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Eradicating Poverty in the Philippines by 2030: An Elusive Goal?

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Eradicating Poverty in the Philippines by 2030: An Elusive Goal?

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Abstract

The Philippines aspires to be an upper middle-income country by 2022 as stated in the 2017–2022 Philippine Development Plan. It has also committed to the Sustainable Development Goals (SDGs), where the first goal is to eradicate extreme poverty by 2030. This paper examines the performance of the country with regards to poverty reduction. It also examines the reasons for the recent performance, including the pattern of economic growth, numerous shocks experienced by the country, and government policies and programs. With the COVID-19 pandemic, it is likely that the recent gains will be wiped out. It also provides some recommendations to accelerate the rate of poverty reduction.

Keywords: poverty, decomposition, chronic and transient poverty, social protection, risk management tools, interoperable digital information system, shocks, Covid-19 pandemic

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Eradicating Poverty in the Philippines by 2030: An Elusive Goal?

Celia M. Reyes

The Philippines aspires to be an upper middle-income country by 2022 as stated in the 2017-2022 Philippine Development Plan. Moreover, it aims to reduce rural poverty from 30 percent in 2015 to 20 percent in 2022. Overall poverty rate is also targeted to decline from 21.6 percent to 14.0 percent in 2022 – equivalent to lifting about 6 million Filipinos out of poverty. Moreover, the country has committed to the Sustainable Development Goals, where the first goal is to eradicate extreme poverty by 2030.

Considering that 2022 is just one year away, it would be useful to see how the Philippines is faring in the area of poverty reduction compared to other upper middle-income countries.

While we recognize that poverty is multidimensional, this policy brief focuses on income poverty since the Social Reform and Poverty Alleviation Act (RA 8425) defines the poor as individuals and families whose income falls short of the poverty threshold as identified by the National Economic and Development Authority, and/or those who cannot afford their minimum basic needs (e.g. food, health, education, housing and other essential amenities) in a sustained manner.

1. Where are we now?

The country's performance in poverty reduction has lagged behind Malaysia, Thailand Indonesia, Viet Nam and Myanmar.

The World Bank has estimated an international poverty line to measure absolute poverty. In 2015, the World Bank has defined the extremely poor as those who are living on USD 1.90 or less per day, in 2011 PPP.

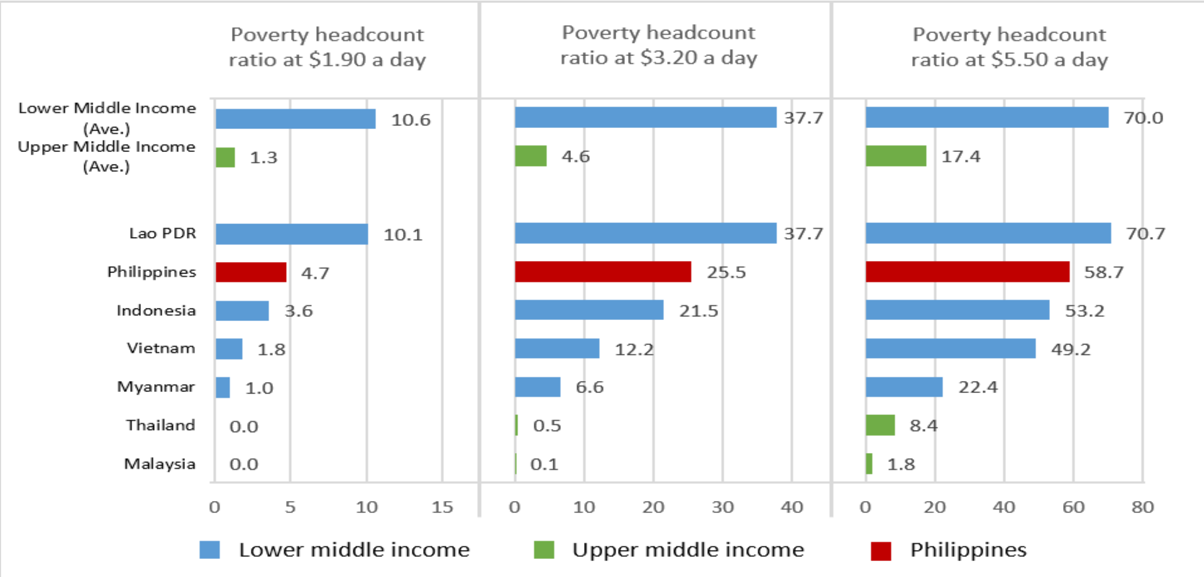
The World Bank also reports poverty rates for all countries using a lower middle-income international poverty line, set at USD 3.20/day; and an upper middle-income international poverty line, set at USD 5.50/day. These additional poverty lines are based on a paper by Jolliffe and Prydz (2016), where they found that 33 low income countries had a median poverty line of USD 1.91 per person per day, 32 lower middle-income countries had a median poverty line of USD 3.21, and 32 upper middle-income countries had a median poverty line of USD 5.48.

The Philippines, Indonesia, Lao PDR, Myanmar and Viet Nam are lower middle-income countries, while Malaysia and Thailand are upper middle-income countries.

The Philippines has lower poverty incidence than the average for lower middle-income countries, but still much higher than the average for upper middle-income countries. Its poverty incidence is also much higher than Malaysia, Thailand, Indonesia, Vietnam and Myanmar. This is true for all the three poverty lines used.

Using the USD 1.90 poverty line, the poverty incidence in the Philippines is 4.7 percent. This is lower than the average for the lower middle-income countries of 10.6 percent, but higher than the average for upper middle-income countries of 1.3 percent. It performs worse than the neighboring lower middle-income countries of Viet Nam, Indonesia and Myanmar but better than Lao PDR (**Figure 1**). Using the poverty line for lower middle-income countries of $3.20, the poverty incidence in the country is 25.5 percent, lower than the average for lower middle-income countries of 37.7 percent, but much higher than the average for upper middle-income countries of 4.6 percent (**Figure 1**). Using the poverty line for upper middle-income countries of $5.50 a day, the Philippines has a poverty incidence of 58.7 percent. This is lower than the average for the lower middle-income countries of 70.0 percent, but much higher than that for upper middle-income countries of 17.4 percent (**Figure 1**).

Figure 1. Poverty incidence at USD 1.90, USD 3.20, and USD 5.50 a day (2011 PPP) of lower middle income, upper middle income, and selected ASEAN countries, 2018



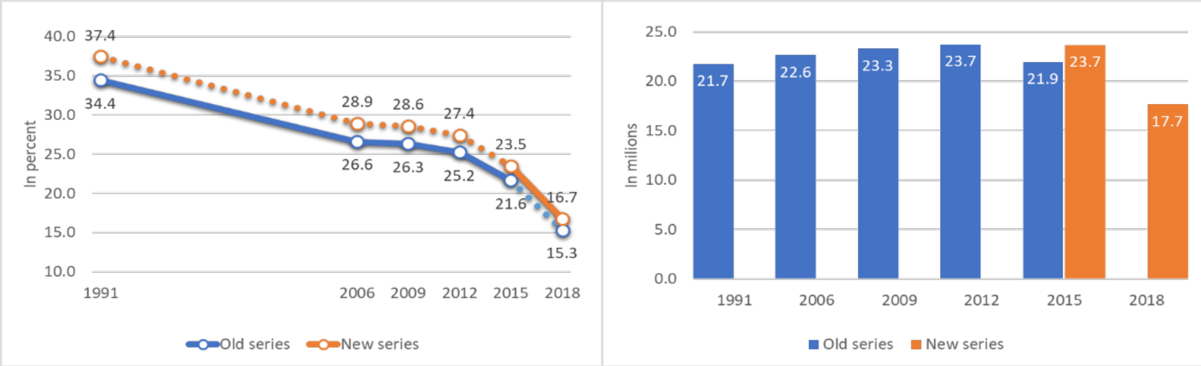
Note: No data available for Brunei Darussalam, Cambodia, and Singapore.
Source: World Bank PovCalNet

1.1. Trends in poverty reduction

Using nationally determined poverty lines from the Philippine Statistics Authority (PSA), poverty incidence experienced a significant decline of 9.9 percentage points during the period 2012-2018, coinciding with the period of sustained economic growth of at least 6 percent annually. From 2006 to 2012, there has been at most 1.1 percentage point reduction every 3 years. The pace of reduction accelerated during the period 2012-2018. Between 2012 to 2015, there was a 3.6 percentage point decline in the poverty incidence. Moreover, between 2015 to 2018, poverty incidence declined by 6.3 percentage points (**Figure 2**). This translates to 17.7 million poor Filipinos in 2018 (**Figure 2**).

In the past, the magnitude of poor Filipinos has not gone down despite the modest declines in the poverty incidence due to the population growth. The annual population growth rate has gone down from 2.32 percent during the 1990-1995 to 1.63 percent during the period 2015–2020.

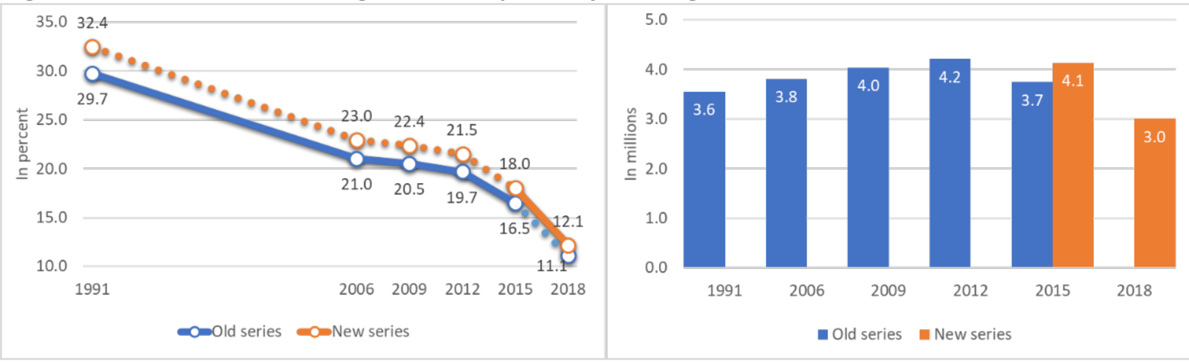
Figure 2. Incidence and magnitude of poverty among population



Note: The data for 1991, 2006, 2009 and 2012 for the new series and data for 2018 for the old series are author's estimates.
Sources of data: FIES 2006, 2009, 2012, 2015 and 2018.

In 2018, the poverty incidence among families stood at 12.1 percent, a significant reduction from the 18.0 percent poverty incidence in 2015 (**Figure 3**). This represents about 3 million poor families (**Figure 3**).

Figure 3. Incidence and magnitude of poverty among families



Note: The data for 1991, 2006, 2009 and 2012 for the new series and data for 2018 for the old series are author's estimates.
Sources of data: FIES 2006, 2009, 2012, 2015 and 2018.

1.2. Profile of the poor

1.2.1. Regional disparities

Disparities among regions continue to be large, although it has narrowed over time except for ARRM. In 2018, the National Capital Region (NCR) has the lowest poverty incidence at 2.2 percent while ARMM has the highest at 61.8 percent. All regions experienced reduction in poverty incidence between 2015 and 2018, except for ARMM, which experienced an increase from 59.4 percent to 61.8 percent (**Table 1**). Moreover, the disparities widened for ARMM. In 2015, the poverty incidence in ARMM was 15 times that of NCR; in 2018, it worsened to 28 times.

In terms of distribution of the poor, NCR has 1.7 percent, the rest of Luzon has 30.1 percent, Visayas has 23 percent and Mindanao has 45.1 percent. The share of Mindanao has increased significantly from 29 percent in 1991, while the share of Luzon has shrunk from 44 percent in 1991. In 2018, the poor are concentrated in ARMM (14%), Bicol (9.2%), Eastern Visayas (8.0%), Central Visayas (7.8%) and SOCCSKSARGEN (7.6%) (**Table 2**).

Table 1. Poverty incidence and disparity ratio by region, 2015 and 2018

Region	Poverty Incidence among Population (%)		Disparity Ratio	
	2015	2018	2015	2018
PHILIPPINES	23.5	16.7		
National Capital Region	4.1	2.2	1.0	1.0
Cordillera Administrative Region	22.7	12.0	5.6	5.4
Region I - Ilocos Region	18.8	9.9	4.6	4.4
Region II - Cagayan Valley	17.8	16.3	4.4	7.3
Region III - Central Luzon	10.5	7.0	2.6	3.1
Region IVA - CALABARZON	12.5	7.1	3.1	3.2
Region IVB - MIMAROPA	25.2	15.1	6.2	6.7
Region V - Bicol Region	39.8	27.0	9.8	12.0
Region VI - Western Visayas	24.6	16.3	6.0	7.3
Region VII - Central Visayas	29.4	17.7	7.2	7.9
Region VIII - Eastern Visayas	41.3	30.7	10.2	13.7
Region IX - Zamboanga Peninsula	37.7	32.7	9.3	14.6
Region X - Norther Mindanao	38.7	23.1	9.5	10.3
Region XI - Davao Region	23.5	19.1	5.8	8.5
Region XII - SOCCSKSARGEN	38.1	28.2	9.4	12.6
Region XIII - Caraga	39.7	30.5	9.8	13.6
Autonomous Region in Muslim Mindanao	59.4	61.8	14.6	27.5

Source: Family Income and Expenditure Survey (FIES), Philippine Statistics Authority (PSA)

Table 2. Magnitude and share of the poor by region, 2015 and 2018

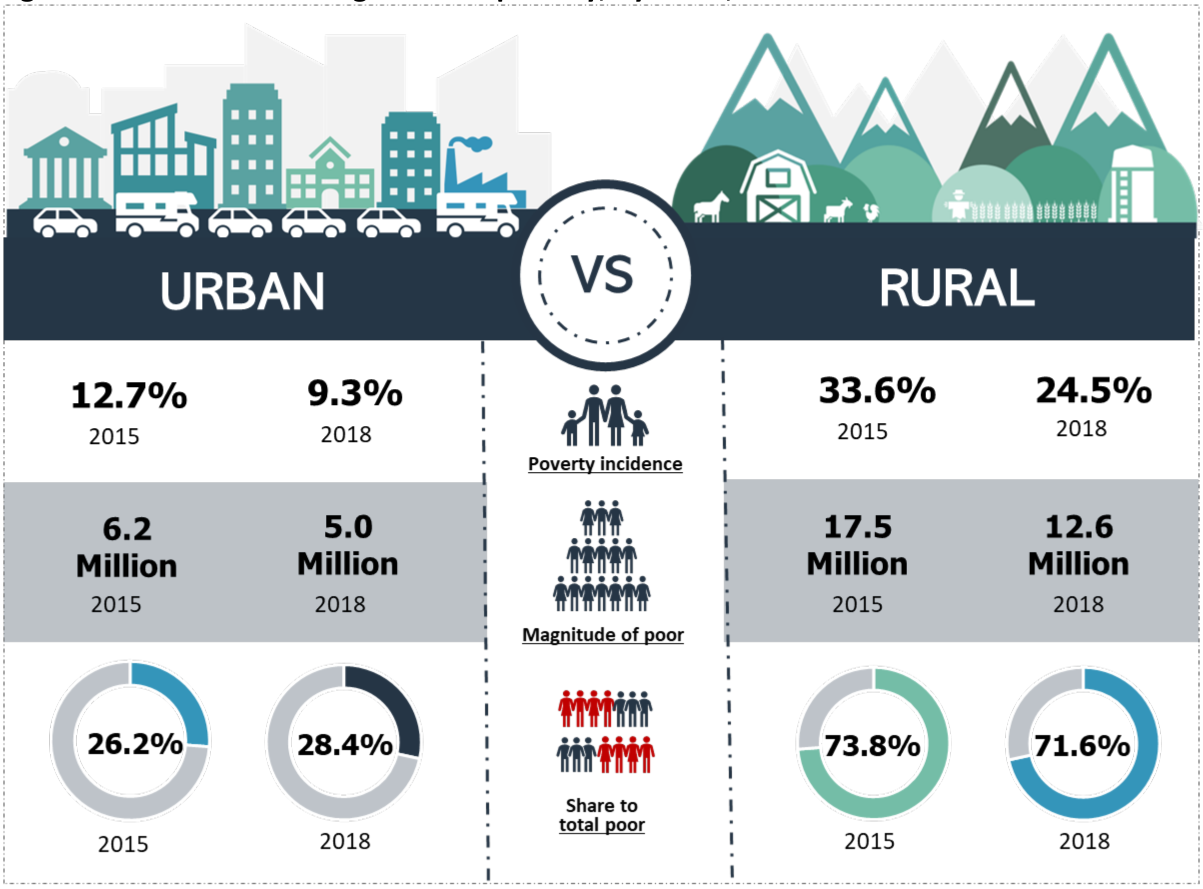
Region	Magnitude of poor ('000)		Share of the poor	
	2015	2018	2015	2018
PHILIPPINES	23,677.7	17,670.2	100.0	100.0
National Capital Region	522.8	302.2	2.2	1.7
Cordillera Administrative Region	390.2	213.8	1.6	1.2
Region I - Ilocos Region	944.4	510.1	4.0	2.9
Region II - Cagayan Valley	612.5	583.0	2.6	3.3
Region III - Central Luzon	1,179.4	836.6	5.0	4.7
Region IVA - CALABARZON	1,793.3	1,102.0	7.6	6.2
Region IVB - MIMAROPA	746.6	466.7	3.2	2.6
Region V - Bicol Region	2,307.2	1,621.0	9.7	9.2
Region VI - Western Visayas	1,851.9	1,266.9	7.8	7.2
Region VII - Central Visayas	2,168.3	1,370.6	9.2	7.8
Region VIII - Eastern Visayas	1,831.4	1,420.3	7.7	8.0
Region IX - Zamboanga Peninsula	1,366.6	1,217.8	5.8	6.9
Region X - Norther Mindanao	1,813.0	1,129.2	7.7	6.4
Region XI - Davao Region	1,148.8	978.2	4.9	5.5
Region XII - SOCCSKSARGEN	1,730.9	1,348.3	7.3	7.6
Region XIII - Caraga	1,028.5	822.2	4.3	4.7
Autonomous Region in Muslim Mindanao	2,241.7	2,481.5	9.5	14.0

Source: Family Income and Expenditure Survey (FIES), Philippine Statistics Authority (PSA)

1.2.2. Urban-rural disparities

Poverty incidence is almost three times higher in the rural areas than in the urban areas. In 2018, 24.5 percent of the population in the rural areas are poor, while only 9.3 percent of the population in the urban areas are poor (**Figure 4**). Poverty is mainly a rural phenomenon, with 71.6 percent of the poor residing in the rural areas.

Figure 4. Incidence and magnitude of poverty, by areas, 2015 and 2018

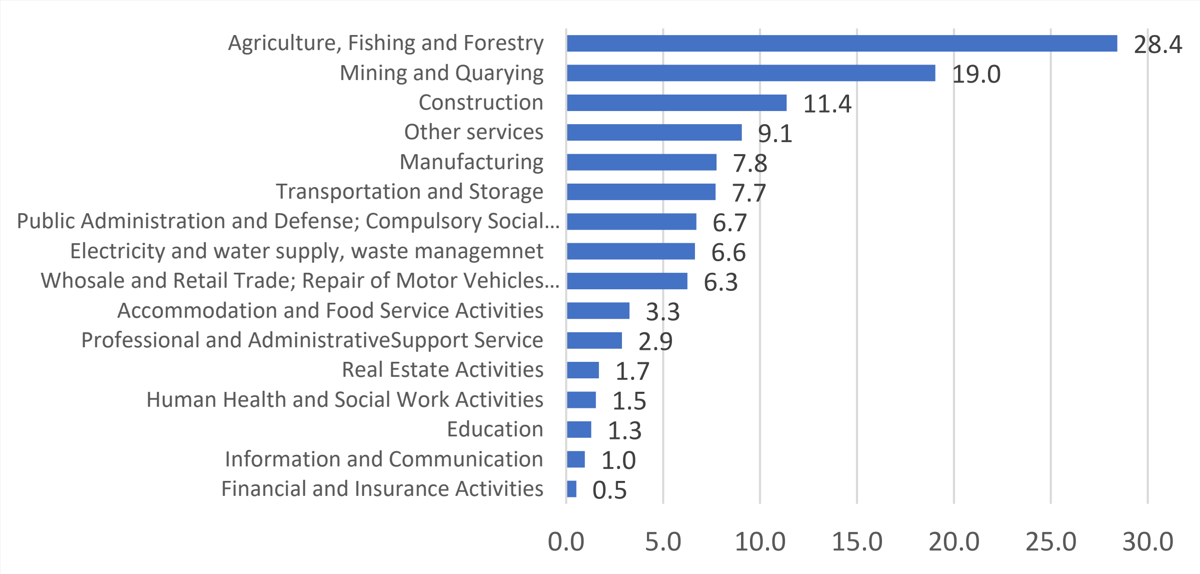


Source of basic data: Family Income and Expenditure Survey (FIES), Philippine Statistics Authority (PSA)

1.2.3. Sector of employment

Poverty incidence is highest among households headed by those engaged in agriculture (28.4%) mining and quarrying (19.0%), construction (11.4%), and other services (9.1%) (**Figure 5**).

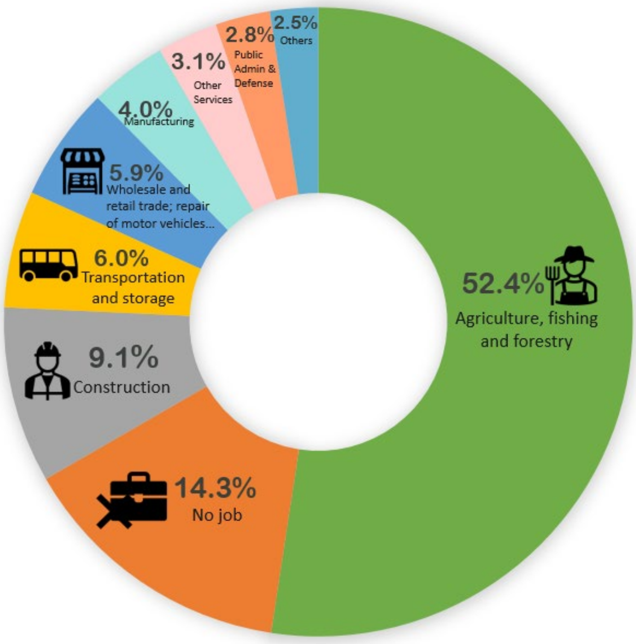
Figure 5. Poverty incidence by sector of employment of household head, 2018



Source of basic data: 2018 Family Income and Expenditure Survey (FIES), PSA

Almost three quarters (73.4%) of the poor are households headed by those engaged in agriculture (52.4%) construction (9.1%), transport and storage (6.0%), and wholesale and retail trade (5.9%) (**Figure 6**).

Figure 6. Distribution of the poor by sector of employment of household head, 2018



Source of basic data: 2018 Family Income and Expenditure Survey (FIES), PSA

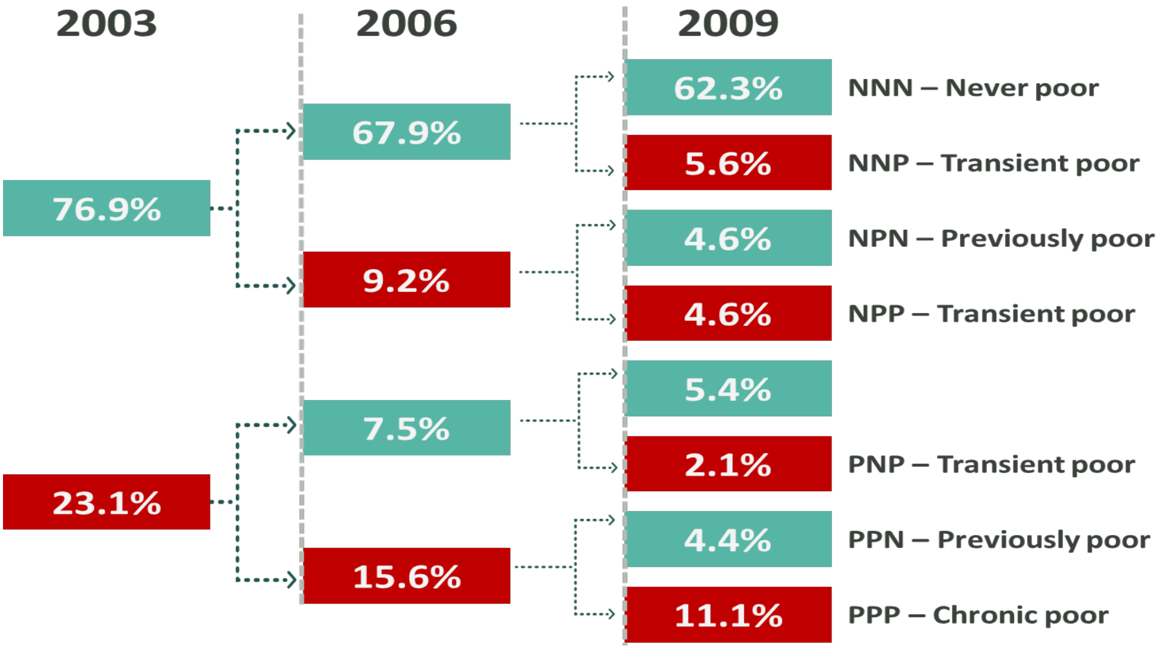
1.3. Chronic and transient poverty

An earlier study by Reyes and Mina (2011) showed that those who are classified as poor in any given year consists of chronic and transient poor. In that study, the chronic poor are those who were consistently poor throughout the period covered by FIES 2003, 2006, 2009. The transient poor are those who are poor in 2009 but were non-poor in 2003 and/or 2006. There were also the previously poor, or those who are nonpoor in 2009 but were poor in 2003 and/or 2006.

Finally, there are the never poor, or those who were consistently non-poor in 2003, 2006 and 2009. Using the panel data from FIES, the study found that there were considerable movements in and out of poverty. In fact, of those who are classified as poor in 2009, slightly less than half are chronic poor (**Figure 7**). The policy implication of this is that households who experience shocks can be provided with adequate safety nets to help them from falling into poverty and consequently, transient poverty can be significantly reduced.

Since the data do not distinguish between the chronic and transient poor, the two groups are treated homogeneously and the programs designed for them are the same. Lack of understanding of the dynamics of poverty can lead to inappropriate interventions. Unfortunately, the panel data required for this kind of study was discontinued by PSA (formerly National Statistics Office).

Figure 7. Movements in and out of poverty, 2003, 2006, 2009



Note: The figures refer to the share of the population subgroup to the total number of households in the panel data set. Thus, the percentages for each year add up to 100.
Source: PIDS Discussion Paper Series No. 2011-31 "Dynamics of Poverty in the Philippines: Distinguishing the Chronic from the Transient Poor"

2. Why are we here?

2.1. Economic growth

Earlier studies (Reyes, **Discussion Paper Series No. 2010-26**: Are We Winning the Fight against Poverty? An Assessment of the Poverty Situation in the Philippines, and **Discussion Paper Series No. 2011-30**: A Note on Economic Growth, Inequality, and Poverty in the Philippines) shows that economic growth and redistributive policies are both important in reducing poverty. Using decomposition analysis, the latest study shows that both economic growth and redistributive policies have contributed equally to reducing poverty during the period 2015-2018 (**Table 3**).

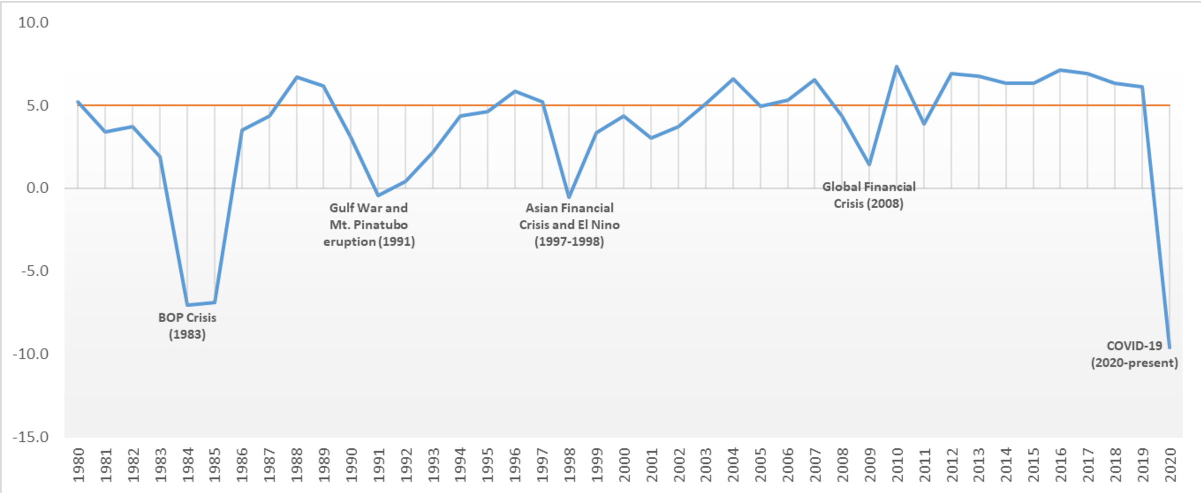
Table 3. Decomposition of changes in different poverty incidence into growth and redistribution components, 2006 to 2018

Period	Change in poverty measure	Growth component	Redistribution component	Interaction component
2006-2009	-0.29	1.318	-1.91	0.301
2009-2012	-1.027	-1.578	0.34	0.211
2012-2015	-3.655	0.425	-4.081	0.001
2015-2018	-6.773	-3.205	-3.551	-0.018

Source: Authors' estimates using the Family Income and Expenditure Survey, Philippine Statistics Authority

The Philippines until very recently has had a boom-bust cycle of growth – growing for a few years and then slowing down. The longest streak of sustained high growth was during the period 2012-2019, growing at least 6 percent each year for eight consecutive years (**Figure 8**). This period of sustained economic growth coincided with the period when we had significant reduction in poverty incidence. Unfortunately, the COVID-19 pandemic has brought to a halt the sustained high economic growth that started in 2012.

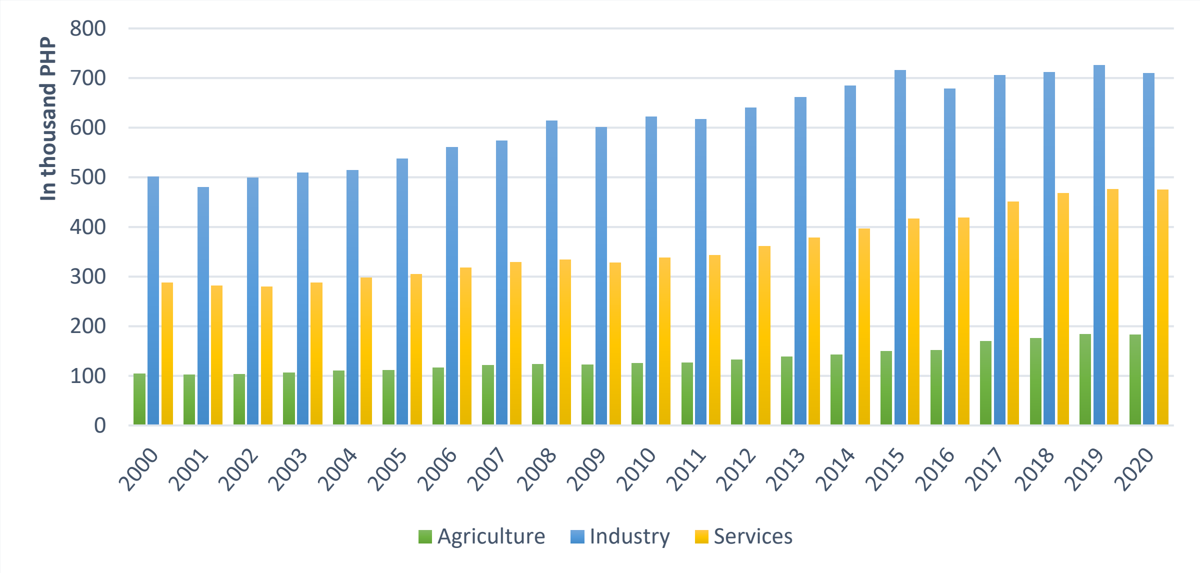
Figure 8. Gross Domestic Product (at constant 2018 prices), growth rate, 1980-2020



Source: Philippine Statistics Authority

Furthermore, the sector where majority of the poor are, namely agriculture, has the lowest labor productivity (defined as output per worker) compared to industry and services sectors. Labor productivity in agriculture (PHP 182,545 per worker) is less than half of that in services (PHP 474,377 per worker), and about one fourth of that in industry (PHP 709,326 per worker) (**Figure 9**).

Figure 9. Labor productivity (GVA per employed person), by major sector



Source: Philippine Statistics Authority

In addition to agriculture, forestry and fishing, the sectors where many of the poor include construction, transport and storage, and wholesale and retail trade, which also have low labor productivity (**Table 4**).

Table 4. Labor productivity (GDP per employed persons), in constant 2018 prices, by economic sectors of household head, 2015-2020

Sectors	2015	2016	2017	2018	2019	2020
Agriculture, forestry, and fishing	149,248	151,133	169,882	176,293	191,294	182,537
Industry	715,959	679,007	705,909	711,492	726,384	709,371
Mining and quarrying	639,240	716,743	787,211	790,891	956,327	744,166
Manufacturing	893,883	902,166	952,982	962,223	991,692	1,026,170
Electricity, steam, water and waste management	3,947,291	3,146,024	3,522,137	3,739,437	3,813,864	4,239,943
Construction	373,082	335,475	339,770	355,414	365,541	302,531
Services	415,697	418,412	450,611	468,429	477,863	474,379
Wholesale and retail trade; repair of motor vehicles and motorcycles	364,692	355,887	387,043	404,971	416,957	405,748
Transportation and storage	196,478	198,935	207,252	216,708	216,798	174,883
Accommodation and food service activities	174,398	187,151	213,390	233,461	220,227	158,289
Information and communication	1,127,336	1,262,998	1,219,367	1,278,641	1,286,100	1,673,061
Financial and insurance activities	2,327,079	2,482,625	2,730,646	2,772,068	2,863,034	3,182,424
Real estate and ownership of dwellings	5,277,696	5,534,756	6,070,455	5,840,160	5,232,122	5,360,360
Professional and business services	664,857	639,066	648,709	623,758	590,391	569,521
Public administration and defense; compulsory social activities	271,411	278,078	276,718	299,949	320,003	355,618
Education	461,184	480,944	557,814	611,385	604,662	531,684

Sectors	2015	2016	2017	2018	2019	2020
Human health and social work activities	536,438	578,190	638,598	595,591	595,530	572,321
Other services	117,362	117,887	129,864	132,988	146,698	100,279

Source of basic data: National Income Accounts and Labor Force Surveys, PSA

The low labor productivity in these sectors is also reflected in the per capita incomes of households working in these sectors (**Table 5**).

Table 5. Average per capita income, by sector of employment of the household head, 2015 and 2018

Industry	2015	2018
ALL SECTORS	67,905	82,078
Agriculture	39,524	48,725
Forestry	26,818	37,530
Fishing	33,669	42,548
Mining and Quarrying	44,588	76,242
Manufacturing	69,389	83,663
Electricity, Steam, Water and Waste Management	91,867	124,480
Construction	50,243	61,087
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	82,554	95,726
Transportation and Storage	58,704	73,796
Accommodation and Food Service Activities	81,215	107,450
Information and Communication	129,487	144,264
Financial and Insurance Activities	152,764	163,592
Real Estate and Ownership of Dwellings	152,458	187,113
Professional and Business Activities	107,225	125,583
Public Administration and Defense; Compulsory Social Security	98,163	115,577
Education	152,466	179,583
Human Health and Social Work Activities	166,474	172,291
Other Services	62,033	72,704
No job	84,221	93,726

Source: Authors' estimates using the Family Income and Expenditure Survey, Philippine Statistics Authority

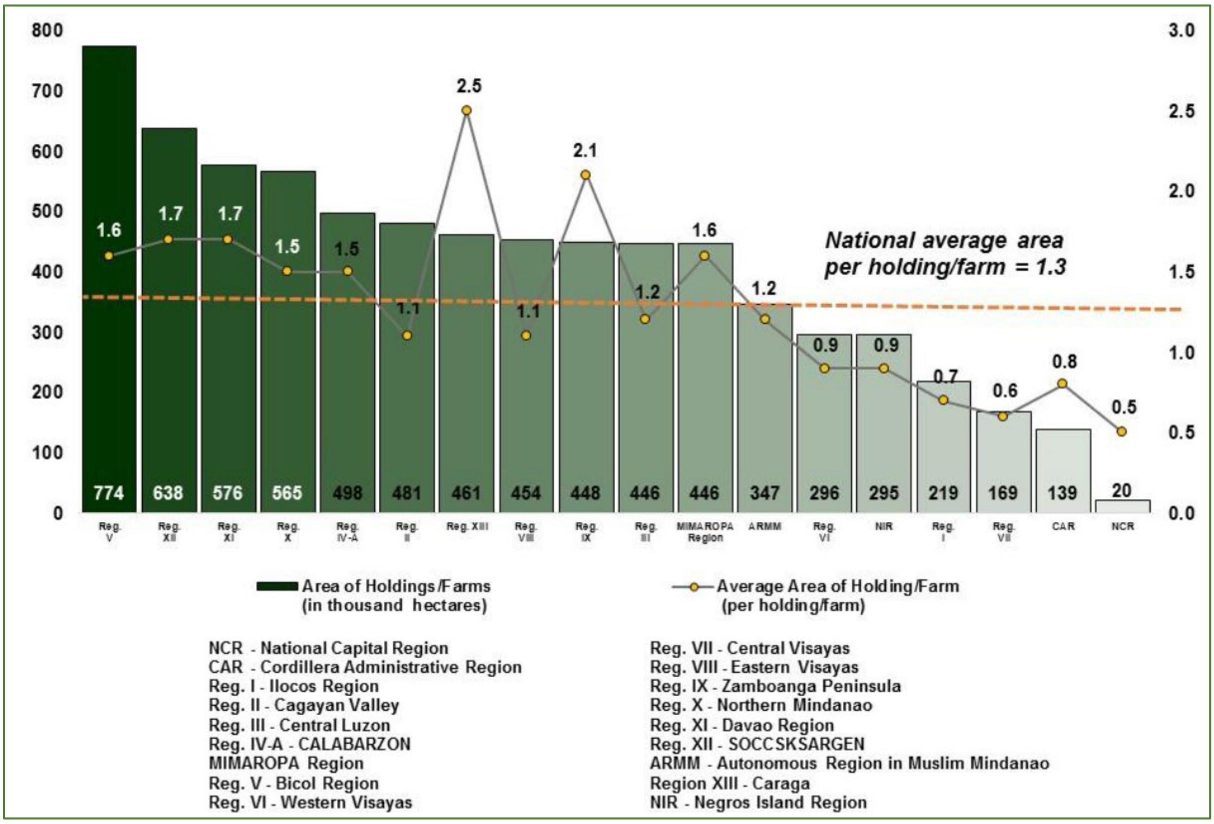
2.2. Redistributive policies

2.2.1. Land

In the past, the focus has been on redistribution of assets, particularly land. The agrarian reform program has been going on for many years. To date, the distribution of land still has to be completed but the focus has shifted to providing support services to agrarian reform beneficiaries. The agrarian reform, together with the land division among family members from one generation to another and the continued agricultural lands conversion due to urban development or expansion, has led to fragmentation of land, with the average landholding at

1.3 hectares in 2012, down from 2.8 hectares in 1980 (**Figure 10**). This has made it difficult for farmers to realize economies of scale.

Figure 10. Area (in thousand hectares) and Average Area of Holdings/Farms by Region: Philippines, 2012



Source: Published Report on Census of Agriculture and Fisheries (May 2017)

2.2.2. Taxation

The Comprehensive Tax Reform Program (CTRP) introduces a simpler tax system to address inequality, create jobs and promote investments, which in turn will help increase economic activity to spur growth and reduce poverty (DOF n.d.). This program includes changes in the personal income tax rates, broadening of the value-added tax (VAT) base, restructuring of excise taxes, and other complementary packages with various provisions on tax amnesties and additional or revised taxes on selected goods.

The Tax Reform for Acceleration and Inclusion (TRAIN), one of the main packages of the CTRP[1], was implemented starting January 2018, following the passage of Republic Act No. 10963. The TRAIN Law reduces the income tax of lower income earners (Table 6). Moreover, the VAT system was revised by repealing 54 provisions on VAT exemptions; however, VAT exemptions remain on raw agricultural and marine products, educational and health services, cooperatives, and transactions made by senior citizens and persons with disabilities. Reduced

[1] The CTRP is divided into four main packages, namely: (1) Tax Reform for Acceleration and Inclusion (TRAIN) law; (2) Corporate Recovery and Tax Incentives for Enterprises Act; (3) Real Property Valuation Reform; and (4) Passive Income and Financial Intermediary Taxation Act.

income taxes from these changes will then be compensated with increased excise taxes on oil, automobiles and tobacco.

The reduced personal income tax rates reduce the burden on the poor. In particular, those earning less than P250,000 need not pay tax under the new regime (**Table 6**).

Table 6. Comparison of Personal Income Tax rate schedule in the old tax regime and under the TRAIN Law

<table>
<tr><th colspan="2">Net Taxable Income</th><th colspan="3">Tax Rate</th></tr>
<tr><th>Over</th><th>But not over</th><th>Old tax regime</th><th>For taxable year 2018-2022</th><th>For taxable year 2023 onwards</th></tr>
<tr><td></td><td>10,000</td><td>5%</td><td rowspan="5">0%</td><td rowspan="5">0%</td></tr>
<tr><td>10,000</td><td>30,000</td><td>500 + 10% of excess over 10,000</td></tr>
<tr><td>30,000</td><td>70,000</td><td>2,500 + 15% of excess over 30,000</td></tr>
<tr><td>70,000</td><td>140,000</td><td>8,500 + 20% of excess over 70,000</td></tr>
<tr><td>140,000</td><td>250,000</td><td>22,500 + 25% of excess over 140,000</td></tr>
<tr><td>250,000</td><td>400,000</td><td rowspan="2">50,000 + 30% of excess over 250,000</td><td>20% of excess over 250,000</td><td>15% of excess over 250,000</td></tr>
<tr><td>400,000</td><td>500,000</td><td rowspan="2">30,000 + 25% of excess over 400,000</td><td rowspan="2">22,500 + 20% of excess over 400,000</td></tr>
<tr><td>500,000</td><td>800,000</td><td rowspan="4">125,000 + 32% of excess over 500,000</td></tr>
<tr><td>800,000</td><td>2,000,000</td><td>130,000 + 30% of excess over 800,000</td><td>102,500 + 25% of excess over 800,000</td></tr>
<tr><td>2,000,000</td><td>8,000,000</td><td>490,000 + 32% of excess over 2,000,000</td><td>402,500 + 30% of excess over 2,000,000</td></tr>
<tr><td>8,000,000</td><td></td><td>2,410,000 + 35% of excess over 8,000,000</td><td>2,202,500 + 35% of excess over 8,000,000</td></tr>
</table>

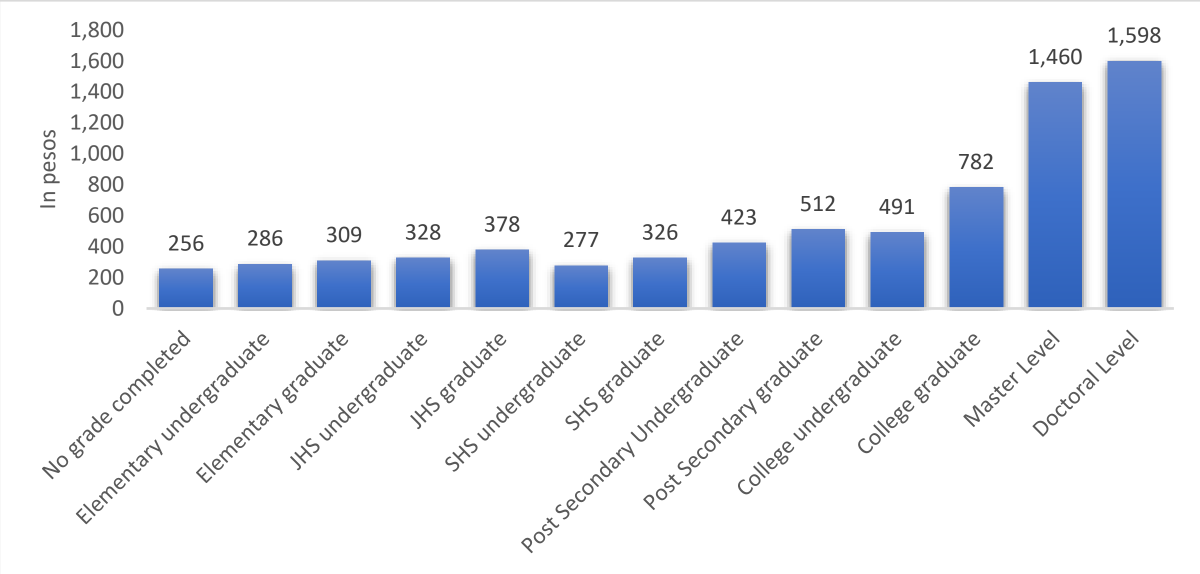
Note: This tax regime applies to compensation income earners, self-employed, and professionals. Under the TRAIN Law, self-employed and professionals with gross sales/receipts below PHP 3,000,000 have the option to be taxed at 8% of their gross sales/receipts in excess of PHP 250,000 in lieu of income and percentage tax.
Sources: RA 10963, DOF-National Tax Research Center

2.2.3. Education

Education is one of the major pathways out of poverty. Those with higher education attainment tend to land better-paying jobs. A worker who is a college graduate tends to earn twice than of a high school graduate and 2.5 times that of an elementary graduate. An employed worker with a doctoral degree earns double that of a college graduate (**Figure 11**).

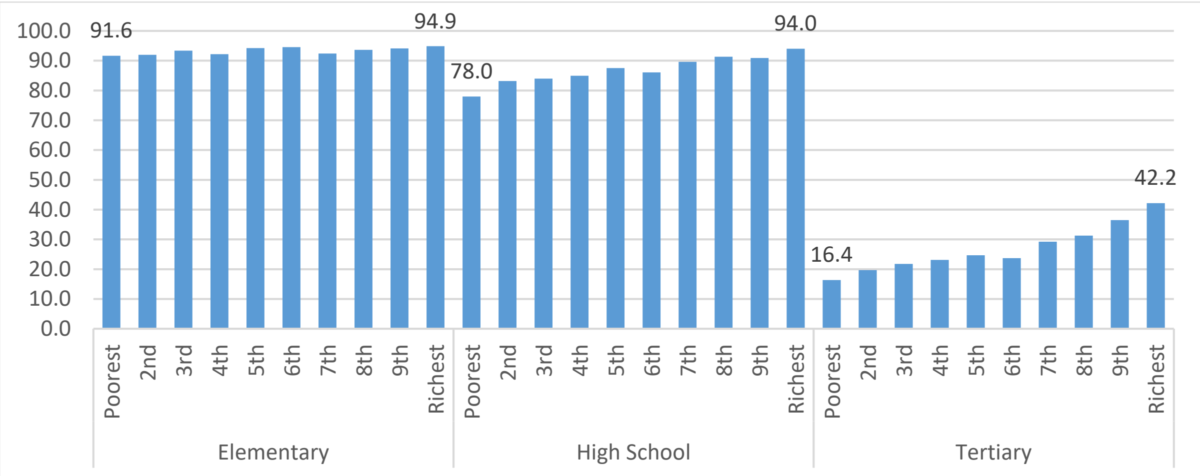
However, the poor tend to have lower access to opportunities in education, and this inequity is more pronounced in the secondary and tertiary levels. The lower income groups have lower school attendance rate for all levels of education. The difference in the participation rate between the richest and poorest deciles are 3.3 percentage points at the elementary level, 16 percentage points at the secondary level, and 25.8 percentage points at the tertiary level (**Figure 12**).

Figure 11. Average daily wage of wage/salary workers, by education attainment, 2019



Note: JHS graduate includes grade 10/high school graduate
Source of basic data: Labor Force Survy (January 2019), Philippines Statistics Authority

Figure 12. School participation rate by current grade level and age group by income decile



Note: Preliminary estimates
Source: Author's estimates using APIS 2019, PSA

More recently, the emphasis has been on increasing opportunities for the poor, particularly in the area of education, by providing universal access to tertiary education. The universal access to quality tertiary education act aims to make higher education more accessible to students by waiving tuition expenses and other school fees from all public higher education institutions (HEIs) and technical-vocational institutions (TVIs) operated by the government. However, a study done by Orbeta and Paqueo (2017) noted that this may not actually benefit the poor more since most of the students enrolled in HEIs belong to higher income groups and those from the bottom 20 percent only constitute about one tenth of total enrollment in 2014.

2.2.4. Pantawid Pamilya Pilipino Program (4Ps)

Another major program is the conditional cash transfer program, called the Pantawid Pamilya Pilipino Program or 4Ps, which aims to reduce intergenerational poverty by providing incentives for families to invest in the education and health of their children. It provides cash transfer as long as families comply with certain conditionalities related to school attendance and health monitoring. Targeted to the poor, it suffers from leakage and exclusion.

According to Reyes and Tabuga (2012), the proxy means test model of NHTS-PR is overestimating the number of poor families. There were 5.2 million poor families in 2009 listed in the NHTS-PR, while official poverty estimates of the same period resulted in only 4.9 million, based on the previous methodology, and 3.9 million poor families, based on the revised methodology.

A study done by Fernandez and Olfindo (2011) using the 2009 FIES, reveals that only 72 percent of the 4Ps beneficiaries in 2009 belong to the bottom 20 percent of the families. Similarly, the official estimate of poverty incidence for the same year was estimated at 20.9 percent. This implies that about 73 percent of the beneficiaries can be classified as poor while 27 percent are nonpoor (Reyes et al, 2013).

According to Reyes and Tabuga (2012), the proxy means test model used in identifying poor families in the National Household Targeting System for Poverty Reduction (NHTS-PR) is "overestimating the number of poor families" (pg.7). There were 5.7 million poor families in 2009 listed in the NHTS-PR, while official poverty estimates of the same period resulted in only 3.9 million poor families based on their revised methodology (Reyes et al., 2013).

In terms of targeting, Fernandez and Olfindo (2011) estimates that 90 percent of 4Ps beneficiaries in 2009 are part of the bottom 40 percent of the population, while only 72 percent of beneficiaries belong to the bottom 20 percent. Moreover, the Pantawid Pamilya program is estimated to have a leakage rate of 29 percent, which suggests that out of every 100 beneficiaries 29 are nonpoor (Fernandez and Olfindo, 2011).

The leakage rate of the Pantawid Pamilya program is estimated to be 29 percent (Fernandez and Olfindo, 2011). This means that 29 out of every 100 beneficiaries are not poor and do not deserve to be in the program.

By providing cash transfers, the 4Ps program augments the income of households and enables some of them to surpass the poverty threshold. The program provides a minimum of Php 6,000 per year (for those families with no children less than 18 years old going to elementary or secondary) and a maximum of Php 27,000 per year (if there are 3 children going to senior high school) per family. Maximum duration of participation in the program is 7 years. On the other hand, the annual poverty threshold is Php 25,813 for one person or Php 129,065 for a family of five. This would explain why there are still many 4Ps family beneficiaries who are still poor. Among 4Ps families in 2018, 1.3 million families or 29.2 percent are poor.

Based on the 2018 FIES, 43.2 percent (or 1.3 million) of poor families are 4Ps beneficiaries. Among 4Ps families, the poverty incidence is 30.5 percent without the cash grant. The poverty incidence has been reduced by 1.3 percentage points due to the cash transfer from 4Ps (**Table 7**). It has also reduced poverty gap and severity gap.

Table 7. Poverty incidence among families with and without 4Ps cash grant, by region, 2018

Region	With 4Ps assistance			Without 4Ps assistance		
	Poverty incidence	Poverty Gap	Poverty Severity	Poverty incidence	Poverty Gap	Poverty Severity
PHILIPPINES	12.1	2.6	0.9	13.4	3.1	1.1
National Capital Region	1.4	0.2	0.1	1.6	0.3	0.1
Cordillera Administrative Region	8.6	1.8	0.6	9.7	2.1	0.7
Region I - Ilocos Region	7	1.2	0.3	8.5	1.5	0.4
Region II - Cagayan Valley	12.5	2.4	0.7	13.2	2.7	0.8
Region III - Central Luzon	5.2	0.9	0.3	5.7	1.1	0.3
Region IVA – CALABARZON	5.1	0.9	0.3	5.7	1.1	0.3
Region IVB – MIMAROPA	10.5	2.2	0.7	12.5	2.8	1
Region V - Bicol Region	20	3.9	1.2	23.5	5.3	1.7
Region VI - Western Visayas	11.9	2.3	0.7	13.7	2.8	0.9
Region VII - Central Visayas	13.4	2.8	0.9	14.5	3.3	1.1
Region VIII - Eastern Visayas	23.9	5.4	1.8	27.1	6.7	2.4
Region IX - Zamboanga Peninsula	25.4	6.1	2.1	28.4	7.6	2.9
Region X - Norther Mindanao	17.3	3.3	1	19.2	4.1	1.3
Region XI - Davao Region	13.9	2.9	0.9	15.3	3.5	1.2
Region XII – SOCCSKSARGEN	22.4	5.9	2.3	23.8	6.6	2.6
Region XIII – Caraga	24.1	5.4	1.8	26.5	6.5	2.3
Autonomous Region in Muslim Mindanao	54.2	15.1	5.7	55.3	15.9	6.2

Source: Author's estimates using FIES 2015 and 2018, PSA

2.2.5. Health

The Universal Health Care Act (Republic Act 11223) aims to provide access to quality and affordable health care for all Filipinos, by automatically enrolling everyone into the National Health Insurance Program (NHIP).

While the Universal Healthcare Law provides for 100 percent PhilHealth coverage, we are still far from universal coverage. As of 2017, only 66 percent are covered by PhilHealth (**Table 8**). Moreover, the poor much have lower access to PhilHealth, with the poorest quintile having a coverage of 59 percent while the highest quintile has 79 percent coverage.

Table 8. Percentage of household population with specific types of PhilHealth insurance coverage, by wealth quintile, 2017

Wealth quintile	Any PhilHealth insurance	PhilHealth insurance by type of coverage						
		Formal economy	Informal economy	Indigent	Sponsored	Lifetime members	Senior citizen	Overseas Filipino
Lowest	59.0	5.2	3.2	39.7	5.8	0.1	4.9	0.3
Second	60.6	13.0	6.9	30.1	5.1	0.2	5.5	0.7
Middle	62.1	25.4	8.5	17.1	4.3	0.5	5.9	1.2
Fourth	68.2	39.7	11.6	5.4	2.8	1.0	6.1	2.0
Highest	79.1	53.9	12.6	1.3	0.9	2.3	5.7	3.6
Total	65.8	27.4	8.5	18.7	3.8	0.9	5.6	1.6

Source: National Demographic and Health Survey (NDHS), 2017.

2.3. Population management

Population growth has slowed down, but the rate is one of the highest among the ASEAN countries, higher than Thailand, Indonesia, Viet Nam or Malaysia (**Table 9**).

Table 9. Population Growth Rates: Philippines

Census Year	Population Growth Rates
1990-1995	2.32
1995-2000	2.36
2000-2010	1.90
2010-2015	1.72
2015-2020	1.63

Source: Philippine Statistics Authority (PSA)

The poor tend to have larger family sizes. This suggests that the country's population management policy plays a critical role in the fight against poverty (Discussion Paper Series No. 2002-20: The Poverty Fight: Have We Made an Impact?)

The poor also tend to have higher unmet need for reproductive health services. Based on the 2017 NDHS, 13.6 percent of women belonging to the lowest wealth quintile have unmet need for family planning, higher than the 9.2 percent for those belonging to the highest quintile (**Table 10**).

Orbeta (2005) found that there are significant differences in family planning practices across socioeconomic classes. Estimates showed that, on the average, families in the poorest quintile have larger family sizes (i.e. with two children higher) compared to those in the richest quintile. This observation was found to be a result of poorer fertility control, rather than the demand for more children.

The study also showed that the prevalence of contraceptive use is lower among the poor, resulting to higher unmet need for family planning among poor women. Moreover, women from poorer households have less demand for modern contraceptive methods.

In order to address the issue in fertility reduction, Orbeta (2005) recommended to focus on meeting the demand for modern family planning methods among the poor by lowering the dependence of richer households on the public supply, and by providing subsidies for modern methods and heightening advocacy among the poor.

Table 10. Percentage of women aged 15 to 49 with unmet need for family planning, by wealth quintile, 2017

Wealth quintile	All women	Sexually active unmarried women	Currently married women
Lowest	13.6	61.1	18.1
Second	11.6	50.7	16.4
Middle	10.6	51.9	15.9
Fourth	9.7	45.3	16.1
Highest	9.2	45.8	17.0
Total	10.8	48.7	16.7

Source: NDHS 2017

2.4. Shocks

Based on the only available panel data from FIES, only about half of those who are classified as poor are consistently poor. This means that the other half fall into poverty due to some shocks. This implies that if there are effective safety nets, the increase in the poverty incidence due to shocks can be reduced or even avoided. This also means that poverty incidence would be much lower and would consist mostly of the chronic poor.

Shocks could be in the form of natural disasters (floods, earthquakes, etc.), man-made shocks (financial crisis, etc.) or health risks.

2.4.1. Natural disasters

Helping the vulnerable manage risks is important, especially since the Philippines ranked third most prone disaster country according to the 2018 World Risk Index.

Typhoons, floods and other natural disasters wreak significant damages to the agriculture sector (**Table 11**). The agricultural insurance program can help the farmers and fisherfolks cope with the adverse effects of typhoons, floods and other natural disasters. It is being provided now for free but with the available funds, it can provide low benefits, not enough for farmers to recover quickly if hit hard. In an effort to provide free crop insurance to more farmers, the Philippine Crop Insurance Corporation is constrained to provide insurance with lower coverage (benefits).

Table 11. Damages from major natural extreme events and disasters (2006-2020)

Year	No. of occurrence	Damaged properties (PHP million)			Total Cost of Damages (PHP millions)
		Agriculture	Infrastructure	Private	
2006	11	10,876.63	9,416.43	48.78	15,906.14
2007	8	1,666.75	1,029.54	0.46	2,696.75
2008	9	12,550.32	7,492.80	62.42	20,105.54
2009	15	29,860.45	12,976.46	1,601.15	44,438.06
2010	2	11,760.03	199.03	425.34	12,384.40
2011	12	18,726.26	8,758.66	3,116.38	30,601.29
2012	13	34,267.60	7,819.91	2,860.15	44,947.67
2013	16	31,921.01	16,565.03	58,179.85	106,665.90
2014	11	42,716.63	10,535.03	274.14	53,525.80
2015	14	32,366.27	8,348.79	29.71	40,744.76
2016	10	21,148.37	13,633.17	0.00	34,781.54
2017	22	4,354.63	2,930.13	19.50	7,304.26
2018	14	41,200.97	26,196.55	224.51	67,622.03
2019*	18	15,918.85	4,275.48	0.00	20,194.34
2020*	10	19,342.60	28,365.31	0.00	47,707.92

Source: Philippine Statistics Authority; * Report from the Office of the Civil Defense (as of April 24, 2021)

2.4.2. Catastrophic illnesses

Catastrophic illnesses may lead families to fall into poverty, without adequate health insurance and public health services. In 2018, it is estimated that 172,000 families fell into poverty due to out-of- pocket expenses, adding 0.7 percentage point to the poverty incidence (**Table 12**). This translates to about 853,000 poor population.

Table 12. Impoverished families and population due to out-of-pocket health expenditures

Indicator	Magnitude ('000)					Incidence (%)				
	2006	2009	2012	2015	2018	2006	2009	2012	2015	2018
Poor families (pre-OOP)	3,809	4,037	4,215	3,747	3,005	21.0	20.5	19.7	16.5	12.1
Poor families (post-OOP)	3,926	4,169	4,482	4,027	3,177	21.7	21.2	20.9	17.7	12.8
Impoverished families	117	132	267	280	172	0.7	0.7	1.3	1.2	0.7
Poor population (pre-OOP)	22,644	23,300	23,746	21,927	17,670	26.6	26.3	25.2	21.6	16.7
Poor population (post-OOP)	23,233	23,919	25,019	23,314	18,523	27.3	27.0	26.6	23.0	17.5
Impoverished population	589	618	1,274	1,387	853	0.7	0.7	1.4	1.4	0.8

Note: Impoverishment occurs when non-poor families or individuals become poor after accounting for out-of-pocket health expenditures.
Source: Author's estimates using FIES, PSA

2.4.3. COVID-19 Pandemic

The current COVID-19 pandemic is estimated to have reversed the recent gains in poverty reduction. It is estimated that the pandemic with the ensuing lockdown has led poverty incidence among families to go up to 16 percent in 2020, up by 5.4 percentage points from 2019 (**Table 13**).

Table 13. Simulation of the impact of COVID-19 on the magnitude and incidence of poverty

Indicator	2018	2019	2020
Among families			
Magnitude ('000)	3,004.6	2,631.3	3,964.4
Incidence (%)	12.1	10.6	16.0
Among population			
Magnitude ('000)	17,670.2	15,612.8	22,697.7
Incidence (%)	16.7	14.8	21.5

Note: Official poverty estimates in 2018. The simulations assumed that household incomes change based on the growth of the sector of employment of the household head.
Source: Authors' estimates

The Social Amelioration Program (SAP), which provides cash transfers to about 18 million for the first tranche and 14 million families for the second tranche, was implemented in 2020. With this assistance, it is estimated that poverty incidence would have gone done by 3.8 percentage points or down to 12.2 percent (**Table 14**).

Table 14. Simulation of impact of SAP on poverty among families/population in 2020

Indicator	Without SAP	With SAP
Among families		
Magnitude ('000)	3,964.4	3,015.5
Incidence (%)	16.0	12.2
Among population		

Indicator	Without SAP	With SAP
Magnitude (‘000)	22,697.7	18,330.8
Incidence (%)	21.5	17.3

Note: The simulations assumed that: (1) household incomes in 2020 were based on the growth of the sector of employment of the household head; and, (2) first tranche of SAP was provided for the poorest 18 million families, and the second tranche for the poorest 14 million families.
Source: Authors’ estimates

For natural shocks, particularly natural disasters, the usual response has been the provision of in-kind transfers, mainly food items. While these are effective in smoothing consumption for a few days, these would not be helpful in the recovery process.

The response to COVID-19 pandemic is different. In addition to provision of food packs, particularly during lockdowns, there are some measures to help businesses to recover, such as cheap loans.

One of the coping strategies of families impacted by the crisis is to sell productive assets to smooth consumption over a longer period. This could delay the recovery of families and could mean a longer poverty spell.

Different programs are needed to address chronic and transient poverty. In the case of chronic poverty, more longer-term interventions may be more appropriate. Education is an important pathway out of poverty, but this would take many years to happen. A well-educated child is more likely to get a higher paying job when he/she joins the labor force.

2.5. Prices

Ability to meet basic food and non-food needs depends not only on income but also on prices. High inflation can erode the purchasing value of the peso. This increases the poverty threshold, or the amount necessary to meet basic food and non-food needs.

Food items constitute about 40 percent of the CPI. Rice is the most important commodity, with a weight of 10 percent in the consumer price index. Among non-food items, Housing, water, electricity, gas and other fuels constitute 22 percent while transport represents 8 percent (**Table 15**).

Table 15. Weights by commodity for the CPI, 2012-based

Commodity group	Philippines	NCR	Areas outside NCR
ALL ITEMS	100.00	22.51	77.49
Food items	39.92	6.69	33.24
Food and non-alcoholic beverages	38.34	6.42	31.92
Alcoholic beverages and tobacco	1.58	0.27	1.31
Non-food items	60.08	15.82	44.25
Clothing and footwear	2.93	0.59	2.34
Housing, water, electricity, gas, and other fuels	22.04	6.50	15.54
Furnishings, household equipment and routine maintenance of the house	2.95	0.70	2.25
Health	3.89	0.69	3.20

Commodity group	Philippines	NCR	Areas outside NCR
Transport	8.06	1.87	6.19
Communication	2.93	0.80	2.13
Recreation and culture	1.41	0.33	1.08
Education	3.28	0.82	2.46
Restaurant and miscellaneous goods and services	12.59	3.53	9.06

Source: Philippine Statistics Authority

Price hikes are usually triggered by natural disasters, disruptions in supply chains, etc. Typhoons and the ensuing floods may lead to higher food prices due to crop losses and difficulties in moving goods. Vegetable prices in NCR usually go up during the typhoon season in Luzon.

Outbreaks of diseases among livestock may also cause price shock. One recent example is the sharp increase in the price of pork due to the shortage in hog supply caused by the African swine flu (ASF). On June 2019, ASF was first reported in the northern part of Luzon. As of May 2021, it has spread to 46 provinces in the country, killing around three million hogs and causing a significant loss amounting to more than PHP100 billion. As a result, retail price of pork (lean meat) has increased to PHP 300 per kilo in June 2021, from PHP 220 per kilo a year ago (**Table 16**).

Table 16. Retail prices of pork lean meat, per month (PHP per kilogram), 2018-2021

Month	2018	2019	2020	2021
Annual Average	217.63	215.96	225.15	-
January	209.02	219.21	210.28	268.04
February	209.89	218.87	210.79	284.30
March	211.22	217.64	212.17	286.95
April	214.16	218.18	212.38	296.92
May	218.63	217.85	211.95	300.97
June	221.16	217.79	220.71	300.16
July	222.49	217.59	227.04	-
August	222.62	217.28	226.04	-
September	222.29	215.31	224.30	-
October	220.47	212.44	238.23	-
November	219.50	209.80	249.50	-
December	219.82	209.52	258.43[P]	-

Notes: December 2020 – Preliminary

2018-2020: The source of data for the old series is taken from the survey entitled “Retail Price Survey (RPS) of Selected Agricultural Commodities”. However, this survey is discontinued in February 2021 as part of the Office’s thrust of rationalizing the surveys conducted by the PSA.

2021: The source of data for the new series is taken from the results of the Retail Price Survey (RPS) of Commodities for the generation of the Consumer Price Index (CPI). The data of the two series are not comparable due to the differences in terms of the frequency of collections and covered sample markets.

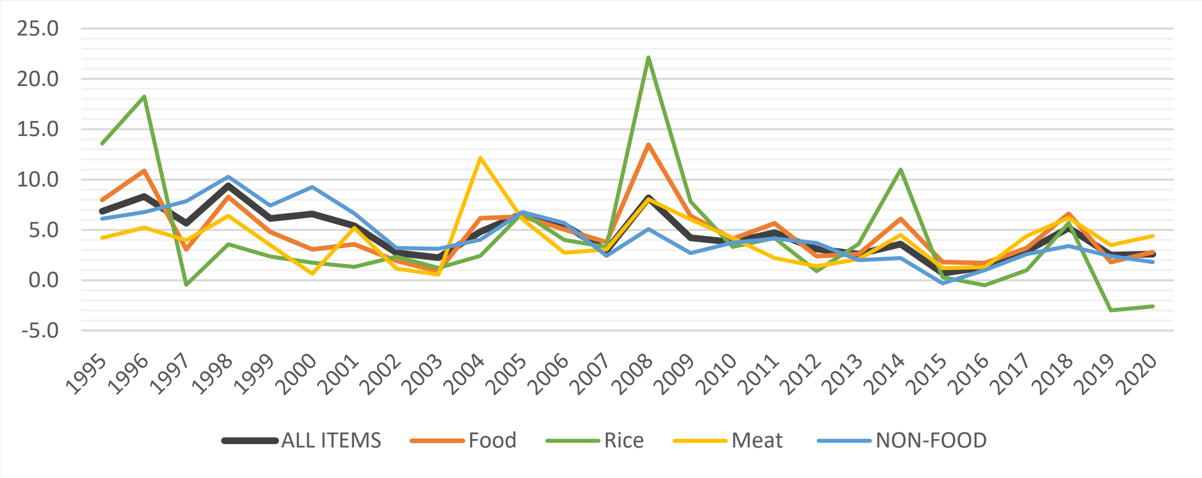
Source: OpenStat, Philippine Statistics Authority (PSA), accessed on July 20, 2021

Imported commodities may also spark price hikes. Fuel, which constitutes 2.6 percent in the CPI basket, and has strong forward linkages with many commodities, is largely imported from

China, South Korea, Indonesia and United Arab Emirates.[2] Due to exchange rate movements, and oil supply disruptions, oil prices have gone up.

Since 1994, the inflation rate has been contained to single digit. Moreover, it has done down to 0.7 percent in 2015. Since 2012, except for 2018, the inflation rate has not exceeded 3.6 percent (**Figure 13**). This means lower increases in the poverty threshold.

Figure 13. Inflation rate for selected commodities: Philippines, 1970-2020



Source: Philippine Statistics Authority; Bangko Sentral ng Pilipinas

BSP is mandated to maintain price stability and it has managed generally to reduce price volatility. BSP attributed the price spikes in 2018 to the "unfortunate confluence of cost-push factors" and the "elevated oil prices" which drove transport and power prices higher. Much of it has to do with food supply shocks, rice in particular (Rappler, Sept. 5, 2018).

There are recent policies aimed to bring down prices. One example is the rice tarrification act which provides for converting quotas to tariffs, allowing more imports of rice and consequently align domestic prices of rice with world prices.

In the Philippines, VAT is a form of sales tax levied on the sale, exchange or lease of goods, properties and services within the country and on the importation of goods into the country. A 10% VAT was introduced in 1988 with the passage of Executive Order 273, and only covered a limited number of goods and services. The VAT base was then expanded by virtue of Republic Act No. 7716 in 1994, and the tax rate was increased to 12% effective 2006 through Republic Act No. 9337.

Prior to TRAIN, all VAT-able goods, properties and services are levied with 12% tax on their gross selling price or monetary value. Exempted goods and services are listed in the National Internal Revenue Code and in the provisions of various special laws. Moreover, firms with annual gross sales or receipts below the VAT threshold, or PHP 1.9 million, are not required to register for VAT.

[2] According to the World Integrated Trade Solution (n.d), in 2019 about 70 percent of fuel imports in the Philippines was sourced from China (25.3%), South Korea (15.9%), Indonesia (13.5%), United Arab Emirates (8.1%), and Singapore (7.2%).

With the passage of TRAIN, 54 out of 61 special laws with non-essential VAT exemptions were repealed. According to the DOF (n.d.), these will only affect specific groups that enjoys the VAT exemptions, and will not have a significant impact to the average Filipino. Meanwhile, essential goods (e.g. raw agricultural and marine products, educational services, and health services), and transactions of vulnerable groups (e.g. senior citizens and persons with disabilities) remained to be VAT-exempt. The TRAIN Law also includes the sale of drugs and medicines for diabetes, high cholesterol and hypertension to the list of VAT-exempt transactions starting 2019. Moreover, the TRAIN increases the VAT threshold to PHP 3 million, exempting small firms, self-employed and professionals with gross sales or receipts from the VAT.

2.6. Key take-aways

1. For periods of sustained economic growth, the pace of poverty reduction has accelerated. However, the country is known for boom-bust cycle of growth, where periods of growth have been disrupted by natural and man-made shocks.
2. Labor productivity is lowest in agriculture, where majority of the poor are.
3. The agrarian reform program, implemented to reduce poverty and inequality, has contributed to the fragmentation of land, making it difficult for farmers to realize benefits from economies of scale.
4. Recent tax reforms on reducing personal income tax rates reduced the tax burden on the poor.
5. The poor tend to have lower access to education, particularly at the tertiary level. The law providing universal access to quality tertiary education may not favor the poor more.
6. PhilHealth coverage is still not universal and benefits are inadequate.
7. 4Ps program is designed to reduce intergenerational poverty. The program’s targeting scheme can still be improved.
8. There are unmet needs for reproductive health services, especially among the poor.
9. Without adequate safety nets, shocks can push people into poverty. Depending on the assistance provided to the affected, they can add not just to transient poverty but also to chronic poverty.
10. Typhoons and other natural disasters pose significant damages to production, leading to income losses to farmers. Agricultural insurance can be a good risk management tool but has limited coverage and implementation issues.
11. Catastrophic illnesses can push people into poverty. Health insurance is not adequate to cover out-of-pocket expenses.
12. Inflation rates have generally been low in recent years. Food supply disruptions, exchange rate movements and oil price shocks have triggered price hikes in the past.

3. How do we eradicate poverty?

With the pandemic still going on, it will be more challenging to reduce poverty at this time. The pandemic has taken its toll on the economy and it will take several years before we will be able to go back to pre-pandemic growth path.

It will take sustained economic growth to raise mean incomes. Furthermore, redistributive policies are necessary to ensure that the poor are given opportunities to participate in the economic growth. This includes opportunities in education, proven to be an important pathway out of poverty. Equitable access to health care services is also critical to address population management issues. In addition, given how prone we are to natural and man-made shocks, agricultural insurance, health insurance and other risk management tools are necessary to help the vulnerable to fall into poverty or the poor into greater poverty, increasing transient poverty. The lack of data on chronic and transient poor prevents us from understanding better the dynamics of poverty. The national statistical system or a research institution like PIDS needs to generate panel data. With adequate data, differentiated policies and programs can be designed to better address the needs of the chronic and transient poor, rather than treating them homogeneously. Well-designed and well-targeted interventions are needed to address them the varying needs of the poor. Longer-term interventions, such as the conditional cash transfer program (4Ps), are needed to lift people out of poverty. Safety nets or short-term interventions, are needed to assist those affected by shocks to avoid falling into poverty, or help those who have fallen into poverty to recover more quickly. The usual issue for well-targeted programs is the lack of data to identify eligible beneficiaries. Data are being collected by different government agencies as part of their administrative functions but many have not been used for implementing targeting programs. Making these different databases interoperable using the PhilSys ID will allow maximum use of these numerous administrative databases. While the abovementioned policies and programs can increase present or future incomes, it is also important that the increases in income are greater than the increase in prices to effect increase in real incomes. Finally,

1. Promote economic growth, particularly in the sector where majority of the poor are, i.e., agriculture

Economic growth is necessary to raise mean incomes and reduce poverty. If not for the COVID-19 pandemic, the economy would have had continued high growth as a result of previous macroeconomic reforms. With the pandemic still going on, it is likely that the economy will only be able to get back on its pre-pandemic track by 2023. The pattern of growth would also have to change, with higher growth for the agriculture sector, where majority of the poor are. How to promote growth in the agriculture sector will be dealt in the paper by Roehl Briones, titled “Policy Brief on Agriculture “.

2. Increase opportunities in education for the poor and marginalized sectors

Education is a pathway out of poverty. The 4Ps program, providing incentives to families to send their children to school, can be improved by targeting the chronic poor. This would reduce the number of beneficiaries significantly. Moreover, the policy on providing free tuition to all in public tertiary institutions should be revisited to see if this could be targeted to the poor, to make it more pro-poor. The students belonging to the richer income groups need not be given financial assistance and this would make the program more financially sustainable. The paper by Aniceto Orbeta, Jr and Vicente Paqueo titled “Philippine Education: Challenges and Ways Forward” provides more specific recommendations to improve access to quality education.

3. Increase access by the poor to reproductive health services

Increased government support is needed from the national and local governments to improve access by the poor to reproductive health services.

4. Expand risk management tools for the agricultural sector through the agricultural insurance program

The agricultural insurance program can help the farmers and fisherfolks cope with the adverse effects of typhoons, floods and other natural disasters. It is being provided now for free but it has limited benefits, not enough for farmers to recover quickly if hit hard. In an effort to provide free crop insurance to more farmers, the Philippine Crop Insurance Corporation is constrained to provide insurance with lower coverage (benefits). It would be better to provide free insurance to only those who have farm sizes of 1 hectare or less and subsidized premium to those who have landholdings of more than 1 hectare and less than 2 hectares. Partnership with local government units, as has been done in the past before the free crop insurance policy came into play, would also be a good way to finance the free and subsidized crop insurance. Similar schemes can be provided to livestock growers and fisherfolks can be adopted to cover more livestock growers and fishermen. This will make the program from financially sustainable and more effective in coping with shocks.

Furthermore, remaining implementation weaknesses issues, such as lack of awareness, challenges in enrolling and getting claims should be addressed.

5. Expand risk management tools to cope with catastrophic illnesses through PhilHealth

The paper of Michael Abrigo, titled *Four Stylized Facts on Health in the Philippines,* presents recommendations on how PhilHealth can be made more responsive to enable those with catastrophic illnesses to cope with out-of-pocket expenses.

6. Generate data on chronic and transient poverty

A better understanding of the dynamics of poverty is necessary to inform policies and programs to address chronic and transient poverty. The Philippine Statistics Authority (PSA) should redesign the Family Income and Expenditure Survey to be able to generate panel data to be able to study the dynamics of poverty. Alternatively, the Community-Based Monitoring System, now institutionalized and spearheaded by the PSA, can be used to generate panel data, if it will continue to collect income data. Research institutions, such as the PIDS, can also be tasked to collect panel data.

With adequate data, differentiated policies and programs can be designed to better address the needs of the chronic and transient poor, rather than treating them homogeneously. It will also provide the necessary information for designing and budgeting for these different interventions.

7. Improve design, targeting and implementation of social protection programs

Differentiated programs for the chronic and transient poor are necessary to address the needs of the two groups. In addition, it is important to improve the design, targeting and implementation of many of these social protection programs.

Cash vs. in-kind transfer

During disasters when supply chains have been disrupted or mobility are constrained, in-kind transfers are most useful. However, cash transfers may be more effective in addressing specific needs when the markets are operating and mobility has been restored. Since food packs are important to smooth consumption, the composition of the food packs may not be the most appropriate for a particular household.

Lumpsum vs. tranches
For cash transfers, small and frequent may be effective in smoothing consumption but may not be as effective in rebuilding assets. For the latter, lumpsum transfers may be used as capital for micro businesses and be more effective in recovering faster from the shock.

Targeting vs Universal access

Since resources are limited, it is necessary to employ targeted schemes. For the biggest social protection program, 4Ps uses a proxy means test model. Several studies have pointed out the weaknesses of the PMT. In addition, the data that was used as the basis, Listahanan 1, was collected in 2008-2009 and consequently is outdated. There is a need to update the PMT model and use Listahanan 3, or the latest version.

The Social Amelioration Program (SAP), implemented in response to the COVID-19 pandemic, took several months to distribute, partly due to the difficulty of identifying and locating the eligible beneficiaries.

The alternative is to have universal access to avoid the difficulties of targeting. This is what is being proposed with Bayanihan 3. This means much smaller benefits to all compared to a more significant amount to the those who are really deserving.

If universal access it to be provided, it is recommended that application to the program be required to receive the benefit while information about the program is widely disseminated at the barangay level. This will lead to self-targeting.

Implementation issues

Monitoring and process evaluation of programs need to be regularly conducted to identify and address implementation issues.

8. Ensure interoperability of different databases using the PhilSys ID and promote use of digital platforms for social service delivery

Information systems of government agencies should be designed to be interoperable using digital technology and with the Philsys ID as the identifier for the individual. Interoperable digital information systems will facilitate targeting and location of eligible of beneficiaries and efficient delivery of services. Digital platforms, whenever feasible, should be used to deliver social services such as cash transfers.

The different government agencies have been collecting data as part of their programs or administrative functions. The DSWD has Listahanan 1, 2 and 3 while the Department of Agriculture has the Registry System for Basic Sectors in Agriculture (RSBSA). The DOH, together with the local government units, has a registry of persons with disabilities while local government units has a registry of senior citizens. The Government Service and Insurance System (GSIS) and the Social Security System (SSS) have registries of those who enrolled in their social security systems. The Bureau of Internal Revenue has a list of all the taxpayers. Except for Listahanan 3 which was used as the initial basis for SAP, these databases have not been used to identify beneficiaries for targeted programs aside by agencies who collected the data. This is mainly because these databases are difficult to merge since they have not been designed to be interoperable.

9. Promote price stability through increased competition

While the abovementioned policies and programs can increase present or future incomes, it is also important that the increases in income are greater than the increase in prices to effect increase in real incomes. Thus, policies aimed at promoting stability or reduction in prices will ensure that the minimum income needed to meet basic food and non-food needs is within the reach of everyone.

One way of doing this is through increased competition. The Rice Tarrification Law (RA 11203), enacted in 2019, liberalizes the importation, exportation and trading of rice to reduce the retail price of rice. There are still commodities where prices are much higher in the country than in the neighboring countries and policies can be revisited to identify measures to make these sectors more competitive. Electricity prices in the country are the second highest in the region. Prices of medicines in the country are much higher than in Viet Nam and India.

Housing constitutes a significant portion of a family's expense. Ballesteros (2016) reiterated the need to develop the rental housing market for affordable housing and the repeal of the rent control law is recommended to encourage private sector investment in affordable rental housing.

E-commerce can potentially increase competition and bring down prices of commodities to consumers.

10. Improve disaster preparedness

Since the country is vulnerable to shocks and shocks can lead to higher transient poverty, disaster preparedness is important. Greater capacity building for local government units in preparing for disasters, will be helpful in dealing with the shocks. Putting in place the necessary infrastructure, such as evacuation centers, will facilitate immediate response. In addition to identifying evacuation centers, lists of persons who should go to where could be prepared ahead of time and this will also facilitate positioning of food packs and other supplies.

11. Conduct post-disaster assessment

While we are regularly visited by natural disasters and other shocks, we do not draw lessons from past experiences to allow us to identify best practices and replicate these throughout the country. There is a need to conduct post-disaster assessment to determine gaps and come up with solutions to address these gaps. It is important to document responses made and critically assess these and learn from them.

To conclude, we can eradicate chronic poverty by 2030 with sustained and inclusive economic growth but it would be difficult to eradicate transient poverty due to the various shocks that we experience. We should have risk management strategies in place to minimize transient poverty and well-designed and well-targeted social protection programs to help the new poor recover more quickly from shocks.

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