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Comments on HOUSE BILL NO. 8040: "AN ACT EXPANDING THE PANTAWID PAMILYANG PILIPINO PROGRAM (4Ps), AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 11310, OTHERWISE KNOWN AS "AN ACT INSTITUTIONALIZING THE PANTAWID PAMILYANG PILIPINO PROGRAM (4Ps)," AND FOR OTHER PURPOSES"

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Summary of Provisions

House Bill 4080 "An Act Expanding the Pantawid Pamilyang Pilipino Program (4Ps), Amending for the Purpose Republic Act No. 11310, Otherwise Known as 'An Act Institutionalizing the Pantawid Pamilyang Pilipino Program (4Ps),' and for Other Purposes," proposes the following amendments to RA 11310:

(1) Increase in Health and Nutrition grant from PhP 750.00 to PhP 1,800.00 per month for a maximum of twelve (12) months per year
(2) Institutionalization of the Rice Subsidy not lower than PhP 600.00 per month for a maximum of twelve months per year
(3) Shortening the mandatory periodic assessment on the sufficiency of the cash grants from six (6) to three (3) years

Comments on the House Bill

On the increase in grants

Given the extraordinary and detrimental effects of the COVID-19 epidemic on poverty and the ongoing worldwide problems affecting the prices of essential commodities, the suggested increase in cash grants may be reasonable. Based on calculations using the consumer price index for households with incomes in the bottom 30% published by the Philippine Statistics Authority (PSA), the real value of the grants has decreased by around 20% since the law's introduction in 2019 as result of inflation. With this, the increase in grant amounts, if any, should be able to at least recover the eroded value of the grants to maintain the same benefits that 4Ps households have previously received.

Evidence from the global literature generally indicate that higher transfer amounts have greater effects on household expenditures and other metrics of the grants' immediate income effect[3]. Additionally, increased transfer levels are anticipated to impact beneficiaries' compliance behavior, increasing the likelihood that outcomes related to the human capital investment in children would be realized[4].

This increase on the amount of grants, however, warrants improvement in certain aspects of the program implementation to ensure that the addition in value of benefits actually translate to the desired outcomes on health and nutrition. For one, the program implementers should ensure that program conditions are adequately enforced and monitored. In recent years, there has been an observed decline in the number of young children and pregnant women monitored in the program due to insufficient updates[5] that are

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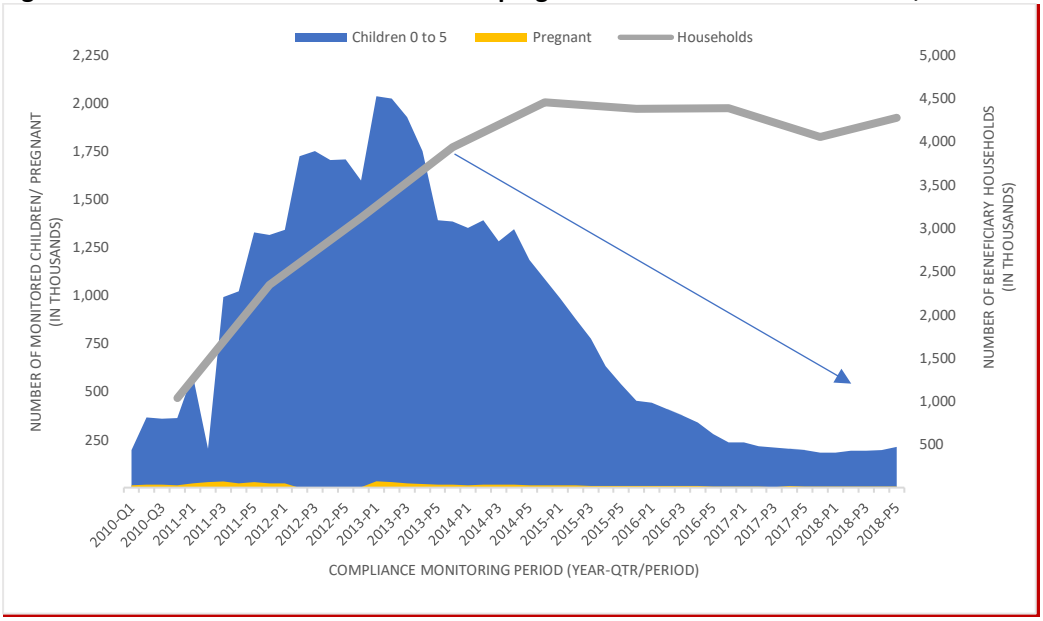
[3] Various sources as cited in Melad, Kris Ann M, Nina Victoria V Araos, and Aniceto C Orbeta Jr. 2020. "Giving Cash to the Poor: A Study of Pantawid Pamilya Cash Grants Generosity, Frequency, and Modality," PIDS Discussion Series No. 2020-59.
[4] Ibid
[5] These refer to reports from beneficiaries on new pregnancies and newborn children. By default, the information on the household roster of beneficiaries comes from the initial targeting survey done by DSWD and the first round of Listahanan survey conducted from 2008 to 2010. All succeeding updates in the information come from updates filed by beneficiaries.

received and processed by the program information management system (Figure 1). This results in the diluted enforcement of conditions on health among young children. The increase in grants should be accompanied by the continuous updating of the registry of pregnant women and children 0 to 5 years so that they are captured in the program's compliance monitoring mechanism.

Figure 1. Number of monitored children and pregnant women in health conditions, 2010-2018



Source: Adapted from Orbeta, et al (2021)[6]

Another motivation for the updating of the registry of monitored children stems from recent preliminary evidence from the 3rd impact evaluation of the program where non-monitored children tend to have worse outcomes than their counterparts (i.e., siblings) who are monitored in the program[7][8]. Further investigation is needed to acertain this effect, but the need to have up-to-date information on target beneficiaries remains relevant.

Lastly, it is important to emphasize that the improvement in health and nutrition of beneficiaries also relies on the availability and accessibility of quality maternal health and child health and nutrition interventions especially on the first 1000 days of life (i.e., conception up to 2 years old), and not just on the amount of grants given to them . This is specially important if the goal is to reduce the incidence of stunting – an outcome of chronic undernourishment.

<u>On the institutionalization of Rice Subsidy:</u>

The institutionalization of the rice subsidy may likewise be acceptable since it is already currently part of the program. This provision simply ensures the consistency of the implementation of this component.

Based on the program logic, cash transfers to the household may contribute in the achievement of target outcomes of the program by encouraging behaviors related to investment in human capital of their children through enforcement of conditions. However, rice subsidy is currently being given to households that comply with either health or education conditions of the program. It may be worthwhile to consider linking the rice subsidy with another conditionality or requirement of the program. For instance, it may

[6] Orbeta, Aniceto Jr., Melad, Kris Ann M, and Araos, Nina, 2021. "Reassessing the Impact of the Pantawid Pamilyang Pilipino Program: Results of the Third Wave Impact Evaluation.", PIDS Discussion Paper Series 2021-05.
[7] Ibid
[8] Raitzer, D., Batmunkh, O. and Yarcia, D. 2021 "Intrahousehold Responses to Imbalanced Human Capital Subsidies: Evidence from the Philippine Conditional Cash Transfer Program". ADB Economics Working Paper Series

be used to incentivize households to enroll non-monitored children in school as preliminary evidence shows monitored children tend to have better outcomes than their siblings who are not monitored, as previously discussed. Another possibility is to use the rice subsidy to incentivize parents to invest in specific aspects of health and nutrition (e.g., postnatal care, dietary diversity, immunization, etc.).

Another thing to consider is the value of the proposed rice subsidy. The amount of PhP 600.00 per household is maintained at its original value in 2019 at the time of introduction of the law. Since there has been some erosion in the real value of the grants due to inflation, it may be timely to bring its value back at least to its original benefit level. While there may be concern about the possibility of driving the price of rice because of the perceived promotion of rice consumption and increase of income of beneficiaries, there is no solid evidence that suggest increase in cash grants result to increase in market price of rice. A study by Filmer et al. (2018)[9] examined how price levels of select food products are affected by the influx of cash grants and saturation of the program coverage in localities but found no price effect on rice.

On the shortening of period of assessment of value of cash grants:

The COVID-19 pandemic has emphasized the need for a more responsive social protection system that is able to counter to shocks that are detrimental to the wellbeing of vulnerable sectors of the population. The shorter period of assessment will allow the program to respond better to increases in prices and ensure that the grants remain sufficient to cushion damaging effects of such shocks and reduce the risk of reversing previous gains in the wellbeing and behavior patterns of beneficiaries. It is important to note that one of the main underlying assumption of the program logic is that the grants should be "attractive" enough to encourage desired behaviors from the beneficiaries. The shorter period of assessment of also results in smaller welfare loss for the beneficiaries. To illustrate, the tables below present the total loss in welfare, in terms of monetary value of grants, for a household expected to receive a maximum of PHP 31,200[10] in 2016. Using CPI from 2016 to 2022, the loss in real value of the grants is shown annually and in total for a six-year reassessment period (Table 1a) and a three-year reassessment period (Table 1b). It shows that a longer period of reassessment of value results in a much larger loss in welfare as the deficit in real value accumulates over the longer period of no adjustments in the value of grants.

Table 1a. Simulated loss in real value of grants within a six-year reassessment period

Year	Real value of grants in 2016 pesos (PHP)	Annual deficit in real value of grants from its 2016 value (PHP) [b]
2016 *(starting year)*	31,200[a]	-
2017	30,498	702
2018	28,773	2,426
2019	28,237	2,963
2020	27,534	3,665
2021	26,422	4,778
2022 *(year when original value is recovered)*	31,200	
Total loss in value of grants from 2017 to 2021		**14,534**

Notes:

[a/] Maximum amount of PHP 31,200 is based on one year-worth of total grants for a hypothetical household composition of one (1) elementary student, one (1) Junior High School student, and one (1) Senior High School student with perfect compliance to all conditions. Amounts are based on prescribed values in RA 11310.

[b/] Uses CPI among bottom 30% income households from 2016 to 2022

[9] Filmer,Deon P. & Friedman,Jed & Kandpal,Eeshani & Onishi,Junko, 2018. "Cash Transfers, Food Prices, and Nutrition Impacts on Nonbeneficiary Children," Policy Research Working Paper Series 8377, The World Bank.

[10] Based on one year-worth of total grants for a hypothetical household composition of one (1) elementary student, one (1) Junior High School student, and one (1) Senior High School student with perfect compliance to all conditions. Amounts are based on prescribed values in RA 11310.

Table 1b. Simulated loss in real value of grants within a three-year reassessment period

Year	Real value of grants in 2016 pesos (PHP)	Annual deficit in real value of grants from its 2016 value (PHP)[b]
2016 *(starting year)*	31,200[a]	-
2017	30,498	702
2018	28,773	2,426
2019 *(1st year when original value is recovered)*	31,200	-
Total loss in value of grants from 2017 to 2018 (A)		**3,128**
2019	31,200[a]	
2020	30,424	776
2021	29,194	2,006
2022 *(2nd year when original value is recovered)*	31,200	
Total loss in value of grants from 2020 to 2021 (B)		**2,782**
Total loss in value of grants From 2017-2021 (A+B)		**5,910**

Notes:

[a/] Maximum amount of PHP 31,200 is based on one year-worth of total grants for a hypothetical household composition of one (1) elementary student, one (1) Junior High School student, and one (1) Senior High School student with perfect compliance to all conditions. Amounts are based on prescribed values in RA 11310.

[b/] Uses CPI among bottom 30% income households from 2016 to 2022