Enabling poor rural people to overcome poverty in the Philippines

Rural poverty in the Philippines

About half of the Philippines’ 88 million people live in rural areas. Poverty is most severe and most widespread in these areas and almost 80 per cent of the country’s poor people live there. Agriculture is the primary and often only source of income for poor rural people, most of whom depend on subsistence farming and fishing for their livelihoods.

In general, illiteracy, unemployment and the incidence of poverty are higher among indigenous peoples and people living in the upland areas. Overall, more than a third of the people in the Philippines live in poverty.

The poorest of the poor are the indigenous peoples, small-scale farmers who cultivate land received through agrarian reform, landless workers, fishers, people in upland areas and women.

There are substantial differences in the level of poverty between the regions and provinces and the poverty gap between urban and rural areas is widening. Indigenous people living in highly fragile and vulnerable ecosystems, people in the uplands of the Cordillera highlands and on Mindanao Island are among the poorest in the country.

The causes of poverty in rural areas in the Philippines vary widely from island to island. Among the causes of rural poverty are a decline in the productivity and
Eradicating rural poverty in the Philippines

Over the past two decades, the Government of the Philippines has singled out poverty reduction as one of its highest priorities. The current Medium-Term Development Plan 2004-2010 (MTDP) defines policies and programmes designed to fight poverty by building prosperity for the greatest number of Filipino people. The National Economic and Development Authority (NEDA), the country’s central planning agency, worked closely with the government on the plan’s 10-point agenda. The MTDP focuses on:

- macroeconomic stability, with equitable growth based on free enterprise
- modernization of agriculture and fisheries, with a focus on social equity
- comprehensive development that includes protection for vulnerable groups, such as women, children and the elderly
- good governance and the rule of law

Since agriculture plays a major role in generating incomes and employment in rural areas, development of the sector is an essential part of any programme to reduce poverty. The MTDP notes that the agricultural sector alone cannot substantially alleviate poverty in rural areas. The plan adopts a more holistic approach to reducing rural poverty through the promotion of agribusiness.

Development of rural microenterprises is a key element in the government’s strategy. The MTDP gives special emphasis to the need for vigorous support for micro, small and medium enterprises and agribusinesses, because they are the most efficient generators of jobs in terms of jobs-to-investment ratio. A key strategy includes developing 2 million hectares of new lands for agribusiness, which is expected to generate 2 million new jobs and improve the productivity and incomes of poor Filipino farmers. The plan also aims to create 3 million microenterprises, providing them with credit, technology and marketing support.

The plan gives priority to:

- supporting rural enterprises and cooperatives
- constructing more roads connecting farmers to markets
- providing farmers and indigenous peoples with greater access to land, credit and technology
- lessening exploitation of farmers and fishers
- providing more strategic, effective and timely interventions and safety nets
- improving the quality of life of poor rural people
As stated in the MTDP, the goals of the agribusiness approach are to substantially expand the production base, improve production and distribution efficiency, and promote equitable distribution of production and productivity gains.

The government’s overall strategy focuses on creating 6 to 10 million jobs, providing education for all, and reducing the incidence of poverty from 34 per cent to 17 per cent. The core poverty eradication programme is known as KALAHI, meaning “linking arms against poverty”. It promotes more rapid asset reform, including agrarian reform and reforms involving ancestral domain issues. The programme works to make essential services, including clean water and health care, more accessible and more affordable. It supports income-generating activities through credit and capacity-building, and participation of poor people in decision-making. A programme goal is to provide protection and security for vulnerable poor people, including children, young people with special needs, women in difficult circumstances, people with disabilities and the elderly.

**IFAD’s strategy in the Philippines**

Since 1978, IFAD has committed a total of US$168.8 million in financing 12 projects related to agricultural development in the Philippines. From its first project, which financed year-round irrigation to improve productivity in the Cagayan Valley of Northern Luzon, to the most recent, which supports a nationwide effort to regain self-sufficiency in rice production, IFAD has had a role in efforts to reduce poverty in the Philippines. The goals are to enable poor rural people to improve their incomes and food security, and provide better food, education and health care for their families.

Working with the government to achieve the goals of the MTDP 2004-2010, IFAD supports microfinance, with the aim of tripling loans to self-employed people, to microenterprises and to entrepreneurial poor people in remote areas.

IFAD’s current strategy in the Philippines has evolved from the government’s own strategic initiative – contained in its social reform agenda – from IFAD’s own strategic framework and key strategies for Asia and the Pacific region, and from lessons learned from past operations in the country. Past experiences have sharpened the focus of IFAD’s
With the 2010-2014 Philippines country strategic opportunities programme (COSOP), IFAD will work to extend its mission to help the Philippine government and other stakeholders to reduce poverty and food and nutritional insecurity in rural areas. Working with development partners – in the context of a global emphasis on aid effectiveness and a better division of labour between development agencies – will be key to fully exploiting the programme's potential. IFAD's country strategy will also continue to support the government's medium-term rural poverty reduction goals, which are closely aligned to the Millennium Development Goals. With the overarching goal that poor rural women and men are empowered to achieve higher incomes and improved food security, the COSOP has three strategic objectives:

- Upland poor households have improved access to, and control over, the land and water resources in the uplands, especially households in indigenous peoples' communities and agrarian reform beneficiaries in the country's poorest provinces. They will use these resources in environmentally sustainable activities and have access to essential socio-economic public infrastructure.

- The entrepreneurial poor in selected rural areas, particularly in the Visayas, Northern and Western Mindanao, Southern and Eastern Mindanao, and Central Mindanao, have improved access to markets and rural financial services. They are able to pursue, maintain and enhance farm-related, off-farm, non-farm and microenterprise activities. This improves the value chains of agribusiness systems for the benefit of rural poor farmers.

- Selected and marginalized poor communities that are dependent on coastal resources in Bicol, Eastern Visayas, Northern Mindanao and the Autonomous Region for Muslim Mindanao have sustainable access to fisheries and other productive resources in coastal areas. They use sustainable coastal resource management practices and diversify livelihood opportunities to meet their basic needs, particularly food.
Ongoing operations

Total cost: US$66.4 million
IFAD loan: US$26.6 million
IFAD grant: US$561,000
Duration: 2008-2015
Directly benefiting: 12,530 households
Cofinancing: Asian Development Bank (US$10.0 million), OPEC Fund for International Development (US$10.0 million)

Second Cordillera Highland Agricultural Resource Management Project (CHARMP)

The project builds on the first Cordillera Highland Agricultural Resource Management Project (CHARMP), which has contributed to reducing poverty among indigenous peoples in the highlands of the Cordillera Region in the northern Philippines. The second CHARMP concentrates on areas where poverty is most severe in all six provinces of the region: Abra, Apayao, Benguet, Ifugao, Kalinga and Mountain Province.

The aim is to reduce poverty and improve the livelihoods of indigenous peoples living in farming communities in the mountainous project area. The indigenous peoples consist of many tribes whose main economic activity is agriculture. More than half of the people in the area are poor.

The objectives are to:
- increase household income of poor farmers through sustainable agricultural development
- enhance the quality of life in the communities by improving land tenure security, food security and watershed conservation

In line with IFAD's strategy of supporting sustainable natural resource management, the project focuses on the value of indigenous farming systems, which are environmentally sustainable. The aim is to increase the added value of products from farming systems that are both organic and environmentally sustainable. The project supports the government's decentralization policy by promoting the participation of local communities in planning activities, and by supporting local government units providing services to the communities. It also supports implementation of the Indigenous Peoples Rights Act, landmark legislation that recognizes the values and institutions of indigenous peoples and their right to manage the natural resources in their domains.

The project builds on the innovative features of the first Cordillera operation, which included:
- involving communities in development planning and natural resource management
- supporting indigenous peoples in gaining title to ancestral domains and lands
- identifying and documenting best practices in the application of indigenous knowledge systems and practices
- using broadcast media to reach remote areas
- involving local provincial units as implementation agencies for rural infrastructure
The second CHARMP introduces new forms of innovation, such as commercialization of indigenous peoples’ products through value chain development and market linkages. It also strengthens participatory systems of monitoring and evaluation of project activities, and the capacity of indigenous peoples and their councils of elders to assume responsibility for forest management. In addition, the project empowers municipalities to authorize project disbursements to agencies implementing activities.

The main focuses of the second CHARMP are:

- mobilization of communities, participatory planning of investments and land titling
- community watershed conservation, including forest management and agroforestry development
- agricultural and agribusiness development and promotion of income-generating activities
- development of rural infrastructure

IFAD will directly supervise the project.

Rapid Food Production Enhancement Programme (RaFPEP)

The programme will support the government’s 2009-2013 Rice Self-Sufficiency Plan, a nationwide effort to regain self-sufficiency in rice production and to respond to the food price crisis that emerged in 2008. IFAD’s investment will provide support for securing good quality seed to boost rice production and for rehabilitating and developing irrigation works.

The programme includes two subprogrammes that are separate but mutually dependent:

- the Rapid Seed Supply Financing Project (RaSSFiP), to be implemented in 2009
- the Irrigated Rice Production Enhancement Project (IRPEP), to be implemented from 2010 to 2015

The programme targets poor paddy farmers and poor irrigators’ associations in various rice-growing areas, with the objective of achieving an increase in paddy production.

The RaSSFiP will focus on acquisition and distribution of certified seeds for the 2009 wet season crop. IRPEP will work in the longer term to:

- strengthen irrigation associations
- provide production inputs and support services
• develop and maintain irrigation and rural infrastructure
• develop marketing and the post-harvest stage of production
• promote policy dialogue

IFAD will directly supervise the programme, which is an innovative combination of emergency assistance and a development project. It brings together an urgent response to prevent an emergency, by supplying seeds rapidly to increase paddy production, and a medium-term irrigation rehabilitation effort that aims at increased and sustained production. Through the financial package, IFAD will provide funds for the urgent phase and play a catalytic role in further financing. And IFAD’s support for the government’s sector-wide programme enables both IFAD and the government to fast-track processing, providing a potential model for future initiatives.

**Rural Microenterprise Promotion Programme (RuMEPP)**

Building on the experiences of the IFAD-funded Rural Microenterprise Finance Project, the programme targets the poorest 19 provinces in five of the poorest regions in the country, focusing on areas with the highest potential for enterprise development. The aim is to raise the incomes and improve the livelihoods of poor rural people by providing them with loans and other financial services, and with business development services such as capacity-building, market linkages and product development. It will work with poor microentrepreneurs and other poor people involved in microenterprises, including women, young people and indigenous peoples. Although the programme will focus on formation and expansion of microenterprises at the lower and poorer end of the scale of assets, it will also include larger microenterprises, which are an important source of employment.

The programme’s objective is to see increasing numbers of new and existing rural microenterprises expanding and operating profitably and sustainably. Investments will support microfinance and credit, microenterprise promotion and development, and programme and policy coordination. Programme operations will adhere to sound financial principles, and resources will be concentrated in a limited area to avoid diluting their impact. Poor rural people will have a say in programme planning and in adjustments that are required during implementation. Activities will pinpoint policy issues and opportunities.

### Completed operations

**Northern Mindanao Community Initiatives and Resource Management Project (NMCIREMP)**

- **Total cost:** US$21.6 million
- **IFAD loan:** US$14.8 million
- **Duration:** 2003-2009
- **Directly benefiting:** 58,500 households

**Western Mindanao Community Initiatives Project (WMCIP)**

- **Total cost:** US$18.2 million
- **IFAD loan:** US$14.8 million
- **Duration:** 1999-2007
- **Directly benefiting:** 16,000 households

**Rural Microenterprise Finance Project (RMFP)**

- **Total cost:** US$64.8 million
- **IFAD loan:** US$14.7 million
- **Duration:** 1996-2002
- **Directly benefiting:** 300,000 households

**First Cordillera Highland Agricultural Resource Management Project (CHARMP)**

- **Total cost:** US$41.5 million
- **IFAD loan:** US$9.2 million
- **Duration:** 1996-2004
- **Directly benefiting:** 23,150 households

Cofinancing: Asian Development Bank (US$20.0 million)
Building a poverty-free world

The International Fund for Agricultural Development (IFAD) works with poor rural people to enable them to grow and sell more food, increase their incomes and determine the direction of their own lives. Since 1978, IFAD has invested over US$11 billion in grants and low-interest loans to developing countries, empowering some 340 million people to break out of poverty. IFAD is an international financial institution and a specialized UN agency based in Rome – the UN’s food and agricultural hub. It is a unique partnership of 165 members from the Organization of the Petroleum Exporting Countries (OPEC), other developing countries and the Organisation for Economic Co-operation and Development (OECD).

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For further information on rural poverty in the Philippines, visit the Rural Poverty Portal: http://www.ruralpovertyportal.org

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Smallholder Livestock Development Project (SLDP)
Total cost: US$12.7 million
IFAD loan: US$8.0 million
Duration: 1982-1989
Directly benefiting: 34,000 households
Cofinancing: Asian Development Bank (US$2.6 million)

Magat River Multipurpose Project Stage II (Irrigation) (MRMPS II)
Total cost: US$82.0 million
IFAD loan: US$10.0 million
Duration: 1979-1984
Directly benefiting: 12,400 households
Cofinancing: World Bank: IBRD (US$21.0 million)

Communal Irrigation Development Project (CIDP)
Total cost: US$121.8 million
IFAD loan: US$12.0 million
Duration: 1983-1990
Directly benefiting: 24,000 households
Cofinancing: World Bank: International Bank for Reconstruction and Development (IBRD) (US$71.1 million)

Visayas Communal Irrigation and Participatory Project (VCIPP)
Total cost: US$21.7 million
IFAD loan: US$15.1 million
Duration: 1992-1999
Directly benefiting: 11,600 households
Cofinancing: Desenvol. Integral Sud-Ouest Do Parana Brazil (US$0.75 million), Netherlands (US$1.5 million), UN Development Programme (UNDP) (US$0.6 million)

Highland Agriculture Development Project (HADP)
Total cost: US$26.9 million
IFAD loan: US$4.6 million
Duration: 1987-1993
Directly benefiting: 6,800 households
Cofinancing: Asian Development Bank (US$18.8 million)

Visayas Communal Irrigation and Participatory Project (VCIPP)
Total cost: US$21.7 million
IFAD loan: US$15.1 million
Duration: 1992-1999
Directly benefiting: 11,600 households
Cofinancing: Desenvol. Integral Sud-Ouest Do Parana Brazil (US$0.75 million), Netherlands (US$1.5 million), UN Development Programme (UNDP) (US$0.6 million)

Highland Agriculture Development Project (HADP)
Total cost: US$26.9 million
IFAD loan: US$4.6 million
Duration: 1987-1993
Directly benefiting: 6,800 households
Cofinancing: Asian Development Bank (US$18.8 million)

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Total cost: US$121.8 million
IFAD loan: US$12.0 million
Duration: 1983-1990
Directly benefiting: 24,000 households
Cofinancing: World Bank: International Bank for Reconstruction and Development (IBRD) (US$71.1 million)