 1991, collection from illegal connections amounted to 22.8 million.

Despite a return rate of 10.26 percent registered in 1991, the MWSS faced financial difficulties. Between 1986 and 1989, its internal cash generation financed 70 percent of its capital expenditures. The ratio has since declined such that MWSS now depends on foreign financing for its capital programs.

On the other hand, the 578 water districts (WDs) supervised by the Local Waterworks and Utilities Administration (LWUA) covered 5.7 million households in 1991, or 63 percent of all households nationwide. The rest were covered by water systems developed and managed by LGUs or by private utilities. The performance of WDs varies. Several WDs have difficulty paying their debts to LWUA although by virtue of RA 7109 they are exempted from paying income and franchise taxes, and duties and real property taxes until 1996.

LWUA's financial situation is precarious. In 1988-1992, it relied substantially on national government equity which averaged 245 million a year. Its internal cash generation covered only 16 percent of its capital expenditures. Loan repayment from WDs was only 40 percent of billings. The allocation of its loan portfolio was also unhealthy, such that 35 percent went to only six WDs; thus, its net profits accounted for only 2.5 percent of its equity in 1992.

The four common issues confronting the water sup-

ply and sanitation sector are: policy environment, financing, production and maintenance, and community participation. The issues are interrelated and revolve around the need to improve the overall climate for larger investments in the water sector, expand the role of the private sector, strengthen the implementation capacities of MWSS, LWUA and LGUs, and raise community participation.

Political Economy of Government Budget

The national budget is the financial translation of the national development plan. The budgeting process consists of four phases: budget preparation, budget legislation or authorization, budget execution or implementation, and budget accountability or review.

To a large extent, the budgeting process at the local government levels approximates that of the national government. The difference lies in the budget review in local government, which occurs between budget authorization and budget execution.

During her administration, President Aquino made a strong commitment to support the social services sector. Thus, in 1986- 1990, government expenditure in this sector grew relative to others. However, in the preparation of the 1993 budget, social projects/activities were assigned the same weight as physical infrastructure projects. In the 1994 budget, priority was given to power and foreign-assisted projects. Thus, there appears to be some agreement in the executive branch that the economic sector should be treated more favorably in terms of budget allocation.

Apart from the formal procedure of setting department and agency budget ceilings, there is an informal appeals process through which department heads can try to increase their budget ceilings by asking for reconsideration from the DBM or the President himself. The aggressiveness of the department head in arguing for his agency's case strongly influences the kind of response that he receives.

The present budget allocation process has a tendency to focus on projects and to give priority to foreign-assisted projects. This leads the departments into "projectizing" their activities even if more sustained and long-term programs are needed and into relying on external sources of finance even when the sustainability of these activities are in question.

In enacting the 1993 and the 1994 budgets, Congressional initiatives became more pronounced. The members of Congress tended to increase the budget of one agency at the expense of another. A variance analysis shows that the infrastructure sector tended to be favored relative to other sectors, although there were instances when some social service agencies like the DOH were able to secure additional appropriations from Congress. This appears to be consistent with some observations that the members of Congress tend to focus on quick-impact, high-visibility, district-specific projects (mostly physical infrastructure)

Conclusions and Recommendations

There is an urgent need to empower the people through the provision of basic human needs. This should be given priority considering that higher productivity and growth can only be insured by "a healthy, educated citizenry." Therefore, the government must support social development programs.

There are three broad sources of additional financing for the social sector — increased revenues, intersectoral allocation, and intrasectoral reallocation. Measures to increase revenues include curbing tax evasion, privatization, and improving the capacity of the government to absorb ODA. These measures alone would yield roughly 30 billion a year.

Intersectoral reallocation should consist of the following: (1) policies to lower domestic interest rate, (2) reduced expenditures on general public administration, (3) reduced outlay for general administrative services in DSWD, (4) elimination of NFA subsidy, and (5) restructuring of BOI incentives. Estimated resources from these measures would amount to 14.2 billion.

Intrasectoral allocation, on the other hand, should undertake the following measures: (1) reduced DOH outlay for general administrative services due to devolution, (2) increased cost recovery in government hospitals, (3) improved DOH logistics system, and (4) increased cost recovery in SUCs. These measures would generate an estimated 2.0 billion.

Revenues that can be raised from the two major sources are substantial compared to the third major

source. However, there are competing demands from other government departments and line agencies for resources from these two sources. Thus, the agencies in the social services sector must implement the necessary reforms to have greater control over those resources. Nevertheless, greater and more dedicated advocacy for the social services sector will be necessary to successfully tap greater portions of incremental revenues from the first two major sources.

Appendix Table 3.2.1
ODA FROM SELECTED MAJOR DONORS TO THE PHILIPPINES: SELECTED RATIOS, 1988-1990, 1991

	Aid Social Allocation Ratio[a]			Aid Social Priority Ratio[b]			Aid Human Expenditure Ratio	
	1988-1989	1988-1990	1991	1988-1989	1988-1990	1991	1988	1988-1991
Germany	19.2	30.5		55.4	71.9		.008	.210
Netherlands	21.1	21.1		44.5	49.1		.087	.091
Canada	23.8	19.7		45.9	46.5		.048	.041
United States	16.4	15.9		50.4	52.4		.016	.014
Australia	6.4	14.6		31.4	15.7		.007	.009
Japan	10.7	11.5		25.5	32.0[d]		.008	.012
Philippines		9.9[c]	11.4[d]		45.0[c]	78[d]	.191	.124

Source: UNDP, *Human Development Report* (HDR) 1992, 1993.
[a]Percentage of ODA that goes to the social sector.
[b]Percentage of social sector ODA that goes to human priority areas, e.g., primary health care, nutrition, primary education, family planning, water and sanitation.
[c]In relation to GNP, Philippines.
[d]Source of basic data: UNDP

Appendix Table 3.2.2
AID SOCIAL ALLOCATION RATIO (RATIO OF SOCIAL EXPENDITURES TO TOTAL EXTERNAL ASSISTANCE) TO THE PHILIPPINES, BY MAJOR SOURCE (in percent), 1989-1991

	1989	1990	1991
Australia	42.4	56.0	93.0
United States	11.3	23.2	25.3
Canada	27.1	31.0	17.9
Asian Development Bank	5.7	13.0	15.7
IBRD	24.7	14.0	10.1
Germany	18.0	—	6.8
Japan	15.7	4.8	3.7

Source: UNDP Development Cooperation Reports, 1989-1991; and *Human Development Reports*, 1989-1991.

Appendix Table 3.2.3
GOVERNMENT EXPENDITURE ON HEALTH AND EDUCATION
COMPARED TO GDP AND TOTAL PUBLIC EXPENDITURES IN SELECTED ASIAN COUNTRIES

	H. Exp-GDP Ratio		Ed-Exp-GDP Ratio		H. Exp-CGE Ratio		Ed. Exp-CGE Ratio	
	1986	1990	1986	1990	1986	1990	1986	1990
Bhutan	1.82	2.24	3.40	4.93	5.13	5.54	9.60	12.15
Fiji	2.33	2.20	6.15	6.03	8.88	7.66	23.45	20.99
India	0.34	0.28	0.32	0.43	1.93	1.59	1.83	2.47
Indonesia	0.43	0.46	1.95	1.72	1.87	2.42	8.51	9.07
Korea	0.24	0.33	2.90	3.27	1.51	1.95	18.12	19.47
Malaysia	1.70	1.40[a]	6.80	5.70[a]	4.50	4.60[a]	17.60	19.20[a]
Maldives	1.79	5.81	3.44	6.77	3.97	9.68	7.62	11.27
Myanmar	1.09	-	1.94	-	6.59	6.52	11.68	15.91
Nepal	-	0.94	-	2.15	-	4.80	-	10.95
Pakistan	0.21	-	0.60	-	0.88	-	-	-
Philippines	0.55	0.71	2.29	3.10	2.90	3.00	12.20	13.00
P. New Guinea	3.01	-	4.95	-	9.66	-	15.86	-
Singapore	1.17	1.00	5.23	4.35	4.06	4.58	18.15	19.88
Solomon I.	2.42	-	5.47	-	6.35	-	14.35	-
Sri Lanka	1.25	1.53	2.80	2.80	3.93	5.42	8.79	9.90
Thailand	1.25	1.05	4.01	3.11	6.10	6.77	19.51	20.08
Vanuatu	4.21		9.20	-	12.40	-	27.12	-
Average	**1.47**	**1.38**	**3.84**	**3.70**	**5.04**	**4.96**	**14.29**	**14.18**

[a]Refers to 1988.

Sources: Malaysia: *Government Finance Statistics Yearbook*; Philippines: Department of Budget and Management; All other countries: Parker, David and Eva Jespersen, "20/20 Mobilizing Resources for Children in the 1990's," *UNICEF Staff Working Paper No. 12*, 1994.

Appendix Table 3.4
ESTIMATE OF RESOURCE GAP, 1993 (in thousand pesos)

		SOURCES										
GOAL	Total Resource Needs	GOP	UNICEF	CSP	WHO	PHDP	CIDA	RI	ADAB	USAID	Total Resources	Resource Gap
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(2)-(12)
1. EPI*	679,827	87,573	4,446	50,670	1,227		41,414	38,250	7,750		231,330	448,497
2. CDD	59,466	21,000	2,786	35,241	1,360						60,387	(921)
3. CARI	49,444	16,200	3,750	29,565	2,514	8,917				700	61,646	(12,202)
4. BFHI	31,968			957							957	31,011
5. NUT-RITION**	400,169	68,317									68,317	331,852
TOTAL,	1,220,874	193,090	10,982	116,433	5,101	8,917	41,414	38,250	7,750	700	422,637	798,237

*Includes MDGs for polio, NNT, Measles.

**Includes IDA, VAD and IDD.

Source: Alano, Bienvenido P. Jr., et al, "Cost Estimates of the Philippines' Mid-Decade Goals." Corporate Assistance and Resource Associates, Inc., September 1993.

Appendix Table 3.2.5
POTENTIAL SOURCES OF ADDITIONAL FINANCING FOR SOCIAL SECTOR AND OTHER PROGRAMS, ON A YEARLY BASIS

	SOURCE	AMOUNT
I.	INCREASED REVENUES	
	Curbing tax evasion	P17.6B[1]
	Privatization	3.2B[2]
	Improved capacity to absorb ODA	9.2B[3]
II.	INTER-SECTORAL REALLOCATION	
	Policies to lower domestic interest rate	1.4B[4]
	Reduced expenditures on general public administration	7.5B
	Reduced outlay for general administrative services in DSWSD	0.1B
	Eliminate NFA subsidy	1.2B[5]
	Restructure BOI incentives	4.0B
III.	INTRA-SECTORAL REALLOCATION	
	A. Health and Nutrition	
	Reduced outlay for general administrative services due to devolution	0.4B
	Increased cost recovery in DOH retained government hospitals	0.2B
	Increased cost recovery in devolved hospitals	0.3B
	Improvements in logistics system	*[6]
	Review nature, approaches to treatment and cost effectiveness of present interventions in mental health and leprosy	*[6]
	Shift to more cost effective intervention like ORT BHS treatment and use of simple diagnostic procedures for ARI, etc.	*[6]
	B. Education	
	Increased cost recovery in SUCs	0.6B
	Imrpoving internal efficiency in public schools	*[6]
	C. Water and Sanitation	
	Improving collection efficiency of LWUA	0.245M[7]
	Reduce water losses of MWSS	0.250M[8]
	Increased community participation in management of level I water and sanitation systems	*[6]
	Increased disbursement rates of appropriation for level I water and sanitation systems	*[6]

[1]This assumes that the margin of error in the estimated evasion level is 50 percent and that the government is able to collect 50 percent of the amount of taxes evaded.

[2]This assumes that the privatization program will wind up in five years and that the proceeds from government divestment from the remaining assets are evenly spread out over this period.

[3]This assumes an increase in the availment rate of 149 program and project loans to 80 percent based on 1992 scheduled availment.

[4]This assumes a one percentage point reduction in the interest rate on Treasury Bills.

[5]This refers to the explicit subsidy only.

[6]Estimate not available.

[7]Improved collection efficiency of 72 percent as compared to 55 percent in 1992. This is equal to the average annual government equity infusion to LWUA in 1988-1992.

[8]This assumes a 3 percentage point improvement in water recovery per year to achieve a target rate of 57 percent in five years from 42 percent in 1991. This amount is roughly 85 percent of the P295 million average annual government equity infusion to MWSS in 1988-1992.

CHAPTER 4

The State of the Environment

Unfortunately for too many Filipinos, past economic growth has only been characterized by poverty, inequity, unsustainability, and ecological instability. These conditions have deprived them of the means to meet their basic needs and constricted the opportunities for realizing their human potential.

In the past, growth heavily relied on agriculture and natural resources. Even the first phase of industrialization (import-substitution) was financed by agricultural and natural resource exports. The economic benefits from this growth pattern have been limited because entry into the key sectors was restricted through quotas, licenses, concessions, other government-established mechanisms, and the use of capital-intensive technologies. Concentrated in resource-rich processing sites, or in the metropolitan centers, economic activities associated with these sectors did not foster linkages and did not generate full employment opportunities for a significant portion of the labor force. Consequently, the growth process did not substantially reduce poverty and inequality.

Furthermore, economic benefits generated by the growth process could not be sustained. Sustaining the growth process became an undeniable problem after 1982, when average incomes fell dramatically and continued to remain below the peak income level, but this unsustainability already marked even the earlier decades. For instance, the acceleration of timber and mineral extraction and processing from the postwar years to the early 1970s, and the limited forest regeneration efforts then, resulted in the reduction of the stock of potentially renewable resources (timber) and in a slump in the prices of nonrenewable ones (ore). Thus, this sector was unable to maintain their contribution to growth.

The unsustainability of the growth process is also manifested in the accompanying social costs and ecological instabilities which adversely affected local communities. While the extensive logging and mining of substantial forest lands in the natural resources sector provided economic benefits to the wood and mining industries, it displaced entire communities which depended on the forest for their habitat, subsistence, and cultural reproduction. Those living outside the resource sites were also subject to soil erosion, landslides, siltation of rivers and reservoirs, floods, receding ground water levels, and droughts.

Economic activity and population have become concentrated in the cities, such as Metro Manila and Cebu. However, the state's financial, organizational and planning capacity has been extremely limited, especially in establishing resettlement and public housing schemes, garbage disposal, sewerage, waste-water treatment, and public transport facilities. As a result, the existing infrastructure has been wholly inadequate, and the environment and human well-being were severely threatened. In particular, the air and inland bodies of water have become heavily polluted to the detriment of the urban population. It is possible that the urban centers have already exceeded their carrying capacity.

An equitable and sustainable economy and a productive, stable, and healthy environment are needed for human development. To safeguard and promote the people's physical well-being, the access to natural resources and environmental services must be made more equitable, efficient, and adequately maintained and reproduced. Only in this way, to paraphrase the Brundtland Report, can "the needs of the present [be met] without compromising the options for future generations." In the end, a deteriorating environment will also be reflected in human measures — such as longevity and health, knowledge, and incomes. Therefore, there is a special need to monitor the state of the environment since the effects of environmental damage are typically cumulative, long-acting, and difficult to reverse. For example, even if the deleterious effects of the destruction of rain-forests are now generally recognized (e.g., flooding and siltation of dams), there is nothing much that can be done now to immediately reverse the trend. The people must live with the consequences for many years.

There is, therefore, a need to monitor the state of natural resources and environmental services, their efficient use and distribution, and the impact of economic activities on their productivity and sustainability. Given these concerns and the complexity of the environment, a number of indicators are required. Such indicators should supplement the indices used to monitor human development, since these indices are generally confined to longevity, education, and per capita income.

This chapter discusses the status of the environment and how this affects human development. The next section provides a conceptual framework for determining the state of the environment along particular indicators. Natural systems are intrinsically interconnected and, hence, cannot be physically isolated. However, for ease of exposition, the environment is assessed for each ecosystem. The indicators of the status of each ecosystem relate to their ability to perform their functions and provide both economic and environmental services. Based on available data and using the indicators developed in the next section, the actual state of each ecosystem, the extent of its degradation, and the implications for human development are discussed.

Framework for Constructing Indicators

Environmental conditions in the Philippines can be represented by the state of various ecosystems. At least five kinds of ecosystems can be found in the archipelago, namely: forests and mountains, freshwater areas, croplands, marine or coastal areas, and urban areas.

An *ecosystem* is "any spatial or organizational unit made up of living organisms and nonliving substances or conditions that interact to produce an exchange of materials or energy" (Odum 1971). It is a representative unit of the environment, whose state can be defined by the status of functions and services of each ecosystem. It will be self-sustaining and stable as long as enough of its living organisms and nonliving components are present to interact, supply nutrients, or exchange materials and energy. The capacity of the ecosystem to perform its functions depends on the continuity of this interaction, or the maintenance of energy flows or nutrient cycles. In a forest, for example, the nutrient cycle involves animals feeding on plants and on other animals, and the transfer of nutrients from plants and animals to the soil, and from the soil back to the plants.

Tables 37 to 40 present matrices of the four major ecosystems in the country and their respective functions and services. Although all of these ecosystems are interrelated and dependent on the sun and air, each has particular functions that are critical to the survival and development of living organisms, especially humans.

An ecosystem has specific *functions* that, in turn, provide services crucial to human development. However, it also has limits dictated by its distinctive carrying capacity. Columns 1 and 2 of the tables list the functions and services for each type of ecosystem. Column 3 shows the indicators that define the state of each ecosystem, measures that relate to the ability of such ecosystems to continue providing these functions and services. As discussed in this chapter, the ecosystem's overall inability to function sustainably owing to strains exceeding its carrying capacity takes its toll on people as well. This is seen in column 4. It is, therefore, important to realize that the state of the ecosystem eventually has an impact on people, and one has to learn how to read the signs of environmental stress. These relationships are illustrated in Figure 14.

Table 37
FOREST, UPLANDS, MONTANE ECOSYSTEM

Function	Service	Status Indicators	Impact on People
1. Providing a habitat for various species and maintaining diversity of life (habitat complexity)	• Sustenance through nutrient cycle • Gene bank • Life cycle link	• Remaining primary forest • Inventory of indicator species • Number of species	• Foregone potential for health, food and other products • Displacement of indigenous communities • Loss of subsistence or livelihood
2. Maintaining productivity of the forests	• Materials for food, clothing and shelter, medicine, fuel, and other products • Raw materials for industrial uses, e.g., timber, gums, resins, oil, poles, pitprops paper, pulp wood, dyes	• Levels of supply • Forest area by type • Inventory of timber and other forest resources • Rate of decline of species stock • Seedling survival • Area reforested	• Reduced potential for health, food and other products • Reduced supply and higher prices for products
3. Soil stability	• Prevention or minimization of soil erosion • Maintainance of soil fertility • Control of run-off	• Soil erosion rate • Understory regeneration	• Loss of productive lands • Landslides • Threats to life and property
4. Water conservancy	• Adequate and clean water for drinking, irrigation, washing, recreation and others • Watershed	• Water quality • Stream flow and ground water level • Humidity	• Scarcity of potable water; changing water classification • Floods and drought
5. Atmospheric integrity	• Carbon-doxide absorption • Oxygen production • Clean air • Climate regulation	• Air pollution indicators • Climate change	• Pulmonary diseases • Change in sea-level • Desertification • Temperature change

Table 38
FRESHWATER ECOSYSTEM

Function	Service	Status Indicators	Impact on People
1. Habitat complexity	• Fisheries and food biodiversity	• Fish supply level and reproduction • Biological displacement change in species composition or disruption of migration	• Pollution-related diseases • Flooding
2. Water distribution	• Water supply (e.g., irrigation, power generation) • Conveyance	• Salt-water intrusion • Water braiding • Water availability or volume • Water quality	• Relocation of individuals and families • Reduced water supply • Drought • Power outages • Fish kills • Poor state of public health and safety

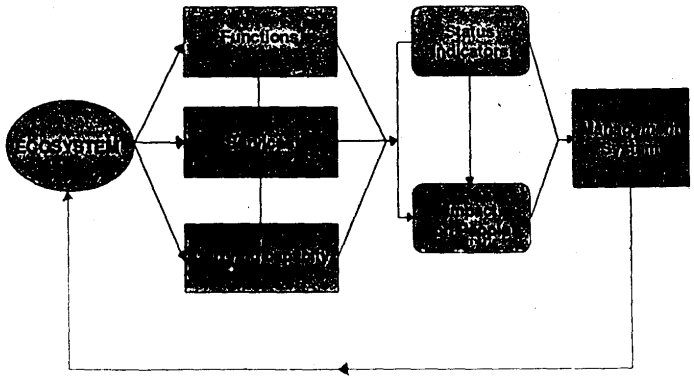
Table 39
CROPLANDS ECOSYSTEM

Function	Service	Status Indicators	Impact on People
1. Soil fertility	• Nutrient recycling • Crop production	• Level of crop production • Biomagnification	• Price levels and fluctuations • Low income
2. Habitat complexity	• Biological pest control providing sustenance and livelihood	• Number of strains and species resistant to pesticides	• Pesticide-related diseases • Infestation

Table 40
MARINE AND COASTAL ECOSYSTEMS (wetlands, mangroves, seagrass, seaweeds, coral reefs, and soft bottom)

Function	Service	Status Indicators	Impact on People
1. Coastline stability	• Sedimentation trap • Wind- and wave-breaker • Fuel wood supply	• Mangrove forest cover • Seagrass area • Coral area	• Threats to life and property in coastal communities
2. Marine productivity	• Indigenous and commercial uses	• Fish yield	• Low productivity and income • Poorer health and nutrition among communities
3. Atmospheric integrity	• Carbon sink	• Marine pollution levels	• Diseases and poisoning (e.g., red tide) • Fish kills
4. Habitat provision and biological diversity	• Sustenance and livelihood • Gene bank • Life-cycle link	• Lower yields • Species diversity	• Lower productivity and income • Poorer health and nutrition • Reduced potential for pharmaceutical, food, and other consumption or industrial products

Figure 14
ENVIRONMENTAL STATUS INDICATORS



For example, functions of soil stability and water conservancy in the forest may be measured by the rate of soil erosion and water quality. In turn, what is felt by people may either be loss of productive lands or the damage to property and lives because of landslides, a consequence of the forest's inability to perform its job of holding the soil. People realize this when there is marked decrease in crop productivity, scarcity of potable water, or uncommon cyclical occurrences of drought and flash floods in the area, although there may be other reasons for these. A changing global climate may also contribute to this situation. Still, this relates indirectly to the reduction of *global* forest resources.

To ensure that the ecosystem's carrying capacity is not exceeded, people and institutions intervene through resource rehabilitation and management. So, while services like clean air and water are derived from the forest, these must be offset to maintain a balance and sustain the provision of such services. Management allows people to compensate nature for her services. Ecologically, this points to the principle that, in nature, there is no free lunch, or to the second law of thermodynamics.

A common function shared by different ecosystems is the provision of a *habitat* or home to a set of species. The range, composition, and relative dominance of particular species that can be supported will differ from one ecosystem to the next. For instance, forests and marine ecosystems have greater biological diversity than croplands or urban ecosystems.

Each ecosystem has its own energy flows and nutrient cycles and can, therefore, support life. However, some ecosystems are more diverse, and this allows them to perform natural productive functions. For example, the forest and mountain, freshwater, and marine-coastal ecosystems support a more diverse collection of species and they function as integrated, self-sustaining production zones that ensure the reproduction and physical growth of species.

If renewable resources are allowed to regenerate in their respective ecosystems, their stock can increase. Their growth, however, is limited by what is called the *carrying capacity* of the ecosystem. Carrying capacity is simply the maximum number of individuals of a given species that can be supported by a particular environment (Odum 1971). When the environment is damaged, or becomes unproductive or unstable, an ecosystem's carrying capacity becomes severely limited.

Apart from its role in production, an ecosystem performs other critical functions and services that provide stability to itself and the immediate and global environment. The forest-mountain and marine-coastal ecosystems, for instance, protect and stabilize the soil and mountain slopes and the coastlines, respectively. Trees protect the soil by absorbing and deflecting radiation; they prevent erosion by sheltering the soil from strong winds and cushioning the impact of heavy rains and storms.

In contrast to other ecosystems, forested mountains and watersheds also perform a special function. Given the root system of the trees and the soil's organic composition and porosity, forests in a watershed can hold and store underground water, prevent evaporation and excessive flows, and ensure a steady water supply. In effect, this forest function has both a productive and an environmental content: it supplies a basic resource (water), on the one hand, and minimizes the occurrence of ecological instabilities like floods and droughts, on the other.

Environmental stability, particularly the maintenance of atmospheric integrity, is also one of the specific functions of the forest and marine-coastal ecosystems. They help maintain atmospheric integrity because they can absorb carbon dioxide, release oxygen, provide clean air and regulate the climate.

Ecosystem functions and services, thus, refer to the generation and availability of resources and the maintenance of environmental stability. Both functions are complementary. The environment is stable when the ecosystem is productive, and when its overall productivity level is at its best in a stable ecosystem. The purpose of conserving and maintaining the ecosystem is to prevent the disruption of particular environmental functions and services.

Ecosystem carrying capacity and environmental indicators

The health, sustenance and growth of diverse species, including human beings, depend on the natural productivity and stability of the environment. Therefore, it is important to monitor the supply of natural resources, the stability of the ecosystem, or the status of its serv-

Table 41
PHILIPPINE FOREST COVER, 1920-1991

Year	Area (million ha)	Percentage of Land Area
1920	18.70	62.33
1934	17.00	56.60
1968	16.00	53.30
1969	10.40	34.00
1976	8.50	28.00
1980	7.40	24.60
1983	7.30	24.30
1988	6.46	21.50
1990	6.20	20.70
1991	6.01	20.03

Source:

Task Force-Total Commercial Log Ban. *Forest Primer,* 1992; BFD, *Philippine Forestry Statistics,* 1990; BFD. "Master Plan for Forestry Management," 1990; DENR.. "Report on the Philippine Environment in the Eighties," 1990.

ices. For this purpose, particular indicators are useful.

Ecosystems can yield only a particular volume or output of resource supplies. Two major types of resources are drawn directly from particular ecosystems, depending on the time it takes for them to develop: (1) "stock" or *nonrenewable* resources, such as exhaustible fossil fuels, gas, geothermal, earth materials, and metallic and elemental minerals; and (b) "flow" or renewable resources, such as plants, animals, soil, ground water, marine resources, and microbial organisms.

The extraction or use of stock resources results in their reduction or depletion. For potentially renewable resources, the existing stock will not be sustained if the rate of exploitation exceeds the natural growth rate. For these reasons, the extraction levels for both kinds of resources must be monitored. This requires an indicator of the existing stock of various natural resources relative to earlier stocks, or a measure of the extent of resource degradation or loss.

In particular, it is important to have an indicator of the availability and rate of loss of the critical resources, such as trees in forests and mangroves, sea grasses and coral reefs in marine and coastal ecosystems, and oxygen in freshwater systems. These resources represent the essence of a particular ecosystem, without which its existence is imperiled. The stock of critical resources must be monitored, not only because their diminution affects the nutrient cycle and biodiversity in a particular ecosystem, but also because their loss destabilizes the ecosystem and prevents it from performing its environmental services.

While an ecosystem's carrying capacity sets a limit to the growth of renewable resources, there is also a limit to the amount of waste it can absorb. Waste is inevitably generated in the process of extracting natural resources, economic production, and consumption.[1] Hence, net of recycling, economic growth results in an accumulation of waste in the environment. Much of the increasing waste, however, is not benign. They can transform the physical and chemical character of the environment, destroy existing resources, and make it acidic or detrimental to the health of living species, including humans, and the overall quality of life.

State of the Major Ecosystems and Impact on People

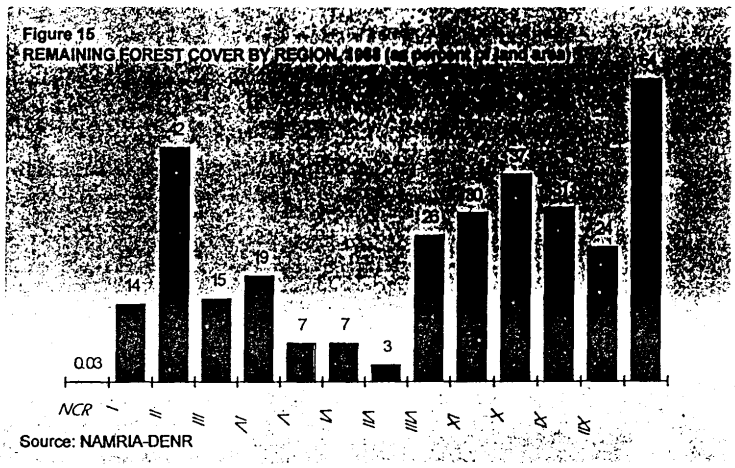
Forests

In continental Asia, approximately 115.41 million hectares of forest were denuded in the 1980s alone (WRI 1992). Worldwide today, only about one-fourth of the world's total land area is covered by forest, while only a decade ago, the world's forests were estimated to be one-third of the world's land area.

Ideally, the forest cover for the country should be 54 percent of its land area.[2] Using this as basis, the Philippine forest cover is 34 percentage points below ideal. There is no region and only one province in the country that is within the standard of the ideal forest cover. Only Palawan in 1988 had 54 percent forest cover. Figure 15 shows the extent of forest cover per region, while Table 41 shows the national forest cover through the years.

[1]This is a consequence of the second law of thermodynamics.

[2]Dr. Percy Sajise et al. in "State of the Nation Reports: Saving the Present for the Future" (UPCIDS 1992).



From a deforestation rate of 119,000 hectares yearly as of 1990, the DENR cites a deforestation figure of 100,000 hectares for 1991. Government figures claim that the ratio between reforestation and deforestation is one-to-one (TCLB 1992). This is too optimistic, however, since it fails to consider the number of planted seedlings that fail to survive. In 1990, Environmental Management Bureau-Department of Environment and Natural Resources (EMB-DENR) reported a total of 191,663 seedlings planted for reforestation, but the actual number of seedlings used was only 50 percent of this. Net deforestation continues to occur at 14,169 hectares annually (Figure 16).

The world's tropical forests covered only about nine million square kilometers, or one-sixteenth of the earth's surface. This area houses two-thirds of all the species of plants and animals in the world (Myers 1984). About 13.8 percent of the global floral species alone can be found in 10 "hotspot" areas in tropical forests including the Philippines. Table 42 lists the 10 areas and the corresponding original forest, the present primary forest and plant species, and the total identified and percentage of endemic species (i.e., unique to the area). Biological resources have been recognized as providing the basis of all life on earth, and it fulfills a very basic requirement for existence. The tropical rain

Figure 16
THE DECLINE IN FOREST COVER

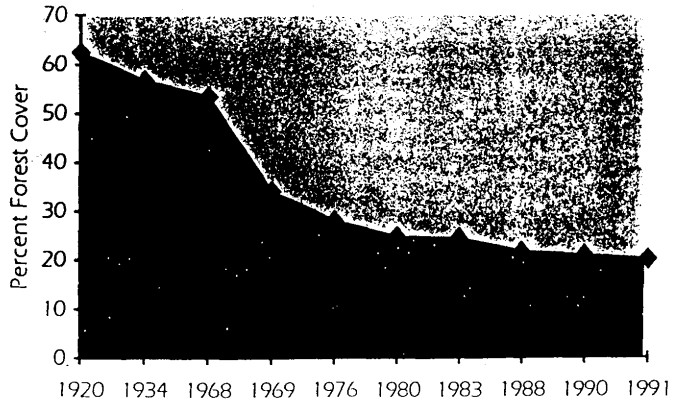


Table 42
SOME "HOTSPOT" AREAS IN TROPICAL FORESTS, 1988

Area	Original extent of forest	Present primary forest (1000 ha)	Plant species in original forest	Number of endemic species in original forest
Madagascar	6,200	1,000	6,000	4,900 (82)
Atlantic forest	100,000	2,000	10,000	5,000 (50)
Western Educador	2,700	250	10,000	2,500 (25)
Colombian Choco,	10,000	7,200	10,000	2,500 (25)
W. Amazonian Uplands	10,000	3,500	20,000	5,000 (25)
Eastern Himalayas	34,000	5,300	9,000	3,500 (39)
Peninsular Malaysia	12,000	2,600	8,500	2,400 (28)
Northern Borneo	19,000	6,400	9,000	3,500 (39)
Philippines	25,000	800	8,500	3,700 (44)
New Caledonia	1,500	150	1,580	1,400 (89)
TOTAL	220,400	29,200		34,400 (13.8)

Note: Figures in parentheses represent the percentage of flora endemic to that region; the total 13.8 is the percentage of the world's flora endemic to these ten regions.
Source: N. Myers (1984).

forest is one of the most biologically diverse ecosystems in the world.

Biological diversity is an umbrella term for the degree of nature's variety. It may be observed at three levels: the ecosystem, the species, and the genetic levels. What is most familiar to many is the species diversity. Although the Philippines has a relatively lower number of identified species compared to other countries, the variety and potential for genetic diversity are greater owing to the island formations. Much of the country's biological diversity is still being inventoried. The most complex ecosystems in the world are represented in the Philippines.

Habitat loss is an indicator of the loss of diversity of species. In tropical Asia, only Hongkong, Bangladesh, Sri Lanka, Vietnam and India have a rate of habitat loss worse than that of the Philippines (Table 43). At the local level, *biogeographic regions* based on land species are shown and birds may be used as one indicator. These are shown in Figure 17. The forests of Sierra Madre are currently considered the most important area in the Philippines endemic to birds. For the diversity of its bird species, Region II can be ranked first in the country. NCR has the least forest cover and ranks last among the regions. Even the Sulu archipelago or Region IX-A ranks higher than NCR, based on bird species diversity. This means the potential for using natural resources is higher for Regions II and IX-A than for NCR.

The rate of habitat loss indicates not only the loss of "natural products" that people can trade in but also the level of non-income use values, options values, and existence values.

Freshwater ecosystem

The country has approximately 421 major and principal rivers and similar water systems, with a total area of 569,000 hectares (PEDR 1992). The Bureau of Mines in 1980 (Table 44) estimated the capacity of ground water resources in the country to be 251,158 million cubic meters, which can still be harnessed to around 260,000 million cubic meters for domestic, industrial, and agricultural uses. The impact of poor watershed management on ground water resources is clear in the case of salt water intrusion in the islands with poor forest cover, such as Cebu, and the dwindling potable

Table 43
WILDLIFE HABITAT LOSS IN TROPICAL ASIA

Rank	Country	Original Wildlife Habitat (1000 ha)	Habitat Remaining	Habitat Loss
1	Brunei	576	438	24
2	Bhutan	3,450	2,277	34
3	Malaysia/ Singapore	35,625	21,109	41
4	Indonesia	144,643	74,686	49
5	Nepal	11,707	5,385	54
6	Japan	32	14	57
7	China	42,307	16,500	61
8	Burma	77,482	22,598	71
8	Laos	23,625	6,866	71
8	Taiwan	3,696	1,072	71
9	Thailand	50,727	13,004	74
10	Kampuchea	18,088	4,341	76
11	Pakistan	16,590	3,982	75
12	Philippines	30,821	6,472	79
12	India	310,701	61,509	80
12	Vietnam	33,212	6,642	80
13	Sri Lanka	6,470	1,100	83
14	Bangladesh	14,278	857	94
15	Hongkong	107	3	97

Source: McNeely, J. et al. (1990)

water supply for the NCR and other urban centers, especially during the summer months.

In relation to fish production, freshwater ecosystems include those developed into fishponds, fish cages, and major fishing grounds, e.g., lakes covering over 13,000 hectares. The area developed for fishpond culture increased from 176,000 to 229,000 hectares between 1976 and 1987. The conversion has primarily affected the mangrove ecosystems.

Environmental concerns and issues for this particular ecosystem include the stress brought about by population pressure, sedimentation, increased industrial development, and run-off from agricultural lands.

Table 44
ESTIMATED STORAGE CAPACITY OF GROUNDWATER RESOURCES, 1980 (in million cubic meters)

	Region	Storage Capacity
I	Ilocos	1,866
II	Cagayan Valley	11,850
III	Central Luzon	54,700
IV	Southern Tagalog	37,000
V	Bicol	4,500
VI	West Visayas	55,242
VII	Central Visayas	1,700
VIII	East Visayas	8,400
IX	Southwestern Mindanao	14,700
X	Northern Mindanao	15,950
XI	Southeastern Mindanao	9,750
XII	Southern Mindanao	36,000
PHILIPPINES		**251,158**

Source: DENR. "Philippine Environment in the Eighties." (1990)

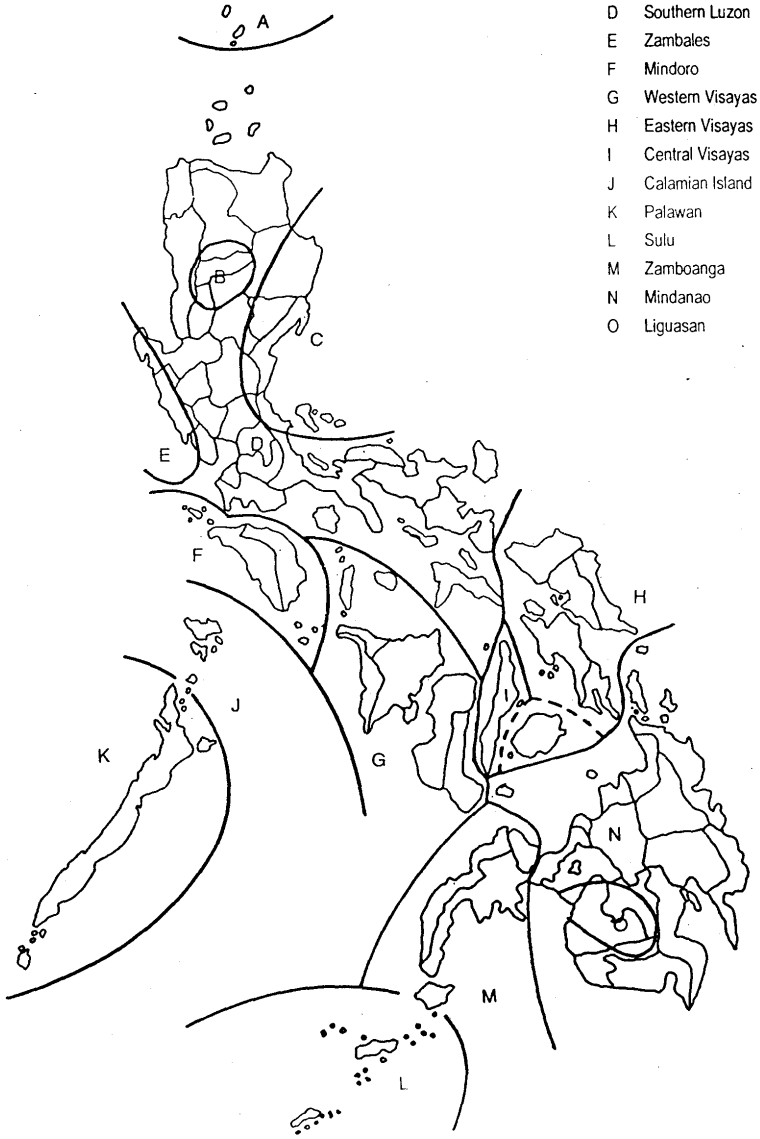
Agricultural ecosystems

More than one-fifth (26 percent or 7.92 million hectares) of the country's total land area is allotted to crops. For Southeast Asia, this is second only to Thailand's 38 percent (WRI 1992). Agriculture remains a primary contributor to the economy through output and exports. Although the share of agriculture in output has slowly declined, more than half of the population still live in the rural areas and depend to a greater or lesser extent on agriculture for employment and livelihood.

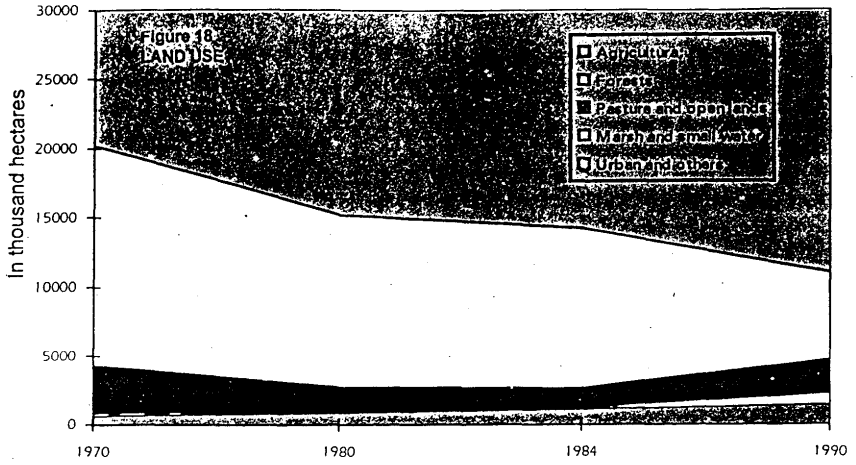
Even now, rich agricultural lands are being lost due to increasing urban pressures. Throughout the 1980s, croplands were converted into residential subdivisions and industrial estates. As fertile lands were lost upon conversion, lowland farmers turned to cultivate the marginally productive upland areas, further reducing the country's already scarce forest resources (PEDR 1992). Figure 18 and Table 45 show trends in land use for the past 20 years, indicating an increase in croplands and a decrease in forest areas.

The aggressive use of agricultural chemical inputs, such as fertilizers and pesticides, has also taken its toll on croplands by degrading soil quality and water bodies

Figure 17
BIOGEOGRAPHIC ZONES OF THE PHILIPPINES



A Batanes
B Cordillera
C Sierra Madre
D Southern Luzon
E Zambales
F Mindoro
G Western Visayas
H Eastern Visayas
I Central Visayas
J Calamian Island
K Palawan
L Sulu
M Zamboanga
N Mindanao
O Liguasan



[e]Estimate based on constant 1970-84 growth rates of urban use

through chemical loading. Between 1973 and 1983, annual fertilizer consumption increased by an average of 4 percent; 1988 figures recorded fertilizer consumption at about 1.2 million metric tons. On the other hand, pesticide use registered a threefold increase between 1980 and 1987, from 4,725 to 15,901 metric tons (EMB 1990). These chemical inputs eventually end up in the rivers and oceans. How toxic any substance is depends on dosage or concentration, as well as on the ability of the natural cycles to break it down into elements. Reports of pesticide poisoning have been on the rise, but according to the Department of Health, more are unreported. The health implications of chemical fertilizers and pesticides on humans must not only consider current concentration levels, but also the phenomenon of biomagnification.

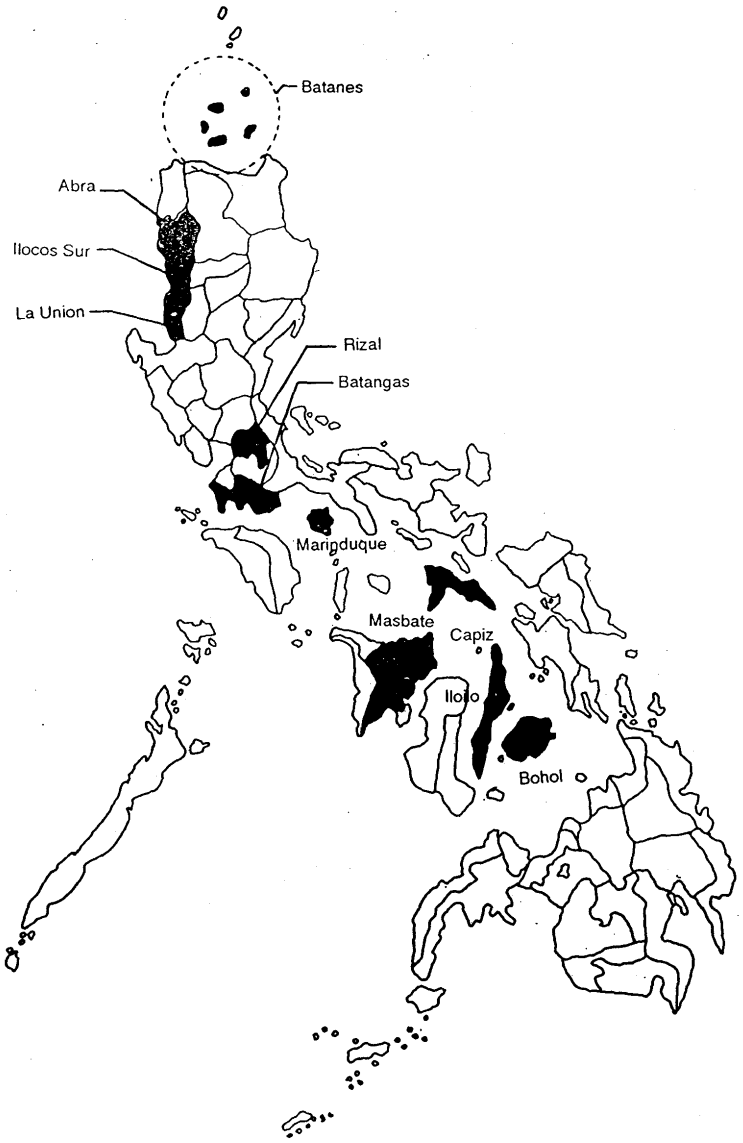
Another problem plaguing Philippine agricultural lands is *soil erosion*. About half (49.5 percent or 3.8 million hectares) of agricultural lands are subject to moderate to severe erosion (PEDR 1992). Ten provinces already have more than half of their cropland areas eroded, causing an estimated average loss of 74.5 million tons of fertile topsoil annually. Figure 19 shows the extent of soil erosion per province. Most erosion is due to improper land use (e.g., monoculture, shifting cultivation) and the deforestation of sloping areas due to indiscriminate logging and firewood gathering.

Table 45
TRENDS IN LAND USE, 1970-1990 (in 1,000 ha)

	1970		1980		1984		1984-1990	
Land Use	Area	(%)	Area	(%)	Area	(%)	Area	(%)
Agricultural	9,795	33	14,795	49	15,782	53	18,927[e]	63
Pasture and open lands	3,486	12	1,790	6	1,466	5	2,490	8
Marsh and small water	215	1	115	0	106	0	813	3
Forests	15,899	53	12,457	42	11,556	39	6,307	21
Urban and others	605	2	843	3	1,090	4	1,463[e]	5
Total	30,000	100	30,000	100	30,000	100	30,000	100

[e]Estimate based on constant 1970-1984 growth rates of urban use

Figure 19
SOIL EROSION IN THE PHILIPPINES
(Provinces with more than half their area eroded)



Source: Environmental Management Bureau, 1990

Box 4.1
LOST FOREST, GRAVE FLOODS

Advocates of the environment have said much about how deforestation worsens the effects of natural calamities, such as typhoons. Anyone familiar with the water cycle would appreciate the functions of tropical forests in retaining water and stabilizing the soil. These functions are critical in the face of the torrents and strong winds characteristics of typhoons.

Because of the many intervening factors, however, there is at present no simple way to "document" this aspect of the consequence of deforestation. For example, one cannot learn much by simply correlating typhoon damage and forest cover. Palawan, of course, has never really been devastated by typhoons, and its forest cover of 54 percent of land area is highest among all the provinces. Yet the provinces in Region X and XI — regions with the third- and fourth-highest forest cover, respectively — suffered the most damage from typhoons during the years 1982 and 1989, according to figures from the National Disaster Coordinating Council. On the other hand, in 1992, Region III, with only 16 percent forest cover , bore the brunt of typhoon damage which amounted to P681 million. Similarly, Northern Leyte, of the infamous Ormoc tragedy, was one of the provinces most affected by typhoons in 1989 and 1991; its forest cover was only 13.6 percent.

Obviously, a number of other considerations must be made when relating forest degradation and typhoon destruction in the same breath. Some of these other factors are frequency of typhoons, their comparative intensity, and human preparedness. However, a basic knowledge of the earth's natural processes should suffice to make one realize that forests should be conserved. For this, certainly, the proof of a thousand lives lost is superfluous.

Marine and coastal ecosystem

The Philippine coastline measures 22,540 kilometers, and its exclusive economic zone covers 1,786 square kilometers (WRI 1992). The coastal zone is rich in fish and other aquatic products. It serves as a major human settlement area and is an outstanding feature of the country's topography. The coral reefs and mangrove forests are two of the principal features of this ecosystem.

Philippine coral reefs belong to what is known globally as the "Coral Triangle." They constitute one of the country's more resplendent coastal resources, with around 400 out of the world's 500 known coral species found in Philippine coastal waters. Unfortunately, even as early as 1981, one-third of the country's coral reefs were already in poor condition (Table 46), while only 5.5 percent still had intact coral cover. The destruction of coral reefs is caused largely by ruinous fishing methods, collection for ornamental or construction purposes, and silting, natural calamities, and pollution.

Mangrove forests are also a foundation for the country's fisheries. In 1918, there were approximately

Figure 2u
ESTIMATES OF MANGROVE COVER BY REGION, 1988 (in hectares)

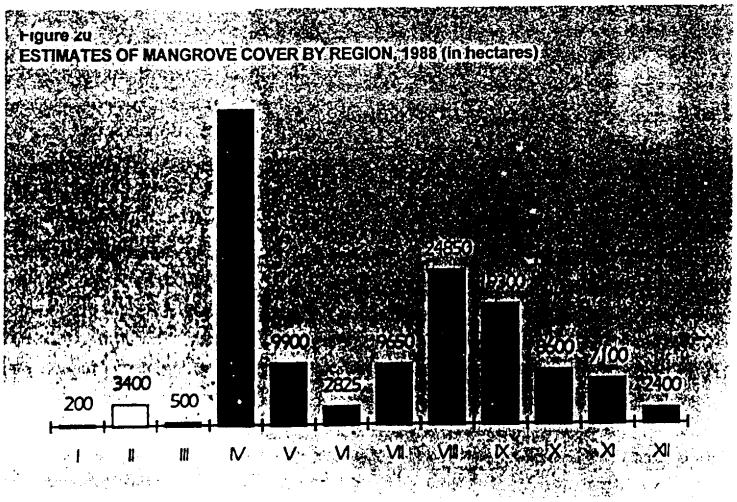


Table 46
CONDITION OF PHILIPPINE CORAL REEFS
(percent of total reefs)

Location	Excellent	Good	Fair	Poor
Region I				
La Union	0	20.0	40.0	40.0
Pangasinan	0	21.6	37.8	40.5
Region II				
Cagayan	0	50.0	50.0	0
Isabela	0	66.7	33.3	0
Region III				
Bataan	0	0	0	100.0
Zambales	0	16.7	25.0	58.3
Region IV				
Batangas	0	24.0	44.0	32
Cavite	0	0	66.7	33.3
Marinduque	0	0	80.0	20.0
Occ. Mindoro	3.2	25.8	48.4	22.6
Or. Mindoro	9.1	18.2	36.4	36.4
Palawan	12.2	34.7	40.8	12.2
Quezon	0	50.8	—	0
Region V				
Region VI				
Antique	16.7	83.3	0	0
Iloilo	14.1	28.1	42.2	15.6
Negros Occidental	5.6	11.1	27.8	55.6
Region VII				
Bohol	0	36.4	36.4	27.2
Siquijor	0	29.0	29.0	41.9
Negros Or.	5.1	20.4	41.8	32.6
Apo Is.	0	100.0	0	0
Cebu	9.4	21.9	42.2	26.0
Hilutanyan Island	0	25.0	0	75.0
Mactan Island	6.7	20.0	20.0	53.3
Sumilon Island	0	75.0	0	25.0
Olango Island	0	14.3	57.1	28.6
Region VIII				
Region IX				
Zamboanga del Norte	5.6	16.7	33.3	44.4
Aliquay Island	25.0	37.5	25.0	12.5
Sinog Island	0	0	14.3	85.7
Region X				
Misamis Occidental	0	0	44.4	55.6
Misamis Oriental	0	0	0	100.0
Regions XI and XII	—	—	—	—
TOTAL	5.5	24.0	38.3	32.1

Source: *Southeast Asia Regional Consultation on People's Participation in Environmentally Sustainable Development*, Vol. 11, National and Regional Reports. Asian Nongovernment Organization Coalition (ANGOC), 1991.

* Excellent (75-100%); Good (50-74%); Fair (25-49.9%); Poor (0- 24.9%)

500,000 hectares of mangroves in the country; in 1988 there were only between 139,725-149,000 hectares.[3] The regional picture is suggested in Figure 20, with Region IV having the highest, and Region I having the lowest mangrove cover. The Asean region accounts for 26 percent of the world's mangrove forests, and Philippine mangroves comprise only 1.1 percent of this figure. Mangrove deterioration is attributed to the expansion of fishponds and coastal communities and the harvesting of fuel wood.

The average annual marine fish catch is 1,478,100 metric tons, while the average annual freshwater fish catch is 554,500 metric tons. These are second and third highest, respectively, among Southeast Asian countries. If the destruction of coral reefs and mangrove forests continues at historical rates, however, it is highly doubtful whether these levels of production can long be sustained.

[3]The lower figure is from ERDB-NAMRIA-DENR (1989); the higher one from Chua and Scura (1990).

Box 4.2
AIR POLLUTION: THE HEALTH IMPACT ON METRO MANILANS

Air pollution is a major and increasingly worsening environmental problem in Metro Manila and other urban centers in the country. The progressive deterioration of air quality is exacting a toll on the health of the urban people, often without them being aware of it. Fortunately, there are two studies on urban air quality that illustrate the direct impact on people of a degenerating environment.

In 1990, the University of the Philippines College of Public Health conducted a study that monitored the levels of specific air pollutants among jeepney drivers, air-conditioned bus drivers, and jeepney commuters who are daily exposed to vehicle emissions. The study showed that **levels of ingested pollutants, such as particulate matter (PM), lead (Pb), carbon monoxide (CO), and sulfur dioxide (SO_2) were *100 percent higher* among the subjects, with jeepney drivers suffering the most exposure owing to their work. Jeepney drivers were also found to have the highest incidence of lung diseases, compared to commuters or air-conditioned bus drivers. Among other major aggravating factors were cigarette smoking, age and duration of employment.**

In an earlier study on the effects of air and water pollution among children and adult residents of Metro Manila (Santos and Cunanan 1978), the incidence of acute upper respiratory infection was 57 percent among children and 36 percent among adults surveyed; 9 percent had asthma and 3 percent had chronic airway diseases.

Urban ecosystem

The strain on the urban ecosystem is primarily manifested in the deteriorating quality of air and water due to pollution.

Air pollution

A good deal of the world's total carbon emissions still comes from the developed countries, but their share has declined through time. In 1950, the developed countries of North America and Western Europe accounted for 71 percent of world carbon emissions, but this had declined to 56 percent in 1965 and 42 percent in 1983. On the other hand, the share of air pollution by the developing countries had grown rapidly. In 1950, the South and Southeast Asian regions accounted for only 1.7 percent of world carbon emissions; this rose marginally to 2.7 percent in 1965 and to 5.3 percent in 1983 (WRI 1992).

Air pollution comes from stationary sources, such as industrial firms, and mobile sources, such as motor vehicles. Most data on air pollution in the country are from Metro Manila. The Asian Development Bank and DENR study (1992) reveals that 60 percent of air pollution in Metro Manila comes from vehicles, and 40 percent from industries (Box 4.2). Air pollution levels in Metro Manila exceed the guidelines proposed by the World Health Organization in four important aspects (Table 47).

The Land Transportation Office reported an increase of 9.57 percent in motor vehicles registered between 1991 and 1992. As of end 1992, a total of 799,754 to 1,879.563 motor vehicles were registered throughout the country. Of this, 42.6 percent were to be found in Metro Manila and 30.6 percent were diesel-fed. The census of 1988 reported a total of 17,000 firms located around the Pasig River, with 315 of them considered most polluting.

Water pollution

The EMB-DENR reported that water pollution in Metro Manila and other urban centers has been estimated to come mainly from household sources (70 percent) and only secondarily from industry (30 percent). Waste generated by the general public is simply allowed to flow or to discharge into various river systems. Despite

Table 47
EMISSION OF POLLUTANTS BY MOBILE SOURCE (National Capital Region)

Pollutants	1991 (Emission)	1992 (Measured)	WHO Standard
CO	18.13	20.60	30.00
NO_2	0.21	0.24	0.14
SO_2	0.035	0.04	0.07
PM^{10}	275.44	313.00	150.00
Pb	29	33.00	15.00

Sources: ADB. 1992 and URBAIR: Urban Quality Management in Asia, June 1993

Table 48
COLIFORM COUNTS IN SELECTED COASTAL AREAS IN THE PHILIPPINES (mpn/100 ml)

Location	1974	1982	1985
I. Manila Bay			
1. Punta Grande	760	373	3332
2. Villa Susana	1,200	1,400	12,960
3. Star Fish	900	616	19,892
4. San Agustin	1,000	1,468	10,679
5. San Isidro	1,400	1,212	1,2955
6. Villamar	760	257	3,128
7. Lido	800	272	3,431
8. Mabuhay	660	355	3,369
9. Future Seaside of MCCRRP		58,026	62,254
10. Baclaran	-	986,084	
11. Seaside of MCCRRP (CDCP)	-	16,782	22,504
12. Northwest of CCP	-	18,952	17,361
13. South Breakwater	-	-	
14. Holiday	-	299	3,522
15. Garden Coast	-	255	3,408
16. Pasig River Outlet	-	86,442	79,339
17. Luneta Grandstand	-	-	297,641
18. Vitas Navotas	-	-	512,120
II.			
19. Davao City	-	-	2,002
III.			
20. Cebu Harbour	18,139[a]	-	

[a]1977

Source: United Nations Environmental Programme. *Regional Seas Reports and Studies*, No. 120, 1990.

information on sources of pollutants, there are no available surveys on the effects of organic pollutants on public health on a regional basis. However the United Nations Environment Programme-Southeast Asia (UNEP-SEA) report says that "concentrations of coliform for selected bays exceed national standards, which may mean potential risk for exposure to human pathogens and consequent disease transmission."

The coliform count standard for recreational waters is a maximum allowable total of 1,000 mpn per 100 ml, while that for aquaculture is 5,000 mpn per 100 ml (Gomez et al. 1990). Table 48 shows that the waters of Davao City, Manila, and probably Cebu Harbor, exceed the coliform standard for recreational waters. The Navotas and Luneta Grandstand area, and the Pasig River outlet have the highest coliform counts for Metro Manila, exceeding the standard for aquaculture.

As early as 1971, various water systems in other parts of Luzon, the Visayas, and Mindanao have likewise been considered polluted in varying degrees. As in air pollution, the 315 most polluting industries around the Pasig River discharge waste water into the river either untreated or insufficiently treated.

Another major concern regarding water pollution is the mine wastes and tailings from mining industries throughout the country. About 300,000 tons of mine tailings are generated annually from metallic mining firms alone. Of these, around 145,000 tons are dumped directly into the sea through pipeline systems. Sedimentation smothers coral reefs and other marine life, but little is known about the effects of the toxic ions in these tailings on humans. Table 49 shows the level of specific heavy metal pollutants in some Southeast Asian countries. These heavy metals may have come from mine tailings and/or agricultural runoff.

Recommendations

It is difficult to empirically correlate the environment simply and directly with human development. The main reason is that data are unavailable. There have been very few case studies, for example, on specific pollutants and their direct impact on the health of the Filipino people. On the issue of air pollution, what is needed is a study across generations showing the effects of some air pollutants in the Philippines.

Table 49
CONCENTRATION (MG/KG) OF HEAVY METALS IN MARINE BIOTA

Locality		Cd	Cu	Hg	Pb	Zn	Remarks
Indonesian Waters							
Fish	(1979)	0.02	0.33	0.02	0.09	0.3	Polluted
		0.03	0.68	0.2	0.68	9.96	
Shellfish	(1979)	0.02	0.08	0.05	0.68	11.31	Polluted
		0.25	3.18	0.5		19.85	
Gulf of Thailand							
Fish	(1975)	0.01	0.5	0.01	0.01	6.2	Ambient
		0.06	1.25	0.1	0.09	11.8	
Perna viridis		0.13	2.97	0.001	0.54	78	Ambient
1984		1.05	11.48	0.025	2.05	201	
Crassostrea commercialis		0.76	70.9	0.002	1.5	424	Ambient
1984		5.02	185.7	0.03	5.19	1,347	
Philippine Waters							
Fish	(1974-1985)	Trace	Trace	0.01	0.01	0.2	Polluted
		0.36	4.43	1.1	0.08	58.4	
Shellfish	(1975-1982)	0.02	2.36	0.02	0.04	10.4	Polluted
		3.84	51.9	0.84	2.2	201	
Hong Kong Waters							
Fish	(1976-1979)	Trace	Trace	Trace	Trace	2.3	Ambient
			0.3	0.1		6.6	
		Trace	Trace	Trace	Trace	0.8	Polluted
			1.1	0.4	0.3	25.4	
Shellfish		Trace	1.1	Trace	Trace	10.1	Ambient
	(1976-1979)		35.2	0.1	3	105	
		Trace	6.3	Trace	Trace	13.5	Polluted
		5.4	309	1.3	0.4	662	

1. Values are expressed in terms of wet weight.
2. Minimum and maximum values.
3. Values expressed in terms of dry weight.
4. Including mollusks and crustaceans.
5. The above levels are compiled based on all the existing published data on metal levels in fin fish, oysters, crustaceans and other mollusks.

Similarly, local data have not been consistently generated for the use of local governments. This makes it difficult to compare ecosystem types across regions. In certain cases, varying sources present conflicting data. For example, in the table showing mangrove forest cover per region, there are large disparities in the figures of the data-gathering agencies. These discrepancies can be avoided by checking data through field verification. Just as there is a great need to gather more data, there is also a need to minimize overlaps in data-gathering efforts to develop efficiency and promote closer collaboration among agencies, projects or departments intending to produce such data.

There is a need to bring together all research institutions housed in the various government departments in order to share information, resources, and methodologies, such as formulating and using economic models. It is better for the government to come out with a single data set that reconciles all the sources, rather than show conflicting information that can confuse local and national policymakers.

Apart from concerns about information, the much greater need is to come up with decisive policies that address the most pressing environmental issues involving resource conservation, rehabilitation, and renewal. A minimal list of the most urgent issues alone will be formidable since it will involve questions on commercial logging rights, ancestral domains and rights of indigenous peoples, extraction of and trade in wildlife species, deleterious effects of mining, displacement of upland farmers, recycling, protection of coral reefs and mangroves, and renewed initiatives for environmental education.

Various social sectors have consistently demanded that the government officially subscribe to a strategy of sustainable resource management. In the end, however, this should be manifested in policies with a distinct preference for maintaining the resource base, while recognizing that resource degradation is affected by socio-economic complexities such as poverty, population growth, international trade and investment patterns, and indebtedness. Notwithstanding the publicity, interest, and funds devoted to the environment issue in recent years, it is clear that information gathering and monitoring are still at the most rudimentary levels. Efforts toward environmental policy changes and the will to enforce them are way below par, as indicated by the delay in the legislation of measures to protect forest resources, among other indicator.

Human Development and People's Participation in Governance

Throughout the world, there is a growing demand and trend for people's participation as a dimension of human development. This trend reaffirms the idea of *democracy as participatory politics*. From a modern standpoint, people's participation in the processes of governance is a crucial dimension of human development. In reality, however, its use and practice in the broader sense of democracy has always been contested.

Many times in the latter part of this century, there have been serious challenges to the idea that people should seek as much as possible to participate politically in society. The pervasiveness of complex bureaucracies in the industrialized countries has cast doubt whether democratic participatory politics could really be achieved. Moreover, many pre- and post-war political regimes, whether democratic or authoritarian, have become unstable in spite (or even because) of high levels of mass participation. This cast further doubts on the viability of participatory politics, since either democracy itself caused instability or people's participation could be manipulated to prop up authoritarianism. Studies in different countries in the latter half of this century also showed widespread non-democratic or authoritarian attitudes, particularly among the poor. More recently, the experience of the newly industrializing countries, many of which are not democratic, lent credence and attractiveness to the notion that economic success comes at the price of non-democracy.

All these developments provide the basis for theories that merely regard democracy as a "political method...an institutional arrangement for arriving at political decisions" in which popular participation has no "special or central role" (Pateman 1970:1-3). At the very least, these theories deny that democracy and people's participation go hand in hand. More cynically, they question whether democracy in practice involves real participation, or whether participation really requires institutions of democracy, as commonly understood.

At present, democratization and people's participation are once again "becoming the central issue of our time" (UNDP 1993:1). This phenomenon has been described as a "third wave of democratization," marked by the fact that "between 1974 and 1990, more than thirty countries in southern Europe, Latin America, East Asia, and Eastern Europe shifted from authoritarian to democratic systems of government" (Huntington 1992:579). In these historic transitions, people's participation proved a decisive force.

Participation is a "process of enlarging people's choices" (UNDP 1990:10). It means people being able to influence and control decision-making processes and relationships of power (UNDP 1993:21). The basic premise is that a participatory environment develops democratic qualities and engenders feelings of political efficacy by addressing "the interrelationship between individuals and the authority structures of institutions within which they interact" (Pateman 1970:103). In its strongest sense, therefore, people's participation is a process that empowers the people with the "freedom to choose and change governance at every level..."

(UNDP 1993:21), including such institutions as the family, the workplace, the market and the school system which in themselves establish particular patterns of authority and power structures.

People's participation has direct and unequivocal relationship to human development. It is a component of human development, together with longevity, knowledge, and the widening material choices attributed to rising income. In this sense, democracy as participatory politics is not merely a method — preferred over many — of arriving at decisions, but an end unequivocably desirable in itself.

The sophisticated objection to this is that people's participation does not always require democracy. Matters taken up in electoral struggles, especially at the national level, have little to do with people's welfare. After all, self-help projects that NGOs and POs undertake require little by way of national inputs. This kind of argument is inadequate for at least two reasons:

First, this would happen only if national politics were at least benevolent to local initiatives. But the structural defects cited earlier precludes this benevolence. The desire for a benevolent authoritarianism suffers from the authoritarian dilemma: there is still no foolproof way of screening would-be dictators except through a democratic process.

Second, the growing interdependence of markets prevent local initiatives from remaining affected by national affairs and policies.

This chapter and the next focus on people's participation as represented by the interaction between the people and their organizations, on the one hand, and formal governmental structures of power and decision-making, on the other. Since authoritative social and political decisions are normally made at the structures of power, people's participation in these structures is strategically important in defining the priorities of human development in society.

Participatory politics in today's democratic systems occurs through elections. But the procedure of elections may either help or hinder real people's participation. In one scenario, clear-cut rules of electoral representation may merely ensure the regular selection of competing elites with little political participation by the people beyond the act of voting. In another context, the same rules for electoral representation, pushed to the limits through radical electoral reforms, could enhance the representation of traditionally marginalized sectors of society. In small electoral districts, for example, a system of proportional representation with clear limits to campaign expenditures may significantly improve the chances of popular but poor parties. To some extent, it is even possible to experiment with *direct* forms of democratic participation (i.e., dispensing with the need for representatives), although this may be limited by the complexity of running present-day societies.

The Philippine Experience

Two concrete mechanisms of people's participation in governance are examined: the electoral process and the decentralization process. The contribution of key social agents in these processes is evaluated. This chapter and the next focus on these mechanisms and social agents for their historical importance, contemporary relevance, and proximate potential in enhancing the entire process of people's participation in the Philippine context. Indicators by which to evaluate the effectiveness of these mechanisms and social agents are provided.

In the Philippines, the terrain of people's participation in governance has been defined and constrained by at least three major structural realities which are partly a legacy of the colonial era, and partly a result of elite policies and decisions. *First*, a high level of inequality of control over wealth persists as a basic feature of economic activity, as seen in the unequal distribution of land and of income. Thus, the potential for conscious, effective and meaningful participation in governance is severely constrained by economic difficulties among a significant sector of the people.

Second, the gross inequalities in the control of productive resources are reflected in the persistence of oligarchic politics. Dominant political clans and their allies continue to control elective positions of power in both national and local levels of government. In the first post-Marcos legislature elected in 1987, for example, 83 percent of the members of the House of Representatives belonged to elite families. Of all elected officials in the lower house, 67 percent belonged to established political clans (Gutierrez et al. 1992:162). The disparities in economic power that allow established clans to dominate also explain, to a large extent,

why political parties espousing well-defined alternative programs of government have failed to emerge.

Finally, a centralized but ineffective system of governance has further constrained people's participation. This is especially true at the local level, where the popular participation is most proximate and its impact most promising. Agencies of central government wield large powers, but they are also vulnerable to influence by powerful groups and political clans with vested interests in particularistic projects.

Because these structural constraints to popular participation exist, a decisive arena of people's participation in governance should be considered, namely, the electoral process. For all its flaws, the electoral process of selecting government officials has endured as the major terrain of people's participation in governance in the Philippines. In a complex society, there is no easy, feasible alternative to an electoral representational system of selecting public officials. Therefore, the possibilities and limits for participatory politics through this political method and practice must be systematically examined. Given the realities in the Philippines, any agenda for participatory politics must include radical reforms in the electoral process to advance and not impede people's participation.

Environment for People's Participation: Forces and Processes

Despite structural hindrances to popular participation in the Philippines, there are strong social forces in its favor. Socio-political movements, whose roots of protest and struggle reach back to the colonial and post-colonial history of the country, have spawned a vibrant community of people's organizations and non-government organizations. The political struggles against the Marcos dictatorship and the government's dismal record of governance and delivery of basic services catalyzed the emergence of these organizations.

POs and development NGOs today not only provide assistance, education and training to the marginalized sectors; more importantly, they help organize and empower the poor and powerless, advocate alternative policies, and explore new strategies for sharing and contesting power at various levels of governance. A promising development has been the emergence of a dynamic women's movement (Appendix 5.1). As more women assume policymaking positions in formal structures of governance, the effect of the women's movement on the comprehensive process of people's participation in all areas and levels of decisionmaking could be most strategically important.

Another arena for enhancing people's participation in local governing bodies is *decentralization* as mandated by the Local Government Code of 1991 (R.A. 7160). The Code devolves powers and functions of governance long monopolized by the central government. It provides for the representation of women, POs and NGOs, and other sectors in local government councils and in special local boards and councils. But while decentralization offers new opportunities for people's participation, it also creates new problems, such as the need to develop their requisite technical and financial competence to deal with the devolved responsibilities. Ultimately, however, the Code provides a signal opportunity to challenge and redress oligarchic relations of power at the local levels. If this is done, local governments can become the building blocks of a truly democratic and participatory society.

As further evidence of the significance of these social forces and processes for participatory politics, public opinion surveys show that Filipinos have "learned to value democratic institutions as a requirement for social development" (Arroyo 1990:1). For instance, in a public opinion survey conducted in 1985, 61 percent said the President should not have the power to legislate by decree, and 65 percent said the President must not have the power of preventive detention (Arroyo 1990:1). A 1988 public opinion survey by the Social Weather Station showed that 42 percent of a nationwide sample agreed with the statement that *ordinary citizens have strong organizations, thus, they can effectively participate in governing the country.* Only 22 percent disagreed with the statement (Arroyo 1990:2).

Elections

People's participation is effective only if it can influence governance. Ideally, the test should be found in whether policies and laws formulated by the government actually reflect the interests of the people and their

organizations. That is less than easy, however, since it would lead to discussions regarding what the people's *real* interests are (which, of course, each would want to define according to his or her own framework). Rather than pre-judge the outcomes, the next best thing to do is to evaluate how genuine is the *process* by which people participate in governance.

To ensure people's participation, the following formal mechanisms are envisioned by constitutional provisions, laws, policies and actions:

(a) Peaceful and orderly voter registration, elections, plebiscites and referendums;
(b) A system of people's initiative and recall;
(c) Sectoral and PO representation in lawmaking, program-monitoring, and implementing bodies at national and local levels; and
(d) Sectoral representation in congressional and other public hearings.

In the past, the traditional view of participation in a representative democracy[1] considered the electoral process provided for in law to be a sufficient and overriding form of people's participation. Regular trips to the ballot box every six and three years would be the epitome of a citizen's main role. For this reason, many conservatives would view skeptically and consider disruptive most people's initiatives (e.g., rallies, marches, general strikes, and others) that are not related to electoral campaigns but which attempt to intervene directly or make a forceful statement in the process of resolving public issues.

In theory and under ideal circumstances, periodic elections might suffice to convey basic programs that promote the people's interest. In practice, however, this view is too complacent for a fundamental reason: the existing inequity of social and economic power simply works against the effectiveness of elections. How genuine is the electorate's will if voters live under threat of economic or even physical extinction, if they have no access to media and to information on policymaking processes and government performance, if they are unaware of voters' rights and electoral procedures? Where the many depend economically on the few, are less educated, less articulate, and less informed — especially where the fundamental interests of the elite diverge from those of the majority — the integrity of the electoral process itself will always be threatened, and the genuineness of the mandate and priorities expressed by elected representatives will always tend to be compromised. For this reason, other channels besides periodic elections must be resorted to in re- asserting people's demands. The recognition of this idea underlays the inclusion of people's initiatives and the system of recall in the 1987 Constitution.

NGOs and POs have been closely associated with what is now known as *extra-parliamentary* means of political intervention. Partly owing to a degree of success of these extra-parliamentary means, there is a tendency to think of these as *substitutes* for elections and parliamentary procedures. It must be recognized, however, that extra-parliamentary means are relevant only because the mainstream system of delivering political goods is failing to work as it should. Extra-parliamentary intervention must be regarded as complementing the admittedly imperfect operation of the electoral and parliamentary process. People's increasing resort to extra-parliamentary intervention is both a sign of increasing awareness of their rights and of the mainstream system's failure to accommodate them.

Essentially, extra-parliamentary efforts — short of revolution[2] — represent the demands to improve and strengthen the existing mainstream system of governance. In strategies to alleviate poverty, the ultimate aim is not to carve out a separate sector for the poor, but to include hitherto marginalized sectors in the mainstream of economic life. Similarly, the final goal of people's participation in governance is not best served by resorting only to the most "special" means of intervention, no matter how "militant" these may be, but *also* by laying claim to the mainstream and ordinary electoral and parliamentary processes as well. For just this reason, it is important to demand and ensure the success and integrity of the electoral process.

As in other developing countries with democratic political systems, the success of the electoral process depends on high voter' registration, a high voter' turnout, and low incidence of fraud and violence. Yet,

1Of course, in systems of *direct* democracy, people themselves would take a direct role in planning, deliberating, and implementing their affairs.
2This has not prevented revolutionary movements from espousing reforms under the present system as tactical maneuvers.

another factor that must be examined is who get elected and how, and the extent to which average citizens can influence elective officials in the performance of their official duties.

Where wealth and patronage largely determine electoral victory, people's participation will be severely hampered. Most election winners find themselves more accountable to their financial backers and power-brokers than to their voting constituents. They are pressured to represent big business and landlord interests rather than the interest of the powerless majority. Paradoxically, the exercise of suffrage is then alienated from the principle of popular consent and representation upon which it is founded.

What makes an electoral system effective? The holding of elections by itself does not guarantee popular consent and representation. A checkered political experience has produced mixed perceptions among the people about the value of elections. The flawed electoral process in the country has yielded less than meaningful changes. However, the turnout of voters has always been high, and people welcome electoral campaigns, indicating that elections are taken seriously. But stringent requirements must exist to safeguard the democratic value of political equality. In particular, the integrity of the electoral system must be guaranteed through:

(a) protection of the right to vote;
(b) protection of the right to run for public office; and
(c) enforcement of election results.

The right to vote

Equal suffrage requires that people have reasonable access to the place of voting, that they be free to cast their votes as they wish, and that each vote be given exactly the same weight when counted. But the most basic requirement is that the individual must be allowed to vote in the first place, and that no obstacle should prevent him or her from voting (Sargent 1987: 63).

Historically, this last requirement has not always been fulfilled. When the electoral system was introduced in the Philippines by the U.S. government in 1901, it discriminated according to gender, literacy, and property. A voter was required, among other things, to be a male, at least 23 years of age, to speak, read and write in Spanish or English, own real property worth at least P500, or have held a local government position prior to the U.S. occupation (Tancangco 1987: 10).

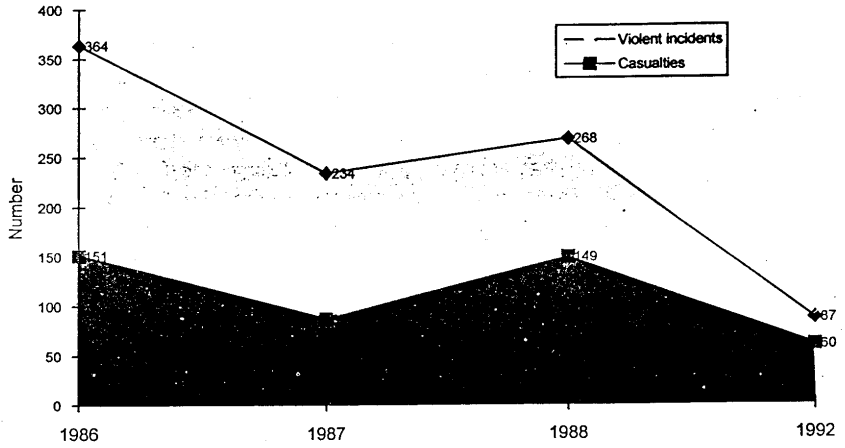
The present Constitution promulgated in 1987 grants suffrage to "... all citizens of the Philippines not otherwise disqualified by law, who are at least eighteen years of age, and who shall have resided in the Philippines for at least one year and in the place wherein they propose to vote for at least six months immediately preceding the election" (Art. V, Sec. 1). No literacy, property or other substantive requirement is imposed. The Constitution also mandates that Congress provide systems to secure the secrecy and sanctity of the ballot, to permit absentee voting by qualified Filipinos abroad, and to allow the disabled and the illiterate to vote without the assistance of other persons (Sec. 2).

The last major national and local elections held in May 1992 were generally free, fair, peaceful and orderly — a record that significantly improved the credibility of the Commission on Elections (Comelec) and the electoral system itself. Synchronized polls were conducted in 170,354 precincts nationwide, where 75.44 percent or over 24 million of some 32 million registered voters turned out for the polls. The Comelec regulated the campaigns of 87,770 national and local candidates — the largest number of aspirants ever — for 17,282 positions. The Commission effectively supervised the work of over 800,000 deputies from various government agencies and administered around 550,000 volunteers of its citizen's arms. The counting was relatively slow but largely uncontested. A month after the elections, Congress proclaimed the duly-elected President and Vice-President of the Republic.

The Commission disposed of 1,357 cases arising from the 1992 elections; it organized special legal task forces which resolved 1,198 cases arising from the 1987, 1988 and 1989 elections. The total number of cases resolved for the periods covered was 2,565 (Comelec 1993: 3).

The 1992 synchronized elections showed the lowest statistics in recent election history (Figure 21) in terms of officially recorded election-related violent incidents and casualties. If this continues, this should be an encouraging trend. In the past, intimidation and the threat of political violence have been the most serious obstacles to free participation in the elections.

Figure 21
ELECTION-RELATED VIOLENCE



Source: Commission on Elections

In assessing the 1992 elections, the Comelec report commended its principal deputies: the public school teachers, the Philippine National Police, and the Armed Forces of the Philippines as being "outstanding in the performance of their duties, despite instances of partisanship and of election offenses or negligence on the part of some of them" (Comelec 1993:60). The increasing role of volunteer organizations, however, was also significant. This refers principally to the Media-Citizen's Quick Count, the Parish Pastoral Councils for Responsible Voting, National Social Action for Justice and Peace (Nassa) of the Catholic Bishop's Conference of the Philippines, and the National Movement for Free Elections (Namfrel).

Voter turnout is typically cited for measuring people's participation in elections, and this has been fairly high, ranging from a low of 67.5 percent for the barangay elections in 1989 to 89.1 percent for the national elections in 1984. In the synchronized elections of 1992, voter turnout was at least 85 percent. Without further qualification, however, the significance of voter turnout is ambiguous. For example, it is paradoxical that the highest voter turnout was recorded under the Marcos dictatorship, while the lowest was during the Aquino administration when democratic processes had been fully restored. Voter turnout is now also generally higher for national rather than for local elections.[3] Could it be that more resources are mobilized and released during national elections? Or are campaign plans, strategies, and tactics more centrally managed and directed? Or is the entertainment value simply higher during national elections?

All these questions merely suggest, as will be argued later, that the *quality* of people's participation must be addressed, and that the significance of electoral processes itself cannot be divorced from the social fabric into which they are woven.

Running for office

Another aspect of political equality that a democratic state must guarantee is the opportunity of each citizen to run for public office. Anyone who may vote must also have the right to be elected to public office.

In practice, the ability to run in and win an election has always hinged on political influence. The latter is determined by personal endowments, political resources, the skill or efficiency with which these politi-

[3]This is the reverse of the pre-martial law period, when local election turnout was higher.

cal resources are used, and the extent to which they are used for political purposes (Dahl 1984: 31). Rules must be formulated to enhance the citizens' options for selecting their leaders and their opportunities for a fair chance of winning, should they run for public office. The system should also strengthen political parties as protagonists in electoral contests.

Since the American occupation, those elected have usually been from the propertied elite (Salamanca 1984:56). Until now, elections are largely a contest among the rich and those who represent them. Candidates must typically spend in a major way on propaganda materials, media plugs, rallies, meetings, fees, transportation, and food for supporters, poll watchers and ward leaders.

After the elections, a candidate needs logistical provisions to safeguard the accurate recording of votes in his or her favor, to carry out the unhampered transfer of tallies to the city/town hall, to ensure the correct issuance of certificates of canvass by the board of canvassers, and to see to the smooth transmission of these certificates to the Comelec. In these various steps, the retention, addition or deletion of terminal zeros in tabulation sheets can be crucial to one's political fate.

The cost of a fair chance at winning is P10 million for a mayoralty candidate in a big city; P20 million for a gubernatorial and vice-gubernatorial candidate, or congressional candidate; P50-60 million for a senatorial candidate; and at least P300 million for a presidential candidate. These still do not include the contribution some political parties require from their official candidates as well as the large sums needed to file or defend cases of electoral protest. In the face of these costs, it is next to impossible for the average citizen to run with a fighting chance in an electoral contest. In other contexts, the existence of strong platform-based parties with clear constituencies allows the costs for less affluent and less well-known candidates to be reduced. But this is not possible in the local context, owing to the absence of well-established parties and the predominance of personalities instead.

Besides favoring the wealthy or well-to-do, another adverse consequence of the high cost of running for election is the predisposition to recoup these expenses subsequently. Since the salaries for elective positions are dwarfed by the expenses needed to get elected, there is pressure to secure other sources of compensation, including graft.

The Omnibus Election Code provides for some significant reforms to correct the abuses of past elections. These include limits to campaign expenditures and guidelines for media exposure. Candidates have typically found ways to get around these, however. To strengthen the party system and ensure the representation of marginalized sectors, the 1986 Constitutional Commission also introduced the concept of sectoral representation and the party-list system in the Constitution. However, lawmakers have not enacted laws to institutionalize them. Sectoral representatives are still appointed by the President. Neither has the full number of sectoral representatives been filled for fear that this might upset the existing balance of forces.

Enforcing election results

The state finally must guarantee that those who actually win elections assume office. This requirement seems almost obvious, yet there have been instances when it has not been observed. Two episodes are especially notable. In 1946, six candidates of the Democratic Alliance led by Luis Taruc were elected to the House of Representatives but were prevented from taking office after being labeled Communists. The reason was to ensure the passage of a constitutional amendment granting parity rights to Americans (Agoncillo and Alfonso 1971:507).

In 1972, Ferdinand Marcos dealt the fatal blow to the electoral system by imposing martial law to perpetuate himself in power. His second and last term should have ended in 1973, but his proclamation of a self-serving constitution enabled him to extend his rule until he was overthrown in February 1986. Marcos's government party manipulated and corrupted elections, further reinforcing negative attitudes toward the electoral system (de Guzman and Tancangco 1986) and inciting intense debates among opposition groups and POs on whether they should participate in elections at all. International pressure forced Marcos to call a "snap" election in February 1986, in which he ran against Corazon Aquino. The widely-known manipulation of election results during that period became an immediate cause for the people to recourse to massive extra-parliamentary resistance and to support an otherwise failed military coup.

The fraud and cheating committed in the most recent elections certainly cannot be compared to the scale and system of fraud and cheating that prevailed under the dictatorship. Nonetheless, substantial deficiencies continue in the matter of enforcing election results, such as anomalies, lengthy voting counts, and delays in proclamation of winning candidates owing to legal disputes. All these lead to a dilution, if not to outright denial or misrepresentation, of the people's will.

Why is suffrage not translated into genuine participation in governance?

Using the three indicators to evaluate electoral mechanisms, namely: (a) protection of the right to vote, (b) protection of the right to run for public office, and (c) enforcement of election results, it may be concluded that the state has often fallen short of its democratic obligations. The government has succeeded in instituting electoral reforms and has gone some distance in making electoral processses freer and more genuine since the overthrow of the dictatorship in 1986. However, it should still be asked whether the current electoral processes give ordinary citizens a genuinely free choice and greater access to running for public office. In its report, even the Comelec concedes that "much more needs to be done to truly democratize the election process and to make it less oriented to money and celebrities" (Comelec 1993:60).

The same three guarantees mentioned can be used to gauge the security and effectiveness of the electoral mechanisms in various communities. They can be used to evaluate election-related programs and activities of POs by determining the extent to which these organizations have responded to the shortcomings of the state in protecting the integrity of the electoral process.

It cannot be denied that formal guarantees in the electoral processes exist — indeed more so than in other countries — yet a more pro-people agenda has failed to evolve. The fact is that large structural obstacles that make a genuine exercise of suffrage difficult continue to exist. A discussion of these obstacles follow:

■ A first obstacle is the dominance of the elite in setting the political agenda. A study by the Ateneo Center for Social Policy and Public Affairs and the Institute for Popular Democracy (1992), which traced the careers and economic backgrounds of members of Congress, clearly showed that the House of Representatives was dominated by the elite. The study found, for example, that among members of Congress, 38 were entrepreneurs prior to their present positions, 25 were top officials of big business corporations, 94 directly owned agricultural and pasture lands, 36 owned farmlands or pasturelands worth more than P1 million, 53 owned or managed real estate agencies, at least 42 controlled manufacturing enterprises and factories, 28 had investments in holding, management and investment companies, and at least 137 were landowners and agricultural entrepreneurs (Gutierrez et al. 1992). All 24 senators had assets in excess of P1 million.

The elitist nature of Congress plays a big role in setting a largely conservative agenda. Among others, it means that agrarian and asset reform "will ... have no chance of ever being seriously considered by the present Congress." For example, 30 representatives from Mindanao submitted a bill exempting that region from the Comprehensive Agrarian Reform Law for the next quarter century. A veritable "power base for elite agenda," the House of Representatives can steer the direction and implementation of government programs (Gutierrez et al. 1992).

■ Beyond formal requirements and external circumstances, the elusive but fundamental issue in voting is the authenticity of the preferences and will expressed by voters in elections. The most obvious manifestation of this is vote-buying and -selling which, except for the most blatant examples of direct payment, are both difficult to define and monitor. Indeed "softer" forms such as voting for the local boss in exchange for vaguely defined personal favors would not even be illegal, and may be construed as part of the right to choose. Still, the basic question is whether there can be genuine democratic choice in a hierarchical society characterized by dependence and extreme inequality in wealth and power. The radical critique of the elections is really a question of whether real-life material relations of dominance and dependence can actually be *suspended* in the abstract during the brief period of elections, leading to results that reflect the long-run interests of the people.

The deeper issue in the right to vote, therefore, is whether a choice genuinely exists for the electorate.

This is at times difficult to maintain, considering the predominance of patronage and the weakness of political parties. Philippine politics is rooted in a patronage system similar to the patron-client relationship between landlord and tenants. The politician plays the role of father-landlord while his constituents and followers are the children-tenants. An economy characterized by personal dependence, combined with a government that identifies leadership solely with personality, has serious consequences for democracy. Party loyalties become purely calculating and pragmatic. Although parties may claim their platforms to be based on issues and specific programs of action (a few even purport to have ideological foundations), party affiliation is largely determined by personal gains and opportunities.

■ Underpinning the entire process is the chronic scarcity of public resources, on the one hand, and the vast discretionary power given to those who do come into power, on the other. For example, congressmen and local officials who belong to the losing side may find that their areas typically get last priority in the release of their countrywide development funds or in the distribution and hierarchy of public works projects. Scarcity plus discretion equals patronage.

With few exceptions, therefore, politicians cynically shift political parties based on the strengths and likely success of leaders. The matter is founded not simply on poor ethics, but also on realpolitik. A party's goals, strategies, and the consolidation of its membership will be determined largely by personalities. Consequently, "turncoatism" is a prominent feature of Philippine politics, with loyalty shifts justified by "the dictates of patriotism" or "the requirements of the constituents." As paternalistic provider, the politician, like the landlord, constantly invokes his obligation to serve the needs of his supporters by whatever means. The ability to provide favors to enough persons or narrow constituencies is the source of legitimacy and charisma, and the yardstick of effectiveness and stature. Principles and adherence to party platforms take the back seat.

Under these circumstances, the *economic* content of the political relationship between poorer constituents and politicians is bound to be trivialized to the level of dispensing occasional trivial favors, in exchange for the assurance of re-election. Voters will seek (and obtain) nothing more from politicians than attention to their narrowest agendas, quite oblivous of the methods and morals that underpin these relationship. Hence, for example, even despoilers, grafters, and coup artists may be elected simply because they are likelier to win,[4] or have more influence with the individuals in power. Voters come to regard election campaigns as an opportunity to "collect" minimal favors from politicians; on the extreme, the return may be nothing more than entertainment value. In much the same way that people are willing to buy tickets to see a movie, they are willing to participate in elections to be entertained.

■ A final factor preventing a more genuine exercise of suffrage by the citizens is the simple lack of information and meaningful education. Previous chapters have noted the importance of literacy and education as components of human development and as means to higher income (i.e., as human capital). But education and information in all their forms — including media, conscientization, politization, mass work, and others — are also crucial in the development of participation in governance. Essentially, education and information — if effective — promote a sense of nationhood and permit people to see possibilities for change beyond short-term and individual or sectoral interests. For example, rather than be content with quarrelling over crumbs from a kingpin's countrywide development fund to finance the occasional road repair or school house, constituents may see that there may be a more effective means of allocating infrastructure expenditures through the mustering of these funds for larger projects rather than the dissipating of such over wide areas to maximize billboard exposure. Rather than rest content with local officials assurance of tolerated squatting, the urban poor may demand integrated provision of alternative housing sites and transport. In a word, education and information may undermine the cycle of parochial politics which reduces democracy to a squabble among local and sectoral minorities with narrow agendas, manipulated by elites with even more selfish motives.

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[4]As witnessed in this common exchange: *"Sino 'ng iboboto mo?"* — *"Yung mananalo, siyempre."* ("Who will you vote for?" — "The winner, of course.")

Participation by POs and NGOs

In its current state, the electoral system can only fail to inspire participation by the POs and NGOs. Fraud and violence, the high cost of campaigns, the absence of a credible party system, the focus on personalities instead of issues, and the dominance of political dynasties are all factors that make it difficult for POs and NGOs to enter the mainstream arena. The recent limited participation of the POs and NGOs in the elections of 1992 certainly illustrates the complexities and hardships involved. (See also Chapter 6).

Yet, the need to break out of the cycle is obvious. Some would contend that circumstances are inherently incapable of changing without first altering — possibly in a violent manner — the very economic relations of dependence in which people find themselves bound and which distort the quality of their political aspects of human development, especially education and political information and greater economic independence, could develop sufficiently to enable people to make more genuine use of the formal opportunities open under electoral participation.

Apart from very real structural obstacles, however, part of the reason why POs and NGOs have not made a significant impact on the elections is that they have set up obstacles of their own making. The most basic of these have to do with differences in line and political assessments that have prevented them from uniting on a common platform and approach to elections. In the synchronized elections of 1992, for example, perennial debates and mutual distrust divided NGOs and POs into the "national democrats" (who subscribed to a line along radical Marxist lines) and the "social democrats" (who advocated Christian democratic socialism). Although the two groups agreed on various issues, they failed to agree on particular candidates to support. Many did not believe in election for ideological reasons; still others opted not to support individual candidates, and instead decided to produce and distribute materials to mobilize votes based on issues, e.g., the youth vote, the debt vote, the women's vote, the green vote, or the human rights vote. A faceless, highly intellectual approach to the campaign failed to excite the masses of voters grown accustomed to the gimmicks of the traditional politicians and candidates from the entertainment world. The POs and NGOs not only failed to help cause-oriented candidates win, they also abdicated their pre- election position of influence. The result was that few lawmakers became beholden to POs or regarded them as an important constituency.

This same problem has recently cropped up with the split among Left organizations into the "reaffirm" versus the "reject" lines (with a vast middle ground held by what is known as the "rejoice" group).[5] In the Philippines today, the impending split along ideological lines is one of the major threats to the strength and effectivity of POs and NGOs in the near term.

[5]These distinctions have to do with the question of whether or not activists continue to "reaffirm" the orthodox analysis and leadership of the Communist Party or whether they "reject" this. Those who have not been directly involved in this, on the other hand, are said to "rejoice" over this turn of events.

Appendix 5.1
WOMEN'S PARTICIPATION IN GOVERNANCE

Filipino women project a strong political presence outside the Philippines. Corazon Aquino, for example, was one of the few women heads of state well-known to the world. Foreigners marvel at the fact that they often have to deal with women managers and leaders when they come to the country. For instance, the head of the Civil Service Commission, the Secretary of Labor, and the head of the National Unification Commission are women. The question, therefore, is not whether women participate in governance in the Philippines, but how many women participate, how effectively they do so, and in which mechanisms they participate.

For women in the Philippines, participation in governance is more covert than overt, indirectly rather than directly political. They participate in governance through the bureaucracy where they predominate unlike their sisters in other countries whose participation is much smaller. In overtly political activities, women's participation takes place largely through voting. Increasingly, however, women have been active in NGOs and POs which have become overtly political through advocacy of causes, lobbying, and other activities.

A study for United Nations Educational, Scientific and Cultural Organization (Unesco) observed that, "proportionately, it is more than ten times easier for women to enter occupations in the Philippines than in Pakistan, Thailand, Singapore, India and Malaysia — more or less in that order" (Ward 1963). An important reason for this is the high *literacy rate* among Filipino women, which has consistently been almost at par with the men. Census figures for 1990 show the literacy rate for males being 93.70 percent, and for females being 93.37 percent, or a difference of less than one-third of 1 percent. For 1980, 1970, and 1960, the figures are comparable. This fact must be counted as one of the successes of the public education system.

Male educational attainment is generally still higher than that of females because some women marry young and drop out, while others stay at home to help with the chores. On the other hand, for those who manage to attend school, the completion rate of college education among women is higher than among men. The presence of more females in the university has been attributed by the National Commission on the Role of Filipino Women to "the early participation of men in the labor force." Conversely, this also suggests that less employment opportunities are available to women without college degrees.

Aside from preparing them directly for political participation, education also prepares women for participation in the labor force. Female participation in the labor force is less than that of males, but the trend has been rising. Women dominate the community, social and personal services sectors, and they constitute almost half of those employed in the manufacturing sector. They are less represented in agriculture, construction, and transportation. The potential implications of a rising female labor force participation in politics can be far-reaching. If women are gradually able to participate in the economic mainstream and contribute to money incomes in the family, their role in the family and in society at large is certain to be enhanced, and, so correspondingly, so will their political role.

On the whole, the gap between males and females in literacy and educational attainment is small and narrowing, but a gap remains nonetheless. In addition, as already noted in Chapter 3, there are regions where the female-male discrepancies are larger than in others. As a result, it may be expected that the extent of participation in political life would be less in those areas. Barriers such as those in education may thus impede the advancement of women in some aspects of life.

When one views the political process as composed of policy formulation, policy implementation, monitoring and evaluation, one can delineate women's participation in each stage.

One crucial aspect of political participation is *the law*. The Constitution provides for equal participation of men and women in society. This has been reinforced by recent legislations like the Local Government Code which provides for the selection of women sectoral representatives, the Women in Development Act (RA 7192) which provides for equal participation of women in economic activities, the revised Labor Code which removed discriminatory provisions against women workers, and the prohibition of advertising for mail

order brides. The National Commission on the Role of Filipino Women spearheaded the creation of Women in Development Focal Points in every agency of the government. A Philipine Development Plan for Women was also launched in 1989.

Despite such efforts, there are still so many areas to legislate for women. Nonetheless, the existing laws affecting women already indicate the extent of their participation in society. As shown above, headway has been made in recent years for laws providing women equal opportunities with men.

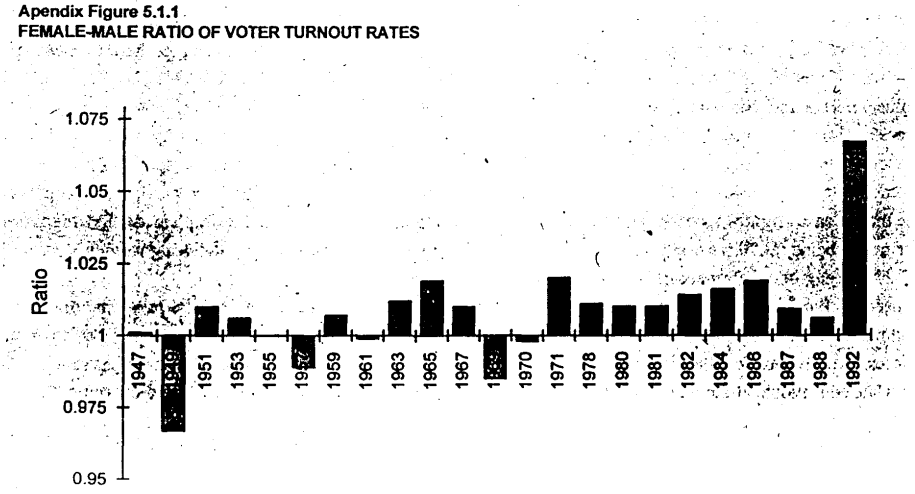
Policy formulation

The stage of policy formulation includes the recruitment of persons into the political institutions of government. How do women participate in the electoral process? An indicator that may be used is *frequency in voter participation.* COMELEC statistics have shown that, through all the election years beginning 1946, more registered female voters have trooped to the polls than registered male voters (Appendix Table 5.1.1 and Appendix Figure 5.1.1). The average voter turn-out among women is 79.31 percent while for men, it is only 78.57 percent. The difference is slight (0.74 percent) but it is significant, nonetheless, if only for the simple fact that the rate for women is comparable at all with, or even higher than, that of men. In the 1992 elections, the difference in participation rates was historically the largest, about five percentage points difference, or a ratio of 1.067. This is a phenomenon that still needs to be explained.

Besides voting, running for and winning public office is another aspect of the electoral process. Here, there is a discrepancy between the apparently large involvement of women in elections and the small number of women running for or winning political office. Until 1987, only an average of 5.78 percent of national legislators were women (Tancangco 1990). In the 1992 national elections, the proportion of elected women legislators rose to 9.5 percent in the House of Representatives and 16.7 percent in the Senate (Aguilar in Tapales 1992a).

The proportions are higher in the local levels than in the national legislature. Based on statistics of the Department of the Interior and Local Government, Justice Cecilia Muñoz Palma cited the proportions of women elected as local government chief executive and deputies in 1992: 9.2 percent for provincial governors, 6.6 percent for provincial vice-governors, 11.0 percent for provincial sanggunians, 3.3 percent of city mayors, 10

Apendix Figure 5.1.1
FEMALE-MALE RATIO OF VOTER TURNOUT RATES



Source: Commission on Elections

percent for city vice-mayors, 8 percent for municipal mayors, and 8.6 percent for municipal vice-mayors (Appendix Table 5.1.2). As can be seen from these figures, there is a higher percentage of women elected to legislative than to executive positions. Therefore, one might use the *proportion of women in electoral politics* as another indicator, knowing how Filipino women have traditionally scored low in this.

Appendix Table 5.1.1
WOMEN ELECTED TO THE LEGISLATURE (1946-1992)

Election	Position	Women elected	Positions to fill	Percent
1946	Representative	1	8	12.50
1947	Senator	1	8	12.50
1949	Representative	1	100	1.00
1953	Representative	1	102	0.98
1955	Senator	1	8	12.50
1957	Representative	1	102	0.98
1961	Senator	1	8	12.50
	Representative	2	104	1.92
1963	Senator	1	8	12.50
1965	Senator	1	8	12.50
	Representative	6	104	5.77
1967	Senator	2	8	25.00
1969	Senator	0	8	0.00
	Representative	3	109	2.75
1971	Senator	1	8	12.50
1978	IBP Member	9	165	5.45
1984	M. Pambansa	10	181	5.52
1987	Senator	2	23	8.70
	Representative	19	202	9.41
1992	Senator	4	24	16.70
	Representative	19	200	9.50
Total		86	1,488	5.78

Source: Commission on Elections.

Appendix Table 5.1.2
ELECTED LOCAL OFFICIALS BY SEX, 1992 ELECTIONS

Position	Total	Male	Female	Percent Female
Provinces				
Governor	76	64	7	9.21
Vice-governor	76	64	5	6.58
Sangg. panlalawigan	718	537	79	11.0
Cities				
Mayor	60	57	2	3.33
Vice-mayor	60	52	6	10.00
Sangg. panlungsod	675	498	68	10.07
Municipalities				
Mayor	1,543	1,336	121	7.84
Vice-mayor	1,543	1,315	133	8.62
Sangg. bayan	12,375	8,987	1,421	11.48

*Percent of women computed as the number of female divided by the total occupying the positions. This is based on partial data owing to incomplete reporting.
Source: Department of Interior and Local Government.

Affirmative action by the government has helped increase women's political participation in policy formulation, if not in electoral politics. The 1987 Constitution provided appointive seats for sectoral representations, with two seats reserved for women. Unfortunately, there has been no woman representative since 1989, and the seats remain unoccupied since the new Congress took over in July 1992.

At the local level, a similar seat for women in each legislature is provided for by the Local Government Code but no sectoral elections have been held and the seats remain unoccupied. Nevertheless, another indicator of political participation is the availability of sectoral representation for women in local legislative bodies and of sectoral seats for women in the national legislature. At the moment, no sectoral seats have been filled, except for the barangay chairmen and Sangguniang Kabataan chairmen, which fall under another category. No elections have been held for sectoral representatives. Nevertheless, women NGOs have actively

sought accreditation to field candidates for the sectoral elections. According to the National Council of Women of the Philippines (NCWP), 2,175 councils and affiliate organizations for women have sought accreditation. These cover 9,018,382 members. NCWP figures only account for 80 percent of the accredited organizations. Other groups are affiliated with G-10 (Group of Ten) and the Women's Advocacy Network for Development (WAND).

Lobbying is another aspect of policy formulation. This is one area where women in cause-oriented groups have been very active. There are more than 100 women-oriented NGOs in the Philippines concerned with specific policy issues. But a new group which emerged in 1992 — the *Ugnayan ng mga Kababaihan sa Pulitika* (UKP) — has been very active in different political activities. In the 1992 elections, it provided support only to candidates (male or female) who could be counted upon to work for its political agenda. UKP has also attempted to put more women in high administrative positions (Beltran 1993). It succeeded in getting President Ramos to appoint welfare officers for women overseas contract workers in labor offices abroad.

Another indicator is *advocacy of policies affecting women.* In the 1987-1991 Congress, more bills affecting the welfare of women were filed by men than by women (Reyes 1992). A possible implication is that women legislators have not been active advocates for their gender. On the other hand, this result is not surprising since women were and still are a small minority in the legislature. In the bureaucracy, Tapales (1984, 1985) found out that women's advocacy of policies correlated with the type of position they held rather than with their gender. Nonetheless, women's advocacy of policy issues may be used as indicators to measure their efforts in both lobbying and legislation.

Policy implementation

Women are most prominent in policy implementation. In 1980, 49.5 percent of members of the Philippine bureaucracy were female. Women comprised about 26 percent of the higher third level (career executive service) of the bureaucracy (Tapales 1984). By 1991, this share had risen to 28.8 percent (Sto. Tomas 1991). These figures, as seen in Appendix Table 5.1.3, are remarkable, even compared to those in the United States where the share of women in the senior executive service was 6.2 percent in 1980 and only 10 percent in 1990. Even more interesting is the larger share of women in the second level (professional/technical personnel). In 1980, they comprised 63 percent and in 1991, 59 percent (Tapales 1992b). This is because the Civil Service Commission classifies the teachers, the majority of whom are women, in the second level. But their lower proportion compared to the men in clerical and administrative positions (35 percent in 1980 and 41.95 percent in 1991) makes the Philippine experience unique since in most countries, women proliferate in lower level positions.

While most of the bureaucracy's task is implementation, persons in the upper echelons of the civil service also formulate policy. They decide on the details of implementation, issue implementing orders, and even initiate policy on certain aspects of their work. Thus, participation of women in policy implementation may be indicated by the number of women in policymaking positions in the bureaucracy.

Other indicators have also been used in the study of efficacy of women in the bureaucracy, including the (1) subjective *feeling of having influenced policy*, which was found higher among the majority of women civil servants in 1983 and 1989; and (2) *actual initiation of policy advocating the welfare of women*, which was found low in both years studied. (Tapales 1984, 1992b). Women tend to advocate issues affecting their own offices, without any gender bias.

Monitoring and Evaluation

Women NGOs participate in policy formulation mainly through lobbying. Their participation is most felt in the monitoring and evaluation of programs and projects. Their methods are lobbying, information dissemination

Appendix Table 5.1.3
PROPORTION OF WOMEN IN THE BUREAUCRACY, BY LEVEL (1980 and 1991; in percent)

[illegible]	[illegible]	[illegible]
First Level	35	42
Second Level	63	59
Third Level	26	29

Source: Civil Service Commission, 1991.

of complaints, and sometimes public approval. The UKP, GABRIELA, KABAPA, and many other women-oriented NGOs, perform this task most effectively. An indicator of this activity may, therefore, be the *number of active women-oriented NGOs*. There are, of course, a number of difficulties.

Using indicators that have been designated, one can conclude with Ward (1963) that even at this time, women in the Philippines have advantages over their sisters in other Third World countries. The high literacy rates and levels of education among Filpino women enable them to expand their choices in life. What hinders their fuller participation are the dictates of the Philippine socio- cultural milieu which place barriers to their entry into certain political activities. For instance, their *high voter turnout* does not square with their small participation in politics *vis-à-vis* that of men. Very few women run for public office to influence policy. Fewer women than men are active in political campaigns. Their seeming political passivity is traceable to their own perception, encouraged by society's norms, that politics is a man's domain.

However, Filipino women's participation in covert politics is again higher than in other countries, including even some economically affluent ones. More women in the Philippines occupy policy-determining positions in the bureaucracy. Women's organizations are among the most numerous and most active in the world. Many cause-oriented NGOs are headed by women and are active advocates of policies affecting women. They have lobbied and caused the passage, amendment or abolition of such policies.

Filipinas are still constrained by the cultural script which assigns roles for them outside the political sphere. However, the women have shown that, despite those constraints, they certainly are not trapped into quiescence.

Appendix 5.2
PEOPLE'S AND NONGOVERNMENT ORGANIZATIONS

The following are the results of (1) survey of NGO leaders, and (2) case studies of two barangays. These were undertaken to test the instruments on peoples' participation. In constructing an index of people's participation in governance, a hierarchical factor model is available based on three main factors identified, namely: determinants of people's participation, modes of participation, and subjective political attitudes on participation. Gender and organizational affiliations are the determinants of people's participation; electoral activities, lobbying and mass actions are the modes available for participation; subjective political attitudes include, among others, the degree of satisfaction toward services provided by government.

The first instrument was constructed for measuring subjective political attitudes on people's participation and was tried on a total of 35 NGO leaders from 13 regions during a conference at the Philippine Center for Economic Development (PCED) Hostel in December 1992. This instrument was later refined and expanded and was administered in a household survey in two barangays in Bulacan — Barangay Pinalagdan in Paombong and Barangay Poblacion in Calumpit.

The province of Bulacan was selected as the site for the case study because it has the most number of successful NGOs/POs, totaling more than 700 to date. To draw comparisons between two barangays, they were chosen according to their varying distance from the political and economic center of the municipalities. Barangay Poblacion in Calumpit is easily accessible and is near the center, while Barangay Pinalagdan in Paombong is moderately far from the center.

Subjective Political Attitudes on Participation: The Case of NGO/POs

A. Respondents' Profile

The NGOs/POs represented in the survey are classified according to their thrusts namely: social development (17), economic development (6), rural development (6), planning/coordination (4), labor-oriented (1), and research and training (1). The majority of respondents are male (60 percent).

Most belong to the age group 30-39 years old (45 percent) and 20- 29 years old (20 percent). A very high educational attainment is shown with 97 percent college graduates, among which, 28 percent have postgraduate degrees.

B. Perception of Government and Politics

Generally, respondents perceive that they have a say about what the government does. However, when it comes to decisionmaking, 57 percent perceive that the government, including public officials in general, does not pay much attention to what the people think. Specifically, the House of Representatives and the political parties are perceived to have not paid much attention to what the people think (66 percent and 54 percent, respectively). Moreover, political parties are interested in peoples' votes rather than in their opinions (91 percent). On the other hand, the Upper House received a more positive perception, 48 percent think that the senators pay some attention to those who have elected them in Congress. Also, local officials are perceived to have paid some attention to those who voted for them (66 percent).

Although more than half of the sample think that government and politics are so complicated to understand, 83 percent believe that voting is not the only way by which they can participate in government decisionmaking and that government does not pay much attention to elections anyway.

Regarding the kinds of people running the government, most of the respondents said that these people do not seem to know what they are doing (80 percent), or those who have big interests look out only for themselves (91 percent). They also believed that a lot of taxpayers' money are just being wasted for nothing (71 percent).

Respondents also distrust members of Congress and the office of the President (83 percent and 68 percent, respectively) in making decisions. Of all the specific government agencies listed, the most trusted is the Supreme Court, followed by the Senate. The least trusted are the military, House of Representatives, and the National Police. Furthermore, since there is not

much in the government to be proud of, it is believed that the form of government must undergo major changes to solve the country's problems (77 percent). Even as NGOs/POs have requested the government to listen and respond to their demands, no clear results are evident, according to 46 percent of the respondents.

C. Perception on NGOs Operating in their Respective Areas

Regarding their observations of NGOs operating in their areas, a fairly high percentage agrees that NGOs are allowed to observe in official meetings (60 percent) and have access to government records and documents (54 percent). Furthermore, report mechanisms are perceived to exist, particulary on findings and observations of NGOs, although NGO reports do not necessarily get a response from heads of agencies. Respondents also claim that the public are not informed about the actions undertaken on NGO reports (60 percent). As to whether cases are filed in the appropriate venues, a very low percentage (37 percent) believes that this is done. Nevertheless, they believe that there exist some mechanisms for the NGO's participation in minimizing or eliminating corruption.

D. Perception on the Quality of Government Services in the Local Areas

Quality of government services was determined in terms of accessibility, adequacy, affordability, and timeliness. The survey revealed that health services are available in the area, but the health center is far and cannot be reached by foot, according to 47 percent of the respondents. Nonetheless, they agreed that it is accessible by public transport (77 percent). Educational institutions are also available in the area. The high school can be reached by public transport but respondents disagree that elementary schools can be found in every barangay (51 percent). Although there are no problems on the accessibility of health, educational, and agricultural services and on the cost of transportation, respondents claim that transportation facilities are inadequate (57 percent) to link the barangays to the service providers, and the roads are not adequate to link the residents to the commuting service providers (54 percent).

On the affordability of services, respondents complain that there are no free consultations for health problems (60 percent) and no free medicines are readily available (83 percent). Neither can they afford the cost of consultation and medicines in government hospitals and even health centers (80 percent). Private hospitals do not offer alternative health service delivery since their prices are exhorbitant (71 percent).

On education, they agree that there is free elementary and high school education available to the average clientele (60 percent) but book rentals and other school expenses are expensive (57 percent).

They complain that health personnel (doctors and nurses) are unavailable when badly needed, especially in emergency situation (82 percent). Likewise, there are no packaged technology available to farmers and fishermen (68 percent).

In general, delivery of services is delayed (82 percent); health personnel are unable to solve the health problems of the residents (91 percent). Respondents are dissatisfied with the quality of education they receive (54 percent) and with the quality of government services in general (66 percent). They believe there are many ways by which their opinions can be expressed or heard, as follows:

a) public forums, barangay assemblies, dialogues, seminars;
b) resolutions, petitions;
c) demonstrations;
d) opinion/suggestion boxes;
e) special bodies, i.e., barangay councils;
f) media (radio, television, dailies);
g) NGO presence in the area.

People's Participation in Governance: The Case of Two Bulacan Barangays

A total of 100 household respondents were randomly interviewed, 50 samples from each barangay. The majority are female. NGO members and non-members were included in the survey.

A. The Bulacan Case: Area Profile

Provincial and Municipal Profile. Bulacan is located in the southeastern part of Central Luzon. It is bounded by the provinces of Aurora and Quezon on the east, Pampanga on the west, Nueva Ecija on the north, Metro

Manila on the south, Rizal on the southeast and Manila Bay on the southwest. It has 566 barangays and a total population of 1,505,219 (1992 data). The total number of households is 287,890. Bulacan is considered a first class province.

The municipality of Paombong is situated southwest of Malolos, the provincial capital, while Calumpit is situated northwest. Paombong has a population of 32,036 (1992) while Calumpit has 59,002. Both municipalities belong to the fourth class category.

Profiles of Barangay Pinalagdan and Poblacion. Barangay Pinalagdan is about three kilometers from the town proper of Paombong. It has 309 households and a population of 1,774. The farm-to-market road is about three meters wide; half of its length is concrete while the other half is unpaved. Another road linking the eastern part of the barangay to the poblacion is under construction. A Rural Health Unit (RHU), a Day Care Center and an elementary school can be found in the barangay. For high school education, students go to Kapitangan, a neighboring barangay, or to the poblacion, which are accessible by foot or by public transport. A cooperative, the Pinalagdan Multi-Purpose Cooperative, Inc. (PMPCI), was established about a year ago and has a current membership of around 60. PMPCI is represented in the Barangay Development Council (BDC).

Barangay Poblacion in Calumpit has a total population of 1,819 and a household population of 334. The barangay has both elementary and high schools and a community hospital. It has not yet created a Barangay Development Council. The Poblacion Farmers Credit Cooperative was created a few years ago. Information on both barangays are summarized in Appendix Table 5.2.1.

Appendix Table 5.2.1
PROFILE OF BARANGAYS
PINALAGDAN AND POBLACION

	Pinalagdan	Poblacion
Households	309	334
Population	1,774	1,819
Elementary school	1	1
High school	—	1
Rural Health Unit	1	1
Day Care Center	1	1
BDC	1	—
NGO	1	1
Accredited NGO	1	—
Distance from poblacion	3 km	n/a
Farm-to-market road	2	n/a
Artesian well	many	n/a

B. NGOs Operating in the Area and their Participation in the Political Process

About 15 accredited NGOs and 700 POs operate in Bulacan. All these NGOs are represented in the Provincial Development Council. Several of them are also represented in special provincial bodies such as the Provincial Health Board (BUKAS), Provincial School Board (Provincial Federation of Parent-Teacher Association), and Provincial Prequalification, Bids and Awards Committee (GABRIELA and Grassroots Philippines Service, Inc.). The Peace and Order Council and the Provincial Law Enforcement Board also have representatives from the NGO sector. In sectoral committees, such as infrastructure, social and economic development committees, NGO representatives act as chairmen of these committees. They help in the formulation of development plans.

In Paombong, 12 NGOs/POs are involved in development programs, particularly in the implementation of cooperative development, community organizing, and others. Six of these NGOs attend the Municipal Development Council meetings (Samahang Youth Club, Casak Brothers Civil Club Organization, 72 Discipolos ni Cristo, Sto. Niño Samahang Nayon, NORFIL Foundation, and Kapitangan Multi-Purpose Cooperative). However, the development programs that they support, such as infrastructure, are not considered as priority.

The municipality of Calumpit has a total of 29 accredited POs, of which 12 are represented in the MDC. Likewise, the NGOs have representatives in special boards such as the People's Law Enforcement Board, Prequalification, Bids and Awards Committee, and Peace and Order Council. There is no NGO representative in the school board.

Appendix Table 5.2.2
P-VALUES OF THE CHI-SQUARE STATISTICS

Election Year	Voter Participation	Gender	Barangay	NGO Membership	Gender & Membership
1986	88%	1.00	.42	1.00	1.00
1987	88%	1.00	.42	1.00	1.00
1987	86%	1.00	.70	0.79	1.00
1988	88%	1.00	.42	1.00	1.00
1990	86%	1.00	.25	1.00	1.00
1992	91%	1.00	.34	0.99	1.00

C. Electoral Participation

Participation in the 1986 (presidential), 1987 (constitutional plebiscite), 1987 (congressional), 1988 (local), 1990 (barangay) and 1992 (national) electoral activities are analyzed by gender, by barangay, and by NGO membership using chi-square tests for contingency tables. The tests show that responses on electoral participation do not depend on these categories and, hence, uncorrelated. Therefore, it may be concluded that participation in all six elections does not depend on the gender, barangay, or organizational affiliation of the voter, and that there is no dependency between gender and NGO membership with respect to electoral participation.

D. Perception on Post-EDSA Elections

On the question of whether the post-EDSA elections were generally clean and honest or not, 69 percent said yes, 26 percent said no, and 5 percent had no opinion. The data show that at significance level alpha = 0.05, responses do not depend on barangays, membership in NGOs, or gender. Appendix Table 5.2.3 summarizes these results.

E. Mass Actions, Demonstrations and Lobbying

Participation in mass action, at alpha -.10, depends on the barangay and on NGO membership or non-membership, but not on gender. However, the tests are not significant at alpha -.05 for all categories. Of the respondents, 9 percent said they participate in demonstrations while 91 percent said they do not.

Appendix Table 5.2.3
PERCEPTION ON POST-EDSA ELECTIONS

	Yes (%)	No (%)	Don't Know (%)	p-value
Pinalagdan	72	28		
Poblacion	66	24	10	0.21
NGO members	73	27		
Non-NGO members	68	26	6	0.69
Male	62	31	7	
Female	65	22	3	0.50
Total	69	26	5	

Appendix Table 5.2.4
ATTENDANCE IN DEMONSTRATIONS

	Yes (%)	No (%)	p-value (corrected)
Pinalagdan		100	
Poblacion	17	83	.06
NGO members	27	73	
Non-NGO members	4	96	.06
Male	15	85	
Female	3	97	.24

On lobbying, more NGO members than non-members participate (p-value .001). However, at alpha level=0.10, there is no dependence on gender and on barangay. These conclusions are evident in Appendix Table 5.2.5.

F. Subjective Political Attitudes: Perception on Government Services

Results on perception about health, educational, social and agricultural services are described in this section. Availability of government services does not depend on barangays, as shown in the following tables of p-values, except in the case of doctors and nurses. The majority

Appendix Table 5.2.5
P-VALUES FOR LOBBYING

Pinalagdan	38	62	
Poblacion	48	52	.60
NGO members	91	9	
Non-NGO members	32	68	.001
Male	54	46	
Female	34	66	.22

aware of the calamities; of this, 94 percent reported that the government did some relief work. The agencies identified doing relief work were the local government (72 percent), the Department of Social Welfare and Development (5.5 percent), and others (3.5 percent); 19 percent reported they did not know. Awareness of the agencies doing relief work does not depend on barangays (p-value = 79). It is suggested that the instrument be tried in barangays where services are inadequate.

Conclusion

Generally, it can be said that NGO participation in development efforts has increased over the years. They are allowed participation in local development councils and special bodies and access to government records. They are able to express their views in these councils. However, it does not follow that their views are always heard by government.

On the quality of government services, NGOs agree that there are available facilities, particularly health and educational services, in their areas. Physical accessibility to these facilities is not a problem. However, public transport is inadequate to bring clientele to where the services are located. Also, health personnel are not always available, especially when they are most needed. There is not much question on the availability of medical supplies and educational materials, but their high cost is bugging the ordinary clientele. Services may be available, but the quality of these services does not meet the needs of the clientele.

The result of the Bulacan survey is not surprising since basic government services, including health service facilities and medicines, are generally available in the barangays. However, the doctors and nurses are not there all the time. Barangay Pinalagdan, although mod-

Appendix Table 5.2.6
AVAILABILITY OF SERVICES

	Combined		Pinalagdan		Poblacion		P-value
	Yes (%)	No (%)	Yes (%)	No (%)	Yes (%)	No (%)	
Barangay Health Unit	96	4	93	7	100	—	NS
Free medicines	94	6	90	10	97	3	NS
Affordability of medicines	71	29	62	38	79	21	.27
Availability of doctor	33	67	21	79	45	55	.09
nurse	30	70	14	86	45	55	.02
midwife	95	5	97	3	93	7	1.00
dentist	28	72	17	83	38	62	.14
teacher	97	3	97	3	97	3	NS
social worker	79	21	72	28	86	14	.33
environmental officer	14	86	10	90	17	83	.24
Satisfaction on health services	71	29	62	38	79	21	.27

high cost is bugging the ordinary clientele. Services may be available, but the quality of these services does not meet the needs of the clientele.

The result of the Bulacan survey is not surprising since basic government services, including health service facilities and medicines, are generally available in the barangays. However, the doctors and nurses are not there all the time. Barangay Pinalagdan, although moderately distant from the poblacion of Paombong, is accessible by foot and by public transport and is provided with basic services like electricity, water, educational institutions, and irrigation. Because of the presence of the NORFIL Foundation in the area, the barangay was for a time a beneficiary of financial assistance in the form of livelihood projects. It helped organized the Pinalagdan Multi-Purpose Cooperative.

Moreover, the survey also reveals that NGO membership plays a significant role in political participation, such as lobbying and mass demonstrations. People's participation in political process does not depend on gender and location of the barangay.

Being a host to the phenomenal growth of cooperatives, from 52 in 1986 to 727 in 1992 with assets worth P24.19 million in 1983 to P955 million in 1992, Bulacan is not heavily dependent on government basic services because the people can depend on alternative basic services delivery systems. This overall situation can help in understanding the results of the survey.

CHAPTER 6

Participation Outside Elections

To influence policy through the election of proven people's representatives may be regarded as the highest form of participation, but there are other means of participating in governance outside the electoral framework. For example, the non-government organizations (NGOs) and people's organizations (POs) in the Philippines have often emphasized activism outside the electoral and legislative processes. Since a large number of them were born during the period of opposition to the dictatorship, POs and NGOs have understandably deemphasized the improvement of the existing system in favor of exposing it with a view toward replacing it. Undeniably, the political activities of POs and NGOs outside the electoral and parliamentary framework are a more reliable gauge of people's political involvement. The participants have a deeper and more conscious commitment that is less prone to distortion by the purely pecuniary and entertainment motives surrounding the electoral process. However, to seek to influence governance merely from the outside without directly participating in the electoral process is to accept marginalization, much like coaching people how to swim without oneself getting wet.

Increasingly, POs and NGOs are coming to learn that the tangible benefits of people's participation can be attained only when electoral participation is regarded inseparably from other modes of popular participation, just as the latter should complement the former. In the Philippine experience, people's participation has been most genuine when activism is combined with active involvement in government-initiated mechanisms such as the electoral and legislative processes.

Lobbying and Protest

The most prominent manner in which POs and NGOs have participated in political affairs is through *lobbying and protest* activities for concrete policy reforms. To this end, they organize themselves into coalitions that take on strategic or tactical issues to influence the outcomes of formal political processes that are *prima facie* not under their control. The strategic issues around which long-standing coalitions have been built at the national level are foreign and public debt (Freedom from Debt Coalition), agrarian reform (Congress for a People's Agrarian Reform), the environment (Philippine Environmental Action Network), and women's rights. Earlier, there were also successful coalitions against the presence of the U.S. bases and for human rights. The labor movement itself has had a long history of forming coalitions, both among labor groups and with other sectors. This trend toward coalition formation has also permeated through the regions. In general, coalitions with broader participation are possible only for narrower, more focused issues; the national coali-

Box 6.1
TOWARD ASSESSING PEOPLE'S PARTICIPATION IN GOVERNANCE

To evaluate peoples participation in governance, particularly by POs and NGOs, three interrelated dimensions must be considered, namely, the *intensity, extent,* and *localization* of participation.

Intensity of participation is the degree of involvement in initiating actions at various phases of processing decisions in government: policy-making, implementation, monitoring, feedback. This dimension ranges from merely receiving information or being a passive follower (low intensity), to being an active follower (medium intensity), all the way to initiating decisions (high intensity).

Extent of participation measures the number of people's constituencies involved in the making of decisions. This dimension ranges from involvement by a single organization, a PO, or NGO (low extent); to involvement by a coalition or federation of POs and NGOs organized by sector, class, or by issues (medium extent); to involvement by multi-sectoral, multi-class and multi- issue coalitions of POs and NGOs (high extent).

Localization of participation measures the degree to which POs and NGOs are able to participate in the making of decisions by their most immediate, local structures of governance. Participation in decisions at the most locally accessible structure of governance, for instance, the *barangay* or municipal level, receives a high localization rating; while participation in decisions farther removed from the local structures of governance receive medium to low ratings.

This index of people's participation in governance (IPPG) can be used to evaluate dimensions of participation that are desirable and feasible given specific forms of government activity at various phases of the decision process.

Some generalizations can be made regarding the probable IPPG at every "function-decision" phase. As a whole, the function- decision phases involving policymaking and implementation would be more resistant to people's participation compared to those phases focused on monitoring, evaluation and feedback. Moreover, some government functions would be more amenable and accessible to people's participation than others. For instance, government functions like the administration of justice, public safety and security, and regulatory and licensing functions, particularly at the policymaking and implementation of decision phases, would be generally inaccessible and resistant to people's participation and intervention.

It is also important to know where the function-decision phases occur. Decisions made by elected officials of Congress, local government units and the president of the Republic, relative to the judiciary, are in general more accessible to public participation and intervention. The legislative body (Congress) has formal and established mechanisms for people's participation at the policymaking phase (such as public committee hearings and lobbying), compared to the executive branch where popular intervention at the policymaking phase tends to be flexible though unpredictable and idiosyncratic. But while there are predictable and formal mechanisms for people's intervention in Congress, it is difficult to build a social consensus for people-initiated policy reforms in this legislative body long dominated by powerful economic and political elite interests.

Within the executive branch, the IPPG for the different agencies will also vary. Those agencies with well-defined and large natural constituencies like the Departments of Labor, Trade and Industry, Agriculture, Agrarian Reform, and Education, tend to be natural targets for popular intervention.

It is predictable that the judiciary and judicial functions of governance would rate the lowest in terms of the IPPG. By law and by its peculiar system of public accountability (judges and justices are not elected), the judiciary is expected to be relatively insulated from the various forms of public pressure and interventions that the executive and legislative branches are routinely subjected to. This does not mean, however, that the present state of affairs is desirable and that the people should not explore appropriate forms of participation and intervention in judicial functions. For instance, there can be a more democratic, publicly accountable mechanism of selecting judges; and competent, professional organizations and NGOs can undertake closer monitoring and evaluation of the judiciary's decisions and behavior.

Certain functions of government, however, may require a degree of insulation from popular participation and intervention at specific decision phases in order to ensure credibility and efficiency.

Effective governance does not become superfluous by people's participation. Ultimately, the challenge is to fully harness the dynamism of popular participation, and to determine the areas and levels of governance where it will be most feasible and effective. Thus, by nurturing broad political support for reform projects and by resisting the particularistic agenda of vested interest groups and traditional power blocs, the government can function more effectively as a democratic yet decisive instrument of governance.

tions just cited are a remarkable achievement, since through working together, they have managed to pull together and unite over a wider agenda of reforms than has, heretofore, been thought possible.[1]

In many campaigns, the usual pattern is for organizations with fully elaborated social reform agendas to begin the spadework of research, analysis, forming political demands, and disseminating information on a specific issue which may be an important part of a long-term program. For example, the presence of the U.S. bases was the item of a long-term program against foreign domination in general. The oil levy came under a framework of debt and the fiscal crisis, and so on. Typically, the interest in these issues expands, so that

Box 6. 2
FDC's ELECTION CAMPAIGN

The Freedom from Debt Coalition (FDC) recognized earlier on that a nationwide advocacy campaign on the foreign debt would be more effective if it was made an election issue. Candidates would then possibly be pressured into taking a stance and be duty-bound to fulfill this once elected.

Over the period covered by its plan, the FDC conducted policy research, put out publications, engaged in mass mobilization, and made extensive use of media to publicize its position. By the end of 1992, independent surveys indicated that 80 percent of the public were aware of the issue, one in which the then-incumbent Aquino administration was consistently rated low. Toward the end of its term, the Aquino administration decided to enter a settlement with Westinghouse, the contractor of the anomalous Bataan Nuclear Power Plant (BNPP). The FDC campaigned to reject this deal and led the creation of a network specifically on the issue called *NO to BNPP*. By the time the electoral campaign started, foreign debt was considered an urgent national issue. Presidential candidates were impelled to include it in their platforms, and the Comelec-sponsored debates included questions on handling the debt problem.

Although it declared that debt should be an election issue, the FDC decided that candidates would not be directly endorsed. Instead, the positions of the various candidates would be published and disseminated to all FDC members. However, as the election fever escalated, individuals and organizations considered the possibility of supporting a candidate; there were even requests that the FDC field candidates and actively participate in the elections. But FDC did not change its original policy. This did not prevent member organizations or individuals from supporting the campaigns of favored candidates, however.

FDC pronouncements during the campaign dealt with specific debt issues, namely, the anomalous deal involving the Bataan Power Plant and the disadvantage to the country resulting from the impending deals with foreign commercial banks. A few weeks before the elections, FDC issued guidelines to its members. In a special issue of its newsletter, it presented a matrix of the different political parties and presidential candidates's position on debt management; debt cap and moratorium; fraudulent loans; the Bataan Power Plant, and domestic debt, drawing on the published statements of candidates and parties.

Subsequently, *NO to BNPP* then rated the positions of the various candidates on the specific issue of the Bataan Nuclear Power Plant. On a scale of 1 (best) to 5 (worst), J. Salonga not surprisingly received 1, while F. Ramos, R. Mitra, and S. Laurel received 4; E. Cojuangco, I. Marcos, and M. Defensor-Santiago all received a 5. Senatorial candidates were also endorsed on the basis of their positions on Bataan. These results were then released to the public in a joint press conference. While these issuances were carefully researched and well-argued, it must be admitted that they were not produced in massive quantities; funding constraints and lack of time limited their dissemination to voters.

It is difficult to tell whether the debt issue made an impact on the 1992 elections. In the end, of course, Salonga who had the most consistent position on the debt, lost, while Ramos won. The latter began with a stance of paying all debts, although he subsequently changed this to a position of considering the nonpayment of fraudulent loans. Other candidates who supported or were close to the FDC position did win, especially at the senatorial level. But there are many other factors making for a candidates success, and it is difficult to tell from this alone whether a sufficient debt vote was mobilized, or whether it was a factor in the candidates success. It is probably realistic to say. that the debt issue by itself could not have been sufficient to make a candidate win or lose; but their stance on the debt probably made candidates more or less attractive than they otherwise would have been. In this sense, it was a factor.

[1]It is unfortunate that this working relationship at the political level has been affected by ideological divisions. For example, the *Bagong Alyansang Makabayan* withdrew from the Freedom from Debt Coalition over disagreements in handling the campaign for an oil price rollback.

more and more sectors become involved although they have differing viewpoints. At this point, some demands may be modified — to the extent that this is still consistent with original principles — to accommodate new participants, and to expedite the mobilization of a broader coalition.

Some activities in which POs and NGOs participated include the deliberations of the 1986 Constitutional Commission (Box 6.3), the Senate rejection of the U.S. bases treaty in 1991 (Box 6.4), and the Kilusang Rollback (Box 6.5). What these instances illustrate is the possibility of combining parliamentary and

Box 6.3
THE 1986 CONSTITUTIONAL COMMISSION

The revolutionary government under President Corazon C. Aquino decided that the drafters of a proposed new constitution would be appointed as a commission rather than elected. The names of 1,000 persons nominated to the Concom were published, and this gave the opportunity for the people to give their comments about the nominees. President Aquino appointed 48 among the nominees. The composition of the Concom was admittedly elitist. People's participation in the process of drafting the Constitution took the form of lobbying, which was encouraged by the Concom. Each group fought for the causes it espoused — the right to life lobby, tribal minorities, organized labor and farmers groups, the National Economic Protectionism Association, mainstream business, and the Opus Dei.

The Concom conducted public hearings, including weekend hearings in the provinces. People were consulted on such issues as unicameral versus bicameral legislature, controls on foreign investments, industrialization, national language, land reform, military abuses, and the presence of U.S. bases.

The Concom was polarized between the conservative and nationalist blocs. Through the process of conciliation, certain progressive provisions on education and social justice were included; but even as conservatives tolerated certain progressive postures, a clear message was given that transnationals and U.S. bases could not be touched.

The experience of the Concom shows that the success of people's organizations in transmitting their demands depends on the willingness of policymakers and lawmakers to listen and respond to the popular will.

Box 6.4
THE ANTI-BASES LOBBY IN THE SENATE

The 1987 constitution mandated that no foreign military bases shall be allowed in the country unless a treaty to that effect is ratified by two-thirds of the Senate. The issue approached a critical stage, since the military bases agreement with the United States was due to expire by the end of 1991.

POs have actively opposed the U.S. military bases for infringing on Philippine sovereignty and for the social damage they caused. As early as the 1950s, prominent statesmen such as Claro M. Recto and Lorenzo P. Tañada called for the removal of these military installations; these and other people opposed to U.S. military presence were routinely labelled communists by the government.

In the late 1980s, labor, peasant, and youth sectors were joined by professionals, academics, and Church people to form the Anti- Bases Coalition headed by Senator Jose W. Diokno. The coalition later became the *ABAKADA (Anti-Baseng Kilusang Demokratiko)* and included both radical and moderate elements.

Since 1988, the coalition carried out an aggressive and systematic information campaign. Their representatives were highly visible in media, presenting dispassionate and carefully researched argument; they gave lectures at universities and public forums, as well as organized rallies and demonstrations. They conducted studies for sympathetic senators but maintained close relations even with those who were unconvinced. They participated intensively in Senate hearings on the treaty and mobilized the respected opinion of others who could not be easily dismissed as being ideologically motivated.

As it happened, in June 1991, Mt. Pinatubo erupted, forcing the closure of Clark Air Base. The U.S. negotiators' shabby treatment of their Filipino counterparts alienated members of the Aquino cabinet. When the terms of the treaty became known, they were so lopsided that even Senators initially disposed to retain the bases could not, in conscience, vote for its ratification. The anti-treaty movement that emerged included prominent citizens who saw benefits in the bases' continued presence but could not accept the conditions of the treaty.

On 16 September 1991, twelve negative votes were cast, the two- thirds majority was not reached, and the treaty was rejected.

Then Senate President Jovito Salonga described the event as "the day when we in this Senate found the soul, the true spirit of this nation because we mustered the courage and the will to declare the end of foreign military presence in the Philippines and help pave the way to lasting peace here and in the world."

Box 6.5
THE KILUSANG ROLLBACK (KRB)

In late 1993, the fiscal crisis confronting the government (See Chapter 2) made it resort to an additional levy of P1.00 per liter on all oil imports. This was achieved by executive order and with minimal publicity, since the law gives the President some prerogatives in imposing tariffs. For the rest of the year, the effects of this levy were not felt, since instead of pump prices being raised, the added levy was being taken out of an Oil Price Stabilization Fund (OPSF) that had been accumulated earlier. By early 1994, however, the OPSF had been depleted, and the government announced that to build it up again in addition to a continued collection of the levy, pump prices would be raised. The Energy Regulatory Board began holding hearings for that purpose. It was generally depicted that such a course of action was inevitable, and pump prices were indeed raised.

Many POs and NGOs had already anticipated that the result of the previous levy imposition would ultimately be an oil price increase. Therefore with the groups within the Freedom from Debt Coalition and the trade unions as the core, an alliance was formed in January 1994 and named *Kilusang Rollback* (i.e., the rollback movement) or KRB. Its main aim was to press for an unconditional rollback of oil prices and the scrapping of the oil levy. It was argued that the hike in many other prices resulting from an oil price increase represented an additional burden to the poor and that secondly, the government's fiscal problems could be addressed without resorting to new tax and revenue measures. Subsequently, senators close to the labor movement, and businessmen would join the movement as well and would play a prominent though more compromising role.

The KRB was the broadest coalition so far on a single issue. For once, mainstream religious organizations like the Catholic Church, NCCP-UCCP and the Iglesia ni Kristo joined in the protests; even the RAM joined forces with left organizations.

A "National Day of Protest" was declared for 9 February, which would be marked by large-scale marches and protest in various parts of the country; the media played this up as being plans for a *welgang bayan* (a general strike). As the day approached, the government sent feelers for a dialogue, and on 7 February, a meeting of the KRB was held with President Ramos, the result of which was a "temporary rollback" of the higher oil prices that had been in effect, until 28 February. The decision to roll back would be conditional on whether alternative revenue measures could be found. A task force between government and the KRB was also constituted to study the matter and come up with alternative measures to raise revenue or cut spending in order to replace the levy.

In the matter of alternatives, the KRB negotiating panel put forward measures that did not include new taxes namely: increasing the government's tax collection efforts (i.e., going after tax evaders); scrapping of Congress's pork barrel fund; reduction in government's excess fat and cut in unproductive spending; the reduction of interest rates through reduced debt service and neutralization of the bank cartel; and passage of the alien legalization bill.

On 28 February, the temporary rollback was made final, and the peso levy was removed.

There is still no unified assessment on all aspects of the KRB experience. Some POs and NGOs thought that the decision of the KRB to enter into a dialogue was a mistake, since it compromised the original position of an "unconditional rollback" and instead cast the POs and NGOs in the role of an accomplice to the government in raising new taxes. How far should POs and NGOs do government's work? What is not at issue, however, is that the movement achieved its immediate goals with unprecedented success.

extra-parliamentary means of protest, the need for broad coalitions around simple principles, and the need for long years of campaign at the grassroots.

Foremost example of this is the 1986 EDSA uprising itself which led to the ouster of the Marcos regime. The uprising was a combination of opportunities proferred by elections and of more direct and militant forms of resistance. It is doubtful whether the massive participation of millions could have been secured if people had not actually gone through the elections and experienced them as being fraudulent. At the same time, the same degree of militancy and daring would not have been shown if the POs and NGOs had not prepared the groundwork through decades of extra-parliamentary, or what were at times even clandestine, methods of organization and struggle.

In many instances, sharp protest and lobbying actions on specific issues have culminated in PO-NGO representation in policymaking bodies themselves, either on a formal or on an *ad hoc* basis. This has been the case, for example, on the issue of women's rights where the government ultimately recognized the intrinsic importance of the issues raised by women's groups and, thus, created a national commission for women. Similarly, the environmental movement gained sufficient prestige and recognition to be prominently in-

cluded in the Philippine Council for Sustainable Development, which is composed of both government and non-government representatives. What has been achieved, at the very least, was that government line agencies have formally changed their style of work to include informal consultations with the concerned sectoral POs and NGOs.

Direct Implementation

The most direct means by which POs and NGOs participate in governance is through implementation of projects at the grassroots level. Projects typically involve alternative livelihood (including credit), basic services (health, nonformal education, and sanitation), the environment, and others. They involve extensive social preparation and lead ultimately to the setting up of cooperatives, sectoral organizations, councils, and management organs at various levels.

Self-reliance and autonomy from the government in mobilizing communities is both a desirable trait of POs and NGOs and a pragmatic reaction to the lack of mainstream income opportunities and basic services in the communities where many POs and NGOs work. POs and NGOs are in effect filling up pockets of vacuum in governance which the state is unable or unwilling to fill. On the extreme, the revolutionary underground sets up organizations that are part of the so-called "parallel government." But even organizations with more modest political reform agenda can be, and have in the past, been regarded as government adversaries precisely because their existence and activities (and often vocal criticisms) point to the inadequacies of the authorities.

There are several reasons why these activities, while necessary, are insufficient channels for PO-NGO participation. *First*, although there is much talk about alternative systems and a drive for greater capacity to deliver comprehensive services, the obvious lack of resources among POs and NGOs means they can never implement projects that span the entire range of social needs that governments provide. Directly providing access to physical infrastructure, for example, is clearly out of the mandate of POs and NGOs and must be obtained by lobbying at central and local governments or by putting in representatives to implement that agenda.

Second, the integration of more and more areas in the market economies (indeed, global economies) makes the sustainability of many PO-NGO projects dependent on more thoroughgoing reforms. The implementation of simple projects may suffice for social mobilization and immediate improvement of people's lives in isolated areas. To proceed beyond this, however, will often require more comprehensive changes in the entire policy regime. For example, environmentally sound cropping patterns, while desirable in themselves, cannot be economically sustained unless they yield adequate incomes for the poor. Incomes themselves, however, will depend on prices obtained, which may be affected by policies that depress agricultural prices or discriminate in infrastructure provision. In either case,

Box 6.6
THE EXPANDED PROGRAMME ON IMMUNIZATION

The Expanded Programme on Immunization (EPI) is a success story of partnership between government and community. It is not uncommon even in remote barrios for a mother to show off her fully immunized child. Prouder still are community (*barangay*) health volunteers and health center midwives who work hard to reach out to every child in their area.

Although launched in 1976, the implementation of the EPI did not accelerate until 1986, when through President Aquino's Proclamation No. 6, the Department of Health mobilized both local and foreign resources for EPI. Five years later, the Philippines was one of the few countries poised to meet the Universal Child Immunization target of 90 percent. In a 1989 survey, the EPI was cited as the most satisfactory service received at the *barangay* level.

Various factors contributed to this success: political will, resources, the abilities of public health workers, social mobilization, and programme management. Social mobilization is regarded as being especially important. This aims to create awareness and understanding, and interest in immunization, and modify people's behaviour and beliefs.

Box 6.7
NGOS AND WOMEN'S EMPOWERMENT: THE LRFW PROGRAMME

The LRFW seeks to contribute to the liberation and empowerment of women by providing them with credit to initiate livelihood projects. Of course, economic assistance alone cannot solve the problem of the oppression of women. Therefore, LRFW also seeks to address their personal, social, and even political needs, while providing them a chance to change their economic status.

The LRFW began in 1990 as a programme of three major NGO networks: PHILSSA (Partnership of Philippine Support Service Agencies); PhilDHRRA (Philippine Partnership for the Development of Human Resources in Rural Areas); and the NATCCO (National Confederation of Cooperatives). It was funded via the Presidential Management Staff (PMS) through the National Commission on the Role of Filipino Women (NCRFW).

Its concept, design, and mechanisms were borne of a comprehensive study of traditional credit institutions like the "five-six" system, commercial and rural banks, and other livelihood programmes, including the Grameen Bank concept of Bangladesh.

Progress reports show most projects experiencing profits and most loans have been repaid although actual changes in the income of beneficiaries are much harder to pin down. Notwithstanding problems in implementation and from the side of beneficiaries, the LRFW has been able to effect changes in poor rural women's lives, provided support mechanisms, and paved some of the way towards people's empowerment in the community and in the home.

Chris Bantug, *Development NGO Journal*, Vol. 1, no. 1. (1992).

the matter will have gone beyond the confines of purely livelihood concerns and spilled over into the political playing field.

A final point has to do with purpose. It cannot be the aim of POs-NGOs entirely to supplant the functions of the state or of existing economic institutions but rather to reform these to make them respond to people's needs.[2] Even when introducing new institutions, such as cooperatives or people's enterprises, the challenge lies not simply in differentiating them from existing institutions, but in ensuring that they survive and function once immersed in the mainstream. To do so, however, means enabling people to lay a larger claim on political and economic life, not carving out a separate enclave. While the deep cleft between "civil society" and "the state" is often noted, what is not clearly seen is that the solution is not to glorify this parallel existence but for the elements of civil society to lay claim to the state.[3]

For these reasons, the mutual recognition of the need for critical collaboration between POs and NGOs and various government agencies should be welcomed. Some of these are documented in Boxes 6.5-6.7.

Decentralization and the Local Government Code

The Local Government Code of 1991 (Republic Act 1760) is an attempt to involve people, through their organizations, in the process of governance on a more regular basis. Its purpose is to reverse centuries of centralism believed to be behind the slow development at the grassroots level, and make up for the government's failure to deliver basic services. But putting the Code into practice faces many difficulties.

The Code decentralizes governance by devolving powers and functions to local government units (LGUs) and by strengthening the mechanisms for people's participation in governance. This is based on the judgement that local leaders and residents know their own problems best and can decide on the best way of using resources to meet their needs.

Through *devolution*, "the National Government confers power and authority upon the various local government units to perform specific functions and responsibilities." Authority is decentralized to local chief executives who appoint personnel to perform the enumerated duties. Through increased shares from internal taxes, LGUs can finance the devolved services. Section 17 directs LGUs to administer basic services

[2]All POs and NGOs, even those with the underground, aim at eventually capturing state power and harnessing it in the service of their constituencies.

[3]Marx's critique of the separation between state and civil society consisted precisely in rejecting this separation.

according to their capability. Services include those in agriculture, social welfare, health, local infrastructure, and environmental protection.

For this part of the Code to become effective, two things are needed. *First*, the electoral process must veer away from the politics of patronage to one where people can realize how their choices affect the larger-scale allocation of funds. The problems surrounding this have already been discussed in the previous chapter. *Second*, local government finances and spending must be placed more exclusively in the hands of local officials without pre-emption by national level decisions. A negative example of this is the current situation where devolved services such as health or agricultural extension starve for funds owing to inadequate revenue allotments to LGUs, yet representatives and senators dispose over huge amounts of "countrywide development funds" for local purposes. Again, in this case, a regime of budgetary shortage combines with discretion to reproduce patronage.

Another way of decentralizing power is by institutionalizing people's participation in local governance through: (1) sectoral representation in local legislative bodies, (2) membership of PO and NGO representatives in special local bodies, and (3) participation in political exercises such as referendums, initiatives, and recall.

Chapter 4 of the Code, devoted to relations with NGOs/POs, specifies that "... [LGUs] shall promote the establishment and operation of [POs] and [NGOs] to become active partners in the pursuit of local autonomy." Toward this goal, the Code provides for NGO membership in the following local bodies: two in the local prequalification, bids and awards committee; and one each in the local development council, the peace and order council, and the people's law enforcement board. In addition, local school boards are expanded to include representatives of the local *Sangguniang Kabataan*, the president of the Parent-Teachers' Association, and a representative of non-academic personnel.

Sectoral representation in the *Sanggunian* seeks to assure a representative each for women, workers, and a special group named by the local council. To date, however, only the youth are represented, with sectoral elections conducted for the purpose. The LGUs are in no hurry to fill up the sectoral slots; sectoral representatives are often considered unnecessary expenses. Studies by the GO-NGO Watch of the Institute for Social Development Studies (1992) show that the positions of sectoral representative are hardly filled up. Subsequent follow-up studies show reluctance of LGUs to comply. Up to now, elections for other sectoral representatives still have to be held.

Saligan, an NGO that keeps track of developments in the local political process, contends that there is no great hurry among local officials to push for sectoral elections, and politicians have been clamoring for optional sectoral representation instead (*Political Update* 1993). A study by Tumbaga and Ramiro (*Political Update* 1993), concluded that "local government officials in urban [LGUs] are less receptive to people's participation...compared to their rural counterparts." These findings are discouraging, considering that urban areas can better afford the additional cost of sectoral representatives.

Accreditation by the *Sangguniang Bayan* is the main prerequisite for NGO-PO participation in local boards and councils. According to CODE-NGO (1992), around 68 percent of 4,539 NGOs and POs applying for accreditation were approved. Among 850 Local Development Councils (LDC), the average NGO and PO membership is 14 for each LDC (Table 50). [The data are for December 1992 and the numbers may have changed since then.]

Reports from the field, such as those from GO-NGO Watch and CODE- NGO, show problems beyond accreditation. Many LGUs, for example, accredit only those NGOs led by relatives of local officials, and often these are the only NGOs that exist.

Conclusions

Partnership between GOs and NGOs is the key to effective people's participation in governance. According to Abad (Garcia et al. 1993), successful efforts by such partnership can be traced to the fact that "[m]utual suspicion between NGOs and government has gradually diminished; both are beginning to appreciate each other's roles in the development process... What is established in this partnership is an emerging definition of the roles played by the parties involved in the proc-

Table 50
ACCREDITATION AND SELECTION OF POs AND NGOs
IN LOCAL GOVERNMENT UNITS

Region	ACCREDITATION				
	No. of POs and NGOs	Candidates (No. of Members)	No. Applied	No. Approved	Percent Approved
NCR	1753	1,009	1143	489	42.8
CAR	265	n.d.	14	8	57.1
I	2113	162	1095	796	72.7
II	1159	382	211	67	31.8
III	525	238	131	136	103.8
IV	240	92	70	70	100.0
V	620	169	347	201	57.9
VI	1289	161	464	434	93.5
VII	300	133	136	136	100.0
VIII	306	44	168	119	70.8
IX	199	149	126	299	78.6
X	305	259	120	91	75.8
XI	380	184	222	212	95.5
XII	408	194	243	208	85.6
ARMM	178	83	49	10	20.4
TOTAL	10,040	3,259	4539	3076	67.7

Source: "Conference Results: National Coordinating Council on Local Governance."

ess. There is the recognition of the people, through their organizations, as principal actors in their own development. The role of NGOs is to enable them to perform that role by providing institution-building, education and technical support, while the government focuses on creating the necessary policy environment conducive to the process. Government is also asked to provide the needed logistical and technical assistance to both NGOs and POs" (Garcia et al. 1993: 156).

The active participation of people in governance in the Philippines was made possible by political events which drove people to organize and which, in turn, led government to provide more mechanisms for participation.

Human development, as defined by the 1990 *Human Development Report* (HDR) "is a process of enlarging people choices." To achieve this, a strategy of participation is necessary. Participation, in the context of the 1993 *HDR*, means that "people are able to influence and control decision-making processes and relationships of power."

In the Philippine context, the aim of people's participation in governance is to democratize the political base for the exercise of power so that government may be able to act more decisively in the pursuit of greater collective interest. Thus, a more effective people's participation in governance is a key ingredient for transforming the government into a more decisive and yet

democractic instrument of governance. This means that government will have to actively harness the people's initiative and enthusiasm to neutralize and ultimately undermine the traditional control and influence of entrenched political and economic clans in the country.

During the Marcos years, many avenues for participation were closed, but the post-EDSA years provided more opportunities for participation through the Local Government Code, the greater consideration given to women and the marginalized sectors, and the strengthening of the electoral process. People took advantage of those open opportunities and did their best to provide inputs in the policy process, participate in the implementation of programs, monitor programs and projects, and provide feedback on program impact.

For instance, in the framing of the present Constitution, people through organized groups influenced the policy process, getting into the Constitution their concerns, such as priorities for education and other basic services like health, involvement of ethnic communities, and concerns for peace. The process of interaction between the government-created Constitutional Commission and the cause-oriented groups has led to the present pro-people Constitution.

The government initiated decentralization of powers from the center. Through the Local Government Code, devolution of basic services to the LGUs is being gradually achieved. The Code not only decentralized the administration of health, agriculture, welfare, environmental protection, and local public works to the provinces, cities, municipalities, and, to some extent, even the barangays; it also provided for mechanisms for increased participation of people, especially organized groups, in local governance. The Code provided for people's representation in the local legislative councils and special boards, and mandated for closer government-people collaboration in activities. However, decisionmakers at the local level have shown reluctance to open the doors wider for people's participation by preventing the implementation of the provision on sectoral representation, and by slowly accrediting POs and NGOs, or giving priorities to NGOs where their relatives are active. In a meeting on decentralization, one of the framers of the Code remarked that while local officials fought for decentralization, "they do not want to decentralize to others."

Nevertheless, having experienced repression, people have taken advantage of the new democratic space. They have organized groups with legitimate causes, lobbied for their causes, and actively engaged in projects intended to meet the needs of the groups affected by their causes. They have lobbied for policy changes in national issues such as the debt problem, and in local issues such as the recall of a few elected officials.

The government has initiated mechanisms for people's participation. Through the reconstitution of the National Commission on the Role of Filipino Women, for example, a more grassroots-oriented Commission had succeeded in getting a Philippine Development. Program packaged in the early post-EDSA years. But, as in other programs, continued vigilance of the people is needed. The present development plan has failed to include specific sections on women; thus, the Commission, through its grassroots network, is active again in trying to get the government to look at a second plan. Women's groups are also active in lobbying for the prompt conduct of elections for sectoral representatives, because without elections, the women's participation is only given lip service by the Constitution or the Code.

In the meantime, cause-oriented groups are pushing for faster accreditation and sectoral elections, while such groups as the Green Forum, Freedom from Debt Coalition, and Philippine Partnership for the Development of Human Resources in Rural Areas (PhilDHRRA), among the 20,000 registered POs and NGOs, are actively prodding the government to take a closer look at their concerns which they consider as legitimate interpretations of the national interest.

By actively working with POs and NGOs, the government can create a counterfoil to powerful vested interest blocs with parochial agendas. With a stronger political base of support from POs and NGOs, the government can also be more effective in pushing powerful elite economic players to become part of strategic government-business coalitions for sustainable industrial transformative projects. In this dynamic relationship between government and the people, the government must fully respect the independence and integrity of POs and NGOs even while it actively solicits their active support for comprehensive reform projects. On the other hand, POs and NGOs must realize that en-

hanced political participation does not make effective governance irrelevant but, in fact, strengthens it.

Policy Conclusions

Policies aimed at enhancing people's participation in governance focus on four interrelated areas:

- The mechanisms for cooperation between the government and POs and NGOs must be expanded and institutionalized. This policy stems from the realization that the government needs to fully access and harness the dynamism and dedication of legitimate POs and NGOs while respecting the integrity and independence of these same organizations.
- With the Local Government Code of 1991 as the basic framework for decentralization, the government should further facilitate the active participation of POs and NGOs at all local governing councils, particularly by ensuring the immediate and regular election of sectoral representatives to these governing councils.
- Policy reforms should focus on improving the electoral and party systems as basic mechanisms for making more intelligent and responsible public choices and for articulating and aggregating more effectively the people's aspirations and programs of government.
- Finally, in consideration of the special significance that the women sector plays in enhancing people's participation in governance, a major set of policy reforms should further address problems and opportunities specific to women in any participatory process in governance.

Thus, by enhancing the process of people's participation in governance, the government deepens the social bases for policy reforms and strengthens the possibility of building a coalition for reforms that would be more resistant to the traditional demands of power blocs in the wider civil society.

Some Policy Recommendations

1. Expand and facilitate the active participation of legitimate NGOs and POs in key policymaking agencies at the national level, such as the Departments of Agrarian Reform, Labor and Employment, and Environment.

2. Implement fully and speedily the provision of the Local Government Code on the election of sectoral representatives to the various local councils and Sanggunians. Provide for a regular system of electing the sectoral representatives through appropriate amendments to the Local Government Code and prompt implementation by the Commission on Elections.

3. Monitor the accreditation of NGOs and the formation of local development councils and special bodies to ensure faster and more meaningful participation of the people as envisioned by the Local Government Code.

4. Ensure the passage and enforcement of electoral reforms that address the following issues:

- prohibition of political dynasties;
- institutionalization of an electoral and voter education program to raise the consciousness of voters, candidates, and parties;
- development of a more effective system of monitoring and controlling campaign expenditures by candidates and parties;
- setting up of a system of subsidy for the campaign expenditures of smaller political parties and organizations that manage to get a reasonable minimum percentage of votes cast in their electoral districts; and
- formulation of an enabling law to implement the Constitutional provision on the party list system.

5. Dismantle all private armies and the Citizen's Armed Forces Geographical Units (CAFGUs).

6. Enhance the respect for people's rights and improve the administration of justice by addressing the following concerns:

- institutionalization of an information and public awareness campaign on human rights (particularly for the police and military personnel) and putting in place a system of monitoring human rights violations by enlisting the full participation of NGOs and POs; and

effective implementation of the mandatory continuous trial system in all judicial levels.

7. Deputize local NGOs and POs as official "watchdogs" of the bureaucracy through:

monitoring of the effective delivery of local services; and

monitoring of cases of graft and corruption of local officials.

8. Facilitate the access by NGOs and POs to official development assistance (ODA) funds especially for countryside programs.

9. Assist NGOs in capability-building programs, especially women's groups and special groups that need further training in participation in governance.

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