

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Philippines	Project Title:	Expanding Private Participation in Infrastructure Program, Subprogram 1
Lending/Financing Modality:	Policy-Based Loan	Department/Division:	Southeast Asia Department/Public Management, Financial Sector, and Trade Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Poverty targeting: General intervention.

A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy

Inclusive growth is the overarching theme of the Philippine Development Plan (PDP), 2011–2016, which has three strategic objectives: (i) attaining a sustained and high rate of economic growth that provides productive employment opportunities, (ii) equalizing access to development opportunities for all Filipinos, and (iii) implementing effective social safety nets to protect and enable those who do not have the capability to participate in the economic growth process. To achieve the first objective, the PDP calls for a stable macroeconomic environment, more infrastructure investment and competitiveness, and stronger governance. To enable the second objective, the PDP calls for more investment in human capital (education and health) and better access to infrastructure, finance, land, and other assets. For the third objective, the plan lays out the needs for developing effective and responsive safety nets. The April 2014 Midterm Update of the PDP highlights the country’s robust economic performance, strong fiscal space, and unprecedented level of international confidence.^a It also outlines remaining challenges, such as slow implementation of vital infrastructure projects, continued high cost of doing business, and, most fundamentally, evidence that the benefits of growth have not yet turned into poverty reduction.

The country partnership strategy, 2011–2016 of the Asian Development Bank (ADB) for the Philippines is based on the intersection of PDP priorities with Strategy 2020^b consistent with the needs of a lower-middle-income country. To support the government’s objective of high, inclusive, and sustainable growth, ADB’s strategy focuses on three core operational areas: infrastructure, environment, and education. The midterm review of the PDP states the government’s strategy to invest massively in infrastructure development by increasing public infrastructure spending to at least 5% of gross domestic product (GDP) by 2016. The public–private partnership (PPP) projects are estimated to raise private investment in infrastructure from 0.4% of GDP in 2013 to 1.1% of GDP in 2015. This will, among other outcomes, result in an improvement of human capabilities and reduction of vulnerabilities.

B. Results from the Poverty and Social Analysis during Project Preparation or Due Diligence

Key poverty and social issues. Reducing poverty and eliminating the vulnerabilities of large sections of the population remains one of the country’s principal challenges. Although poverty rates in the Philippines were still higher than in Malaysia, Thailand, Indonesia, and Viet Nam in 1991–2012, the country has made good progress in poverty reduction—in the first half of 2013, poverty incidence fell by 3 percentage points to 24.9%, down from 27.9% in the same period in 2012. This represents around 2.5 million Filipinos uplifted from poverty. This significant reduction in poverty in 2013 is in sharp contrast to the period 2006–2012, when the annual reduction averaged only 0.2 percentage points. Still, some 45% of the population is vulnerable to falling into poverty and new data from the first six months of 2014 placed poverty rate at 25.8%, largely as a result of the impact of typhoon Yolanda and rapid food price increases. Inequality has declined modestly and remains relatively high. In 2012, inequality in income distribution as measured by the Gini coefficient was 47.3, only slightly lower than in 2003, when it was 48.9. Inequality in consumption expenditure distribution is somewhat lower—the Gini index was 43 in 2012, versus 44 in 2003. Both Gini indices put the Philippines among the countries with the highest inequality in the region. While the Philippines shows the usual inverse relationship between economic growth and poverty incidence, the poverty–growth relationship is weaker compared with other economies in Southeast Asia. In particular, poverty remains highly concentrated in rural areas, where 75% of poor households live. Poor Filipinos belong to households with larger families, have more young and old-age dependents, and have less access to basic infrastructure and services. The overall design of the proposed program is pro-poor. The program provides direct support to government reforms to achieve the goals set out under the midterm review of the PDP and revalidated in the Public Investment Program by supporting better public infrastructure investment management and sustainable PPP investments. Improved infrastructure will help reduce the vulnerability of the poor or the likelihood that the near-poor will fall into poverty as a result of shocks.

Beneficiaries. The potential beneficiaries will be enterprises, consumers, employees, and the poor in general. Enterprises will benefit from stronger competitiveness thanks to better infrastructure provision. Consumers will gain from greater domestic competition, which will lower prices and improve service delivery (e.g., in the tourism sector, thanks to better connectivity).

Impact channels. The labor market will be a most important channel because more private infrastructure investments will directly and indirectly create more decent and productive jobs, such as in tourism and agriculture.

Growth of promising industries such as tourism—which is labor intensive, linked to other economic sectors, and geographically spread across the Philippines—will support poverty reduction. Better access to services through greater infrastructure endowments is equally expected in the medium term.

Other social and poverty issues. Addressing poverty, which is increasingly concentrated geographically, requires coordinated action from local government units in the Philippines, which account for a growing share of public expenditure. ADB's Local Government Finance and Fiscal Decentralization Reform Program^c supports key policy initiatives aimed at improving access to and the quality of service delivery across the country.

Design features. Reforms under the proposed program assist the delivery of a financially sustainable pipeline of public-private partnership (PPP) projects by the Philippine government agencies and private investors. Six national transport, health, and education projects, supported by the project development and monitoring facility (PDMF) of the Philippines PPP Center, have been signed for a total investment of \$1.5 billion, and will translate into jobs and income opportunities, greater economic growth potential, and better access to services.

C. Poverty Impact Analysis for Policy-Based Lending

Impact channels of the policy reform(s). The labor market will be a most important channel because more private infrastructure investments will directly and indirectly create more decent and productive jobs, such as in tourism and agriculture. Growth of promising industries such as tourism—which is labor intensive, linked to other economic sectors, and geographically spread across the Philippines—will support poverty reduction. Better access to services through greater infrastructure endowments is equally expected in the medium term.

Impacts of policy reform(s) on vulnerable groups. The impact of the reforms supported under the proposed program will not be specific to any given vulnerable group, but will be enjoyed by the population at large. Construction jobs created under the new PPP projects are likely to benefit low-skilled workers from disadvantaged backgrounds.

Systemic changes expected from policy reform(s). The reforms under the program will help achieve public infrastructure investments at 5% of GDP. Inadequate infrastructure endowment has long been identified as the most important constraint to growth in the Philippines. In addition, support to private sector participation in public infrastructure investment will release funds for alternative uses, and transfers fiduciary risks to the private sector, with expected fiscal savings and better efficiency in service delivery.

II. PARTICIPATION AND EMPOWERING THE POOR¹

1. Participatory approaches and project activities—key immediate stakeholders include the government, through several of its departments (finance; transportation and communications; public works and highways; education; health; and agriculture), the National Economic and Development Authority, and the PPP Center. On a wider basis, beneficiaries will include infrastructure investors and the financiers' community. Participation has been encouraged through technical assistance missions, knowledge work, and continuous policy dialogue with the government, development partners, and the private sector. The program will be overseen by the PPP Governing Board, with representation from the private sector, to maximize the benefits to the poor. Stakeholder consultations are being considered under subprogram 2, which would include policy dialogue with national and local governments, private sector, and, if necessary, beneficiaries of selected major infrastructure projects, and civil society organizations (CSOs). Engagement of local governments for PPP project identification is a key strategy under subprogram 2.

2. Civil society—government implementing agencies for PPPs conduct consultations with CSOs for the identification of bankable PPP projects. The Department of Social Welfare, for instance, has defined the PPP as a system for cooperation for the purpose of delivering basic social services to the poor, implementing development projects of the government, and instituting transparency and accountability mechanisms to fight corruption, and for this, engagement with CSOs is being sought.

3. The following forms of participation by civil society are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA): L Information gathering and sharing L Consultation L Collaboration N/A Partnership

4. Participation plan. Yes. No. — Participation of civil society is being sought through PPP implementing agencies, including national government agencies and local government units, at all stages of project identification, design and implementation.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: No gender elements.

A. Key issues. Ensuring that reforms are geared toward improving women's access to infrastructure and services and assisting their participation; and enforcing the appropriate application of the gender mainstreaming guidelines developed by the PPP Center under the Improving Competitiveness and Inclusive Growth Program.^d

B. Key actions. (i) Facilitation of PPP projects in areas such as health, education, and social welfare, particularly important for women and children; and (ii) adequate number of women when staffing PPP coordinating institutions and as beneficiaries of capacity development. Gender action plan Other actions or measures No

action or measure	
IV. ADDRESSING SOCIAL SAFEGUARD ISSUES	
A. Involuntary Resettlement	Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
1. Key impacts. None 2. Strategy to address the impacts. N/A 3. Plan or other Actions. <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Combined resettlement and indigenous peoples plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> No action	
B. Indigenous Peoples	Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
1. Key impacts. None Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No 2. Strategy to address the impacts. N/A 3. Plan or other actions. <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Combined resettlement plan and indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> No action	
V. ADDRESSING OTHER SOCIAL RISKS	
A. Risks in the Labor Market	
1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L). H <input type="checkbox"/> unemployment H <input type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input type="checkbox"/> core labor standards 2. Labor market impact. The reforms under the program are expected to generate substantial employment and income opportunities directly in the construction sector and indirectly in sectors specifically benefiting from better infrastructure endowments (e.g. tourism).	
B. Affordability	
None	
C. Communicable Diseases and Other Social Risks	
1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): <input type="checkbox"/> Communicable diseases <input type="checkbox"/> Human trafficking <input type="checkbox"/> Others (please specify) N/A 2. Risks to people in project area. – N/A	
VI. MONITORING AND EVALUATION	
1. Targets and indicators. N/A	3. Information in the project administration manual. N/A
2. Required human resources. N/A	4. Monitoring tools. N/A

Source: Asian Development Bank.

- a National Economic and Development Authority. 2014. Philippine Development Plan, 2011–2016: Midterm Update with Revalidated Results Matrices. Pasig City.
- b ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.
- c ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to the Republic of the Philippines for Local Government Finance and Fiscal Decentralization Reform Program*. Manila.
- d ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to the Republic of the Philippines for Increasing Competitiveness for Inclusive Growth Program*. Manila; and ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan for Subprogram 2 to the Republic of the Philippines for Increasing Competitiveness for Inclusive Growth Program*. Manila.