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Opinion/Editorial

Making business work for the poor



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Speech of Vice President NOLI DE CASTRO at the opening of a United Nations Development Program (UNDP) workshop at the Makati Shangri-La Hotel on April 21, 2005.

FIRST of all, I would like to thank the UNDP for choosing the Philippines as host of the East Asia Sub-Regional Launch and Workshop on the Millennium Development Goals (MDG) Report "Unleashing Entrepreneurship: Making Business Work For The Poor."

Last February, I also had the honor of attending the second localization meeting of the 12 MDG pilot cities in the Philippines. This was held in the Science City of Muñoz, and I had the honor of joining UNDP Resident Representative Deborah Landey as well as representatives of the local government of Muñoz and other MDG pilot cities. I saw firsthand the enthusiastic response of the local residents to the MDG goals and the programs being planned and implemented by the government.

The Philippine government recognizes the immense significance of the Millennium Development Goals, and the MDG objective of cutting world poverty by half by the year 2015. As I said in Muñoz then, the Millennium Development Goals represent no less than the international community's aspirations to make a better world.

I am sure the delegates to this workshop are very much aware of the grim statistics that show the depth and extent of global poverty.

As of 2002, an estimated 4 billion people worldwide lived at the bottom of the pyramid.

In the Philippines, 23,509,648 Filipinos, or 30.4 percent of the population were found to be living below the poverty line, as of 2003. 10,670,897 Filipinos were also found to be living below the food poverty line.

It was the reality of widespread poverty that pushed the United Nations, led by Secretary General Kofi Annan, to take a good look at the experiences of countries in Latin America, Asia, and Africa. And what the UN found is that where there is strong private investment, there is sustained economic growth.

The answer to poverty, it appeared, is in the hands of private entrepreneurs.

Thus, Secretary General Kofi Annan created the UN commission on private sector and development (UNCDSPP) to prepare a report on entrepreneurship.

The commission was tasked to answer two questions: 1) How can the potential of the private sector and entrepreneurship be unleashed in developing countries; and 2) How can the existing private sector be engaged to meet the challenge?

In March, 2004, the commission answered these questions in a report called "Unleashing Entrepreneurship: Making Business Work for the Poor." That is what brings us here today.

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The report strongly supports the argument that sustainable private sector investment is the main factor that accelerates economic growth and reduces poverty.

It offers recommendations on how the major actors can enhance the role of the private sector in development. It also identifies the major challenges that confront the private sector in all developing countries.

Here in the Philippines, the 2001 national survey shows that 91.6 percent of enterprises are microenterprises. Only 7.6 percent are small enterprises, 0.4 percent are medium, and 0.4 percent are large.

This structure demonstrates the wide disparity of business in the country, and also depicts the widening income disparities among Filipinos.

Empowering the private sector in housing

Shelter is one area where the Philippine government shows its commitment to the millennium development goals.

Under goal number 7, which is "to ensure environmental sustainability," one of the specific targets of the MDG is to achieve a significant improvement in the lives of at least 100 million slum dwellers by the year 2020.

The Medium-Term Philippine Development Plan (MTPDP), for shelter explicitly mentions this MDG target in citing the accomplishments of the government and the private sector in housing, specifically the provision of shelter security to 382,285 households from 2001 to 2004.

It is easy to see why the Philippine government would place a high priority on the plight of slum dwellers. According to the 2002 Annual Poverty Indicators Survey (APIS) of the National Statistics Office, there are 588,853 informal settler families in the country. Of this number, 51 percent are in the National Capital Region (NCR), Region IV and Region VI.

These informal settlers live in substandard dwellings, or those that are not durable enough to last at least five years. These are located mostly in urban slums with little or no access to auxiliary services such as safe drinking water, health centers, elementary and high schools, as well as decent and gainful livelihood opportunities.

These informal settlers are only part of the existing housing backlog. For 2005 to 2010, we are looking at a total housing need of 3,756,072 units.

As you can see, shelter is one area where the Philippine government has already recognized the important role of the private sector, and has acted to further encourage this sector to contribute.

In fact, one of the strategies being adopted by the housing sector under the MTPDP is to expand private sector participation in housing finance and construction. We hope to achieve this through the following:

- A) Establishing an active and liquid secondary mortgage market.
- B) Fast-tracking the disposition of assets and non-performing loans to generate additional funds for housing.
- C) Rationalizing the subsidy mechanism for socialized housing to remove distortions and leakages.
- D) Pursuing strategic linkages with clients/sectoral groups, and private developers for joint-venture arrangements.

Aside from this, the Housing and Urban Development Coordinating Council (HUDCC) also has two pilot projects under the Asian Development Bank (ADB) that aim to provide not only shelter security but livelihood opportunities as well to urban poor families.

The first of these initiatives is the Development of Poor Urban Communities Sector Project

(DPUCSP), which is being implemented together with the Development Bank of the Philippines.

One of the goals of this project is to enable the urban poor to avail of financial services for microenterprise development, home improvements and housing. This will pilot test the potential and sustainability of Microfinance Institutions (MFIs) in the provision of housing finance to the poor.

The second project is the Strategic Private Sector Partnership for Urban Poverty Reduction in Metro Manila (STEP-UP)

This is being implemented by the Philippine Business for Social Progress (PBSP), which provides loan assistance and a viable revolving fund for housing improvements for over 4,000 households, and livelihood enterprises to more than 2,500 households.

The PBSP was able to harness the potential of its member corporations in building the capabilities of the poor, as well as developing a market for their microenterprise products.

These are some of our undertakings to tap the private sector in addressing one specific aspect of poverty, which is the housing problem.

I think that our efforts and undertakings, and the gains we have made so far, give us a glimpse of the greater gains we can achieve in the fight against poverty, if we are to fully unleash the power of private entrepreneurship.

I am looking forward to a lively and dynamic participation among all the delegates in this workshop, so that this activity will be able to meet its objectives.

We are facing a formidable challenge, and we need to step up our efforts.

As a public servant, I am glad that this workshop, and indeed the UNDP report, makes us all aware of an important truth – that addressing poverty is not a solo act for the government.

It is time for all of us to acknowledge our part and take our own share of the responsibility to uplift the lives of over 4 billion poor around the world.

It is time for us to act, and to act as one.

Maraming salamat po.

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