

Eradicating Poverty in the Philippines by 2030: An Elusive Goal?

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The Philippines aspires to be an upper middle-income country by 2022 as stated in the 2017-2022 Philippine Development Plan. Moreover, it aims to reduce rural poverty from 30 percent in 2015 to 20 percent in 2022. Overall poverty rate is also targeted to decline from 21.6 percent to 14.0 percent in 2022 – equivalent to lifting about 6 million Filipinos out of poverty. Moreover, the country has committed to the Sustainable Development Goals, where the first goal is to eradicate extreme poverty by 2030.

Considering that 2022 is just one year away, it would be useful to see how the Philippines is faring in the area of poverty reduction compared to other upper middle-income countries.

While we recognize that poverty is multidimensional, this policy brief focuses on income poverty since the Social Reform and Poverty Alleviation Act (RA 8425) defines the poor as individuals and families whose income falls short of the poverty threshold as identified by the National Economic and Development Authority, and/or those who cannot afford their minimum basic needs (e.g. food, health, education, housing and other essential amenities) in a sustained manner.

1. Where are we now?

The country's performance in poverty reduction has lagged behind Malaysia, Thailand Indonesia, Viet Nam and Myanmar.

The World Bank has estimated an international poverty line to measure absolute poverty. In 2015, the World Bank has defined the extremely poor as those who are living on USD 1.90 or less per day, in 2011 PPP.

The World Bank also reports poverty rates for all countries using a lower middle-income international poverty line, set at USD 3.20/day; and an upper middle-income international poverty line, set at USD 5.50/day. These additional poverty lines are based on a paper by Jolliffe and Prydz (2016), where they found that 33 low income countries had a median poverty line of USD 1.91 per person per day, 32 lower middle-income countries had a median poverty line of USD 3.21, and 32 upper middle-income countries had a median poverty line of USD 5.48.

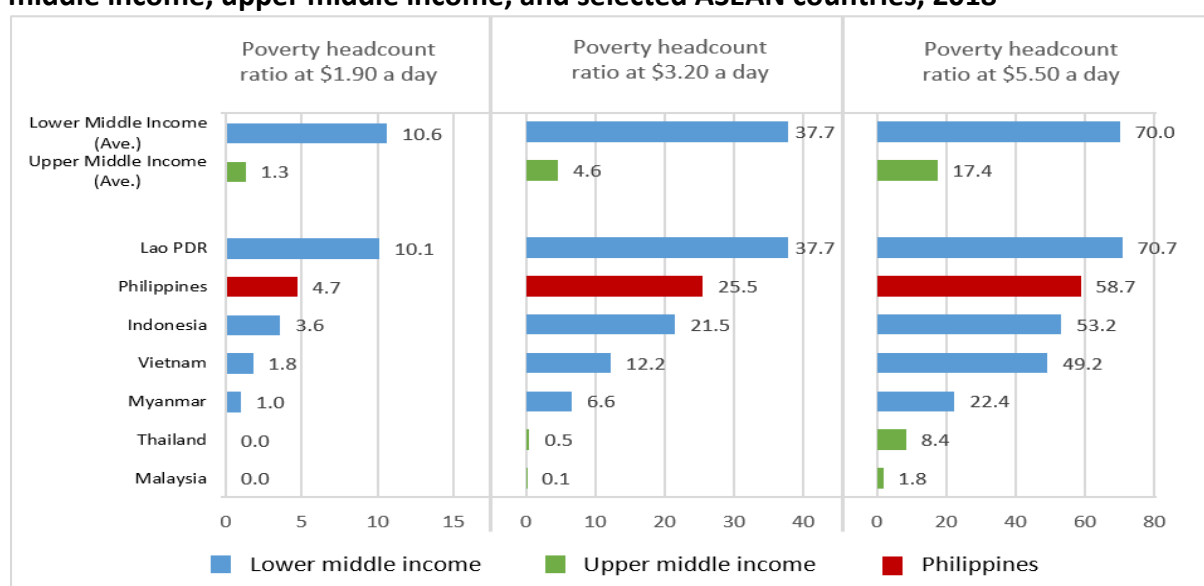
The Philippines, Indonesia, Lao PDR, Myanmar and Viet Nam are lower middle-income countries, while Malaysia and Thailand are upper middle-income countries.

The Philippines has lower poverty incidence than the average for lower middle-income countries, but still much higher than the average for upper middle-income countries. Its poverty incidence is also much higher than Malaysia, Thailand, Indonesia, Vietnam and Myanmar. This is true for all the three poverty lines used.

Using the USD 1.90 poverty line, the poverty incidence in the Philippines is 4.7 percent. This is lower than the average for the lower middle-income countries of 10.6 percent, but higher

than the average for upper middle-income countries of 1.3 percent. It performs worse than the neighboring lower middle-income countries of Viet Nam, Indonesia and Myanmar but better than Lao PDR (**Figure 1**). Using the poverty line for lower middle-income countries of \$3.20, the poverty incidence in the country is 25.5 percent, lower than the average for lower middle-income countries of 37.7 percent, but much higher than the average for upper middle-income countries of 4.6 percent (**Figure 1**). Using the poverty line for upper middle-income countries of \$5.50 a day, the Philippines has a poverty incidence of 58.7 percent. This is lower than the average for the lower middle-income countries of 70.0 percent, but much higher than that for upper middle-income countries of 17.4 percent (**Figure 1**).

Figure 1. Poverty incidence at USD 1.90, USD 3.20, and USD 5.50 a day (2011 PPP) of lower middle income, upper middle income, and selected ASEAN countries, 2018



Note: No data available for Brunei Darussalam, Cambodia, and Singapore.

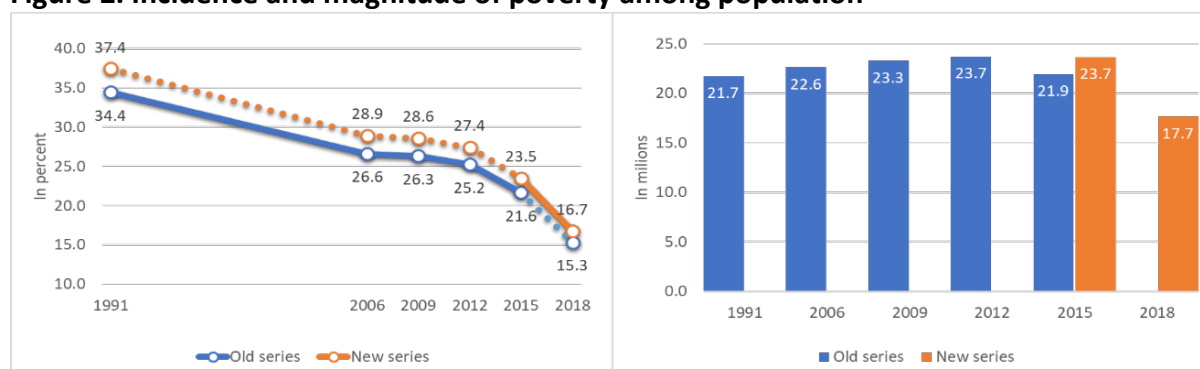
Source: World Bank PovCalNet

1.1. Trends in poverty reduction

Using nationally determined poverty lines from the Philippine Statistics Authority (PSA), poverty incidence experienced a significant decline of 9.9 percentage points during the period 2012-2018, coinciding with the period of sustained economic growth of at least 6 percent annually. From 2006 to 2012, there has been at most 1.1 percentage point reduction every 3 years. The pace of reduction accelerated during the period 2012-2018. Between 2012 to 2015, there was a 3.6 percentage point decline in the poverty incidence. Moreover, between 2015 to 2018, poverty incidence declined by 6.3 percentage points (**Figure 2**). This translates to 17.7 million poor Filipinos in 2018 (**Figure 2**).

In the past, the magnitude of poor Filipinos has not gone down despite the modest declines in the poverty incidence due to the population growth. The annual population growth rate has gone down from 2.32 percent during the 1990-1995 to 1.63 percent during the period 2015–2020.

Figure 2. Incidence and magnitude of poverty among population

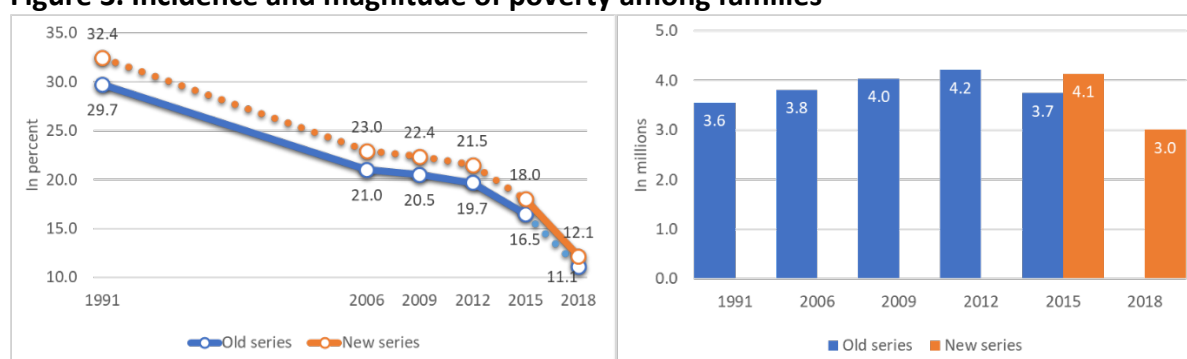


Note: The data for 1991, 2006, 2009 and 2012 for the new series and data for 2018 for the old series are author's estimates.

Sources of data: FIES 2006, 2009, 2012, 2015 and 2018.

In 2018, the poverty incidence among families stood at 12.1 percent, a significant reduction from the 18.0 percent poverty incidence in 2015 (**Figure 3**). This represents about 3 million poor families (**Figure 3**).

Figure 3. Incidence and magnitude of poverty among families



Note: The data for 1991, 2006, 2009 and 2012 for the new series and data for 2018 for the old series are author's estimates.

Sources of data: FIES 2006, 2009, 2012, 2015 and 2018.

1.2. Profile of the poor

1.2.1. Regional disparities

Disparities among regions continue to be large, although it has narrowed over time except for ARMM. In 2018, the National Capital Region (NCR) has the lowest poverty incidence at 2.2 percent while ARMM has the highest at 61.8 percent. All regions experienced reduction in poverty incidence between 2015 and 2018, except for ARMM, which experienced an increase from 59.4 percent to 61.8 percent (**Table 1**). Moreover, the disparities widened for ARMM. In 2015, the poverty incidence in ARMM was 15 times that of NCR; in 2018, it worsened to 28 times.

In terms of distribution of the poor, NCR has 1.7 percent, the rest of Luzon has 30.1 percent, Visayas has 23 percent and Mindanao has 45.1 percent. The share of Mindanao has increased significantly from 29 percent in 1991, while the share of Luzon has shrunk from 44 percent in 1991. In 2018, the poor are concentrated in ARMM (14%), Bicol (9.2%), Eastern Visayas (8.0%), Central Visayas (7.8%) and SOCCSKSARGEN (7.6%) (**Table 2**).