

**Philippines Development Forum 2008**

**Plenary Session I (3/26)**

**Secretary Esperanza I. Cabral's speech on Inclusive Growth**

Partners from international and national development agencies, my topic this afternoon is **Creating Opportunities for More Inclusive Growth**. To begin, what is **Inclusive Growth**? While we do not have a fixed definition for inclusive growth in the PDF, our colleagues from development agencies have come up with several definitions agreeing on one salient point: inclusive growth is the broad-based and equitable distribution of economic gains. This means not just to the rich and already well-off, but also and especially to the poor and marginalized in society. **NO ONE LEFT BEHIND** says it all. It subscribes to the principle that investing in programs which increase access to education, improve health outcomes, and contribute to the development of the poor and marginalized in society will enhance human capacities. We finance social programs because we see inclusive growth as the end towards which we should work, the objective that should be pursued in conjunction with economic gain.

The Philippine government is well aware and supportive of this principle. In recent years, the country has made significant inroads into both economic and social development. For 2007, the annual GNP and GDP rates stood at 7.8% and 7.3% respectively. An improvement from 6.1% GNP and 5.4% GDP in the previous year. As a result, in part, of fiscal prudence and a robust economy, the General Appropriations Act of 2007 released the first trillion budget in Philippine history, wherein large portions were allotted to education and health budgets, with PhP135B and PhP11.7B respectively. Investment in these sectors yielded favorable results.

For education, the targeted **1:1** student-book ratio on key subjects was met. More trainings for teachers were provided to enhance teaching effectiveness. This year,

gains in education will be sustained by a 15.1% budget increase, which will finance construction of 10,000 new classrooms and reduce deficiency in school chairs and desks. Gains in the health sector are just as remarkable.

The targeted under-five mortality ratio of 32/1,000 children was achieved ahead of schedule. Infant mortality rate was reduced from 32/1,000 live births in 2003 to 24 in 2006. This means that the targeted 17/1,000 live births will most likely be achieved by 2010. Achieving the target maternal mortality ratio is not quite so imminent, but while its decline has been slow, maternal mortality rate has also consistently been on a downtrend from 209/100,000 live births in 1993 to 172 in 1998 and 162 in 2006.

Year 2007 also saw the NEDA-SDC's adoption of the Philippine definition of social protection. This definition identifies four components where social protection initiatives from various government agencies can converge: *Social Welfare, Social Safety Nets, Social Insurance and Labor Market Interventions*. This definition, in particular, has guided DSWD, DepEd and DOH in synchronizing their reforms and capacitating LGUs to perform their devolved functions.

Looking back at our achievements in the previous year, we could have been happy to say that we are well on our way to reducing poverty and achieving inclusive growth. But upon evaluating the results of our latest FIES, we find that the country cannot claim its laurels just yet. The FIES for 2006 indicates the worsening of poverty amidst remarkable economic growth. From a prevalence rate of 24.4% in 2003, poverty has gone up to 26.9% in three years. This translates to 32.9M or one in every three Filipinos subsisting on less than a dollar per day. Several issues may shed light on this conundrum.

First is the problem of equity, not just in generated income, but also in geographic distribution of economic gains. The FIES indicates that of every 100 middle income families, three families have been lost to the low-income category from 1997 to 2003, and that this trend appears to be unchanged in recent years. Infrastructure remains heavily concentrated in urban areas, reflecting geographic disparity in overhead capital investment.

Second is the weakening of human resources, particularly in health and education. Despite budgetary increases for these sectors, there is brain drain resulting from massive migration of our health workers and teachers. In 2006 alone, 17,731 medical workers— which include doctors and nurses— represented 5.8% of 300,000 newly-hired OFWs. Overseas deployment of doctors has risen from 112 in 2003 to 171 doctors in 2006. But this does not quite reflect the real drain on medical manpower in the country. Thousands of physicians have been lost to the nursing profession and all of them are working overseas or moving heaven and earth to get there. The increase in deployed nurses, to include those who took medicine as their pre-nursing course, is staggering. From 7,683 in 2000 and 8,968 in 2003, it jumped to 13,526 in 2006. In education, 890 teachers were deployed abroad for 2006 alone. This figure excludes teachers who have quit their profession in pursuit of low-skilled but higher-paying jobs overseas. This phenomenon has implications on pupil performance. Although functional literacy rate is still high at 84% (2003), outcomes of the 2006 National Achievement Test revealed low pupil performance in English (54%), Math (53.68%) and Science (37.98%). Increase in elementary school dropout rate was also noted. As early as 2000, 28-34% of the population were already considered education poor, that is, have failed to finish elementary schooling.

The third issue is our large population, which is expected to hit 90M by the year-

end. Unmitigated population growth affects education, health, especially maternal and infant health, and increases risks of poverty. Fourth is the long-running armed conflict in Mindanao, which has adversely affected poverty at the national scale. In fact, the recent FIES notes that 11 out of 20 poorest provinces are in this region, particularly within conflict affected areas of ARMM, CARAGA and Central Mindanao. This situation calls for social programs facilitating the peace process, implemented based on principles of good governance and anti-corruption.

The results of our latest FIES tell us that increasing the social sector budget is not the complete solution to poverty. Poverty will exacerbate if economic gains are not used for inclusive growth, if geographic distribution of investment remains uneven, and if the population growth rate continues to increase beyond the capacity of our human services and social programs. This is precisely what the Millennium Development Goals are for. Achieving inclusive growth really begins with investing in the MDGs. And the return of this investment can only be maximized if all of us work together.

The government recognizes this and has committed to invest economic gains in inclusive programs which aim to increase incomes for poorer households, improve delivery of social services, and improve social protection for the poor.

To increase incomes for poorer households, we have programs that diversify crop production, as well as improve research and extension services for agribusiness. In 2006, 293,251 hectares of land, most of which are in Mindanao, were already developed and planted with high value crops like corn, coconut, rubber and pineapple. While this development has created as many as 500,000 new jobs for agriculture, statistics also showed that 45% of the underemployed belong to this sector. This scenario necessitates stimulating off-farm employment by improving

investment climate and rural infrastructure.

on improving service delivery, education has been enhanced through the BESRA, which institutionalized School-Based Management (SBM) in all public schools nationwide. With SBM, 5-year school improvement plans articulating targets of schools and their stakeholders are implemented. On the other hand, the Health Sector Reform Agenda improved access to affordable good quality medicines with the introduction of its PhP100 drug treatment packages and the expansion of Botika ng Barangays. The government's flagship anti-poverty project, KALAHI CIDSS, has also succeeded at improving delivery of social services to 42 of the poorest provinces in the country, mostly found in Mindanao. As of January 2008, 875 water sanitation projects, 267 health stations, 246 Day Care Centers, 343 school buildings, 74 electrification projects have already been undertaken and 1,860 kilometers of farm to market roads have been paved.

Of course, reducing risks and vulnerabilities of the poorest who tend to lose income and sacrifice expenditures on health and education require more than just better delivery of social services. It entails harmonized monitoring and evaluation, and an improved poverty targeting. To this end, DSWD, in consultation with its stakeholders and development partners, is developing a comprehensive social protection strategy for the country. In terms of providing social welfare and safety nets, its APP program was launched in 2007 to help the poorest households spend for education and health-related MDGs through its conditionalities. For example, pregnant women are required to seek pre and post natal care, as well as delivery by a health professional. This condition answers to MDG 5 (Improve Maternal Health) and MDG 4 (Reduce Child Mortality). We are pleased to announce that the APP's household model targeting system will be used to scale up its number of beneficiaries from pilot of 6,000 households in 2007 to as many as 300,000 poor

households this year.

Since gender equality is integral to the attainment of the MDGs, the government, in partnership with the ODA-GAD Network, also developed and disseminated the Harmonized GAD Guidelines for Project Development, Implementation, Monitoring and Evaluation.

With regard to social insurance, the PhilHealth successfully increased its area of coverage from 64% in 2005 to 77% in 2006. This translates to 15.6M members and 64.8M beneficiaries nationwide. Its Indigent Program enrollment also reached 4.5M families or 22.5M poor Filipinos in the same year. Lastly, DOLE is continuing its labor-market interventions through enforcement of labor standards, minimum wage fixing, employees compensation and rehabilitation, and programs against child labor.

As part of its commitment to the peace process, the catch-up social development program Mindanao National Initiatives (Mindanao Natin) is complemented by investments in infrastructure such as the construction of the Surigao-Davao and Lebak-Maguindanao national highways for 2008. The government is also working towards maximizing Mindanao's comparative advantage in agriculture. Cognizant that sudden climate change can affect gains in the MDGs, the country has adopted the UN Cluster Approach for its disaster risk management program spearheaded by the National Disaster Coordinating Council. Part of government's disaster risk mitigation strategy is the allotment of PhP5B for conservation efforts and PhP00M for reforestation in 2008.

Ladies and gentlemen, these are but some of the steps the government has taken towards facilitating more inclusive growth. We are asking our partners in

development to support us– work with us– towards this end. Let us use the PDF to identify areas of social inclusion that we can effectively address. For example, financial and technical support for implementation of the targeting system and impact evaluation of programs like the AP can be undertaken. This will help in assessing efficacy of anti-poverty programs in place and contribute to a comprehensive and effective poverty reduction strategy. Friends, this forum presents us with a lot of possibilities for actualizing inclusive growth and eradicating poverty. But the probability of making that happen rests in our joint efforts. I urge each and every one of you to make that choice. Investing in the MDGs is investing in inclusive growth. It is through our concerted efforts towards achieving the MDGs that the quality of life of the poor will be improved and the country's human resource competitiveness will be enhanced. By investing in the MDGs, we ensure that we shall move forward together. We ensure inclusive growth.

Thank you everyone and have a pleasant day!