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# In Pursuit of Inclusive & Poverty-Reducing Growth: Philippine Imperatives



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# Overview



## ■ Introduction

→ PH: An Asian Anomaly

→ Unusual Inequity

## ■ Imperatives for High and Inclusive Growth

→ Policy Drivers

→ Sectoral/Industry Drivers

→ Public Investments

## ■ Toward AEC-Enabled SMEs

# Fact:



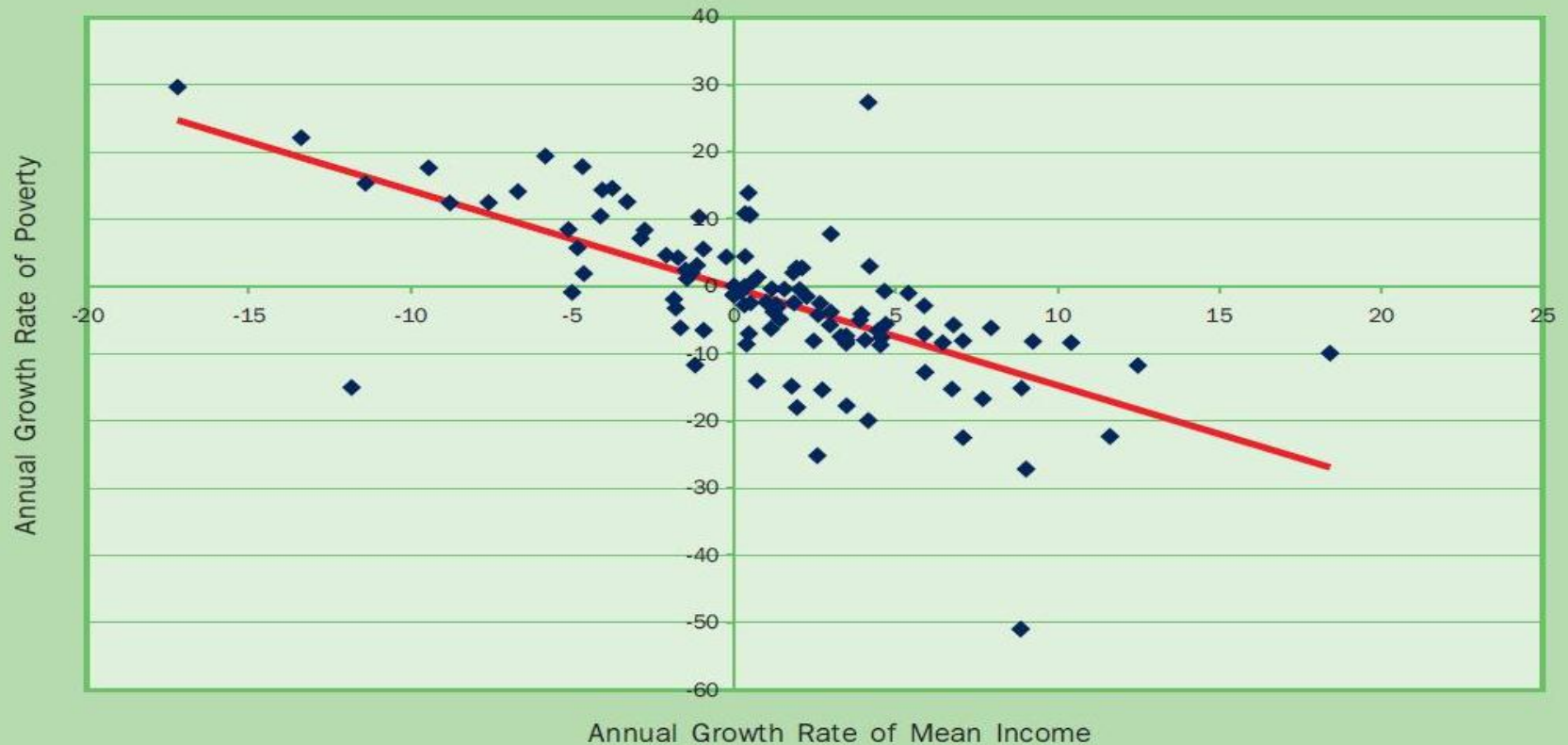
- Economic growth has led to faster poverty reduction in Asia than elsewhere (Poverty Elasticity of Growth in Asia has been higher)...

# Poverty Elasticity of Growth

World: PEG = -1.5,  $R^2 = 0.57$  (ADB 2004)

ADB

Figure 6 Growth and Poverty Reduction in the Developing World (%)



# Poverty Elasticity of Growth

Asia: PEG = -2.0;  $R^2 = 0.65$  (ADB 2004)

ADB

Figure 7 Growth and Poverty Reduction in Selected Developing Member Countries (%)



... except in the Philippines, where even as GDP growth sped up to as much as 7.3% within 2004-2009:



- Poverty incidence went **up** from 24.9% in 2003 to 26.5% in 2009
- Number of poor increased by 970,000 (185,000 families) in 2006-2009
- Net elementary school participation rate fell from 97% (2001) to 85% (2008); HS from 66% to 62%
- Malnutrition incidence went up in most provinces in the same period

# Non-inclusive Growth



- **Narrow:** Growth is driven by a few high-growth sectors (BPOs, telecoms, real estate) & geographic areas (NCR, III & IV)
- **Shallow:** Bulk of exports from low domestic value added sectors with little linkage to rest of economy
- **Hollow:** “Jobless growth”; jobs growth lags far behind economic growth

# Unusual Inequity in PH



- Richest 1% control 60% of GDP
- Top 150,000 families have as much income as bottom 6 million families



# Wealth Rise of 40 Richest / Absolute Rise in GDP (2011)

Forbes  
Asia



**Philippines:**

**\$13 billion / \$17 billion (76%)**



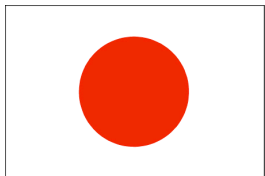
**Thailand:**

**\$9 billion / \$26.7 billion (33.7%)**



**Malaysia:**

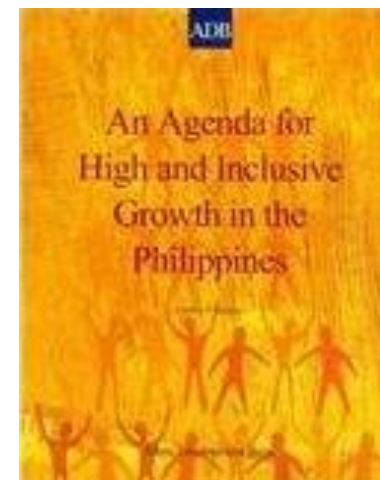
**\$2.3 billion / \$41 billion (5.6%)**



**Japan:**

**\$11 billion / \$381 billion (2.8%)**

# Agenda for High & Inclusive Growth (Habito 2010, ADB)



- What are the key policy drivers of inclusive growth?
- What are the key industry drivers of inclusive growth?
- What public investments would enhance long term prospects for inclusive growth?

# Ensuring (Broad-Based) Inclusive Growth



- 1. MSME Development:** Government-wide coordinated support needed on the ff:
  - Expand MSME financing mechanisms
  - Strengthen technology assistance thru public R&D
  - Promote & assist MSME clustering
  - Improve market access (infrastructure, development diplomacy, etc.)
  - Promote social entrepreneurship

# Ensuring (Broad-Based) Inclusive Growth



- 2. Competition Policy:** Anti-trust law; curbs on unfair trade practices
- 3. Asset Reform:** Toward equitable opportunities (CARP, Fisheries Code, IPRA, UDHA); policy, implementation & coordination gaps need to be addressed
- 4. Sectoral/Industry Drivers of Inclusive Growth:** Focus policy and public investment support

# Which Industry Sectors Can Drive Broad-Based/Inclusive Growth?



Industries/Sectors where growth

- generates much **employment**
- benefits other industries in the economy through **backward** and **forward linkages**
- Can be determined using **Input-Output Table** of the Philippine economy

# Sectoral Drivers of Inclusive Growth

## Agriculture & agribusiness

- Institutional & budget reforms



## Tourism and Allied Industries

- Open skies, focused investments

## Manufacturing

- Resurgence is underway



# Public Investment Needs

- Infrastructure
  - Energy
  - Transport
  - ICT
- Strengthened health, education & HRD
  - Education for entrepreneurship
- Climate change & disaster resilience



# Education for Entrepreneurship



- Education system produces graduates who aspire to find a job (working for someone else) rather than to **create jobs**; earn a wage rather than **create wealth**
  - Fosters overseas employment
  - Perpetuates an oligarchic economy
- Entrepreneurship can be learned

**Lesson Learned:**  
**In helping the poor, the best solutions need not be costly or sophisticated.**



- ***Sarangani Upland Community:*** Horses vs. farm to market roads
- ***Negros Oriental BADCs:*** Farmer peer mentors vs. extension workers
- ***Magsaysay, Davao del Sur:*** DOFS vs. “modern” technologies

# Toward AEC-Enabled MSMEs

## MSMEs Must Gear Up & Change Their Ways



- Strengthen & professionalize financial and overall business management
- Study AEC opportunities & requisites for availment (e.g., attend DTI's DBFTA forums)
- Avoid “*kanya-kanya*” attitude; embrace clustering & “**coopetition**”

# Toward AEC-Enabled MSMEs

## AEC Game Plan



- Industry Road Maps (BOI)
- Clustering Initiatives; Shared Service Facilities; Doing Business in FTAs (DBFTA) Forums (DTI)
- Financial Inclusion Program (BSP)
- Competition Law (Congress)
- Halal Industry Support (Bangsamoro, DTI)
- Trade Facilitation for MSMEs (Customs)

# The Way Forward

- LEs: Shift business model to inclusive value chains (**Jolibee, Nestle**) vs. vertical integration, as deliberate contribution to inclusive growth
- SMEs: Team up (e.g. into coops), cluster and unite to gain larger market opportunities
- Pursue triple bottom line of *People, Planet & Profit*; make **Inclusive Growth & Sustainable Development** a reality

**Thank you!**