

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Philippines	Project Title:	Increasing Competitiveness for Inclusive Growth, Subprogram 2
Lending/Financing Modality:	Policy-based lending	Department:	Southeast Asia Department
		Division:	Financial Sector, Public Management, and Trade Division

### I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Targeting classification: General intervention (GI)

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

The policy areas of subprogram 2 of the Increasing Competitiveness for Inclusive Growth Program correspond with those of the government as spelled out in the Philippine Development Plan, 2011–2016, and its recent update, which includes job creation achieved through increased competitiveness. The focus of the country partnership strategy 2011–2016 of the Asian Development Bank (ADB) for the Philippines continues to retain its strategic emphasis on investment climate improvements and accelerated achievement of the Millennium Development Goals (MDGs). Subprogram 2 supports the broad priorities of the government's competitiveness agenda in three areas: (i) implementing structural policy reforms to the economy, (ii) creating an efficient market for infrastructure projects through PPPs, and (iii) promoting competitive labor markets.

#### B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

##### 1. Key poverty and social issues.

The Philippines' social indicators have always displayed mixed outcomes, reflecting on the one hand the country's educational strengths and on the other its deeply entrenched poverty. The incidence of poverty is 26.6% of the population based on the 2009 poverty line, down from 29.2% in 2006. The Gini coefficient, which measures income inequality, is high in the Philippines at 0.45 (0 = perfect equality, 1 = perfect inequality). 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. Weak labor market performance also explains persistently high poverty and income inequality rates. The poorer regions in the Philippines tend to have much larger informal sectors than the better-off regions. Across sectors, households that rely on non-wage incomes are significantly more likely to be poor than households with heads engaged in formal wage employment. Labor market performance also varies across demographic groups. The rate of people “not in employment, education, or training” (NEET) is high among young people and women, especially those with only high school education or less. Of particular concern, youth NEET rates are twice as high in low-income households than in well-off households, which perpetuates poverty and income inequality. Education, life skills, and quality social contacts are important factors in increasing access to good wage jobs. Another key indicator of a dynamic, vibrant labor market is the transition of young people from school to a permanent wage job. In the Philippines, this transition appears to be slow for high school graduates. Youth employment rates are low and employment chances only pick up some 5 years after leaving high school. This transition not only reflects a weak labor market, but also weak links between school and workplace. The poverty rate, measured by the international standard, has decreased remarkably from 58% in 1993 to 14% in 2008.

**2. Beneficiaries.** The potential beneficiaries of the program will be enterprises, consumers, employees, and new labor market entrants, especially young people at risk. Enterprises will benefit from reforms to improve competitiveness. Consumers will gain from greater domestic competition that will lower prices and improve services. Employees will gain from better policies to boost employment, particularly wage employment, and opportunities for upgrading skills through industry-led skills development programs, such as the one in tourism.

**3. Impact channels.** The labor market is among the most important channels to reduce poverty and income inequality through the creation of decent, productive jobs. Growth of promising sectors such as tourism which is labor intensive, linked to other economic sectors, and is geographically spread across the Philippines supports poverty reduction.

**4. Other social and poverty issues.** Not applicable.

**5. Design features.** The program supports the government's key reform priorities of employment generation by increasing competitiveness in the economy with an inclusive approach through the labor market, as measured by an increase in full-time wage jobs for young people of at least 5% per annum. The reform priorities include efforts to enhance the business climate by promoting competition policy and regulatory efficiency, and promoting private sector participation in infrastructure projects through a world-class framework for public–private partnerships. The program also supports the government's efforts to promote competitive labor markets by piloting a youth employment program to help young people find decent jobs (known as JobStart Philippines), piloting a tourism-industry-led skills and services development program, and through longer-term labor policy reforms. The intention is to roll out these pilots nationally.

#### C. Poverty Impact Analysis for Policy-Based Lending

##### 1. The impact channels of the policy reform(s) on the country and major groups affected.

The program will contribute to a sustainable reduction in poverty through two key channels—(i) economic growth as a result of stronger competitiveness and investment in infrastructure (indirect impact), and (ii) the labor market. The measures to promote inclusive growth aim to increase youth job placement through the JobStart program, build skills of young people through the tourism skills development program, and lower the regulatory cost of hiring young people through reforms to the Labor Code.

**2. The impacts of the policy reform(s) on vulnerable groups and ways to address and mitigate these.**

Young school leavers are vulnerable to being trapped in the NEET status for long periods or crowded into low-pay, precarious employment such as unpaid family work, employment in private households, or low-skill labor. The policy reforms and interventions of the program directly target young people at risk through the JobStart pilot (which covers the young, high school graduates, and women) and the tourism skills development program (covering workers with low to mid-level skills, for instance).

**3. The systemic changes expected from the policy reform(s) for poverty reduction, pro-poor and inclusive growth, and attainment of social development goals including the MDGs.**

The program will directly support the government's efforts to achieve sustainable pro-poor growth through policy actions that will contribute to better access to good jobs for young people at risk, and to skills development.

**II. PARTICIPATION AND EMPOWERING THE POOR**

1. Summarize the participatory approaches and the proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation.

Representatives from the youth groups are members of the JobStart steering committee and provide input into project management and design. The ICIG steering committee consults with beneficiaries (i.e., employers and youth participating in the program) and partners for lessons learned and input for formulating plans for nationwide rollout of JobStart Philippines and the tourism skills development program. Also, Department of labor and Employment discusses employment and labor policy issues at the tripartite committee comprising of government, employers and labor groups. ICIG also produces knowledge products that are published for public consultation.

2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation. None.

3. Explain how the project ensures adequate participation of civil society organizations in project implementation.

Various aspects of the reforms supported by the program have been subject to extensive stakeholder consultations. The key stakeholders are officials in central government agencies, eight local government units, private sector stakeholders (employers, chambers of commerce, tourism enterprises, and industry associations), academics, nongovernment organizations, and other development partners (Government of Canada, Government of France, and Government of Japan). Youth groups are actively consulted with and are members of the JobStart steering committee.

4. What forms of civil society organization participation is envisaged during project implementation

Information gathering and sharing  Consultation  Collaboration  Partnership

5. Will a project level participation plan be prepared to strengthen participation of civil society as interest holders for affected persons, particularly the poor and vulnerable?  Yes. Describe key features, responsibilities, and allocated resources  No.

**III. GENDER AND DEVELOPMENT**

Gender mainstreaming category: Some gender elements

**A. Key issues.**

In preparing the program, various studies identified three broad gender issues—(i) a gender gap in labor market outcomes, (ii) regulatory review processes that are not always effectively gender mainstreamed, and (iii) the need for a new approach to PPPs in infrastructure projects to ensure that women benefit from future PPP investments in both hard and soft infrastructure.

**Gender gap in labor market performance.** NEET rates are higher among young women than young men, and especially young women with only high school education or less. Young women are more likely to withdraw from the labor market or enter precarious forms of employment (e.g., employment in private households) than young men. For example, 1 in 3 young women is likely to be trapped in the NEET status, compared with 1 in 5 men. Also, an ADB study found that the school-work transition appears to start later for young women than for men—about 40.0% of women find a job within 12 months after leaving school, compared with over 50.0% of men (footnote 1). Also, young women are over-represented in the lower- to mid-level occupations in the tourism sector, where women account for over 55.0% of the workforce.

**Regulatory review processes not gender mainstreamed.** The government does not have a systematic regulatory review process based on best international practice. Regulatory impact assessments (RIAs) are not required and the quality of stakeholder consultations varies across line agencies. It is therefore not always clear that the views of different stakeholder groups, including women, are properly recorded and considered. This process risks creating a gender bias in some agencies. The ICIG program is currently implementing regulatory impact assessment (RIA) pilot programs at the Department of Labor and Employment (DOLE), Department of Tourism (DOT), and the National Economic and Development Authority (NEDA).

**Public-private partnerships in infrastructure.** An ADB policy briefing note on PPPs and gender mainstreaming highlights potential benefits for women entrepreneurs and employees from PPPs in infrastructure projects at the local level if relevant PPPs are properly gender mainstreamed. The government does require completion of a gender checklist for government projects, but until recently these had not been applied to PPP projects. The new PPP framework provides an opportunity to ensure that PPPs are properly gender mainstreamed and offer equitable access to economic opportunities and resources created from infrastructure PPPs.<sup>1</sup>

**B. Key actions.**

Gender action plan  Other actions or measures  No action or measure

The program has specified a series of gender-responsive measures with the aim of narrowing the gender gap in labor market performance and ensuring that the regulatory review process in government is effectively gender mainstreamed, and that

<sup>1</sup> ADB. 2011. *Gender and Public-Private Partnerships: A Public Sector Perspective*. Briefing note. Manila.

future PPPs are gender mainstreamed where relevant. Under subprogram 2, two key accomplishments in narrowing these gaps are: 56% of JobStart beneficiaries are young women, which reflect the NEET gender gap; and 44% of trainees in the tourism skills program are women. The ICIG program intends to increase the share of women trained under the tourism skills development program to 55% in 2015 during the post-program partnership framework. Over 60% of the focal persons for the RIA pilots at the Department of Labor and Employment are senior women managers, exceeding the target of 50.0%. In the PPP component, gender checklists for 16 feasibility studies for PPP projects have been completed. The checklists are designed to ensure gender mainstreaming in projects supported by the Project Development and Monitoring Facility. The process may involve women participating in the project consultation process, ensuring that a gender focal person is assigned at the agency executing the project, and responding to the need for a gender action plan. Also, the PPP Center has developed a comprehensive manual on PPPs for national government agencies. This manual, approved by the PPP Governing Board on 9 September 2014, contains guidelines for gender mainstreaming in PPP projects. These guidelines provide a clear methodological framework for mainstreaming gender in PPP project development and assessing gender impacts of a project. In line with these guidelines, the PPP projects are to be screened for gender aspects at all stages of the project cycle. Screening and analysis standards to be applied at each phase of the projects are provided in the manual, which has been piloted in the 16 feasibility studies.

#### IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

##### A. Involuntary Resettlement

Safeguard Category:  A  B  C  FI

1. Key impacts. The ICIG has no involuntary resettlement impacts as no physical infrastructure investment is involved.
2. Strategy to address the impacts. No strategy is needed.
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:  A  B  C  FI

1. Key impacts. No negative impact on indigenous people is foreseen. Is broad community support triggered?  
 Yes  No

2. Strategy to address the impacts. No strategy is needed.

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. Indicate the impact as high (H), medium (M), and low or not significant (L).

M unemployment L underemployment L retrenchment L core labor standards

2. Labor market impact. The core objective of the program is to promote inclusive growth through the labor market. The strategy is to (i) improve the employment chances of young people at risk; (ii) develop industry-led skills development programs, starting with the tourism sector; and (iii) help improve labor policies and programs to boost employment.

##### B. Affordability

The poor and vulnerable are expected to benefit from stronger competitiveness and better regulations.

##### C. Communicable Diseases and Other Social Risks

1. Indicate the respective risks, if any, and rate the impact as high (H), medium (M), low (L), or not applicable (NA):

NA Communicable diseases NA Human trafficking  Others (please specify) \_\_\_\_\_

2. Describe the related risks of the project on people in the project area.

No social risks or communicable disease risks are associated with this loan.

#### VI. MONITORING AND EVALUATION

(i) At least 56% of JobStart beneficiaries are women—this has been upgraded from the original 50% target based on women's actual participation in the pilot program; (ii) 55% of beneficiaries accessing the tourism skills development program are women; (iii) at least 50% of key focal persons at the line agencies that are implementing RIAs are women to ensure proper representation; (iv) at least 2 PPP projects competitively bid through the PPP process are designed as gender-responsive projects; and (v) at least 30% of staff from the Department of Finance, Department of Budget and Management, and the National Development and Economic Authority and line agencies trained in PPPs are women. Most of these targets have been exceeded.