

# An alternative approach to poverty eradication

By Wiebe van Rij

## Poverty

In 2004 the Philippine Government calculated the overall annual per capita poverty threshold at **PhP 13,113**<sup>1</sup> which is less than one (1) US \$ a day while the average GDP per capita is estimated at **PhP 63,285**<sup>2</sup>, indicating the huge income discrepancies among Filipinos. Recent survey results by the Social Weather Station (SWS) also show that 2.8 million or 16.9 % of Philippine households are experiencing hunger, a number that has steadily increased over recent years. Other surveys show that that rural areas have higher poverty levels than urban areas. It is estimated that 4.5 million Filipino families or about 24 million people, 28% of the total population, live below this poverty line of PhP 13,113<sup>3</sup>.

Worldwide it's not much better. Half of the world's population, nearly 3 billion people, live on less than two dollars a day while a few hundred millionaires now own as much wealth as the world's poorest 2.5 billion people. Twenty percent (20%) of the population in the developed nations consume 86% of the world's goods<sup>4</sup>. The question arises how can a world with so much "rot" in its body ever be a happy world? How under such circumstances, can peace among people in this country and for that matter among different countries, ever prevail? As poverty is disgraceful and shameful, one tends to believe that poverty eradication and fairer income distribution can be nothing less than the highest priority of everybody on this planet.

There can be no doubt anymore that incomes, among and within countries, are extremely unequally distributed and the Philippines is no exception. Increasing incomes of the poor is needed for moral reasons as well as for many others. Raising incomes of the poor can be done through redistribution of the national income and through sustainable economic growth.

In the Philippines as in many other countries, direct money transfers to the poor are hard to achieve, as appropriate mechanisms to do so are absent. Much better is the engagement of the poor in economic activities where a reasonable income can be earned, meaning an income above the poverty threshold.

Economic growth is a necessary condition to address poverty. It is not a sufficient condition though. The magnitude of the created surplus will not necessarily end up in the hands of the poor. This will be determined by the level of their participation in the

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<sup>1</sup> NSCB Annual Per Capita Poverty Thresholds by Province, 2003 – 2004, rural areas score a bit lower than urban areas. (preliminary estimates as of 07 March 2006)

<sup>2</sup> NSCB Gross National Product and Gross Domestic Product by Industrial Origin, 1st Qtr 2003 - 4th Qtr 2005 (in million PhP)

<sup>3</sup> Derived from NSCB 2003 fact sheet

<sup>4</sup> Poverty facts and statistics, <http://www.globalissues.org>

creation of that surplus. A deliberate effort is required to stimulate such participation in economic activities.

Such participation can be facilitated through making the right technology choices, as there is a relationship between the choice of technologies and employment. The application of capital-intensive technologies limits the creation of jobs where a reasonable income can be earned. Although it seems obvious that capital-intensive technology choices are detrimental to overall economic development and poverty eradication in countries like the Philippines, in reality this is what is happening.

## **Rural infrastructure development, a tool for eradicating poverty**

Take the case of construction, rehabilitation and maintenance of infrastructure works. Construction, rehabilitation and maintenance of roads, dams, canals and irrigation systems have a high priority with, and are mostly financed, by national and local governments as well as by donors. In general, these projects are executed by local, national or international contractors, using mostly capital-intensive techniques, requiring skilled operators from the cities or even from abroad. Relatively few local/rural low or unskilled workers can be engaged and as a result incomes and other returns from project execution are flowing out of the area or disappear abroad.

The reasons for this situation are partly managerial of nature, partly they result from conflicting interests. Project designs and specifications are often not expressly oriented to take into account poverty eradication concerns. Designers, decision makers and implementing agencies may feel that organizing people is more complicated than operating a few machines and as a result ignore/underestimate the direct opportunities of infrastructure projects for reducing poverty. Market distortions or government interventions can discourage labour intensive - and incite capital-intensive execution also; and not to speak about corruption that can flourish well under such circumstances. If not clearly specified in project and contract documents, implementing agencies will as a rule engage professional contractors that mostly go for the use of heavy equipments instead of for labour intensive technologies.

However, many rural structures for example are often less complex and could easily be executed labour intensively with simple techniques. Such works could be contracted to local communities and organized groups of rural poor. Projects implemented this way, could be double effective in facilitating sustainable rural development in general and poverty eradication in particular.

Firstly, improved rural infrastructure will create favourable conditions for general economic growth in the area generating additional money inflows. Secondly, such works, if contracted to local communities and rural poor groups, will stimulate directly their social and economic emancipation. Their purchasing power and savings will increase and simultaneously the involved groups will acquire managerial, organizational and technical skills facilitating their sustainable development.

## **The Philippine story**

In 2004 the Philippine government spent as much as PhP 38 billion for various infrastructure projects and activities. In 2004 the Department of Agriculture also invested in the improvements of more than 500 kilometres of farm-to-market roads with a total cost of P611.125 million<sup>5</sup>. There are no figures available on how much local government units spent on infrastructure development but surely a major portion of their development funds goes to this sector.

As can be observed around the country, many of the rehabilitation and construction works are contracted out to companies that bring in heavy equipment and machinery to execute the works. No statistics are available to calculate the foregone opportunities of such technology preference in terms of employment creation and socio-economic development.

It may be safe to say though, that government agencies dealing with infrastructure development as well as local governments apparently do not really take the lead in the job creation drive, although the latter is strongly advocated by the present administration. See for example the recent MOA signed by the President regarding a roadside maintenance job creation Programme<sup>6</sup>.

## **The Upland Development Programme, the Mindanao experience**

In 1999 the EU entered into a project agreement with the Government of the Philippines to implement the Upland Development Programme (UDP). The Department of Agriculture is the executing Agency. Although implemented on Mindanao, the 2<sup>nd</sup> largest island of the Philippines, UDP also intends to set examples for poverty eradication through sustainable development in other areas of the country, particularly in the uplands, where poverty incidence is much higher than in the lowlands.

By now the UDP has developed a replicable model for Sustainable Upland Development (SUD), which has been tested and applied in two Regions of Mindanao (XI and XII). The replication of the SUD model has, through one of its schemes, the scope for employment creation through labour-based road rehabilitation and maintenance schemes.

Well-maintained good roads are necessary to spur economic growth in the agricultural upland areas, however the rehab and maintenance of barangay roads vital for economic development has been severely neglected, if not totally ignored for various reasons among them the traditional emphasis on lowland development. As a result there is minimal infrastructure investment in the uplands where an estimated 25 million people<sup>7</sup>, country wide, most of them poor, are making a living.

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<sup>5</sup> [www.dpwh.gov.ph](http://www.dpwh.gov.ph) 2004 statistics

<sup>6</sup> <http://www.dpwh.gov.ph/> May 2006

<sup>7</sup> Extrapolation from the figures in the FAO publication chapter 4. Impacts and effectiveness of logging in natural forest: Philippines – Ernesto S. Guiang

Labour-Based Road Rehab & Maintenance addresses this concern by involving the participation and support from among the members of the community in addition to assistance from their Municipal Local Government Unit (MLGU) and Barangay Local Government unit (BLGU).

The primary objectives of this scheme are to institutionalise road rehab & maintenance of vital barangay roads by the members of the community and their BLGU and MLGU and to provide them with the necessary skills to undertake the operational procedures for labour-based road rehab & maintenance. Multi-year plans are formulated for that purpose.

Tripartite arrangements among the MLGU, BLGU and community-based organizations are formulated and implemented. These include the formation of road rehab and maintenance crews, training activities for these crews, and support for implementation. Under the contract, the well-trained, permanently engaged labour crews are provided with hand tools to do the activities. In addition the local governments provide, on an ad hoc basis, equipment and material support should there be heavy damage due to e.g. natural disasters, which cannot be handled by the crew on its own.

The communities will benefit from the resulting mobility to and from their barangays through keeping these crucial roads in a passable shape at lower cost that will result in increased agricultural production, improved access to economic opportunities and services and in an increased commitment and capability of the MLGUs, BLGUs and community-based organizations in taking up and own their development programmes.

There are other advantages of this scheme that can be highlighted, as they are relevant in respect of overall economic development and poverty eradication.

The scheme creates direct employment and income in the community. It also creates indirect employment, as the wages paid to the crews are most likely spent within the local economy, thereby creating a multiplier effect in terms of additional employment and economic development in the barangay, municipality concerned.

The scheme is also cost saving for LGUs. Switching from equipment based-ad hoc rehab & maintenance, being the present practice, to a regular labour based programme, saves fuel costs and reduces investment in heavy equipment. There is a tendency among LGUs to buy heavy equipment through borrowing at often taxing loan-servicing costs. A substantial reduction of such costs can be gained by choosing for a labour intensive approach. Furthermore the money for paying the fuel, spare parts etc. will most probably result in a resource outflow instead of in reinvestment in the local economy.

Lastly fuel, oils and spare parts have a high import component. In macro-economic terms therefore the equipment approach could consume a substantial portion of the countries foreign exchange reserves in contradiction to the labour-based approach.

## Summary

With support from the UDP, 85 road rehab and maintenance crews, organised by community-based organisations, are employed under a contract with 85 BLGUs. On an average each road section has a crew of 8 members and looks after approximately 5 kilometres of vital barangays roads. This includes routine maintenance as well as some minor rehabilitation. The result is that about 650 people are employed at an annual cost of around PhP 20 million or about PhP 30,000/job, including training and tools. Per barangay the annual costs would be around PhP 250,000, an amount quite feasible to generate jointly from BLGU, MLGU and PLGU development funds.

The Philippines has nearly 42,000 barangays. Assume half of these say 20,000, are in rural areas. If these 20,000 BLGUs would establish road rehab & maintenance crews as is done in Southern Mindanao, 160,000 jobs could be created.

To further stress the opportunities and advantages of labour-based infrastructure development, imagine that even only 20% of the DPWH budget for 2004 or PhP 7.6 billion would deliberately be allocated for labour intensive infrastructure development programmes targeting new employment generation, more than 250,000 jobs could have been created.

For more information see: [www.saveuplands.org](http://www.saveuplands.org)

Davao, May 2006

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The author is a Civil Engineer and Economist who has been involved in employment creation programmes such as labour-based road construction and maintenance in Bangladesh and Indonesia. Presently he is the European Co-Director in the Upland development Programme in Southern Mindanao, the Philippines.