

Simulated estimates of the impacts of COVID-19 pandemic on poverty for the years 2020 and 2021 and the estimated budget needed for SAP implementation in 2021

Prepared by Celia M. Reyes, Ronina D. Asis and Arkin A. Arboneda¹
 01 March 2021

The COVID-19 pandemic has led to a 9.5 percent contraction of the Philippine economy. As the imposed community quarantines were implemented to contain the spread of the virus, jobs have been lost, and businesses have suffered, mainly due to the suspension and closure of non-essential work. Household incomes went down and this has resulted to an estimated increase in poverty incidence among families of 6.2 percentage points (from 12.1 percent in 2018).

The provision of social safety nets to affected families through various social amelioration programs (SAP) has helped families to smoothen their consumption during the initial stages of the national lockdown. Assistance provided in 2020 are in the form of cash grants and wage subsidies, which are given to the beneficiaries in two tranches.

Table 1. Estimated magnitude and incidence of poverty in 2020 and 2021 under different scenarios

Indicator / Scenario	2018 (Pre-COVID)		2020		2021	
	Magnitude	Incidence	Magnitude	Incidence	Magnitude	Incidence
	('000)	(%)	('000)	(%)	('000)	(%)
Poverty incidence among families	3,004.6	12.1	..	..	..	..
Without SAP	..	..	4,536.54	18.3	4,034.77	16.3
With SAP (two tranches)	..	..	3,482.74	14.1	3,063.27	12.4
With SAP (three tranches)	..	..	..	..	2,674.34	10.8
Poverty incidence among population	17,670.20	16.7	..	..	..	..
Without SAP	..	..	25,645.85	24.3	23,065.35	21.8
With SAP (two tranches)	..	..	20,905.38	19.8	18,600.29	17.6
With SAP (three tranches)	..	..	..	..	16,685.94	15.8

Notes: 1. A total of 14 million families are tagged as beneficiaries of SAP

2. Estimates in 2021 are conducted if SAP will be provided in either two or three tranches

Source: Authors' estimates using 2018 Family Income and Expenditure Survey and GDP growth rates

Looking forward, a slow recovery is projected for the Philippines in 2021. Assuming a six percent growth in GDP, the economy will still not be back to 2019 levels. Given this projected growth, poverty incidence among families in 2021 is estimated to be at 16.3 percent.

Providing another set of SAP assistance in 2021 will allow some families to meet basic food and non-food needs. An estimated amount of PHP 163.39 billion is needed to provide

¹ Dr. Celia M. Reyes, President, Ronina D. Asis, Executive Assistant V, Arkin A. Arboneda, Senior Research Specialist, Philippine Institute for Development Studies (PIDS)

the poorest 14 million households with two tranches of subsidy amount similar to what was provided per household and per region in 2020. Should the government explore the possibility of providing SAP in three tranches, the estimated SAP budget is PHP 245.08 billion. Poverty incidence among families is estimated to go down to 12.4 percent if emergency cash assistance will be provided in two tranches, which is near the pre-COVID estimates in 2018, while it will go down further to 10.8 percent if SAP will be provided in three tranches.

Table 2. Estimated budget needed for SAP implementation in 2021 (in billion PHP)

Scenario	Estimated SAP budget (in billion PHP)
Two tranches	163.39
Three tranches	245.08

Note: Each tranche amounts to PHP 5,000 to 8,000 per household depending on the region of residence (similar implementation guidelines to SAP in 2020)

Source: Authors' estimates using 2018 Family Income and Expenditure Survey

While this program will lift a number of families out of poverty temporarily, the government will also need to accompany the billions of pesos allotted in SAP with an increase in supply of basic commodities, as otherwise it might cause prices of these goods to go up. The increase in prices could wipe away some of the gains from the provision of SAP. Thus, there should be accompanying measures to enable the economy to increase production during this period to avoid inflationary pressure.