

**The Seventh Jaime V. Ongpin
Annual Memorial Lecture
on Public Service
in Business and Government**



Veritas

Ateneo de Manila University

Professional Schools, Rockwell Campus

Makati City

11 November 2008

**The Seventh Jaime V. Ongpin Annual Memorial Lecture
on Public Service in Business and Government**

Pathways Out of Poverty: Fancies, Facts, and Challenges

Arsenio M. Balisacan, Ph.D.

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Program Schedule

Pathways Out of Poverty: Fancies, Facts, and Challenges

The Seventh Jaime V. Ongpin Annual Memorial Lecture
on Public Service in Business and Government

Veritas, Fourth Floor
Ateneo de Manila University Professional Schools
20 Rockwell Drive, Rockwell Center, Makati City
11 November 2008

- 8:30–9:00 Registration
- 9:00–9:15 Philippine National Anthem
Invocation by **Solvie T. Nubla**
Opening Address by **Antonio G.M. La Viña, JSD**
- 9:15–10:00 The Lecture by **Arsenio M. Balisacan, Ph.D.**
“Pathways Out of Poverty: Fancies, Facts, and Challenges”
- 10:00–10:30 Reactions
Prof. Solita C. Monsod
Mr. Alberto A. Lim
Mr. Tony S. Lopez
- 10:30–11:10 Open Forum moderated by
Atty. Fina De La Cuesta-Tantuico
- 11:10–11:15 Closing Remarks by **Maria Isabel G. Ongpin**
- Atty. Fina De La Cuesta-Tantuico**
Chair, Committee on Legal Education
Philippine Bar Association
Master of Ceremonies and Moderator

Invocation

Solvie T. Nubla
Director, Pathways to Higher Education
Ateneo de Manila University

Let us put ourselves in the holy presence of the Lord. In the name of the Father, the Son, and the Holy Spirit.

Dear Lord, the world we live in today is very different now. We are plagued with problems that have far-reaching and longer-term implications than ever before.

The Philippines has not been spared. The gap between the rich and the poor, the educated and the uneducated have grown much wider.

We come together in this forum today in an earnest attempt to better understand what is happening so that we may find better ways to respond.

We ask that you walk with us as we find the pathways out of poverty today and more so after we leave these halls.

We ask this through Christ our Lord. Amen.

Welcome and Opening Remarks

Antonio G.M. La Viña, JSD
Dean, Ateneo School of Government
Ateneo de Manila University

Mrs. Isabel Ongpin, members of the Ongpin family, Dr. Arsenio Balisacan, today's lecturer; our panelists Mr. (Alberto) Lim, Mr. (Tony) Lopez, and Prof. (Solita) Monsod, distinguished guests from the academe and government, ladies and gentlemen: Good morning.

On behalf of the Ateneo de Manila University, it is my pleasure to welcome you to the Rockwell Campus of the Ateneo de Manila University Professional Schools. This campus houses the Ateneo Graduate School of Business, Ateneo Law School and the Ateneo School of Government. Once again, I welcome you to The Seventh Ongpin Annual Memorial Lecture on Public Service in Business and Government.

I do not exaggerate when I say that one of the biggest perks of being the Dean of the Ateneo School of Government is delivering the opening and welcome remarks for this annual event. This event is the most prestigious lecture in the university on matters of public policy and interest.

There are three reasons for my exuberance about this intellectual exercise.

First, the lecturers. I think you would agree with me that in the seven years that we have had this lecture, the speakers chosen mainly by Mrs. Ongpin have not disappointed. Dr. Randy David, Justice Florentino Feliciano, Fr. Bobby Yap of the Society of Jesus, Sen. Mar Roxas, Fr. Joaquin Bernas S.J., and last year's lecturer, Sen. Edgardo Angara. My only complaint is that there are more University of the Philippines colleagues (I also teach with U.P.) than Ateneo colleagues that have been invited to deliver this lecture.

Second, the topics our lecturers choose are truly the great issues of our time. Two years ago, Fr. Bernas took on the controversial issue of charter change. Last year, Senator Angara shared his vision on reforming education in this country. And today's lecture is not an exception. Overcoming poverty certainly remains the most important goal of the government, indeed of Philippine society. For the Ateneo de Manila University, which is about to enter its sesquicentennial celebration with the theme of nation-building as the focus, it is only apt that we address this very critical issue.

There's a third reason why I look forward to this event every year. The Ongpin Lecture, as you know, is in honor of the late Mr. Jaime Ongpin. As someone who was a young professional when Mr. Ongpin first emerged in the national arena first as a

leader of the anti-Marcos movement and later as a high level government official, I was always struck by the sincerity with which he entered the world of governance. It was clear to me then that Mr. Ongpin was always motivated and guided by the good for the many. It was never about himself or his economic class. His work was always about the Filipino people. Today's lecture on overcoming poverty by Dr. Arsenio Balisacan, the country's leading expert on this, once again honors properly the memory of Jaime Ongpin.

Thank you and welcome to the Seventh Jaime V. Ongpin Lecture.

Introduction of the Speaker, Panel of Reactors, the Master of Ceremonies and Moderator

The Lecturer

Arsenio M. Balisacan, Ph.D.

Dr. Balisacan is the Director (Chief Executive) of the Southeast Asian Regional Centre for Graduate Study and Research in Agriculture (SEARCA), the regional center of excellence for agriculture of the Southeast Asian Ministers of Education Organization (SEAMEO). He is on secondment from the University of the Philippines Diliman where he has been a professor of economics since 1988. Prior to his appointment at SEARCA in 2003, he served as Agriculture Undersecretary in the Philippine Government and, concurrently, Chairman of the Board of Directors of the National Agribusiness Corporation, and Member of the Board of Directors of the Philippine Crop Insurance Corporation.

Dr. Balisacan also serves in the Policy Advisory Council (Member) of the Australian Centre for International Agricultural Research, Board of Advisors (Chairman) of the Asian Institute of Management-TeaM Energy Center for Bridging Societal Divides, Technical Advisory Council (Member) of the Philippine Congress Commission on Science & Technology and Engineering, and Executive Committee (President) of the Human Development Network.

A leading development economist in Southeast Asia, Arsi has served as adviser and expert in poverty and rural development issues to Government chief executives and legislators and to bilateral and multilateral development institutions, including the World Bank, Asian Development Bank, and various United Nations agencies.

He has held leadership positions in professional associations, both nationally and internationally, including serving as President of the Philippine Economic Society in 2006 and Founding Secretary-General of the Asia-Pacific Agricultural Policy Forum (which organizes the annual APAP Forum in Jeju, Korea) in 2003–2006. Currently, he

is the President-Elect of the Asian Society of Agricultural Economists.

His research interests are on poverty, inequality, agricultural and regional development, sustainable development, and political economy of policy reforms. His publications in these areas include 7 books and about 100 journal articles and book chapters. The more recent book titles include *The Dynamics of Regional Development: The Philippines in East Asia* (Edward Elgar, UK, with H. Hill), *Reasserting the Rural Development Agenda: Lessons Learned and Emerging Challenges in Asia* (ISEAS, Singapore, and SEARCA, with N. Fuwa), and *The Philippine Economy: Development, Policies, and Challenges* (Oxford University Press, with H. Hill). He is the Founding Editor of the *Asian Journal of Agriculture and Development*.

A recipient of numerous professional achievement awards, Arsi was conferred the title of Academician by the National Academy of Science and Technology (NAST) in July 2008.

He may be contacted at arsenio.balisacan@up.edu.ph.

The Reactors

Prof. Solita C. Monsod

Solita Collas Monsod is a Professor at the School of Economics of the University of the Philippines. She is the convenor of the Philippine Human Development Network and was Chairman for 11 years. Her international involvement includes having been a member of the United Nations Committee on Development Policy (UNCDP) and the South Commission and serving Advisory Board of the South Centre in Geneva, Switzerland and of the Board of Trustees International Food Policy Research Institute (IFPRI) based in Washington, D.C. She is frequently asked to serve on the Advisory Board of the UNDP Human Development Report. She served as Minister and later Secretary of the Socio-Economic Planning in the Philippine Government. She served as Vice-Chair of the Department of Agriculture Senior Scientist Advisory Committee and is currently Chair of the SEAMEO SEARCA Advisory Committee and Chair of the SEAMEO SEARCA Advisory Board. She is also currently a member of the high level Task Force of the United Nations High Commissioner for Human Rights. Winnie was given the Most Outstanding Alumna Award for 2005 by the UP Alumni Association.

Winnie Monsod also writes a weekly column for *Business World* and *Philippine Daily Inquirer*, and is co-host of *Unang Hirit*, an early morning TV show dealing with current socio-political and economic issues.

Mr. Alberto A. Lim

For the last 38 years, Alberto A. Lim has been engaged in business, government and civil society. In his last position as CEO of a well-known resort development company, he pioneered in the triple bottom line, long before the term became fashionable. His company Ten Knots Development Corporation won several national and international awards for environmental conservation. To help the people in the communities increase their capacity to raise their quality of life, he founded El Nido Foundation, a community-based social development agency and helped organize the El Nido Protected Area Management Board. He also heads the Culion Foundation that is involved in community health concerns in several parts of the country. Bertie founded and led the Palawan Tourism Council that has projected Palawan as a top tourist destination. He founded the Corporate Network for Disaster Response after an intensity 7.2 earthquake in 1990 and continues to lead this enterprise that is unique in Asia.

Bertie took on part time assignments in government joining several boards involved in tourism. He became a board member of the Civil Aeronautic Board where he actively pursued the liberalization policy against strong opposition from firmly entrenched business interests. Prior to assuming that position, he co-founded the Freedom to Fly Coalition that advocates open skies for the country as a strategy to promote economic development.

Bertie was involved in the founding of the Jaime V. Ongpin Institute of Business and Government whose mission was to bridge the two major sectors of society. He continues the advocacy work for economic reform and good governance as Executive Director of the Makati Business Club, an association of top business corporations. Included among MBC's many initiatives are programs to provide guidance and resources to the Coalition against Corruption and to the National Movement for Free Elections.

He has a bachelor's degree in economics from the Ateneo de Manila University, a master's degree in business administration from the Harvard Business School and a master's degree in public administration from the Kennedy School of Government.

Mr. Tony S. Lopez

Mr. Lopez, 59, is a professional journalist of more than 40 years and the founder, publisher and editor-in-chief of *BizNewsAsia*, the largest weekly business and newsmagazine in the Philippines.

He is also a political and business columnist of *The Manila Times* where he writes a column three times a week. He hosts the weekly breakfast forum *Newsmakers* every Wednesday at Holiday Inn.

Lopez is a specialist writer on politics, business, economics, Asian and global affairs. He finished journalism, minor in economics, *magna cum laude*, on a four-year full scholarship at the University of Santo Tomas, and global journalism at the University of Stockholm, Sweden. He took up three semesters of MBA studies at Ateneo de Manila University.

He is at present the chairman of the Manila Overseas Press Club (MOPC), Asia's oldest press club and the Philippines' most prestigious press club. He is MOPC's only six-time president. He is a founding member of the Foreign Correspondents Association of the Philippines (FOCAP). He was business editor of *The Times Journal*, senior business reporter of *The Manila Times*, and business correspondent of *The Manila Chronicle*.

Lopez was a senior correspondent of for 25 years of *Asiaweek*, the defunct Hongkong-based weekly newsmagazine subsidiary of Time Warner, Inc. His work for *Asiaweek* made the magazine the largest news weekly in the Philippines and helped put the country on the world map during the critical period covering the Marcos regime and the ensuing People Power Revolution.

He also worked for 20 years as the Manila-based correspondent of *The Mainichi*, Japan's oldest daily, and did various assignments for German Television.

Among his awards are: the TOYM for International Journalism in 1985, the Outstanding Manilan for international journalism in 1989, the Rotary Club of Manila Award for distinguished foreign correspondence, the *Philippine Star* Gold Medal as one of the heroes of EDSA in 1985, the Most Outstanding Thomasian Award in Journalism, and among the Most Outstanding Alumni of the UST College of Arts and Letters in the last 100 years.

The Master of Ceremonies and Moderator

Atty. Fina De La Cuesta-Tantuico

Atty. Fina De La Cuesta-Tantuico practices corporate and family law at the De La Cuesta De las Alas & Tantuico Law Office. She also holds key positions in various organizations as vice president for Judicial Affairs of the University of the Philippines Women Lawyer's Circle, Chair of the Committee on Legal Education of the Philippine Bar Association, secretary of the U.P. Law Alumni Foundation, Inc., and secretary to the board of trustees of Malcolm Trust Funds, Malcolm Professorial Chair for Constitutional Law, University of the Philippines.

Atty. Tantuico graduated AB English, *cum laude*, from the U.P. (1982). She obtained her Bachelor of Laws from the U.P. College of Law (1988) and completed the Program of Instruction for Lawyers at Harvard Law School (1997) in Cambridge, Massachusetts.

Among the various positions Atty. Tantuico held in the field of law: are member of the Committee on Judicial Reform of the Philippine Judicial Academy, Supreme Court; member of the Legal Panel of the Presidential Fact-Finding Commission on the Protection of Overseas Filipinos (Gancayco Commission, Malacañang, 1994); judicial staff head of the Supreme Court of the Philippines, Office of Associate Justice Ameurfina Melencio-Herrera (1989–1992); and assistant vice president of the Legal Department of the United Overseas Bank Philippines, formerly the Westmont Bank, (1995–2000).

The Lecture

Pathways Out of Poverty: Fancies, Facts, and Challenges

Arsenio M. Balisacan, Ph.D.

University of the Philippines Diliman and SEARCA

Let us start this lecture with, to borrow Al Gore's phrase, the "inconvenient truth": Poverty in its various absolute dimensions is widespread in the Philippines, increasing in recent years, and threatening to rip our social fabric. It is disturbingly high, especially in comparison with other countries in East and Southeast Asia. If past economic difficulties are any guide, the current global financial crisis, which is degenerating into a global economic meltdown, is poised to further deepen destitution and hunger, and widen the divides between the haves and the have-nots. Undeniably, addressing the poverty problem is the single most important policy challenge facing the country today.

Proposals peddled to address the poverty problem are aplenty—and keep growing. At one end of the spectrum are proposals with the "it's the economy, stupid" perspective. The contention is that the root of the problem is simply the lack of a respectable economic growth, at least in comparison to East Asian countries. Putting the economy on a high-growth path is thus prescribed as all that is needed to lick the poverty problem. At the spectrum's other end are proposals treating the poverty problem as purely a concrete manifestation of gross economic and social inequities. Redistributing wealth and opportunities then becomes the key to winning the war on poverty. A variant of such proposals holds that economic growth does not at all benefit the poor. Focusing on growth rather than on redistributive reforms is seen to exacerbate inequities, which could lead to further erosion of peace and social stability.

Between these extremes are views that consider economic growth as a necessary condition for poverty reduction and recognize that reform measures have to be put in place to enable the poor to participate in growth processes. Proponents of so-called "pro-poor growth" or "inclusive growth" belong to this mold, although not necessarily sharing common grounds on what, conceptually and operationally, constitutes pro-poor or sustained growth processes. For some groups, pro-poor growth requires nothing less than institutional reforms, including electoral reforms, aimed at substantially reducing

corruption in public service. For others, it is about addressing head on the country's rapid population growth.

How do these proposals stand against the body of evidence, particularly recent development experiences? What are facts and what are fancies? Given the country's fiscal resources, what policy levers can be expected to generate high returns in terms of poverty reduction?

We attempt to answer these questions in this lecture. We do this by examining the Philippine experience in poverty reduction from an "international" perspective. We first characterize the nature, pattern, and proximate determinants of poverty reduction during the past 20 years. We then focus on the connection between economic growth and poverty reduction from a comparative perspective. Next, we move to identifying the key drivers to poverty reduction, specifically the quantitative significance of the country's continued rapid population growth to long-term income growth and poverty reduction. Finally, we conclude with the big challenge facing the country.

What Do We Know about Poverty

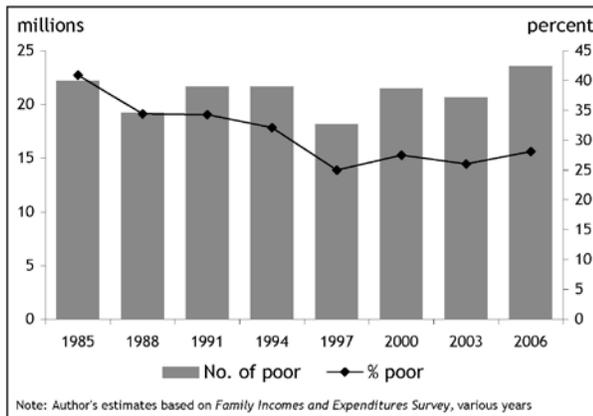
Poverty is a multi-dimensional concept, but for the purpose of this lecture, let us focus on its income dimension. In the Philippines, income poverty is pervasive and has declined quite slowly over an extended period. Thus, the bulk of the income poor are likely to be also poor in the other dimensions of deprivation, as indicated, for example, by lack of capabilities in terms of educational achievement and health. Hence, we define the poor as those whose incomes fall below a pre-determined income threshold. In comparing poverty across countries, it is common to use a fixed norm or poverty line (for example, the international line of \$1.25 a day in 2005 prices currently used by the World Bank).

Owing to comparability problems, the official poverty estimates could not be used to assess the country's performance in poverty reduction over time and across space. Over the past many years, I have employed a consistent procedure to quantify the magnitude of absolute poverty over time and across geographic areas or population groups. My interest has not been so much about the absolute *level* of poverty as the *changes* during the past 20 years and across provinces and regions of the country.

More worrisome than the comparability problems are concerns raised by a number of circles about the quality of economic and household data coming out of our statistical agencies. Specifically, the inconsistencies in the patterns of two broad indicators of national welfare—per capita GDP as reported in the National Income Accounts and per capita income as shown by household surveys of the National Statistics Office (NSO)—in recent years are notably disturbing. We will not go into the technical details of this issue here. Suffice it to note that we share these concerns and recognize that there are serious problems in the statistical system. Still, we have some confidence in the household data, especially since the trends in the welfare measures drawn from these surveys tend to be broadly consistent with welfare indicators from other sources, such as nutrition, child and maternal health indicators, as well as the poverty and hunger indices of the Social Weather Stations. As an aside, these data problems underscore the government's dismal investment in the statistical system, particularly in data generation and analysis.

Our poverty estimates for the years with reasonably comparable household survey data (1985–2006) reveal a number of striking observations:

- As a proportion of the population, poverty has decreased during the period, although tending to rise in recent years.



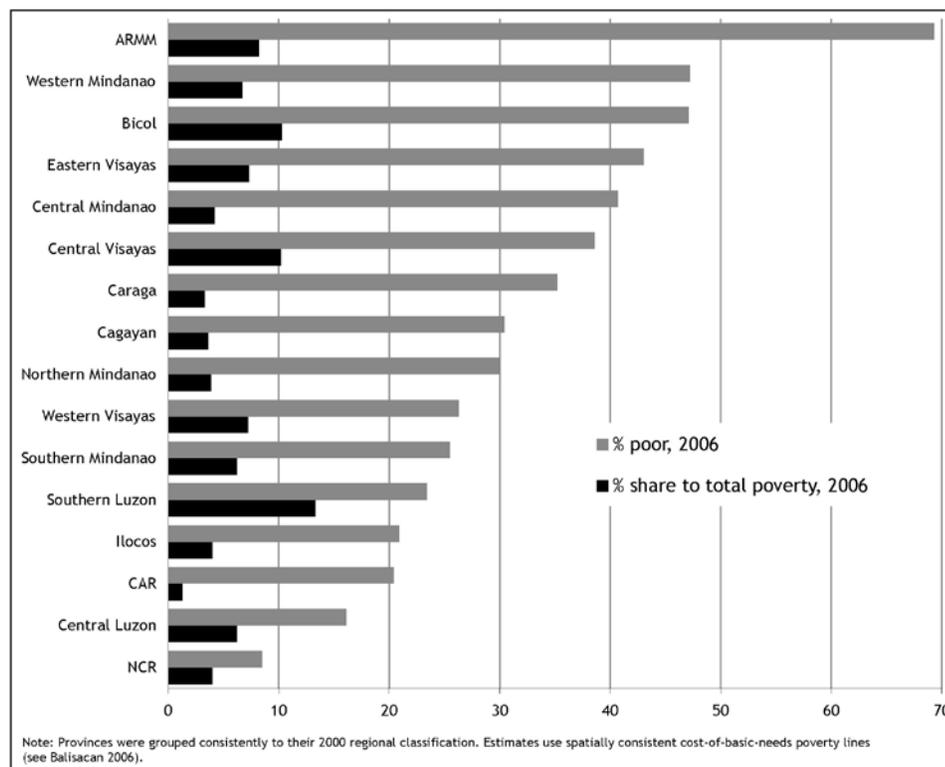
- Poverty increased between 2000 and 2006 despite the quite respectable economic performance (by the country's historical standard), as reflected in GDP growth during this period. It thus appears that the economic growth in recent years has by-passed the poor!
- Absolute poverty has remained geographically (regionally, provincially) very diverse.
- Progress in poverty reduction across

regions and provinces has been highly uneven.

- Poverty is still a rural phenomenon despite the rapid pace of urbanization.

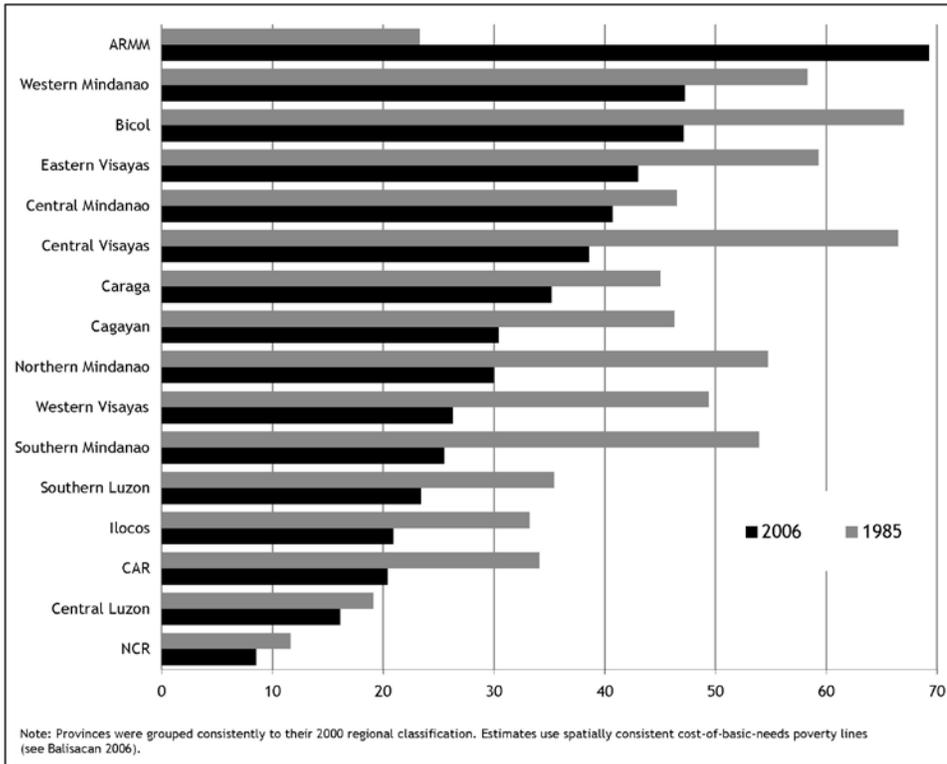
The above observations generally hold true for other income measures of poverty, such as those that are sensitive to the depth and severity of poverty, as well as for other equally plausible poverty lines. Let us elaborate on the significance of the last three observations. We will get back to the first two later in this lecture.

Much of what the public sees in the mass media on the state of social development in the Philippines is the poverty in Metro Manila's slums and streets. Yet, the poor in Metro Manila account for only four percent of the country's total poor population. Metro Manila's poverty incidence is also the lowest among the regions. The four regions with the highest incidence are Autonomous Region of Muslim Mindanao (ARMM), Western Mindanao,



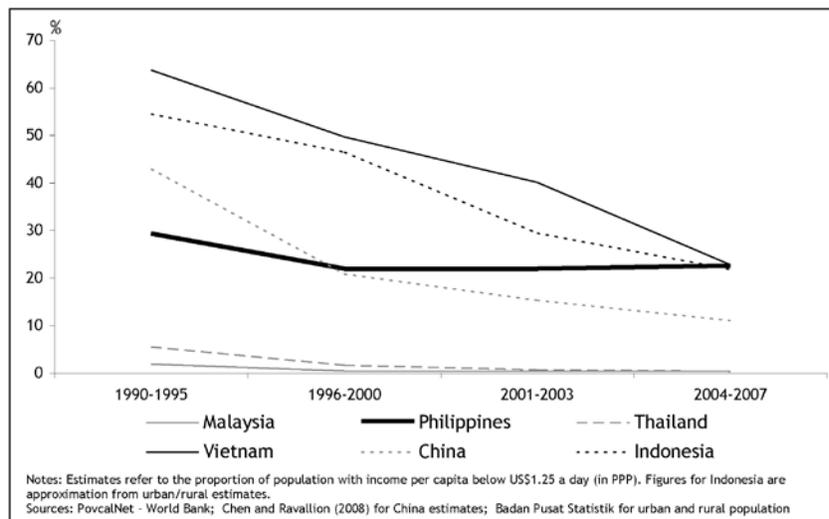
Bicol, and Eastern Visayas; their poverty incidence figures in 2006 were roughly four times that of Metro Manila's. These poorest regions account for about one-third of the country's total number

of the poor. But because Metro Manila is the most accessible to the mass media and is the seat of political power, it is not surprising that subsidy programs intended for the poor, such as the rice subsidies forked out by the National Food Authority, are disproportionately concentrated in Metro Manila.



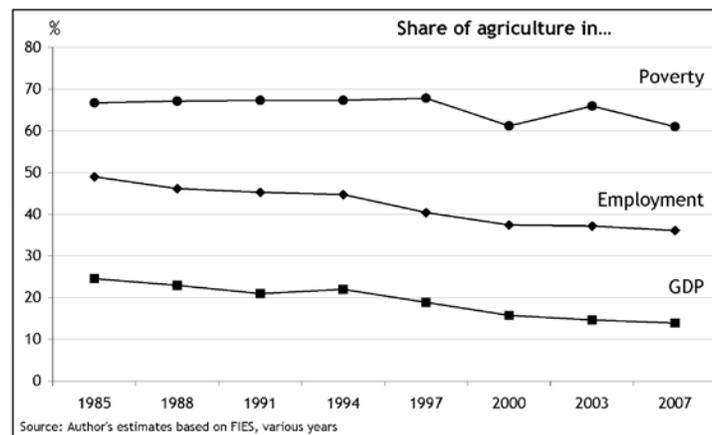
Quite remarkable particularly is the very high spatial diversity of poverty and poverty reduction in the Philippines. In recent years, some regions have done quite well in attaining high per capita income growth and reducing poverty, but disturbingly others have experienced falls in per capita income and increases in poverty. Note, for example, the alarmingly substantial increase in poverty in ARMM between 1988 and 2006. During this period, poverty also increased in Central Mindanao and Caraga provinces. Viewed from an international perspective, such disparities could breed regional unrest, armed conflicts, and political upheavals, thereby undermining the progress in securing sustained economic growth and national development. The *Philippine Human Development Report 2005* shows that measures of deprivation—such as disparities in access to reliable water supply, electricity, and especially education—predict well the occurrence of armed conflicts.

From an international perspective, poverty



reduction in the Philippines has lagged far behind that in its East and Southeast Asian neighbors, particularly Indonesia, Thailand, Vietnam, and China. Poverty levels in both Indonesia and Vietnam were about twice those in the Philippines in the early 1990s; by the mid-2000s, Indonesia and Vietnam had sharply cut down their poverty to a level similar to the Philippines'. China's progress is even more remarkable. In the early 1990s, China had a higher poverty incidence than the Philippines, but by the mid-2000s, the former's poverty incidence was only about half that of the latter. Both Malaysia and Thailand also had virtually eliminated absolute poverty in just 20 years. Interestingly, while the Philippines had a much higher average income (US\$1,129, in 2000 prices) in the mid-2000s than Vietnam (US\$538) and Indonesia (US\$942), its absolute poverty was actually much higher than either of the latter countries.

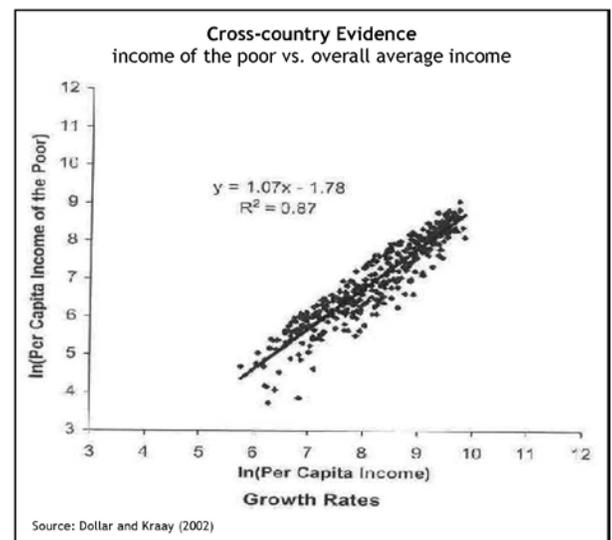
As in most of Asia's developing countries, despite the relatively rapid pace of urbanization in the past 20 years, poverty in the Philippines is still largely a rural phenomenon. Two of every three poor persons in the country are located in rural areas and are dependent predominantly on agricultural employment and incomes. Poverty

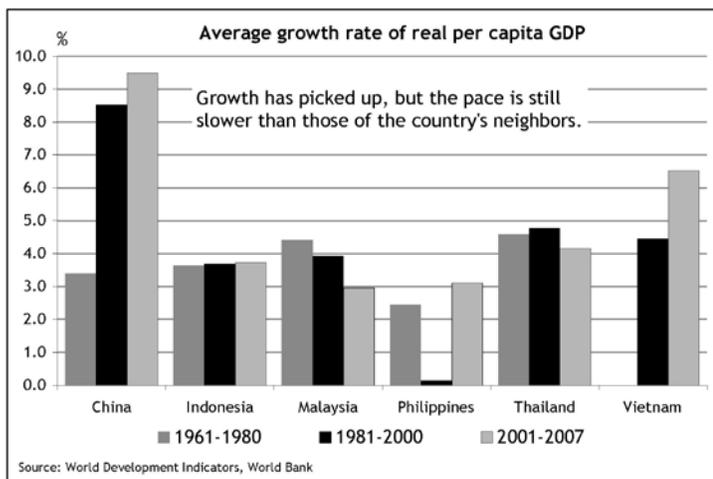


incidence among agricultural households is roughly three times that in the rest of the population. While the share of agriculture in the total labor force has gone down from about one-half in the late 1980s to only a little more than just one-third by the mid-2000s, the sector continues to account for about 60 percent of total poverty.

The Poverty-Growth Nexus

Sustained increases in national income—that is, economic growth—are required for poverty reduction. Recent development experience presents clear evidence that every country that has chalked up significant achievements in poverty reduction and human development has also done quite well in securing long-term economic growth. Indeed, viewed from a long-term perspective (say, 10 to 25 years), there is an almost one-for-one correspondence between growth in the incomes of the poor and the country's average income growth. This correlation is not unexpected: economic growth is an essential condition for the generation of resources needed to sustain investments in health, education,





infrastructure, and good governance (law enforcement, regulation), among others.

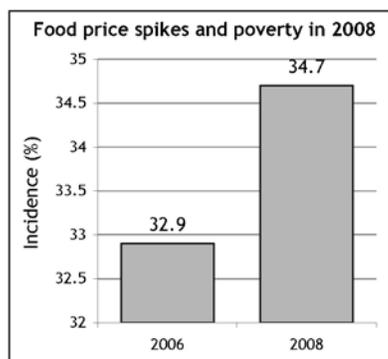
Viewed from this perspective, the Philippines' economic growth has been quite anemic, barely exceeding the population growth rate, which has continued to expand rapidly at 2.3 percent a year for most of the past two decades. Indeed, economic growth has

quickened in the past three years, even after discounting for a possibly upward bias in the National Income Accounts. Yet, even at the present pace (per capita GDP growth of 4 percent per year in 2004–2007), it can hardly be argued that the Philippines has come close to the growth trajectories of its dynamic neighbors. It is thus not surprising that serious students of Philippine development contend that shifting the economy to a higher growth path—and keeping it there for the long term—should be first and foremost on the development agenda. And so we ask, what reforms in policies and institutions can bring about an economic climate conducive to high growth and sustained development, even as the current global economic difficulties weigh down on short-term growth prospects?

Let me quickly add that placing economic growth in the forefront of the policy agenda does not at all imply that nothing else apart from growth can be done to lick the poverty problem. On the contrary, international evidence indicates that much can be done to enhance the poverty-reducing effects of growth. For example, some countries have been more successful than others in reducing poverty, even after controlling for differences in income growth rates. Studies indicate that the response of poverty to economic growth in the Philippines, especially in recent years, is greatly muted compared with that of Indonesia, Thailand, and Vietnam (Balisacan 2007). This observation is partly explained by the comparatively high inequality in incomes and productive assets

Country	Response of poverty to growth (47 Developing countries = 1.0)	Source
Philippines	0.40	Our estimate (2006)
Philippines	0.60	Our estimate (2004)
47 Developing Countries	1.00	Ravallion (2001)
(Philippines)	(0.50)	Our estimate
China	1.20	Cline (2004)
Indonesia	1.20	Cline (2004)
Thailand	1.40	Cline (2004)
(Philippines)	(0.90)	Cline (2004)
Thailand	0.90	Deolalikar (2001)

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



(including agricultural lands) as well as inferior social protection infrastructure in the Philippines.

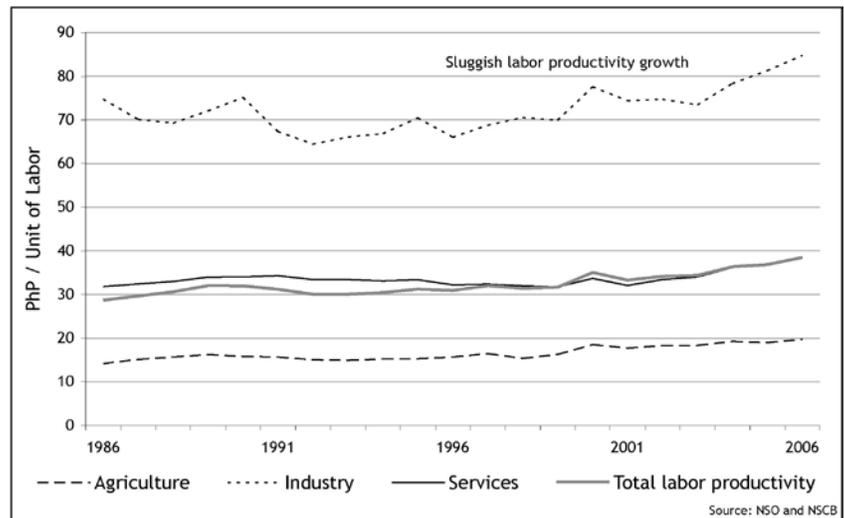
Disturbingly, in the Philippines, the connection between growth and poverty reduction has become even weaker in recent years. In fact, as shown earlier, poverty increased in the midst of modest growth. With the surge in food prices this year (food inflation rising from 3 percent in 2007 to 12 percent in the first 10 months of this year), poverty is likely to have risen

significantly. Even with a modest GDP growth of 4 percent in 2008, the proportion of the poor in the total population is expected to rise from 30 percent in 2006 to 32 percent in 2008. The Social Weather Station's hunger data show a broadly similar trend. One can ask: Can rising absolute poverty and respectable income growth co-exist for a long time? Recent economic history of nations tells us that economic growth without a "human face" (i.e., if not accompanied by poverty reduction) is bound to be short-lived. Sooner or later, growth will be weighed down by rising destitution through such familiar channels as social unrest and low human capital formation. Put differently, poverty reduction is good for sustained growth.

Making Poverty Reduction More Responsive to Growth

Key to achieving pro-poor growth, or what operationally amounts to the same thing—"inclusive growth," is expansion in access to economic opportunities, human development, social services, and productive assets, particularly by the poor. The underlying weakness of the Philippine economy lies in its inability to create productive employment opportunities for its fast-growing labor force. Even among those who are employed, productivity is low compared with the country's neighbors'. Furthermore, access to available, productive employment opportunities favors the rich (typically skilled) more than the poor (typically unskilled).

In recent decades, international evidence suggests a strong connection running between

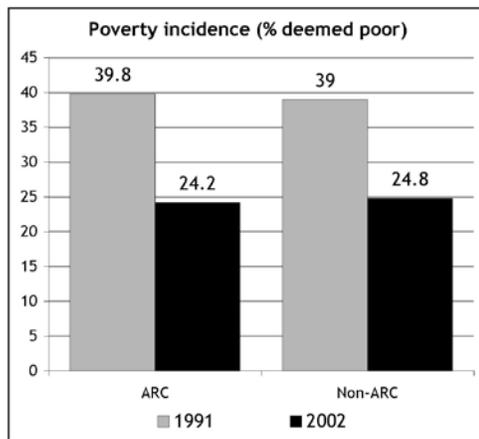


agricultural and rural development, on the one hand, and poverty reduction, on the other. As mentioned earlier, agriculture is where most of the rural poor eke out a living. Fostering productivity growth in agriculture is thus necessary to lifting rural inhabitants out of poverty. However, for many of today's rural poor, the route out of poverty leads out of agriculture altogether. Non-agricultural wage employment, non-farm enterprises, and migration offer important pathways out of poverty. Enhancing the efficiency of the labor market and social protection is thus essential to ensuring that migration is a boon rather than a bane to the poor.

Evidently, location attributes (rural infrastructure, distance from centers of trade, land distribution, and local institutions) influence poverty reduction across the Philippine rural landscape. These attributes may well determine the "optimal pathways" out of rural poverty. For rural areas that are well connected to rapidly urbanizing areas and where local institutions facilitate efficient transactions in the marketplace, including those concerning the use of land resources, non-agricultural employment and enterprise development may well be the major pathway out of rural poverty. On

the other hand, for rural areas quite distant from such centers, agricultural growth is expected to continue to play the larger role in poverty reduction. But even here, highly inequitable land ownership patterns constrain a broadly based distribution of the benefits of such growth. Indeed, recent evidence (see World Bank 2008) suggests that lowering landholding inequality makes the growth in the agricultural sector more pro-poor. Land reform aimed at effectively redistributing land ownership may, therefore, be an effective tool for strengthening the response of poverty to agricultural income growth in rural areas disadvantaged by relative remoteness from urbanized areas.

Let's digress a little and talk about what we now know about the impact of the Comprehensive Agrarian Reform Program (CARP), the government's flagship program



for equity and poverty reduction in rural areas for the past 20 years. Recent assessments (see Balisacan et al. 2007; World Bank 2008) of the program indicate that while CARP has been a positive force for social reform and poverty reduction, the welfare gains have been rather small, i.e., the changes in the welfare of the beneficiary communities (ARCs) are only slightly better than those of comparable rural communities not covered by the program (non-ARCs).

The major impediment to realizing the full benefits of the asset reform has been the extremely slow program implementation. This has given rise to bureaucratic inertia, long legal disputes, corruption, lobbying for exemption, and rent-seeking activities by elite groups for the resources made available to the program. Moreover, the long-drawn implementation has bred uncertainty, not only inhibiting the flow of private investments into agriculture but also encouraging non-planting of agricultural lands and their premature conversion into non-agricultural uses. In contrast, at the heart of the remarkable success of the East Asian land reform was the speed of its implementation.

Inadequate human capabilities have often been the underlying cause of poverty and inequality. In recent years, economic growth has favored the highly skilled and educated. Even in agriculture, which has been the reservoir of low-skilled labor, growth is increasingly anchored on higher levels of human capabilities.

Yet, the country's public spending on basic infrastructure, education, and health, whether seen in terms of share in GDP or in expenditure per person, has been lagging well behind that of its East Asian neighbors. To catch up with these countries in terms of poverty reduction and human development outcomes, the government has to simply prioritize spending on infrastructure and the social sector, especially on basic education, health and family planning services, and environment.

The table below provides a guide to national government spending. By no means exhaustive, the list includes areas that have been extensively demonstrated—both in the country and elsewhere—as effective vehicles for directly influencing the welfare of the poor, while keeping the fiscal burden of poverty reduction programs to manageable levels by reducing leakages of the benefits of such programs to the unintended (non-poor) groups.

The reform effort has to go beyond simply raising the level of public investment in basic infrastructure and social services, particularly education and health. It has to be made pro-poor as well. The data indicate that the poorest groups in society have the least access to health, education, and family planning services. Targeting of public spending must be improved so that poorer individuals would receive proportionately more opportunities for publicly funded social services and infrastructure.

Indicative areas for national government spending on a poverty program	
Areas to spend more	Areas to spend less
1 Basic education, especially teaching materials; technical education and skills development especially in rural areas	Tertiary education: cost-recovery (but with scholarships for the poor)
2 Basic health; family planning services; health insurance for the poor	Tertiary health care: cost-recovery
3 Rural infrastructure, especially transport and power (but with coordination)	Public works equipment program (except for short-term disaster relief)
4 Conditional cash transfers (food subsidy if children attend schools, visit health clinics, practice family planning)	General food price subsidies
5 R&D; small-scale irrigation systems	Postharvest facilities (private goods); fertilizers and seeds
6 Capacity building for LGUs and microfinance providers	Livelihood programs (except for short-term disaster relief)
7 CARP: conversion of collective CLOAs to individual titles; focus in rural areas remote from urbanized centers	CARP in urbanized or rapidly urbanizing areas

The reform effort has to likewise include deepening of our participation in the global marketplace. Contrary to fears expressed in various circles, globalization, defined broadly to mean interconnectedness of markets and communities across national borders, has been beneficial to the poor. Evidence indicates that in cases where globalization (in the more limited sense of openness to international trade) has hurt the poor, the culprit has often been not globalization per se but the failure of domestic governance to secure policy and institutional reforms needed to enhance the efficiency of domestic markets and ensure a more inclusive access to technology, infrastructure, and human development.

The Other Neglected Problem: Rapid Population Growth

One particular feature of the Philippine society is its failure to achieve a demographic transition similar to what its Southeast and East Asian neighbors went through during the past three decades. In all these countries, including the Philippines, mortality rates broadly declined at almost similar rates; however, fertility rates declined much more slowly in the Philippines than in its neighbors. Consequently, while population growth rates declined substantially to below 2 percent a year in Thailand, Indonesia, and Vietnam, the Philippines' high rate of 2.3 percent a year hardly changed (although it declined a bit to 2.0 percent in recent years). The working-age population of East Asian countries was 57 percent in 1965 and 65 percent in 1990, increasing four times compared with the number of dependents. In contrast, the Philippines had a working-age population of below 60 percent, with 52 percent in 1980, 55 percent in 1990, 56 percent in 1995, and 58 percent in 2000.

Compelling evidence demonstrates that the demographic dividend has contributed immensely to the rapid economic growth in the so-called "East Asian miracle" countries during the past three decades. Estimates show this contribution to be roughly one-third of the observed growth rates of per capita GDP.

In the Philippines, the population issue remains highly contentious. At the center of the debate is whether population growth has any bearing on economic development and poverty reduction. Surprisingly, despite its obvious importance in this debate, empirical

work examining the quantitative significance of the economy-population-poverty dynamics in the Philippines is quite scarce. Until lately, what exactly the country has missed in terms of economic growth and poverty reduction by way of demographic dividend has not been known.

Our recent studies attempted to fill this gap by combining estimation techniques and data to “discover” the relationship between population growth and the demographic transition on economic growth and poverty reduction. We used data consisting of 80 developing and developed countries and covering 25 years. Our focus was on long-run effects, thus the reason for our using a relatively large time series data. To the extent allowed by available data, our estimation has controlled for the influences of factors other than population growth, including institutions, trade regimes, and income inequality.

Tale of two countries: Why income growth was slower in the Philippines than in Thailand

Determinants	RP	Thailand	Foregone Growth
Population growth			0.77
All ages	2.36	1.58	
Working age population	2.85	2.53	
Other included variables*			2.07
Total growth differential accounted by model			2.84
Actual GDP per capita growth rate, average of 1975-2000	4.10	8.84	4.74

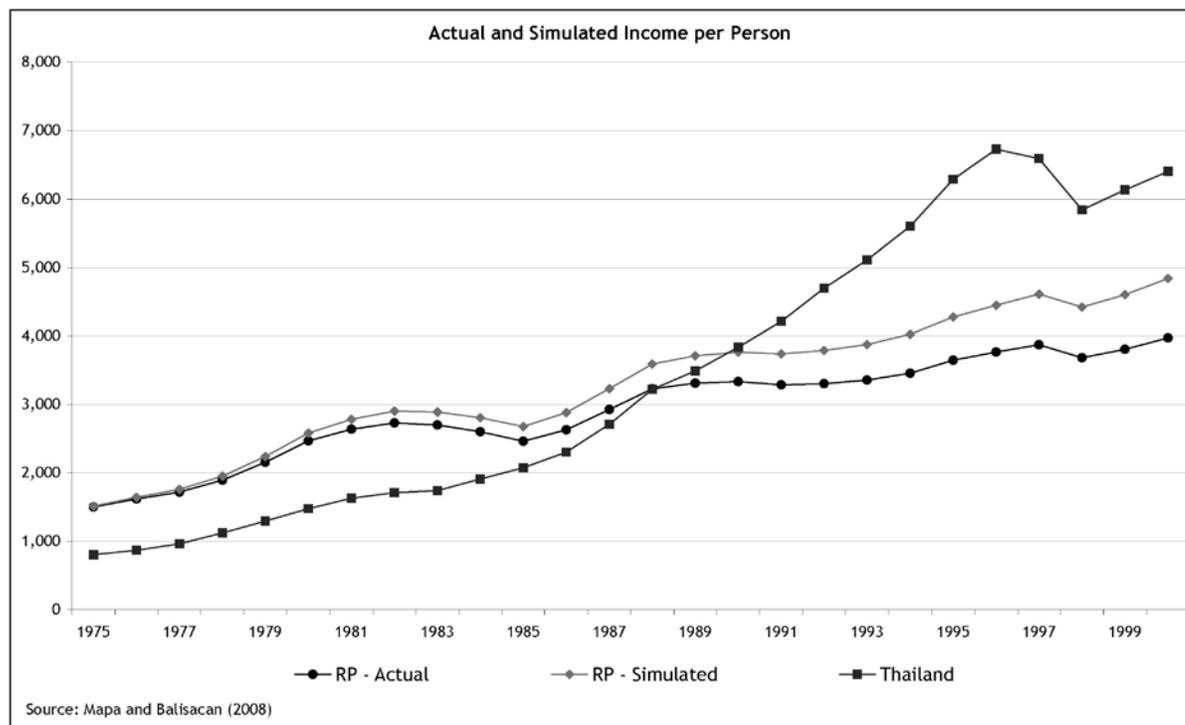
*The other variables included in the model are initial income (GDP per capita in 1975), trade regime, savings rate, health status, education, institutions and location.

Source: Mapa and Balisacan (2004)

Of particular interest to us were the results of the comparison between Thailand and the Philippines. These two countries make for an interesting case because they have a lot of things in common: land area, economic structure, natural resources, and goods traded in the international market. In terms of demographic and economic structures, these countries were like twin sisters in the early 1970s. But their patterns diverged significantly since then.

In 2000, per capita GDP in the Philippines was about 2.5 times that in 1975. Thailand’s 2000 per capita GDP was 8 times that in 1975.

Our economic sleuthing showed that had the Philippines followed Thailand’s population growth path during the period 1975 to 2000, the country’s growth in average income per person would have been 0.77 percentage point higher every year. Poverty



incidence in 2000, had the Philippines followed Thailand's population growth, would have been lower by 5.3 percentage points. Put differently, given that the population in 2000 was 76.5 million, about 4 million people would have escaped poverty, if only the Philippines followed the population growth dynamics of Thailand during the period 1976–2000.

The Big Challenge

The big challenge for the Philippines, therefore, is to pursue a strongly pro-poor development agenda in a regime where institutions are initially weak, governance is fragile, and the external environment for global trade, finance, and overseas employment is deteriorating. Many past costly programs (e.g., credit programs, food subsidy programs, etc.) have been christened in the name of the poor and equity, but in practice have benefited disproportionately the non-poor, including politicians, bureaucrats, and the elites in society. It cannot be overemphasized that the quality of our institutions has to be upgraded so that they become more responsive to the needs and aspirations of those in the lowest rung of the social ladder.

The government's posture with respect to the rapidly growing population is very disturbing. The consequence of such posture on economic growth and poverty reduction has been staggering: it has contributed to the country's degeneration into being Southeast Asia's basket case. This stance has to change, if only to improve the country's chances of moving the economy to a higher growth path and winning the war against poverty.

Reactions

Prof. Solita C. Monsod
Professor, School of Economics
University of the Philippines

I'd like to start my reaction to Arsi's excellent lecture by pointing out that the Philippines is known as a country of conundrums. First, is the slow growth of our country, at least relative to that of our Asian neighbors, even as we had the advantage of very favorable initial conditions. Another conundrum is while we are considered a democracy, it is a dysfunctional democracy, a "cacique democracy," which is really oxymoronic. A third conundrum is that while we are located in Asia, we seem to have more in common with Latin American countries than we have with our Asian neighbors. And now we have another conundrum: we have a country that grew very robustly from 2003 to 2006, with its agricultural sector also growing at a relatively (to other periods) robust rate, and yet poverty incidence has increased.

This is noteworthy, because the rule of thumb—discussed by Arsi and other poverty experts, is that holding income distribution constant, one can expect a negative relationship between growth and poverty—the higher the GDP growth rate, the lower the incidence of poverty. True, the response of poverty reduction to economic growth in the Philippines, as Arsi points out, is not as strong as in other countries, but the negative relationship is there nevertheless—or used to be there until recently, as in 2003–2006, and 1997–2000. And we cannot even attribute it to a worsened income distribution, because our Gini coefficient actually improved slightly. I'm still waiting for Arsi to explain that.

But that conundrum takes a back seat to the reality that our war on poverty has been conducted very erratically, as shown by what has happened to poverty incidence every since we actually started tracking it starting with Cory Aquino's administration, when poverty reduction was quantitatively targeted in her Medium-Term Philippine Development Plan 1985–1992.

Let me refer to two slides that Arsi presented in his lecture. The first has to do with Philippine poverty trends. By the way, Arsi was too modest—he did not mention that the only way we can track Philippine poverty over the past two decades or so is by using his estimates—which he calls the Fixed Level of Living (FLOL) estimates, but which I refer to as the Balisacan estimates. There are many reasons why the Balisacan estimates are preferred, but now, that issue is moot. We have no other choice than to use them, because changes in official methodology prevent comparison between poverty estimates pre- and post-2000.

So let's look at Arsi's graph of poverty incidence over time since 1985. Notice that you see a decrease from 1985 to 1988, a slight increase in 1991, consistent downward movements

in poverty up to 1997; an increase again in 2000, a decrease in 2003, and an increase in 2006. In other words the battles in our war against poverty have ended in victory, defeat, victory, victory, defeat, victory, defeat. Bottom line: between 1985 and 1997, there was an obvious downward trend in poverty—where not only the percentage of families who are poor decreased, but their absolute number as well. I call this the “success period,” in our war on poverty. From 1997 to 2006, we see poverty incidence actually increasing. That’s the “failure period.” So let’s not be too hard on ourselves. We did very well, considering the financial and economic and political crisis we were either undergoing or had undergone, from 1985 to 1997. What happened after that is something else again.

But let’s put a human face to these statistics. Who are these “poor” we are talking about? We are talking about those who have no education—68% of poor families are those whose heads have had, at most, an elementary education. Which shows clearly the connection between poverty and lack of education. What also is very clear is that the poor have larger families: 26.9 of families (per official statistics) were poor in 2006, but these families accounted for 32.9% of the population. Put in another way, the average Filipino family had 4.9 members. The income-poor families (those whose incomes were below the poverty threshold) had an average size of 5.9. And the core poor, or food poor families (whose incomes were below that needed to provide the minimum food requirements) have an average family size of 6.4. And talking about whether poverty causes large family sizes or large family sizes cause poverty is about as fruitful as debating as to which came first, the chicken or the egg.

Then we find that most of the poor live in rural areas, and are engaged in agriculture, giving rise to the assertion that poverty is an agricultural and rural phenomenon. 70% of our poor are in the rural areas, and 62% of them are engaged in agriculture. The likelihood of being poor is three times as high if you live in the rural areas than if you live in the urban areas.

So those are the stylized facts. And, by the way, what Arsi did not mention, because he had no time, is that there is a myth that government employees are poor. Government employees are not poor. The poverty incidence of government employees is only one-third the national average. Why that is so, I leave it up to you conclude, but it is not farfetched to conjecture that taking a government job may be a pathway out of poverty. There’s also another myth that we want to destroy, and that is that the poor are unemployed. The statistics do not bear that out. The poor cannot afford to be unemployed—and as Arsi has pointed out, the problem is that they are not productive, because they have little or no education.

Turning to the second of Arsi’s slides that I would like to comment on—which has to do with his recommendations on the pathways out of poverty: priority he says, must be given to education, health, family planning, agricultural projects—which of course makes sense, given the profile of poverty we just talked about. Arsi says that the list is not exhaustive, but I still have to express my disappointment that he did not seem to have considered the completion of the comprehensive agrarian reform program (CARP) important enough to be included in that list. Particularly since in another study where he is principal author, he brings out so clearly that the chances of an agrarian reform beneficiary being poor is less than one half of what they are for a non-beneficiary, and that land ownership is as necessary to efficiency (growth) as it is to equity. The beneficiaries of agrarian reform

themselves stated, in a survey on asset reform conducted by Ciel Habito, that while the program implementation had many flaws, they felt better off now than before they received their land (the net satisfaction ratings, i.e., the percentage of those who were very satisfied or satisfied, minus the percentage of those who were dissatisfied or very dissatisfied, was 81%). Surely, agrarian reform is another very important pathway out of poverty. I also cannot resist pointing out that ending the CARP before it is completed sends a strong message to the Filipino people: disobeying a law pays off, circumventing a law is very rewarding. Do we really want that?

Mr. Alberto A. Lim

Executive Director, Makati Business Club, Inc.

I. Introduction

Dean Tony, Maribel, thanks for your kind invitation. I hesitated to accept the invitation because of my lack of background in the subject.

But I accepted it to honor the memory of a fallen comrade, Jimmy Ongpin. He was our Chair at Manindigan!, a group of anti-Marcos political activists composed of businessmen and professionals. Twenty years ago, I took a leave of absence from my job to set up the Jaime V. Ongpin Institute of Business and Government which was subsequently bequeathed to ASoG.

As my reaction to Dr. B's excellent paper, I propose to address the elephant in the room—agriculture. I will then address the rhino in the room—agrarian reform. Then I will deal with the 800 pound gorilla—population.

II. Pro-Poor Growth Strategy

According to Dr. B., Agriculture accounts for 60% of total poverty. What do you do with all that surplus labor trapped in the Agriculture sector? Trapped because the sector is underproductive. They constitute 35% of labor force but produce only 14.4 % of GDP (1H08). (In employment statistics, they are the “unpaid family workers.”) It is no wonder 60% of poor are found in this sector.

One of the reasons our agricultural productivity is low is the lack of farm mechanization. According to a recent article in the *Inquirer*, more than 90% of our agriculture is unmechanized. But if we were to mechanize and become more efficient, there would be even more surplus labor.

On the other hand, the Services sector produces 54.2% (1H08) of the country's output and employs half of the total workforce. Our farm boys and girls can not migrate there as the education system does not allow it. It is too far a leap.

Under better education conditions, they would have better chances finding blue collar jobs in the manufacturing sector. But even this sector is shrinking.

Perhaps the growth strategy more responsive to poverty reduction is the intermediate

step of an agro-industrial strategy. This involves the development of the micro, small and medium enterprises.

Marcos had that part right all along. Except that he got distracted by Jimmy's brother, Marcos's Trade and Investments Minister Bobby Ongpin who believed we could leapfrog our Asian neighbors through his 11 Major Industrial Projects (steel mill, fertilizer plant, copper smelter, etc.) Jimmy was against these MIPs. In an article he wrote which was published in the Wall Street Journal, he called these MIPs the Most Infuriating Projects.

III. Agrarian Reform

When Cory came to power, the debate over agrarian reform was the first issue that began to divide Manindigan! By that time, Jimmy was already in government so I don't know where he stood on it.

When CARL was finally legislated in 1988, I was part of the faction in M! that supported it and had high hopes for it. A good friend of mine who had made a career working with poverty groups later took over DAR and worked hard at transferring land to the tiller. So hard that when he left office after 6 years toward the end of the first term of CARL, he had 33 lawsuits filed by landowners against him, which he had to defend with his own resources, without government support.

Recently, I asked him whether CARL should be extended. To my surprise, his response was: "Not in its present form. Government has spent more on the DAR bureaucracy than on transferring land. After 20 years, the job should have been completed." Yet there are over 1 million hectares that have not been transferred. The problem with CARL is governance and productivity growth.

And the effect of CARP on poverty? As Dr. B. noted: "the welfare gains from asset reform have been rather small."

My friend believes that an alternative way to reduce rural poverty would be to subsidize the education of farmers' children. In this way, they have a better chance of finding a non-agricultural job and a way out of poverty. This week the BBC featured the Escuela Agricola, an agricultural technical vocational school in Paraguay for the children of the poorest of the poor. The school is self-sustaining as it grows its own crops to feed its students of high school age. They even produce their own milk and cheese for the market.

The choice today is to spend more time and money transferring land very slowly or to eliminate DAR and use the budget to educate the children of the poor and take care of their health so they grow up strong and bright instead of lethargic and dull. This is where the Conditional Cash Transfer (CCT) Dr. B. mentioned comes in. It should be carefully targeted so that it is not wasted on the non-poor (like the rice subsidy program where 70% went to the non-poor). CCT has been proven in 27 countries in Latin America and Africa to address the immediate hunger crisis. Evaluations confirm the positive impact of these programs on enhancing human capacity and reducing poverty. (Examples of these programs are Mexico's Progresa, Brazil's Bolsa Escola/Familia, Nicaragua's Red de Proteccion Social). By paying poor families to bring their children for verifiable action, e.g., to attend school or to bring them to the rural health center to be vaccinated, they are developing the country's human capital that will break

the intergenerational transmission of poverty.

Cash for work programs is another intervention with poverty reduction effects. The AR budget could be spent on building or repairing irrigation systems or farm to market roads that would improve agricultural productivity, digging wells for clean water that would improve health. All these were recommended by Dr. B. in his presentation. IRRI's Robert Ziegler noted that only 1.5 million hectares out of 4 million of our riceland is irrigated. If more riceland were irrigated, we would not need to import rice!

IV. Population

House Bill 5043 was debated in a recent MBC GMM. We had 3 speakers: Philip Medalla (UP-pro), Robert de Vera (CRC-con) and Dick Romulo (MBC). Dick is for controlling rapid population growth but he is against certain aspects of the bill that are coercive and invade privacy.

At the end of the meeting, the audience voted: 25% did not respond, 21% were for the bill, 26% were for the bill with amendments, and 28% were against the bill.

Personally speaking, I am for HB 5043 with amendments in sections 17 and 21. I run two community-based foundations in Palawan that promote reproductive health and have heard barrio women who wished for smaller families so their children would live better lives.

V. Conclusion

Jimmy Ongpin was a co-founder and the first Vice-Chair of MBC. So where does MBC stand today in Dr. B's spectrum of how to address poverty? MBC believes in inclusive growth. The C in MBC stands for Corporate Social Responsibility. It also believes that pro-poor growth requires institutional reforms. MBC has supported NAMFREL from its inception and leads the Coalition Against Corruption. That is why we continue to support efforts to modernize elections and to catch a big fish. And this time, we will not let it get away.

Mr. Tony S. Lopez
Publisher-Editor, *BizNewsAsia*

The Philippines is not that poor.

The statistics and the analyses on poverty incidence in the Philippines are distressing. They will make you grab the nearest *paltik* and shoot the politician next to you.

My contention, however, is that the Philippines is not that poor. The Pinoy is not that poor. And yes, we need the politicians. Just look at how that priest in Pampanga is running the local government.

Why do I say the Philippines is not that poor? Let me cite some data:

1. The Philippines is a large country and a large economy. The population is 92 million, the 12th largest in the world. Only China, India, the US, Indonesia, Brazil,

Pakistan, Bangladesh, Russian Federation, Nigeria, Japan and Mexico are bigger.

We are the same size as Vietnam. We are bigger than Germany 82.7 million, Thailand 65.3 million, France 60.9 million, the UK 60 million, Italy 58.2 million, Korea 48 million, Spain 43.6 million, and Argentina 39.5 million.

The Philippine Gross Domestic Product in purchasing power parity is worth \$327 billion, according to the World Bank 2008 World Development Report and \$319 billion, according to the IMF World Economic Outlook October 2008. That makes it the 36th largest economy in the world, out of 200 countries. The Philippines is the ninth largest economy in Asia.

We are bigger than Hongkong, Norway, Chile, Portugal, Singapore, Vietnam, Ireland, UAE, Kuwait, New Zealand. Switzerland, home to the largest hoard of hidden wealth in the world, is just slightly bigger.

In the whole of Asia, only eight other countries are bigger than the Philippines in GDP PPP—China, Japan, India, Korea, Indonesia, Taiwan, Thailand and Malaysia.

2. As a domestic market, the World Economic Forum classifies the Philippines as the 33rd largest market in the world. Domestic market here means GDP plus value of imports of goods and services minus exports. RP is bigger than Austria, Malaysia, Switzerland, Hongkong, Portugal, Vietnam, Chile, Hungary, and yes, Singapore.

In October this year, the IMF classified the Philippines as a newly industrialized country with estimated its nominal GDP per capita at \$1,908.

Per capita, the Gross National Income, per World Bank 2007 data, is \$1,620, 50 percent more than Vietnam's \$790. Even in per capita PPP terms, we are richer than the Vietnamese—\$3,730 vs. \$2,550, a difference of \$1,180 or 46 percent. Of course, we could have been far richer if we had grown as fast as Vietnam.

In the eight years from 2000 to 2007, the Philippine average GDP growth was 5.14 percent. That of Vietnam was 7.63 percent, 48 percent faster. But who is happier—the Filipino or the Vietnamese?

3. The Philippines has ten million expatriate workers, the so-called OFWs. There are 16 million families in the Philippines. That means 63 percent of total households in the country have an OFW. Two of every three families.

This year, the ten million OFWs will remit \$18 billion. That's an average remittance of \$1,800 per worker. Divide that by 5.5—the average of Filipino family size and you get \$327.27 additional per capita income. Add that to the domestic \$1,620 per capita income and you get a per capita income figure closer to \$2,000. In other words, one can conclude that ten million households—two of every three—are middle class.

Compare that to the ten million households in America who are technically bankrupt because their homes have less value than the loans borrowed to buy them.

4. The Philippines is unique as a poor country. Filipinos spend more for e-loading and texting than for their milk, coffee, patis, and even Jollibee. Is that the behavior of poverty-stricken people?

The Filipino farmer is productive only half of the time. He has plenty of spare time. He uses that to drink gin or beer with his barkada, make bets at the cockpit, and make love. He breathes fresh air, eats his wife's cooking, and listens to the latest two-bit political commentator on the radio. His wife, meanwhile, watches the latest telenovela.

Is he happy? Yes. Is he poor? Yes.

5. Philippine presidents are supposed to be corrupt, from Roxas to Quirino to Marcos to the present one—at least you if believe our NGOs and civil society groups. Ferdinand Marcos is supposed to have stolen \$10 billion. Joseph Estrada is supposed to have stolen several billions too. And Gloria Arroyo topped the two.

Up to 40 percent of the budget goes to graft.

If it is true our Presidents, as well as all the other politicians, steal so much, how come the Philippines is still standing as a economy? And based on the World Bank, IMF and WEF data, we are not doing badly. The only conclusion: We have so much wealth which even record thievery by each administration can finish.

If it is true we are that poor the Philippines should have been a goner long time ago. Just like Iceland whose banking system collapsed and whose savings evaporated.

Dr. Balisacan praises how Vietnam has sharply cut down its poverty.

Vietnam, however, is a very different economy from the Philippines. The value added of agriculture in the Philippines is 14 percent of GDP. That of Vietnam is 20 percent. The services sector accounts for 55 percent of the Philippine GDP and 38 percent of Vietnamese GDP. Household spending is 80 percent of Philippine GDP, 67 percent of Vietnamese GDP, and 57 percent of Thai GDP.

The Philippines is not an agricultural country. It is a services economy. It is a consumption economy, just like the US. In services, it seems easier to create value added without adding to employment. That is why growth, no matter how dramatic, does not readily translate into large employment gains. Nor do its benefits cascade down to the masses. The result is growth with poverty all around.

Please remember that according to the World Bank itself, growth will always be uneven. Poverty will always be with us.

It is much easier for Vietnam to respond to poverty problems than the Philippines. Vietnam is not a Christian country. You don't have cardinals and bishops telling the government what to do, though sometimes Buddhist monks burn themselves to death to make a point.

Vietnam has a much larger agricultural base, thanks to the Mekong River Delta. And if food is half of consumption, then having a large agricultural base is a distinct advantage in addressing poverty problems.

In the light of the financial meltdown in the US and the ensuing global economic slowdown, how will the Philippines fare?

I think the Philippines will do better than most countries of the world.

We are not that dependent on the world as the other countries. Philippine exports as a percentage of GDP is only 41 percent, unlike Malaysia's 109.6 percent, Vietnam's 78.2 percent and Thailand's 73.2 percent.

According to Goldman Sachs, the Philippines will be the 17th richest country in the world by 2050 with GDP of \$3 trillion. We will be bigger than Italy, Iran, Egypt, Pakistan and Bangladesh in that order.

In 2050, China will be the richest country in the world, with GDP of \$70.7 trillion, 1.8 times No.2 which is the US, with \$38 trillion, followed by India \$37 trillion, Brazil \$11.6 trillion, Mexico \$9.34 trillion, Russia \$8.58 trillion, Indonesia \$7 trillion, Japan \$6.67 trillion, UK \$5.13 trillion, Germany \$5 trillion, Nigeria \$4.64 trillion, France \$4.59 trillion, South Korea \$4 trillion, Turkey \$3.94 trillion, Vietnam \$3.6 trillion, and

Canada \$3.14 trillion.

By 2050, per capita, the Philippines will be the 19th richest, with \$20,500. With current per capita income of \$2000, Filipinos will make an additional \$440.48 each year over the next 42 years to reach to the \$20,500 per capita income.

At P49 to \$1, \$440.48 is an additional income of P21,583 per year or an extra P1,800 per month. That's like saying your average Meralco bill will be free every month over the next 42 years.

This is not to say we should not pay attention to poverty. We should.

To me, there are three main causes of poverty—the unequal distribution of wealth, the Catholic Church, and the incompetence of government.

Only ten families plus the government own most of the 100 largest companies in the Philippines. The same families bankroll political ambitions and candidacies which in turn serve vested interests. It is a vicious circle.

Many tycoons and taipans do not pay the right taxes.

In this country, business, big or small, is a family affair.

In the 1970s, Jaime Cardinal Sin declared a preferential option for the poor. Help the poor. Fight for the rights of the poor. After 30 years, the number of poor doubled.

The record of the Catholic Church in helping the poor is disappointing.

This is ironic considering that the poorest regions in this country, outside of the Muslim areas, have the highest Catholicism. Bicol, one of the poorest regions, is 98 percent Catholic.

In the last 30 years, according to World Bank data, the Philippines registered per capita growth of 0.2 percent, the slowest in the world, bar none. Now that's incompetence.

What to do then with poverty?

My solution: Go abroad. Or join a family.

Closing Remarks

Maria Isabel G. Ongpin

Basically, the issue of poverty here has to be addressed. I think I've seen some NGOs here this morning who are addressing poverty by education. Government has been engaged in doing land reform these past two decades. The comments of Dr. Romualdez, Mr. General, and Mr. Lopez, and, of course, the other reactors, are very useful. And I think that Dr. Balisacan, whom I thanked for coming here, knowing he's very busy—he just arrived from abroad—will take note, and I think all of us should take note that, actually, we have to have a better leadership, with integrity, with intelligence, and with vision. And as Tony [Lopez] said, with love of country. That is what will get us there. Thank you very much.

The Jaime V. Ongpin Institute of Business and Government Fund

The Jaime V. Ongpin Institute of Business and Government Fund was established in 1988 by friends of Mr. Jaime V. Ongpin to provide funding for the Jaime V. Ongpin Institute of Business and Government at the Ateneo de Manila University.

The JVO IBG Fund supports the Ateneo School of Government's Jaime V. Ongpin Executive Education Program for capacity building for local governments; The Center for Media Freedom and Responsibility's Jaime V. Ongpin Awards for Excellence in Journalism designed to promote "best practice" in reporting; The Ateneo Scholarship Foundation, Inc. Jaime V. Ongpin Scholarship Fund for high school students in five Jesuit schools in the Philippines: Ateneo de Davao University, Ateneo de Manila University, Ateneo de Naga University, Xavier University-Ateneo de Cagayan, and Ateneo de Zamboanga University; and The Jaime V. Ongpin Annual Memorial Lecture on Public Service in Business and Government.

The Jaime V. Ongpin Annual Memorial Lecture on Public Service in Business and Government

The Jaime V. Ongpin Annual Memorial Lecture on Public Service in Business and Government was conceived to help raise the awareness of the business sector about national development issues so that the business community can actively participate as a partner in nation building. It is also meant to bring to people's awareness the role of the business sector in aiding national development.

Aimed to keep alive the spirit with which Mr. Jaime V. Ongpin lived his life—the willingness to risk comfort and safety, wealth and personal security for the sake of freedom and democracy, and thus the greater good of our people and country—the lecture will help business and government leaders to reflect on the present national situation and to live out this spirit of total service to people and country.

Through the lecture, a discussion and analysis of national events and the prevailing and current attitudes, perspectives, and practices in the Philippine society may be viewed from the paradigm of Mr. Jaime V. Ongpin's spirit of service.

The lecture also hopes to bring to the fore how the business and government sectors can partner together to bring about positive and corrective changes in national attitudes and events.

The Jaime V. Ongpin Annual Memorial Lecture is a program of the Jaime V. Ongpin Endowed Fund and the Ateneo de Manila University.

The lecture series was launched with a first lecture by Professor Randolph S. David entitled "Philippine Society and the Challenge of Modernity" on 25 October 2001. The panel of reactors was composed of Jaime Augusto Zobel de Ayala II, Maria Gonzalez Goolsby, and Amando E. Doronila.

The Second Jaime V. Ongpin Lecture was delivered by Justice Florentino P. Feliciano on the subject "The Philippines, Globalization, and the World Trade Organization: Misconceptions, Challenges, and Prospects" on 13 March 2003. The reactors were Romeo L. Bernardo, Gregory L. Domingo, and Edita A. Tan, Ph.D.

The Third Jaime V. Ongpin Lecture was delivered by Roberto C. Yap, S.J., Ph.D. on the subject "Global Warming: Concerns and Challenges for the Philippines" on 29 September 2004. The reactors were Maria Assunta C. Cuyegkeng, Ph.D., Jose Ma.

Lorenzo P. Tan, and Francisco L. Viray, Ph.D.

The Fourth Jaime V. Ongpin Lecture was delivered by Senator Mar Roxas on 12 October 2005 on the subject of emerging leadership in public service entitled “A Fresh Start On The Filipino Dream.” The panel was composed of Antonette Palma-Angeles, Ph.D., Maria Cynthia Rose Banzon Bautista, Ph.D., and Benjamin T. Tolosa, Jr., Ph.D.

Fr. Joaquin G. Bernas, S.J. delivered The Fifth Jaime V. Ongpin Lecture on 27 October 2006 on the subject “The Charter Change Challenge, Process and Substance.” The panel was composed of Atty. Andres D. Bautista, Mr. Jonathan A. de la Cruz, and Prof. Raul C. Pangalangan, SJD.

The Sixth Jaime V. Ongpin Lecture was delivered by Senator Edgardo J. Angara on the topic “Education is Our Future” on January 16, 2008. The reactors were Dr. Mahar K. Mangahas and Chairman Ambeth R. Ocampo

The Seventh Jaime V. Ongpin Lecture was delivered by Arsenio M. Balisacan, Ph.D. with his topic, “Pathways Out of Poverty: Myths, Facts, and Challengers” on November 11, 2009. The panel of reactors were Prof. Solita C. Monsod, Mr. Alberto A. Lim, and Mr. Tony S. Lopez.

The opening address for the Jaime V. Ongpin Annual Memorial Lectures is delivered by the senior administrator of the Ateneo School of Government: Dean Henedina Razon Abad in 2001 and 2003, Associate Dean Juan Mayo M. Ragraio in 2004, Acting Dean Antonette Palma-Angeles, Ph.D. in 2005, and Dean Antonio G.M. La Viña, JSD in 2006 and 2008. The closing remarks for the Jaime V. Ongpin Annual Memorial Lectures are delivered by Maria Isabel G. Ongpin.

Executive Director for the Center for Media Freedom and Responsibility, Melinda Quintos de Jesus, served as master of ceremonies and moderator for the first three lectures. The master of ceremonies and moderator for the fourth lecture was broadcast journalist and producer-host of *The Probe Team*, Cheche Lazaro. The master of ceremonies and moderator for the fifth, sixth, and seventh lectures was Atty. Fina De La Cuesta-Tantuico, Chair of the Committee on Legal Education, Philippine Bar Association.

The secretariat for The Jaime V. Ongpin Annual Memorial Lecture Program is the Office of University Development and Alumni Relations, Ateneo de Manila University.

Jaime V. Ongpin

In life, Jimmy Ongpin made his mark in the fields of business and government. In the public or private sector, he made difficult choices, upholding public interest as he saw it through difficult periods of natural history. Not as well known were Jimmy's efforts to help the "alternative press" reveal what those in power wished to keep hidden, the cronyism and corruption of the Marcos regime.

As a business manager, he administered with skill and innovation. As a government technocrat, he pushed for economic reforms that would lead to national recovery. Family and friends remember a man who loved life, enjoying sports, travel, and good food; making time for the contemplative pleasures of music, theater, and the arts.

Those who worked with him in various fields of endeavor saw a man of principle, whose life was expressive of a deep and abiding love for country and his fellow Filipinos.



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