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**A REVIEW AND UPDATE OF THE
COUNTRY DEVELOPMENT STRATEGY STATEMENT 1982**

PHASE I

NOVEMBER 1984

PREFACE

The Philippine economy is currently in a state of crisis and the prospects for recovery in the immediate future are not encouraging. Amidst this setting, a new CDSS will be prepared which hopes to contribute to overall efforts aimed at alleviating poverty and promoting socio-economic development.

This review and update seeks to provide a picture of the prevailing scenario and its implication on future growth of the economy. Phase II which will follow seeks to develop a model framework for the selection of supporting strategies and programs for the new CDSS to enable USAID to maximize its contribution to the overall socio-economic development of this country.

EMMELINE S. HUANG

REYNALDO C. SALAZAR

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CHAPTER ONE

INTRODUCTION

OVERVIEW

The target of development assistance programs of the United States are the "poor majority" in developing countries. The USAID is the agency of the US Government through which development assistance to the Philippines is channelled. As in most less developed countries this assistance is in the form of grants and loans. Grant proceeds are utilized mainly for financing consultancy services from American entities while loan proceeds are intended for the procurement of goods and services needed in public investment projects.

To carry out these programs, USAID Missions collaborate with the governments concerned in designing and implementing appropriate programs of assistance. Eventually, it is hoped that these programs will significantly contribute to the attainment of more equitable economic growth between rural and urban areas, or among regions, in the recipient country.

Planning of the utilization of USAID assistance to the Philippines starts off with the preparation of a development assistance program embodied in a Country Development Strategy Statement (CDSS). This provides the rationale for US assistance levels for a five year programming period. It is reviewed and

updated on an annual basis thus making it a rolling five year strategy or program of assistance.

Romeo A. Reyes in his paper on the Administration of Official Development Assistance from UNDP and USAID^{1/} commented that one distinct characteristic of the CDSS is that it does not contain the projects that will be prosecuted to implement the strategy. The paper goes on to state that there have always been ongoing and committed projects every time a CDSS is prepared. Considering therefore that only about two or three new projects are initiated before another CDSS is prepared and subsequently reviewed, the CDSS is more of an attempt to justify, ex-post, on-going and committed projects which are identified and designed within the context of past assistance programs.

The paper goes on to state that USAID's basic frame of reference is its own Congressional Mandate which prescribes the areas/sectors where US development assistance programs should focus, namely:

- o food and nutrition
- o population and health
- o education and human resource development

A basic premise of the CDSS is that the achievement of basic human needs is largely determined by household income (both cash and non-cash). Household income, on the other hand, is assumed to be primarily a function of the productive assets owned, the amount of transfers received, and the number of persons employed in the household.

OBJECTIVE OF THE STUDY

The general socio-economic environment prevailing today is different from that of a few years ago when the CDSS 82 was prepared. These changing conditions may warrant a change in the thrusts or scope of the program, although its basic premises may remain essentially the same.

The objectives of this project are thus to:

1. look into the basis of the CDSS and its derived program of action;
2. update the data used in the CDSS, to the extent possible; and
3. review the program directions of the current CDSS and suggest future directions for the CDSS.

The study shall be carried out in two phases. Phase I will cover Objectives 1 and 2, while Phase II will address Objective 3.

COVERAGE

The review to be undertaken in this project will be limited to the CDSS FY 1982 and the subsequent reviews. The following Chapter shall contain a summary of the CDSS FY 1982 and its subsequent reviews. Chapter Three shall present the general socio-economic picture prevailing today based on available information.

Chapter Four shall contain a summary of future directions to be considered in the preparation of the report for Phase II of this study.

APPROACH AND METHODOLOGY

This review initially looked into the framework of the CDSS 82 to determine which indicators should be updated to provide a fair assessment of the situation prevailing today. The review also took note of the derived program directions embodied in the CDSS 82 and its updates which in effect were offshoots of the assessment of the prevailing environment then and the perception of USAID's response to the situation.

Efforts to update key information focused on general economic and social indicators. Among these are Gross National Product (GNP) by industrial origin, Gross Regional Domestic Product (GRDP), inflation, cost of living, population, and a number of social development indicators in the area of health and nutrition, employment, education, and housing.

Poverty thresholds were also estimated for 1980 to 1983 along essentially the same lines used by Abrera as reflected in the CDSS.

Recent available information made possible the calculation of poverty incidence rates on the regional level. However, no attempt was made to estimate urban-rural poverty differentials within regions due to lack of updated information.

In the estimation of poverty incidence rates, only the third quarter data from the Integrated Survey of Households (ISH) undertaken quarterly by the NCSO were used as these were consistently available since 1978. The consumer price indices obtained from the NCSO were used to update the family cost-of-living data as sourced from the National Wage Commission.

The ISH income distribution data series, though comparatively consistent, were not adjusted for possible understatement and undercoverage. This was due to the absence of updated family expenditure distribution data. As such, the resulting poverty trends appear to be on the high side. An ideal approach would have been to estimate poverty rates using both income and expenditure distribution data, as was done in the Abrera study, to determine possible overstatement of the results using income data.

In addition, the overall needs ranking of regions presented in the CDSS 82 was updated based on 1983 estimates of identified indicators with the exception of literacy rates (1980 data) and road density (same as CDSS 82).

Based on the updated set of information, an assessment of the general socio-economic environment was made. This was done essentially to provide the context within which the preparation of the CDSS 1987 will be undertaken. While the start of the new CDSS is still some three years away, the prevailing situation will, in a large part, determine the ability of the economy to

attain certain goals that have been set to put the economy where it is envisioned to be three years hence.

In the assessment of the general environment, recent policy developments were also looked into as they related to the attainment of the set goals. The starting point for the setting of future directions and definition of goals is taken to be the updated Philippine Development Plan, 1984-1987.

There are in effect two broad environmental pictures that may prevail at the start of the new CDSS. One is that based on the assumption that the future envisioned in the Plan will materialize. The other is that it will not. The new CDSS must be flexible and responsive enough to enable its adoption to whatever scenario prevails in the future.

There is no foolproof way of pinpointing exactly what the future holds. A great amount of subjectivity enters into such an exercise. Nevertheless, this review will attempt to make such a "guess" based on its reading of current events and expectations about the future from both government and non-government sources.

The results of Phase I of this project will provide the overall framework within which a model for the selection of USAID programs for the future CDSS can be developed. This latter task will constitute Phase II of the project.

LIMITATIONS OF THE STUDY

This review will rely primarily on secondary data. Due to time and resource constraints, the conduct of surveys was not possible. Moreover, the inadequacy of data bases for certain indicators did not permit an updating of data to the most current time. This was true particularly for many of the social development indicators including income.

REVIEW OF INFORMATION SOURCES

Much of the quantitative data came from the National Economic and Development Authority (NEDA), National Census and Statistics Office (NCSO), National Wage Commission (NWC), and a number of articles and literature on socio-economic development such as those prepared by the Center for Research and Communication (CRC).

Information sourced from NEDA were primarily on major economic and social indicators which were felt to provide a broad picture of the well-being of the people as a whole. Data from the NCSO consisted of employment, incomes and prices; while that from the NWC were mostly on wages and cost of living.

As input to Phase I of this project, a number of articles and special studies were reviewed to shed further light into the overall assessment of the situation and the existing poverty groups.

There have been numerous studies on the measurement of the overall poverty as well as the characteristics of various poverty groups. In addition, there have been a number of reviews of the employment situation as well as general social development trends.

It appears, however, that there have been no recent in depth studies to specifically identify poverty groups of people. It would seem, therefore, that the poverty groups identified in the CDSS 82 report can still be essentially accepted as the poverty groups existing today.

Gelia T. Castillo, in her book "How Participatory is Participatory Development? A Review of the Philippine Experience" reviews two important aspects of rural development which are rural institutions and people's participation. In the course of the review, these aspects are related to improvements in well-being of the poor people.

The study presents the rural poor groups to be those identified in the CDSS 1982. The author also cites Hollensteiner et al as having identified the main categories of the rural poor in the Philippines as: (1) tenants and sharecroppers, (2) rural landless laborers, (3) small owner-farmers or smallholders, (4) cultural minorities, (5) settlers, (6) female rural poor, and (7) rural youth, under 15 years of age. Most of these groups are similar to those pointed out in the CDSS 1982.

Ricardo G. Abad and Elizabeth U. Eviota in 1982 compiled an annotated bibliography of social science works from 1970 to 1980 focusing on Philippine poverty. Most of the studies cited here either looked at poverty in general or at specific poverty groups or particular groups of people. There was, however, a paper prepared by George Carner in 1980 for the 1980 Philippine Sociological Society National Convention on "Survival, Interdependence and Competition among the Rural Poor." In this paper the author identifies as the most disadvantaged among the rural poor, the landless agricultural workers, the upland farmer, and the subsistence fisherman.

Other studies such as the NEDA paper on "Some Aspects of Rural-Urban Welfare Differential" c. 1984 and the UP paper on the "Philippine Economic Crisis" likewise look at the poverty situation although at a much broader level.

The NEDA paper, for one, reviewed the rural-urban welfare differential in the post-1975 period through the use of broad indicators on employment, incomes, and prices. The UP paper took essentially the same approach.

Ernesto M. Pernia, et al in their study "The Spatial and Urban Dimensions of Development in the Philippines" cite that as of 1980, only about 36% of the total population could be considered living in urban places. This percentage could be even smaller considering that, on closer inspection, one finds that many of the so-called urban places are not really quite urban in character.

The study goes on to state that the notable aspect of the nation's spatial and urban development has been the mounting concentration of population and economic activity in the National Capital Region despite the proliferation of lower-level urban centers. These observations have implications on the state and distribution of poverty groups. While recent data do not allow the identification of specific poverty groups in the rural and urban areas, it may be inferred that majority of the poor continue to be found in the rural and lower-level urban areas.

Rosalinda P. Tidaigo and Emmanuel F. Esguerra in their paper "Philippine Employment in the 1970s" talk about reductions of incomes among the agricultural labor force. They point out that in view of the limited employment opportunities in the industry sector, those displaced may have no alternative but to stay and sell their labor services in the agriculture sector. So that as a whole, agricultural employment is not increasing but merely undergoing transformation. A concomitant feature of this transformation is the reduction of incomes among the agricultural labor force.

They go on to state that the extent of labor absorption in the rural areas is also influenced by the growth of non-farm economic activities. The expansion of non-farm activities is, however dependent on the growth of incomes of the rural/agricultural sector. Taken in this light, it seems that, left alone, advancement in these areas would be extremely difficult.

Florian A. Alburo and Eduardo L. Roberto in the paper "An Analysis and Synthesis of Poverty Research in the Philippines" provide a broad but comprehensive summary of various poverty measures used to describe or isolate poverty in the Philippines. They make an interesting but nevertheless important point here which is: because of the scale of research work, we may have overdetermined ways of identifying the poor as target clientele.

This adds a new dimension to the preoccupation of many groups with the development of a precise or fair estimation of poverty. In a way, this preoccupation with identifying target groups may become a limitation to the types of poverty redressal programs developed and their corresponding evaluation.

At best perhaps, the various poverty estimations should be taken as guides to policy and program development, and should not lead the planner to limit development programs only to specific groups of people. Such a limitation may in the end hamper the flow of the benefits of development to the greater number of people.

CHAPTER TWO

OVERVIEW OF THE CDSS 82 AND ITS UPDATES

CDSS 1982

The 1982 CDSS gives the general outline of an evolving strategy of USAID for the 1980s. It also shifted the USAID program to an innovative approach of generating rural employment, based on the premise that most of the poor in the country are found in the rural areas and that gainful employment will alleviate poverty.

Employment generation, as a major concern, has two objectives, namely:

1. To promote more productive agricultural employment in rainfed areas (upland as well as lowland), and
2. To create off-farm employment opportunities for those who are not productively employed in agriculture, including those for women.

Consequently, five major elements in the USAID's assistance strategy have been identified, namely:

1. rainfed crop intensification and diversification,
2. rural small scale enterprise development,
3. local institution building,
4. fertility reduction, and
5. improved food distribution and nutrition.

All five program elements interact and mutually support each other. Intensification and diversification of rainfed agricul-

ture can generate additional employment. But for those who cannot earn a living in agriculture, rural based industries must be created. Gainful employment may also help women control their fertility because of their exposure to an environment outside the home.

Local institution building will determine the effectiveness of USAID assistance efforts in the program areas. While it is important to check the growth of the labor force through fertility reduction, it is also important to improve the nutrition level of pre-schoolers who will comprise tomorrow's labor force. This is largely dictated by the current productivity of food producing activities.

Subsequent reviews of the 1982 CDSS maintained the poverty groups targeted for USAID assistance. These are:

1. upland rice and corn farmers
2. landless agricultural workers
3. artisanal fisherman
4. paddy rice farmers
5. urban informal sector workers

However, paddy rice farmers on irrigated land and urban informal sector workers should not receive primary emphasis of assistance. This is because irrigated paddy rice farmers have been the major target of GOP support in its quest for rice sufficiency. Urban workers, on the other hand, represent the smallest number of poor people and their basic problem is the lack of rural employment opportunities which pushed them to migrate to the urban centers.

In its discussion of the various poverty groups, a number of common problems were highlighted. Among these were:

- o dwindling productive sources available to the poor which forced them to rely increasingly on the sale of their labor services for economic survival;
- o declining level of real wages and income which were results of high inflation, seasonal surpluses of labor as well as the growth in the labor force;
- o low productivity levels;
- o low food consumption and nutrition status;
- o lack of an effective organization that would permit the groups to articulate their needs and mobilize their energies to improve their conditions;
- o gradual breakdown of the traditional coping mechanism within the village structure that cushion the impact of poverty.

CDSS REVIEWS

The Reviews proposed the widening of the scope of the CDSS by adding a third objective to the two earlier mentioned. This objective is to develop a more productive rural labor force for the future by focusing on the current generation of infants and pre-schoolers; and the subsequent reduction in the growth of the labor force. The rationale for this is that the increased size and productivity of the labor force will complement the increased opportunities for employment.

To meet these objectives, four programs have been introduced.

These are:

1. rainfed resource development
2. local resources management
3. rural private enterprise development
4. fertility and infant mortality reduction

The above programs are more or less aligned with the five strategy elements listed earlier, with the exclusion of the fifth element--improved food distribution and nutrition. Such a refinement was intended to make the 1982 CDSS more supportive of the GOPs efforts as outlined in the Five Year Philippine Development Plan. A summary of the developments in the CDSS is presented in the attached matrix.

It will be noticed that the assistance strategies and subsequent program elements have remained essentially the same over the period. Perhaps it was felt that such would still be the best types of assistance in the face of worsening socio-economic conditions.

REGIONAL APPROACH

A regional focus was endorsed in the 1982 CDSS and identified in the 1983 Review as consideration of different indigenous resources and development levels in the various regions. This shift from supporting primarily national programs towards a more tightly defined regional focus related to the poverty analysis

SUMMARY OF THE CDS

YEAR	LONG RANGE GOAL	DEVELOPMENT ASSISTANCE OBJECTIVES	ASSISTANCE STRATEGY OBJECTIVES	PROGRAM ELEMENTS	FOCUS
1982	Alleviation of Poverty	Generate more productive rural employment	1. Promote more productive agricultural employment in rainfed areas (upland as well as lowland)	1. Rainfed crop intensification and diversification	Regional
			2. Create off-farm employment opportunities for those who are not productively employed in agriculture, including women		
				2. Rural small scale enterprise dev.	Regional
				3. Local institutions building	Regional
				4. Fertility reduction	National
			5. Improved food distribution and nutrition	National	
1983 Review	Alleviation of Poverty	More productive employment for poor groups	1. Promotion of more productive farm employment	1. Rainfed resources development	Regional
			2. Expansion of non-farm employment	2. Local resources management	Regional
			3. Development of a productive rural force	3. Rural enterprise development	Regional
				4. Fertility and infant/child mortality reduction	National (with specific regional emphasis)
1984 Review	Alleviation of Poverty	More productive employment for poor groups	1. Creation of more jobs	1. Rainfed resources development	Regional
			2. Promotion of high	2. Local resources management	Regional
			3. Reduction of growth in Labor Force	3. Rural private enterprise development	Regional

was an offshoot of the relatively low level of DA resources available then. Thus Regions 5 (Bicol), 4 (Western Visayas), and 8 (Eastern Visayas) became the core regions of USAID's focus. Regions 1 (Ilocos) and 2 (Cagayan Valley) took second priority and will be phased in gradually depending on resource availability. Collectively these five regions accounted for 39% of all poor families in the country.

During the 70s, USAID addressed itself towards Central Luzon and a few other irrigated rice areas where GOP development plans were focused. The decade of the 80s saw GOP directed towards the countryside and the CDSS should complement or support this re-orientation. Hopefully, economic growth will be more distributed among the country's 7,000 islands.

POVERTY ANALYSIS

The 1982 CDSS and succeeding CDSSs are based on a sound analysis of poverty in the Philippines. Poverty is measured according to the capability to meet certain basic human needs. One approach used identifies the minimum nutritionally adequate diet for a household of six members costed at current prices. Any household that cannot provide this basic need for food from its total annual income is considered absolutely poor. This approach uses the food threshold as the estimate of poverty line in the country.

Using this approach, it was revealed that 4 million households out of 7 million households or about 57% of all households, as of

the 1975 population census are below the poverty line. The incidence of poverty by family was 64% in rural areas, 39% in other areas, and 34% in Manila.

FUTURE THRUST

Whether or not the new CDSS will continue along the thrusts and directions embodied in the current CDSS will depend, to a large extent, on the assessment of the general prevailing socio-economic situation and prospects for the future.

The following chapters seek to provide such an assessment and provide a picture of economic prospects both from the viewpoint of the government planners, as well as of independent experts in their own fields.

CHAPTER THREE

OVERVIEW OF CURRENT TRENDS

OVERALL ECONOMIC GROWTH

The economic situation prevailing at the time of the preparation of the CDSS FY 82 was much more favorable than that of today. The early 1980s was characterized by a general slowdown in the economy. Moreover, no significant improvements in the general welfare of the majority were discernible. The deterioration in the economy's growth is apparent from Tables 1 and 1.1.

This economic slowdown is traced to a number of factors such as the occurrence of natural calamities, unfavorable financial developments, and the after-effects of the worldwide recession. There were likewise a number of non-economic factors, which in a way aggravated the situation by adding onto the crisis of confidence in the Philippine economy.

Performance in the external sector was not favorable. The result was a balance of payments deficit in 1983 which was more than six times the deficit in 1980. Outflows of direct foreign investments likewise continued to be substantial such that net inflows dropped sharply from \$407 million in 1981 to \$4 million in 1983.

Some improvement was however noted in the first semester of 1984 where preliminary estimates show an overall deficit of \$158

TABLE I

TRENDS IN GROSS NATIONAL PRODUCT, 1977-1984
(GROWTH RATES, IN PER CENT)

	1977-1980	1980-1983	1983-1984 ^{1/}
	-----	-----	-----
Agriculture, Fishery and Forestry	4.8	1.5	1.45
Industrial Sector	6.7	2.4	(10.33)
Mining & Quarrying	8.7	(4.2)	(19.02)
Manufacturing	5.9	2.7	(8.34)
Construction	8.6	2.5	(17.00)
Elec., Gas & Water	8.9	9.0	5.03
Services	6.0	3.5	(2.92)
Gross Domestic Product	5.9	2.6	(4.50)
Gross National Product	6.1	2.1	(5.50)

1/ Estimate

Source: NEDA

TABLE 1.1

GROSS NATIONAL PRODUCT, 1980-1984
(IN BILLION PELOS AT 1972 PRICES)

	1980	1981	1982	1983	1984 ^{1/}
	-----	-----	-----	-----	-----
Agriculture, Fishery and Forestry	23,732	24,602	25,378	24,895	25,204
Industrial Sector	33,921	34,963	35,714	35,925	32,249
Mining & Quarrying	2,234	2,175	2,014	1,944	1,992
Manufacturing	23,175	23,999	24,535	25,106	23,014
Construction	7,139	7,630	8,679	7,689	6,382
Elec., Gas & Water	921	999	1,004	1,192	1,232
Services	35,434	36,636	37,997	39,329	38,173
Gross Domestic Product	92,657	96,207	99,977	100,129	95,619
Net Factor Income From Abroad	203	-144	-1,446	-1,301	-2,200
Gross National Product	92,860	96,063	97,531	98,828	93,419
	-----	-----	-----	-----	-----

^{1/} Estimate

Source: NEBA

million (after adjustments incorporating foreign exchange payments which have fallen due but have not yet been remitted due to the moratorium on debt repayments).

As envisioned in previous development plans, the trade and industry sectors were to be the lead sectors in the economic development process. Experience showed, however, that these were the hardest hit. Substantial declines in outputs were noted in the mining and quarrying, and construction sectors.

It was the agriculture sector that contributed to growth in the early 1980s although the drought in late 1982 onto 1983 set back any significant contributions of this sector thereafter. Moreover, the increasing costs of vital farm inputs such as fertilizer, as well as credit constraints, further restrained growth. Among the hardest hit sectors were rice, corn and sugar. In 1984, the national foodcrop production will probably decline due to the persistence of these problems as well as the continued occurrence of natural calamities. Shortfalls will be mostly in rice and corn.

Data on the gross regional domestic product (GRDP) showed that most regions experienced growth from 1980 to 1982 with the exception of Region 2 (Cagayan Valley), Region 5 (Bicol) and Region 11 (Southern Mindanao). In 1983, a greater number of regions experienced declines in their GRDP although these were different regions except for Region 2. (Table 2)

TABLE 2

GROSS REGIONAL DOMESTIC PRODUCT, 1980-1983
(AT CONSTANT 1972 PRICES, P. MILLION)

Region	At Constant 1972 Prices (P. million)				Growth Rates (%)		
	1980	1981	1982	1983	1980-81	1981-82	1982-83
PHILIPPINES	92,637	96,210	99,004	100,120	3.9	2.9	1.1
METRO MANILA	29,224	30,321	31,499	32,308	4.4	3.2	2.8
I ILOCOS	3,433	3,646	3,754	3,786	6.2	3.0	0.9
II CAGAYAN VALLEY	2,614	2,697	2,657	2,505	3.2	(1.5)	(2.7)
III CENTRAL LUZON	7,778	8,518	8,796	8,734	9.5	3.3	(0.7)
IV SOUTHERN TAGALOG	12,954	13,239	13,322	13,876	2.2	2.1	2.6
V BICOL	3,181	3,258	3,043	3,008	2.4	(6.6)	1.5
VI WESTERN VISAYAS	7,636	7,971	8,411	8,291	4.4	5.5	(1.4)
VII CENTRAL VISAYAS	6,726	6,990	7,003	7,103	3.9	0.2	1.4
VIII EASTERN VISAYAS	2,389	2,391	2,420	2,320	3.6	1.2	(3.8)
IX WESTERN MINDANAO	3,113	3,261	3,296	3,324	4.8	0.9	1.0
X NORTHERN MINDANAO	4,416	4,382	4,708	4,494	(0.8)	7.4	(4.5)
XI SOUTHERN MINDANAO	6,278	6,356	6,337	6,566	1.3	(0.3)	3.3
XII CENTRAL MINDANAO	2,975	2,978	3,564	3,355	0.1	19.7	(0.3)

Source: GRDP Series, 1972-1983
NAS, SCC, NEDA

In terms of value, the largest share was consistently accounted for by the Metro Manila Region while the smallest share was accounted for by Region 8 (Eastern Visayas).

The most productive regions in terms of agricultural productivity have been Regions 3 (Central Luzon), 4 (Southern Tagalog), 9 (Western Mindanao) and 11 (Southern Mindanao). In terms of industrial productivity, the most productive was the Metro Manila region. This is understandable considering that many of the industrial facilities are located within the area. Region 4 (Southern Luzon) was next in terms of industrial productivity. (Table 3)

Gross domestic investment declined from P26.6 billion in 1980 to P25.2 billion in 1983. Estimates place it at P17.2 billion for 1984 which is 31% lower than the 1983 level. This trend is in a large part attributable to the paring down of the Government's investment program beginning 1982, as well as declines in inventories.

SOCIAL DEVELOPMENT

Real Income. The growth of total GNP was minimal from 1980 to 1983 and is expected to be negative in 1984. On the other hand, the population growth rate declined only slightly from 2.7% prior to 1980 to an average of 2.4% from 1980 to 1983. In 1984, it is expected to remain at 2.4%. As a result, the estimated per capita GNP in real terms declined steadily from 1981 to 1984. (Table 4)

TABLE 3

AGRICULTURAL AND INDUSTRIAL PRODUCTIVITY BY REGION, 1960-1963
(PEAS PER EMPLOYED)

Region	Agricultural Productivity				Industrial Productivity			
	1960	1961	1962	1963	1960	1961	1962	1963
PHILIPPINES	2,598	2,989	2,669	2,431	693	706	704	692
METRO MANILA	-	-	-	-	2,364	2,999	2,362	2,351
I ILOCOS	1,725	1,619	1,744	1,695	243	254	229	224
II CAGAYAN VALLEY	1,692	1,903	1,686	1,952	302	311	307	230
III CENTRAL LUZON	3,620	4,365	4,266	3,762	987	646	643	636
IV SOUTHERN TAGALOG	3,416	3,809	3,694	3,457	863	845	842	836
V BICOL	2,170	2,039	1,672	1,517	134	139	137	122
VI WESTERN VISAYAS	2,403	2,700	3,241	2,470	461	486	499	492
VII CENTRAL VISAYAS	1,667	1,608	1,399	1,737	613	639	620	603
VIII EASTERN VISAYAS	1,761	1,996	1,695	1,510	113	113	123	108
IX WESTERN MINDANAO	3,430	3,627	3,611	3,527	117	123	123	120
X NORTHERN MINDANAO	2,722	2,294	2,950	2,404	414	377	335	349
XI SOUTHERN MINDANAO	4,905	4,114	3,397	3,127	340	329	342	336
XII CENTRAL MINDANAO	2,720	2,379	3,069	2,890	323	306	329	335

Source: Regional Income Accounts, MAS, BCO, NEDA
Integrated Survey of Households, ICSO

TABLE 4

PER CAPITA GNP, 1980-1984
(PESOS AT 1972 PRICES)

	1980	1981	1982	1983	1984 ^{1/}
	-----	-----	-----	-----	-----
GNP (million P)	92,840	96,041	97,539	98,819	93,419
Population (millions)	48.6	49.5	50.7	52.0	53.3
Per Capita GNP	1910	1940	1924	1900	1753

Source: NCSO for Population Estimates
NEDA for GNP data

On a regional basis, most regions experienced slight declines in their per capita GRDP. There were only four regions which showed increases namely Region 1 (Ilocos), Region 3 (Central Luzon), Region 7 (Central Visayas), and the Metro Manila Region. The greatest declines were in the Mindanao Regions. (See Table 5)

The cost of living as gauged from the trends in the consumer price index has steadily gone up over the last few years with the most substantial increases experienced in the first semester of 1984. This has put increasing pressure on a family's capability to sustain itself adequately.

Inflation. Official estimates show that the average annual inflation rate declined from 18.2% in 1980 to 10% in 1983. The higher rates were in fuel; light and water; housing and repairs; and services. However, it is estimated that in 1984, the rate will rise to over 60% and will average out at about 50%. This is due to the continued lack of foreign exchange to support the requirements of a number of vital industries, and the subsequent upward price adjustments in oil, power, and transport fares.

The inflation rate may level off somewhat in 1985 although it will still be 2-digit at perhaps some 35% to 40%.

Employment and Wages. The growth in the labor force has put increasing pressure on the economy to generate productive employment opportunities. From 1980 to 1983, it grew at an average annual rate of 3.1%. Estimates for the first quarter of 1984 place it at 32.1 million or 1.6% over the level in the third

TABLE 3

PER CAPITA GROSS DOMESTIC PRODUCT BY REGION
CY 1980 TO 1982
(IN 1972 PRICES)

	1980 ----- R/	1981 ----- R/	1982 ----- R/	1983 ----- R/
PHILIPPINES	1919	1943	1953	1923
METRO MANILA	4924	4974	4980	4975
I ILOCOS	967	1010	1005	1018
II CAGAYAN VALLEY	1177	1180	1170	1145
III CENTRAL LUZON	1619	1723	1790	1739
IV SOUTHERN TAGALOG	2103	2087	2081	2053
V BICOL	913	914	910	901
VI WESTERN VISAYAS	1682	1718	1760	1680
VII CENTRAL VISAYAS	1771	1801	1789	1803
VIII EASTERN VISAYAS	816	835	840	803
IX WESTERN MINDANAO	1218	1252	1261	1216
X NORTHERN MINDANAO	1578	1532	1502	1470
XI SOUTHERN MINDANAO	1872	1826	1819	1759
XII CENTRAL MINDANAO	1296	1281	1272	1157

R/ Revised
P/ Preliminary

Source: NEDA, SCO, NAS

quarter in 1983. About 50% of the labor force continues to be employed in the agriculture sector.

As cited earlier in Ernesto M. Pernia, et al's study on "The Spatial and Urban Dimensions of Development in the Philippines," only about 36% of the total population could be considered as living in urban areas. This places about 64% of the population in the rural areas. This percentage could be bigger considering some weaknesses in the definition of what is urban. The rural areas are primarily agricultural. Thus there exists a situation where some 50% of the labor force which is roughly 30% of total population must support over 60% of the population.

Labor force participation rates have been just over 60% over the last few years for most regions. This trend continued in the first quarter of 1984. Thus, it will be noticed that those in the agricultural, and subsequently rural, sector are faced with an increasing pressure to improve their income generating capabilities.

Labor force participation rates have been consistently lower in the National Capital Region, Region 3 (Central Luzon) and Region 9 (Western Mindanao). (Table 6)

In the first quarter of 1984, Metro Manila had the lowest employment rate of 86.7% with 311,000 persons out of work. This was almost 25% of the total unemployed in the country. Region 2 (Southern Mindanao) was next with 91.7% and Region 4 (Southern Tagalog) third with 92.6%. The highest employment rates were in

TABLE 4

LABOR FORCE PARTICIPATION RATES, 1980-1984
(PER CENT)

	1980	1981	1982	1983	1984
	----	----	----	----	----
PHILIPPINES	61.4	62.0	60.5	64.6	62.2
METRO MANILA	54.2	53.1	54.7	54.0	54.6
I ILOCOS	56.1	62.7	58.6	64.1	56.3
II CAGAYAN VALLEY	69.4	67.9	64.6	74.9	69.4
III CENTRAL LUZON	56.2	54.8	54.9	55.2	53.6
IV SOUTHERN TAGALOG	61.5	60.9	60.3	63.2	59.9
V BICOL	64.0	68.4	68.3	76.1	66.8
VI WESTERN VISAYAS	71.1	64.2	62.3	70.6	64.0
VII CENTRAL VISAYAS	62.9	58.6	65.1	68.8	66.1
VIII EASTERN VISAYAS	66.1	73.1	62.8	68.1	77.5
IX WESTERN MINDANAO	53.3	49.0	49.7	54.4	55.5
X NORTHERN MINDANAO	64.8	73.6	63.2	71.8	70.0
XI SOUTHERN MINDANAO	64.0	67.8	64.5	68.5	67.4
XII CENTRAL MINDANAO	63.5	65.9	66.3	66.4	65.5

Source: NCSO

Region 2 (Cagayan Valley) and Region 12 (Central Mindanao) at 96.4% and 96.1% respectively. (Table 7)

Real wage levels have likewise deteriorated over the last few years. From a daily wage level of P21.25 in 1980 for Metro Manila, real wages declined to P18.00 in June 1984. The decline outside Metro Manila was slightly less from P19.60 to P18.22. (Table 8)

With the inflation rate remaining at high levels, no improvements in real wages are expected, even with the expected minimal upward adjustments in money wage levels.

The unemployment situation is not expected to improve in 1984 or even 1985. In fact, a CRC estimate has projected that a total of 290,000 to 300,00 workers will be laid off in 1984.^{2/} This figure is about 25 to 26% of the total employment of the country's top 1,000 corporations.

Health and Nutrition. In health, available information showed that the health and nutrition coverage of all the country's barangays was achieved. Life expectancy increased slightly from 61.6 years in 1980 to 62.5 years in 1983. In 1984, this is expected to improve slightly to 62.8. Declines were noted in the crude death and infant mortality rates. (Table 9)

The prevalence of moderately and severely underweight in pre-school children declined from an estimated 18.4% in 1981 to 16.3% in 1983. That of schoolchildren, however, increased sharply from 17.9% in 1981 to 26.3% in 1983.

TABLE 7

EMPLOYMENT RATES, BY REGION, 1980-1984

	1980	1981	1982	1983	1984
	----	----	----	----	----
PHILIPPINES	94.6	95.1	94.9	95.4	93.7
METRO MANILA	85.4	90.2	88.3	89.2	86.7
I ILOCOS	97.0	96.6	97.5	97.1	97.0
II CAGAYAN VALLEY	95.4	97.7	96.5	98.3	96.3
III CENTRAL LUZON	94.7	94.8	94.9	95.1	93.1
IV SOUTHERN TAGALOG	94.8	96.4	94.6	94.4	92.6
V BICOL	98.3	98.0	97.6	98.4	96.4
VI WESTERN VISAYAS	97.6	97.1	96.7	96.9	95.3
VII CENTRAL VISAYAS	97.3	97.8	97.7	96.7	96.8
VIII EASTERN VISAYAS	89.5	92.2	94.9	97.4	93.1
IX WESTERN MINDANAO	95.2	99.5	95.2	95.3	95.1
X NORTHERN MINDANAO	94.9	88.6	94.4	95.5	94.8
XI SOUTHERN MINDANAO	96.6	94.4	93.5	92.7	91.7
XII CENTRAL MINDANAO	97.4	98.2	96.7	98.3	96.1

Note : 1980-1983 are third quarter survey.
1984 is the first quarter survey.

Source: 1984 Phil. Statistic Yearbook citing NCSC as source.

TABLE 8

1/

**TRENDS IN LEGISLATED MINIMUM DAILY PAY RATES
IN THE NON-AGRICULTURAL SECTOR,
PHILIPPINES: 1980-1984**

2/

Year	Real Wage		Metro Manila	
	Metro Manila Value	% Change	Outside Metro Manila Value	% Change
-----	-----	-----	-----	-----
1980	21.25	15.8	20.80	15.0
1981	20.05	(5.6)	19.60	(5.8)
1982	18.06	(9.9)	17.81	(9.1)
1983	21.54	19.3	21.62	21.4
1984				
May 1	15.37	(28.6)	15.50	(28.3)
June 16	18.00	17.1	18.22	17.6

1/ The total basic minimum wage and some of the wage supplements which include monthly emergency allowance and 13th-month pay, which majority of workers enjoy. Data for 1980 and 1981 are for those establishments with capitalization of P1 million or more. Effective January 1982, legislated wage rates became uniform for all establishments regardless of capitalization. Data reflect the highest rate for the year.

2/ Derived by deflating money wage by CPI (1978=100)

Source: Business Day, 3 September 1984.

Beneficiaries of the MEDICARE program rose from 1.2 million in 1980 to 1.4 million in 1983. In 1984, this is estimated to reach 1.6 million. In 1983, the average value paid per claims was P273.93, 4.8% higher than the previous year's level. In the first semester of 1984, the average per capita claim was P281.83 or 2.9% over the 1983 level.

Increases in the average per capita claims are not at all that significant considering that they have been much less than the inflation rates prevailing at the time in addition to the increases in costs of medicines and hospitalization.

Education. As may be expected, literacy rates of the population are much higher in the urban than the rural areas. While this is a 1980 estimate, it is unlikely that this would have changed or improved significantly in the four years following. Literacy rates of the urban population were over 90% while that of the rural population was less than 70%. The actual literacy rates could be lower considering that literacy is defined simply as being able to write a simple message about everyday life.^{3/}

Survival rates in the elementary and secondary levels of education were low from 1980 to 1983. These are expected to be so in 1984 due to pressures to generate income via productive employment. In the elementary levels, the rates were less than 70% while in the secondary levels, they were less than 80%.

(Table 10)

TABLE 9

POPULATION INDICATORS, 1980-1984

	1980	1981	1982	1983	1984 ^{1/}
	-----	-----	-----	-----	-----
Crude Birth Rate (per 1000 population)	33.2	-	-	32.9	-
Crude Death Rate (per 1000 population)	8.3	8.2	8.4	8.2	7.7
Life Expectancy (per 1000 population)	61.6	61.9	62.2	62.5	62.8
Infant Mortality Rate (per 1000 livebirths)	63.2	61.9	60.6	59.3	58.0

1/ Projected

Source: NEDA

TABLE 10

MAJOR EDUCATION INDICATORS, BY 1980-81 TO 1983-84

	1980-81	1891-82	1982-83	1983-84 ^{1/}
	-----	-----	-----	-----
I. Survival Rates (%)				
Elementary	65.1	66.8	65.9	68.6
Secondary	75.4	78.8	78.2	77.6
II. Enrollment (in 000)				
Elementary	8,460	8,518	8,591	8,781
Secondary	2,740	2,935	3,092	3,294
Tertiary	1,233	1,336	1,316	1,609
III. Enrollment/School-Going Age Population Rate (%)				
Elementary	40.5	41.0	40.8	41.1
Secondary	14.7	14.1	14.0	14.5
Tertiary	6.2	6.4	6.7	7.0

1/ Estimates

Source: NEDA, Philippine Development Reports for I & II
ESIA/WID Preliminary Report on Economic and Social
Indicators, 1984

Enrollment increased only minimally from SY 1980-1981 to SY 1982-1983. Increases in SY 1983-1984 are more significant particularly at the tertiary education level. The percentage of school-going age population (age group 7-24 years) has however remained small.

The pupil-textbook ratio has improved to a ratio of two pupils to one textbook while the number of graduates from various non-formal education training programs of government has increased.

Housing. The number of new dwelling units constructed under the national housing program increased from 15,683 in 1980 to 24,102 in 1982. A number of government institutions contributed to this effort particularly NHA, GSIS, SSS, MAR and MHS. In 1983, however, the number of major contributors to the national housing program was reduced to the MAR and MHS. As a result, the number of dwelling units constructed dropped to just 3,340.

Coverage of the program to upgrade marginal settlements increased from 1980 to 1981 but decreased thereafter. On the other hand, that of the program to develop sites and services rose from 3,077 sites in 1980 to 12,868 sites in 1983.

Improvements have been noted in the access of the population to water and electricity. Such has been most substantial in the rural areas although the per cent of population served in these areas still remains low. (Table 11)

The information on major social development indicators give the impression that there have been some advances made in the general

TABLE 11

ACCESS TO WATER AND ELECTRICITY
(% of Population Served)

	1980 ----	1982 ----	1983 ----
Water Supply			
Metro Manila	82	83	-
Other Urban	58	63	-
Rural	46	55	-
Electricity			
Urban	100	100	100
Rural	-	40	43
% of towns energized	-	88	89

welfare of the people. The extent to which these are directly attributable either to GDP or the various aid programs is, however, not clear. This is so with regard to improvements in such indicators as life expectancy and mortality rates, as well as increasing enrollment rates.

Such advances do not appear to be impressive and this leads one to the question of whether the overall welfare of the average Filipino family has improved and subsequently whether the percentage of families below the poverty thresholds has declined.

POVERTY TRENDS

Two sets of thresholds are approximated in this study namely:

1. Food Threshold - the income required by a family of six to maintain a nutritionally adequate minimum-cost diet.
2. Total Threshold - the family income needed to sustain, not only for minimum-cost food, but also other basic necessities.

These thresholds may be taken as trend indicators to facilitate an assessment of the overall poverty situation. They should not be looked at as representing an exact number of poor families. Such is not possible with the data.

Based on the food threshold, the incidence of poverty averaged 66.7% during the period 1980-1983. Among the 12 regions, the highest rates were in regions of Central Visayas, Bicol and

Eastern Visayas while the lowest rates were in the regions of Central Luzon, and Central and Southern Mindanao. In Metro Manila, the average poverty incidence was 29.5%. (Table 12 and 12.1)

The incidence of poverty based on the total threshold averaged 79.7% over the same period. The same trend among regions was observed. (Table 13 and 13.1)

It is interesting to note that the regions with the highest incidence rates are primarily agricultural particularly Bicol and Eastern Visayas. This makes them more vulnerable to the destructive effects of typhoons considering that they are in the midst of the country's typhoon belt. Moreover, in the case of the Bicol Region, the effects of the recent eruptions of Mayon Volcano must be contended with.

Looking at the trends in the estimated annual rates of poverty incidence, it will be noticed that the living condition of the average Filipino has not significantly improved since 1978. Based on the food threshold, 66.5% or roughly 6.2 million families were living on incomes below the poverty line in 1983. This is approximately the same proportion registered in 1978 of 67%. The incidence based on a total threshold increased to 79.5% or about 7.4 million families in 1983.

An interesting observation is the increase in estimated incidence rates from 1982 to 1983. Such could be attributable to the growth imbalance between incomes and prices where the latter rose

TABLE 12

POVERTY INCIDENCE RATES BASED ON FOOD THRESHOLD, 1968-1983
(PER CENT)

Region	1978	1979	1980	1981	1982	1983	1980-83	
							Average	Rank
PHILIPPINES	67.0	71.9	68.9	67.5	64.0	66.5	66.7	
NETS MANILA	38.7	37.3	35.1	38.8	24.7	27.4	29.5	13
I ILOCOS	68.1	79.6	76.4	73.5	71.2	76.2	74.3	4
II CAGAYAN VALLEY	74.6	73.2	78.9	78.8	66.6	78.2	73.6	9
III CENTRAL LUZON	67.9	72.1	68.2	67.6	64.0	63.0	65.7	12
IV SOUTHERN TAGALOG	73.0	73.5	78.8	71.6	67.7	69.6	69.9	9
V BICOL	71.6	88.0	86.2	78.6	76.1	88.6	78.9	2
VI WESTERN VISAYAS	77.2	77.2	76.3	69.7	67.7	72.4	71.5	8
VII CENTRAL VISAYAS	77.0	88.2	79.0	77.9	79.2	78.5	78.6	3
VIII EASTERN VISAYAS	74.0	81.2	78.0	84.2	81.0	73.0	79.1	1
IX WESTERN MINDANAO	78.2	76.8	74.8	74.2	74.1	68.9	73.0	6
X SOUTHERN MINDANAO	68.4	72.0	68.8	75.8	78.8	74.4	72.2	7
XI SOUTHERN MINDANAO	63.5	67.7	65.8	67.6	67.8	67.1	67.1	10
XII CENTRAL MINDANAO	59.4	66.3	64.7	67.6	61.8	70.1	66.0	11

TABLE 12.1

DISTRIBUTION OF FAMILIES BELOW FOOD THRESHOLD, 1980-1983

Region	1980	1981	1982	1983	Ave. No. (,000)	% Distribution
PHILIPPINES	100.0	100.0	100.0	100.0	6010	
METRO MANILA	6.6	6.0	5.0	5.4	347	8.3
I ILOCOS	6.3	6.1	6.3	6.4	498	8.3
II CAGAYAN VALLEY	5.4	4.9	4.9	5.5	312	5.2
III CENTRAL LUZON	9.6	9.7	9.7	9.2	574	9.5
IV SOUTHERN TAGALOG	13.2	13.7	13.8	13.7	818	13.6
V BICOL	8.1	8.0	8.2	8.3	492	8.2
VI WESTERN VISAYAS	10.0	9.2	9.6	9.9	583	9.7
VII CENTRAL VISAYAS	9.2	9.2	9.9	9.4	570	9.5
VIII EASTERN VISAYAS	6.7	7.2	7.4	6.4	416	6.9
IX WESTERN MINDANAO	6.1	5.8	5.9	5.2	330	5.7
X NORTHERN MINDANAO	5.5	6.3	6.2	6.3	367	6.1
XI SOUTHERN MINDANAO	6.6	7.0	7.4	7.1	423	7.0
XII CENTRAL MINDANAO	4.3	4.6	4.4	4.7	270	4.5

TABLE 13

POVERTY INCIDENCE RATES BASED ON TOTAL THRESHOLD, 1978-1983
(PER CENT)

Region	1978	1979	1980	1981	1982	1983	1980-83 Average	Rank
PHILIPPINES	79.6	84.4	81.8	80.3	77.1	79.5	79.7	
METRO MANILA	59.2	62.6	60.4	54.8	45.7	51.2	53.0	13
I ILOCOS	77.8	87.9	87.2	84.4	81.1	85.3	84.5	7
II CAGAYAN VALLEY	83.1	82.8	89.5	82.1	80.9	88.1	85.1	5
III CENTRAL LUZON	82.8	85.3	83.4	81.4	78.0	80.1	80.7	12
IV SOUTHERN TAGALOG	86.1	87.4	85.4	84.4	80.2	84.5	83.6	8
V BICOL	85.3	90.5	86.9	89.7	87.1	90.5	88.6	2
VI WESTERN VISAYAS	82.5	86.7	86.1	85.5	81.1	85.6	84.6	6
VII CENTRAL VISAYAS	83.5	88.6	86.8	86.1	86.0	85.6	86.1	3
VIII EASTERN VISAYAS	82.8	90.5	89.8	91.8	89.4	84.8	89.0	1
IX WESTERN MINDANAO	82.8	87.7	86.1	89.9	86.6	81.0	85.9	4
X NORTHERN MINDANAO	70.5	81.7	79.1	85.0	81.0	83.7	82.2	9.5
XI SOUTHERN MINDANAO	79.7	82.1	80.0	81.4	84.3	82.0	81.9	11
XII CENTRAL MINDANAO	75.9	81.9	82.3	81.9	79.3	85.5	82.2	9.5

TABLE 13.1

DISTRIBUTION OF FAMILIES BELOW TOTAL THRESHOLDS, 1980-1983
(IN PER CENT)

Region	1980	1981	1982	1983	1980-1983	
					Ave. No. (000)	% Dis- tribution
PHILIPPINES	100.0	100.0	100.0	100.0	7235	100.0
METRO MANILA	9.5	9.0	7.7	8.5	624	8.6
I ILOCOS	8.0	7.8	7.8	7.9	567	7.8
II CAGAYAN VALLEY	5.1	4.8	4.9	5.2	361	5.0
III CENTRAL LUZON	9.9	9.8	9.8	9.8	706	9.8
IV SOUTHERN TAGALOG	13.4	13.6	12.8	13.9	979	13.5
V BICOL	7.4	7.7	7.4	7.8	552	7.6
VI WESTERN VISAYAS	9.6	9.5	8.2	9.7	690	9.5
VII CENTRAL VISAYAS	8.6	8.6	8.5	8.1	624	8.6
VIII EASTERN VISAYAS	6.5	6.6	6.4	6.2	468	6.5
IX WESTERN VISAYAS	5.4	5.9	4.3	5.1	397	5.5
X NORTHERN MINDANAO	5.4	6.0	5.6	6.0	418	5.8
XI SOUTHERN MINDANAO	6.8	7.1	7.2	7.2	516	7.1
XII CENTRAL MINDANAO	4.6	4.7	4.4	4.6	333	4.6

Note: Totals may not add up due to rounding.

much faster than the former. With this observation, an increase in poverty incidence may be expected this year as expected increases in wages may not match the continued rise in prices. This is aggravated by the recent economic crisis wherein numerous people were laid off.

The incidence rates estimated are higher than those estimated in the CDSS 82 reports. In that report, the rate based on a food threshold was around 57% (4 out of 7 million households). While the rates presented in this study were not adjusted for underestimation or undercoverage as was done in the Abrera study, it may be said that at best there has been no improvement in the overall poverty situation.

The overall needs ranking presented in the CDSS 82 has been updated based on 1983 estimates except for literacy rates (1980) and road density (same as CDSS 82). See Tables 14 and 15

The resulting ranking shows no change in the low need regions and high need regions with the exception of Western Mindanao which moved up to the medium high need category.

In the light of these current trends, what has the general response of Government been? What major policies have been adopted to address the situation.

POLICY DEVELOPMENTS

The preceding discussion has highlighted various aspects of the economic crisis which the country is currently undergoing. The

TABLE 14

OVERALL NEEDS RANKING

Needs Category	Rank	CDSS 1982	Rank	1983 Update
1. High need	1.	Eastern Visayas	1.	Sicol
	2.	Western Visayas	2.	Eastern Visayas
	3.	Bicol		
2. Medium high need	4.	Cagayan Valley	3.	Central Mindanao
	5.	Central Mindanao	4.	Cagayan Valley
	6.	Western Visayas	5.	Western Mindanao
	7.	Northern Mindanao	6.	Central Visayas
3. Medium low need	8.	Ilocos	7.	Western Visayas
	9.	Southern Mindanao	8.	Ilocos
	10.	Southern Tagalog	9.	Northern Mindanao
	11.	Central Visayas	10.	Southern Mindanao
4. Low need	12.	Central Luzon	11.	Southern Tagalog
	13.	Metro Manila	12.	Central Luzon
			13.	Metro Manila

TABLE 15

REGIONAL POVERTY PROFILES, PHILIPPINES: 1963 UPDATE

Overall Need Rank	Region	Literacy Rate	Calorie Adequacy	Children Malnourished	Fertility Rate Index	Incidence of Poverty	Irrigable Land Irrigated	Road Density	Agricultural Production Index
1	V SICOL (rank)	84 (9)	85 (9)E	30 (1)E	127 (1)E	72 (2)E	34 (3)E	0.34 (1)E	17 (3)E
2	VIII EASTERN VISAYAS (rank)	77 (4)	83 (1.5)E	23 (7.5)E	118 (2.5)E	77 (3)E	57 (10.5)	0.49 (4.5)E	17 (1.5)E
3	XII CENTRAL MINDANAO (rank)	65 (1.5)E	85 (5)E	27 (4)E	113 (4)E	66 (1)E	29 (2)E	0.61 (7)E	45 (4)E
4	III CARAYON VALLEY (rank)	79 (5)E	93 (1)E	22 (10)E	111 (5)E	72 (4.5)E	38 (5)E	0.49 (4.5)E	46 (5)E
5	IX WESTERN MINDANAO (rank)	65 (1.5)E	85 (5)E	26 (9)E	104 (8)E	73 (4.5)E	33 (8)E	0.46 (2)E	17 (1.5)E
6	VII CENTRAL VISAYAS (rank)	76 (3)E	83 (1.5)E	13 (13)E	96 (1)E	79 (1)E	40 (6)E	0.91 (9)E	30 (10)E
7	VI WESTERN VISAYAS (rank)	81 (7)E	90 (10)E	28 (2.5)E	107 (4.5)E	70 (8)E	71 (12)E	0.44 (3)E	47 (9)E
8	I ILOCOS (rank)	85 (10)E	94 (12.5)	28 (25)E	102 (9)E	74 (4)E	50 (7)E	1.12 (12)E	34 (6)E
9	X NORTHERN MINDANAO (rank)	83 (8)E	85 (5)E	21 (11)E	118 (2.5)E	73 (5)E	28 (1)E	0.92 (10)E	34 (8)E
10	XI SOUTHERN MINDANAO (rank)	80 (4)E	85 (5)E	20 (12)E	107 (4.5)E	67 (10)E	36 (4)E	1.04 (11)E	42 (7)E
11	IV SOUTHERN TAGALOG (rank)	84 (11)E	84 (8)E	23 (7.5)E	100 (10)E	69 (9)E	34 (9)E	0.54 (6)E	121 (12)E
12	III CENTRAL LUZON (rank)	89 (12)E	94 (12.5)	23 (7.5)E	91 (12)E	64 (12)E	57 (10.5)	0.67 (8)E	95 (11)E
13	VI METRO MANILA (MCR) (rank)	97 (13)E	88 (9)E	23 (7.5)E	67 (13)E	26 (13)E	- (13)E	4.41 (13)E	366 (13)E
	PHILIPPINES	83	-	24	100	65	44	0.66	100

TABLE 19.1

REGIONAL POVERTY PROFILES, PHILIPPINES: 1983 UPDATE

Region	Literacy Rate	Calorie Adequacy	Children Malnourished	Fertility Rate Index	Incidence of Poverty	Irrigable Land Irrigated	Road Density	Agricultural Production Index	Productivity Index	of Total Poor	Star Score	Ranking Sum
ALBANOZ	84 (9)	85 (5)E	30 (1)E	127 (1)E	72 (2)E	34 (3)E	0.34 (1)E	19 (3)E	72 (5)E	6.2 (6)E	9	37
WEST VISAYAS	77 (4)	83 (1.5)E	23 (7.5)E	118 (2.5)E	77 (3)E	57 (10.5)	0.49 (4.5)E	17 (1.5)E	64 (3.5)E	6.9 (8)	7	45.5
WEST MINDANAO	65 (1.5)E	85 (5)E	27 (4)E	113 (4)E	66 (1)E	29 (2)E	0.61 (7)E	45 (6)E	61 (7)E	4.5 (13)	7	61
CENTRAL VALLEY	79 (5)E	93 (1)E	22 (10)	111 (9)E	72 (4.5)E	38 (5)E	0.49 (4.5)E	44 (8)E	50 (5)E	5.2 (12)	7	47
WEST MINDANAO	65 (1.5)E	85 (5)E	26 (5)E	104 (8)	73 (4.5)E	53 (9)	0.46 (2)E	17 (1.5)E	145 (12)	5.6 (1)E	6	60
WEST VISAYAS	76 (3)E	83 (1.5)E	17 (13)	98 (1)E	79 (1)E	40 (6)	0.91 (9)	89 (10)	63 (2)E	9.5 (3.5)E	6	61
WEST VISAYAS	81 (7)E	99 (10)	28 (2.5)E	107 (4.5)E	70 (8)E	71 (12)	0.44 (3)E	69 (9)	102 (9)	9.7 (2)	6	60.5
COA	85 (10)	94 (12.5)	28 (25)E	102 (9)	74 (4)E	50 (7)E	1.12 (12)	34 (4)E	64 (3.5)E	8.3 (5)E	6	70
WEST MINDANAO	83 (8)	85 (5)E	21 (11)E	118 (2.5)E	73 (5)E	28 (1)E	0.92 (10)	34 (8)E	95 (6)	6.1 (9)	5	72
WEST MINDANAO	89 (6)E	85 (5)E	28 (12)	107 (4.5)E	67 (10)	36 (4)E	1.04 (1)E	48 (7)E	100 (1)E	7.0 (7)	5	75.5
WEST TAYALOC	86 (1)E	84 (8)	23 (7.5)	100 (10)	69 (9)	34 (9)	0.54 (6)E	121 (12)	141 (10)	13.6 (1)E	2	63.9
WEST LUZON	89 (12)	94 (12.5)	23 (7.5)	91 (12)	64 (12)	57 (10.5)	0.67 (8)	90 (1)E	167 (13)	9.5 (3.5)E	1	101.9
WEST MINDANAO (MCR)	97 (13)	86 (9)	23 (7.5)	67 (13)	26 (13)	- (13)	4.41 (13)	368 (13)	- (1)E	5.6 (10)	1	105.5
PHILIPPINES	83	-	24	100	65	44	0.65	100	100	7.7		

general stance of the GOP is that with the approval by the IMF of the country's program of action, the economy can now look forward to new funding and begin to actively work towards recovery.

The so-called conditions set by the IMF on the surface appear justified in setting the economy on its recovery path. This is insofar as it calls for austerity on the part of the government, keeping inflation at minimum levels, bringing to balance the balance of payments position, attainment of a fair exchange rate, and refocusing priorities towards the attainment of self-sufficiency.

The recent policy mix in answer to the above objectives involved the freeing of foreign exchange controls, implementation of new tax measures, and lifting controls on the prices of a number of basic commodities. As a means of keeping liquidity levels down, a policy of wage restraint has been said to be among the conditions of the IMF package.

Foreign Exchange Controls. The freeing of foreign exchange controls in itself was not expected to unduly stress efforts to obtain raw material inputs from abroad. This is in view of the fact that many were sourcing their foreign exchange requirements from the "black market" at rates comparable to, if not higher than the current floating exchange rate.

Fiscal Measures. Implementation of a number of new tax measures, on the other hand, is met with mixed feelings. Policy makers

have stressed the need for living within our means and exercising financial discipline both in the public and private sectors.

Along with this however, is the need for additional taxes to provide the much needed revenue for the government. The increased taxes are to be slapped on certain economic and business activities, and not on income. Included here is the expansion in the coverage of the withholding tax on savings/time deposits to all amounts. In addition, the government has withdrawn all exemptions and preferential treatments of private business enterprises and/or persons in the payment of duties, taxes, fees, imposts and other charges.

These fiscal measures are, however, implemented at a time when there is a general slump in the economy. Demand for consumer goods has slackened due to the decline in purchasing power. Production levels have likewise gone down due to increasing costs of production, lack of raw materials and, to some extent, depressed demand.

Under these circumstances it would seem unlikely that government would really be able to generate increasing levels of revenue. On the contrary, it may be effectively adding another layer of costs which will further hamper production efforts and probably result in increasing price levels.

Perhaps the more critical issue here is that related to the confidence of the general public in the way revenues from taxes are being utilized. One reason to the aversion towards new taxes

is that the revenues raised may not be expended in an efficient manner due, for one thing, to the spillage arising from graft and corruption.

It seems that a better alternative to increasing taxes is to improve not only tax collection efforts but also the manner by which taxes are expended. The present monitoring system does not allow an effective evaluation of how tax revenues are actually spent. But offhand, the presupposition can be put forth that if such were expended more wisely, this would in itself make available greater levels of resources to fund development activities.

New taxes may be considered if and when all efforts along these two lines are exhausted. And such new revenue generating measures will be readily accepted by the general public.

Although the new taxes are on items other than income, the burden of such measures would still be felt by the general public.

To cite, the recent increases in the prices of petroleum and power are attributable not just to foreign exchange adjustments but, perhaps in a greater degree, also to the additional taxes imposed on petroleum. It is estimated that about 31% of the actual price of premium gasoline goes to the Government in the form of taxes. For regular gasoline, the percentage is slightly higher at 32%. It has been estimated that government hopes to generate as much as P3.14 billion in additional revenues annually from this new levy. These increases have already resulted in

increases in gasoline and cooking gas prices, and subsequently transport fares.

Price Controls. The lifting of price controls on a number of basic commodities is generally well-accepted. For one thing, prices of prime food commodities such as beef, pork and chicken have been below price control ceilings due primarily to depressed market demand. In fact, it has been observed that the phenomenon of panic buying has died down. This is perhaps due to a resignation that it is not at all possible to stay ahead of prices all the time. So instead, a change of demand patterns is in order. Even with the lifting of price controls, prices of basic commodities are not expected to unduly increase due to market demand factors. Further increases will be mainly attributable to rising costs of production and transport.

From the point of view of the producer, the lifting of price controls will enable greater flexibility in responding to market supply and demand factors. It is hoped that the small producer, e.g. the farmers, will benefit most from this measure.

Wages. As for the policy of wage restraint, it is felt that any wage increase will at best provide only temporary relief to the wage earner. There is a point to keeping wage increases to the minimum considering that wages constitute a major production input. Consequently, increases in wages could lead to further increases in prices.

It seems then that providing wage hikes would not be the best answer to improving workers' welfare. Rather the deeper problem

to be tackled remains! and this is preventing further deterioration in the peso's purchasing power.

A recent estimate undertaken by the Business Day on the purchasing power of the peso shows a continuous decline from January 1982 to August 1984. (Table 16) From January to December 1982, the purchasing power of the peso declined by 5.85%. For the same period in 1983, it declined by 20.2%. In 1984, the drop was 22.7% for the eight month period January to August.

CONCLUDING NOTES

The problem thus goes back to the capability of the economy and its people to increase productivity levels and work their way towards economic recovery and the attainment of self-reliance. In a way, the current crisis has forced the people to work out ways to improve on their efficiency. What the economy needs now is that push and support that will bring it out of its depressed state and onto the road to recovery.

This will take a great amount of effort and self-initiated action. Government's immediate concern is apparently increasingly revenue through increased taxes. It is doubtful however that the revenues to be generated from the new measures implemented will actually be realized.

An alternative is, of course, support from increasing levels of foreign investment. But it must be remembered that foreigners

TABLE 16

PURCHASING POWER OF THE PESO*
(1976 = P1.00)

	1964 -----	1983 -----	1982 -----
January	P0.4198	P0.5396	P0.5981
February	0.4168	0.5568	0.5938
March	0.3987	0.5555	0.5910
April	0.3928	0.5528	0.5872
May	0.3862	0.5488	0.5855
June	0.3634	0.5423	0.5821
July	0.3336	0.5297	0.5718
August	0.3245	0.5203	0.5679
September		0.5181	0.5653
October		0.5118	0.5643
November		0.4826	0.5634
December		0.4466	0.5631

*Business Day computations based on National Census Statistics Office data on consumer price index.

will invest only where there is an assurance of economic and political stability, and a guaranteed return of capital and profit.

What then are the overall prospects of the economy in the next few years? What is the GOP's plan of action to bring the economy out of its crisis? And how will the problem of social development be addressed?

CHAPTER FOUR

PROSPECTS AND FUTURE DIRECTIONS

OVERALL ECONOMIC GROWTH

No growth in real terms is foreseen for the overall economy in 1984. In fact, the NEDA projects a decline of 5.5% in real GNP. There are more pessimistic forecasts which project a decline of 6.0% in 1984.

The NEDA projects a minimal growth in real GNP in 1985 with accelerating growth rates thereafter. (See Table 17) As indicated in the updated Plan, the following are expected to materialize within 1984-1987:

- o normal economic growth and generation of productive employment;
- o stable prices;
- o expanded food production;
- o a rehabilitated financial system;
- o much reduced and sustainable deficits in the balance of payments and national budget, and more manageable external debt situation; and
- o improved education, health and other social conditions.

Recent policy developments may, however, result in further delays in the attainment of normal economic growth. Foremost among these developments are the new fiscal measures imposed by government to enable it to cope with expected budget shortfalls in 1985. As was commented by Omar Cruz of CRC in a recent

TABLE 17

GROSS NATIONAL PRODUCT, 1984-1987
(in million pesos at 1972 prices)

	1984	1985	1986	1987
	-----	-----	-----	-----
Agriculture	<u>25,206</u>	<u>26,077</u>	<u>27,239</u>	<u>28,672</u>
Industry	<u>32,240</u>	<u>32,859</u>	<u>33,687</u>	<u>34,723</u>
Mining & Quarrying	1,592	1,617	1,649	1,698
Manufacturing	23,014	23,479	24,131	24,928
Construction	6,382	6,446	6,522	6,672
Utilities	1,252	1,317	1,385	1,475
Services	<u>38,173</u>	<u>39,031</u>	<u>39,902</u>	<u>40,917</u>
GROSS DOMESTIC PRODUCT	95,619	97,967	100,828	104,362
Net Factor Income from Abroad	-2,200	-3,140	-3,160	-2,780
GROSS NATIONAL PRODUCT	<u>93,419</u>	<u>94,827</u>	<u>97,668</u>	<u>101,582</u>
	*****	*****	*****	*****

article, the government is in effect beating a dead horse since business is generally in the doldrums.

The real growth in GNP may thus be negative in 1985 at some -1% to -2%. Further declines in Gross Domestic Capital Formation (GDCF) are expected. In 1984, a substantial decline of 31.1% in GDCF was estimated.

Unemployment and even underemployment rates are expected to remain high. The absorptive capacity of industry, and even agriculture, will not significantly improve. Continued import restraint will hamper development efforts inasmuch as many of the industries are still import dependent. Even high technology inputs for agriculture are imported.

The recent approval by the IMF of the GOPs Economic Plan and the expected approval of the financing requests at best offers temporary relief to the economy. It serves to push back the problem of debt repayment in the hope that the economy will be able to recover at a pace fast enough to allow it to meet at least interest payments in the interim and principal repayments within a few years.

The need to generate domestic resources without unduly straining the economy's productive efforts still remains to be a major problem. In the earlier part of the 1980s, the government adopted a countercyclical strategy which involved the channeling of substantial amounts of public resources into what it considered productive activities. Part of these resources were sourced from foreign creditors.

The benefits from these investments have apparently not been realized considering the crisis being faced and the country's inability to adequately service its debts.

At this point, the government will not be able to sustain investment levels of earlier years. And such a situation is expected to continue through the coming few years.

The actual implementation of the various programs will however require substantial amounts of resources e.g. financial and technical.

In view of resource constraints from both within and abroad, Government will place priority on the support of its current operating expenses of government rather than capital outlay. An implication here is the restraint on increasing investments and expenditures even in otherwise new but productive areas.

With these context, future goals and strategies may be defined. In broad terms we must define where we want to go or where we want to be in the next few years within the limits of various constraints. Then we go on to define how we get there. This last point is in a large part tied to the availability of resources.

For the Mission a key question would be what to plan for in the context of the Government's program. Conflicts may arise due to the differences in opinion as to the types of programs to be pursued as perceived by the GGP or by USAID, or even by the people themselves.

OVERVIEW OF UPDATED GOP DEVELOPMENT PLAN, 1984-1987

The starting point for the definition of Government's program is the updated Development Plan for 1984-1987. The essence of the updated Philippine Development Plan for 1984-1987 is to strengthen the national will and capability for self-reliant development and economic emancipation.

Its underlying objective is to pull the country out of the current crisis through a conscious effort to improve productivity and attain self-sufficiency; and in the process, evolve a more independent, self-determined, and participative Filipino.

Self-reliance entails the according of priority to the development of domestic resources and the capacity for pursuing economic growth and other goals on a more sustainable basis.

The plan thus calls for a balanced agro-industrial strategy. Presumably such a strategy demands less foreign exchange, addresses the needs of the greater majority of the population; and has the potential of generating livelihood, exports and savings in the fastest and most efficient way. Such a strategy is likewise expected to lead to a more balanced urbanization process and population distribution. It likewise looks to lower population growth rates in the countryside.

A five-point recovery program is set forth in the Plan, as follows:

Loan Re-structuring

This essentially seeks to:

- o reschedule repayments of maturing foreign obligations along longer maturities,
- o reestablish credit lines,
- o enter into refinancing arrangement with banks and bilateral/multilateral financial institutions (among these are official loans for food and agricultural/ industrial inputs, and new money for other requirements),
- o realignment of external debt ceilings and government guarantees,
- o total direct borrowings to be distributed as follows:
 - 75% - government projects
 - 25% - private sector projects

Economic Stabilization

This strategy hopes to:

- o generate additional government revenues, encourage exports, minimize inflation; and
- o effect demand management policies to restrain unnecessary consumption and imports, as well as provide adequate incentives toward export development activities.

Refocusing Economic Priorities

This intends to:

- o reduce public investment program;
- o emphasize on-going, labor-intensive and small-scale projects;
- o focus government construction mostly on rural roads, irrigation and related infrastructures; with rehabili-

tation and maintenance of completed infrastructures and housing facilities for low-income families;

- o put emphasis of public investment on on-going energy projects; on the completion of large-scale rural water supply projects and the construction of smaller-scale rural water supply projects; and transport facilities;
- o rely on agriculture to take the lead in development; the program will extend to subsistence farms, forest development, aquatic resources, and mineral-based activities; and to complementary cottage, small-scale and labor-intensive industries.

Expansion and Strengthening of the Structural Adjustment Program

This will be carried out via:

- o phase-out of the differential treatment of foreign and domestically produced products under the Philippine tax system;
- o selective implementation of sectoral development and restructuring programs in industry;
- o refinements in the energy implementation of sectoral development and restructuring programs;
- o refinements energy investments and pricing. By the end of 1985, dependence on imported energy is expected to be reduced to 50%;
- o revitalization of agriculture, forestry and fishery through productivity improvement, the pricing and marketing system, and more integrated planning and management.

Implementation of Programs to Sustain the Achievement of Social Objectives

These programs will seek to:

- o alleviate the plight of workers, notably those laid-off through
 - unemployment assistance loans
 - increased participation in livelihood programs

- skills retraining
- continued implementation of programs in health, nutrition, education, housing, etc.

Health and Nutrition

Increase of access to health and nutrition through:

- o Institutionalization of Primary Health Care (PHC) which shall be developed jointly by the government, private sector, and the people.
- o Expansion of Medical Care Insurance to all self-employed and their legal dependents.
- o More efficient implementation of health and nutrition programs with:
 - (1) emphasis on preventive medicine and maintenance of a clean and healthy environment; and
 - (2) increased local government participation in integrated service delivery.
- o Promotion of balanced regional allocation of resources through
 - (1) regional dispersal of medical training institutions; and
 - (2) emphasis of health infrastructure development barangay health stations, rural health units, and primary level hospitals.

Development of Self-Reliance through community involvement and participation in health and nutrition program.

Development and Increased Utilization of Resources through the

- o development of drugs from indigenous materials;
- o development of herbal medicines;
- o tapping of faith healers, accupuncturists; and
- o production of low-cost nutritious food.

Adoption of total/integrated approach through:

- o establishment of links with KKK and KSS;
- o underscoring the importance of environmental factors in health protection;
- o integration of nutrition considerations in education, social services, agriculture, and other sectors; and
- o international and regional cooperation.

Strengthening of private sector participation through:

- o support of bed capacity allotment;
- o equipment sharing at all levels of health care;
- o voluntary consultancy services to government hospitals;
- o health referral system;
- o use of herbal medicines; and
- o health education

Promotion of more efficient program, monitoring, evaluation and research.

Education

Short Term Strategies

Increase support for the balanced agro-industrial development strategy via the strengthening of:

- o agricultural and technical education and training in formal and non-formal systems
- o research capability in tapping indigenous resources and technology.

Minimizing impact of economic dislocation through the:

- o retraining of laid-off workers;

- o training of unemployed, underemployed and out-of-school youth;
- o according of training priorities on food, beverage, footwear and wood industries; and on skills demanded by the overseas labor market; and
- o development of skills for self-employment.

Adjusting to financial constraints by:

- o working out more realistic tuition fees, and
- o expansion of scholarships and student assistance programs.

Tapping alternative sources of funds through:

- o a review of a number of financing proposals;
- o participation of education personnel in KSS which has been extended to include textbook writing, preparation of instructional materials, and production of other items needed by schools;
- o training cost-sharing between public and private sector; and
- o implementation of a Capital Renewal Program which shall avail itself of direct grants and aids instead of loans.

More efficient and effective resource use through:

- o adoption of a service contracting scheme, and
- o maximum utilization of academic personnel.

Medium and Long Term Strategies

Elementary Education

- o expansion of experimental education programs for disadvantaged and gifted learners emphasizing the use of community-based rather than school-based strategies;
- o vigorous training and retraining of teachers and administrators;

- o institutionalization of a systematic monitoring and evaluation of elementary education performance; and
- o gradual integration of computer education into the regular curricula.

Secondary Education

- o curriculum development;
- o staff development of teachers and administrators;
- o provision of instructional materials;
- o conduct of research and special studies; and
- o upgrading of barangay high schools into functional community centers so they can take a more active role in the provision of skills required in the community.

Technical-Vocational Education

- o Continued orientation towards the needs of industry; and
- o evaluation of more efficient mechanisms to ensure absorption of graduates.

Tertiary Education

- o Devising of creative and productive financing schemes for institutional development; and
- o development of higher level professions.

Science and Technology

- o Training of high level scientific manpower through a consortium among top university science departments;
- o foreign training;
- o curriculum development to focus on computer education, biochemistry, submicron engineering, and other related technical and scientific fields;
- o provision of low-cost but appropriate science equipment; and
- o creation of a regional network of science institutes.

Non-formal Education and Training

- o provision of skills and the development of entrepreneurship in support of the manpower requirements primarily of small and medium-scale export-oriented industries;
- o meeting the need for functional literacy, numeracy, and citizenship training of those who fail to avail themselves of formal schooling;
- o gradual shifting of skills training responsibility to the private sector through, e.g. the training contract mechanism; and
- o intensified campaign for nationwide apprenticeship registration.

Employment

Minimizing the impact of economic dislocation via:

- o extension of emergency unemployment assistance loans;
- o retraining in skills needed by the growth sectors;
- o participation in KKK, overseas employment, food aid and Balik-Propincianal; and
- o emphasis on rural-oriented, labor-intensive infrastructure projects.

Increased support for Balanced Agro-Industrial Development Strategy through the:

- o Strengthening of the livelihood components of the Rural Workers' Program; and
- o expansion of rural mobile training programs to areas without Regional Manpower Training Centers.

Generation of more employment opportunities via the:

- o promotion of cottage, small and medium-scale industries and labor-intensive enterprises using indigenous raw materials; and
- o use of labor intensive methods in the construction of infrastructure projects.

Promotion of employment opportunities through the:

- o strengthening of local placement offices;**
- o improvement of apprenticeship/learnership systems; and**
- o overseas employment.**

POPULATION

Children and Youth

- o massive supplemental feeding outside Day Care Centers for 0-3 years old group**
- o internalization of small family size norms and increased child spacing practices**
- o population information-education program.**

Adults

- o productive employment through intensified manpower development programs, employment services, and self-employment assistance**
- o training of landless workers to promote the viability of agro-based industries**
- o expansion of social security coverage to self-employed**
- o more efficient and less costly access to family planning services.**

Elderly

- o participation in community activities**
- o provision of health services**
- o expansion of social security benefits**
- o support for institutions for the elderly.**

FUTURE DIRECTIONS

The foregoing discussions point out various aspects of the crisis the economy is currently facing; and the strategies outlined by the Government to pull the country out of the crisis and put it on its way to recovery.

The various strategies embodied in the updated Philippine Development Plan for 1984-1987, particularly those on social development, provide a wide range of alternatives for USAID assistance within the framework of its Congressional Mandate and the Philippine plan.

The broad objectives and strategies of the Plan appears to be sound and relevant. The Plan, however, is not specific how its development program is to be funded. Many of the projects listed in the Plan document are on-going indicating that within the next few years, very few new programs are lined up.

For USAID, and for the next CDSS in particular, the problem to answer would be what direction the program should take to enable the Philippine economy to maximize the benefits from USAID's program of assistance. Putting it in another way, it is of utmost importance that USAID maximize every dollar of assistance spent for the country's development.

A set of guidelines for the design of new activities must thus be developed. This is so because limiting USAID's assistance primarily to the support of on-going programs would defeat the whole purpose of the CDSS and its periodic updates.

The CDSS must be flexible enough to allow assistance to be provided to existing programs if these are deemed relevant to and supportive of development of the poor groups; or for the development of new types of programs which are deemed more effective.

The target of development assistance programs of the United States are the "poor majority" in developing countries. In addressing the needs of this "poor majority" there are two overall objectives that may guide the selection of programs.

One is the alleviation of poverty and the other is the improvement of development potentials. The former would be addressed specifically to identified poverty groups and hence the need to identify who make up these groups. The latter focuses on areas with growth potentials as a means of maximizing returns on investments.

Poverty groups may exist within these areas and as such will benefit from implemented programs. The difference in this approach is that it focuses on a broader guiding framework.

It in effect recognizes that not all poverty groups, or in broader terms, not all areas will reap the benefits intended from investments poured in because some of these may lack such potential necessary for this.

Phase II of this project thus seeks to develop a model for the selection of programs and projects for the next CDSS.

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