



29 June 2023

HON. MICHAEL L. ROMERO, PhD

Chairperson
Committee on Poverty Alleviation
House of Representatives
Constitution Hills, Quezon City

Attention: **MARIA LOURDES SAGMIT-MENDOZA**
Committee Secretary

Dear **Chairperson Romero**:

This refers to your letter dated 01 June 2023 requesting for a specific recommendation on the amounts of health/nutrition and education subsidies for Pantawid Pamilyang Pilipino Program (4Ps) beneficiaries.

In the attached technical note, we present possible choices in increasing CCT grants based on different assumptions. The inflation-adjusted amounts may be used as the minimum value of the amount of cash grants enough to recover their original value when RA 11310 was enacted. The note also provides additional details on the estimations to guide the Committee in selecting elements to adopt from each proposal in the consolidated measure.

We hope that you find the attached material useful.

Sincerely,

ANICETO C. ORBETA JR.

President

June 29 2023

Additional Comments on the Proposed Increase in 4Ps Grant Amounts

Michael Ralph Abrigo¹ and Kris Ann Melad²

Background:

This note was prepared in response to the request of the House of Representatives Committee on Poverty Alleviation to provide inputs on the proposed legislative measures on the increase in the amount of cash grants of 4Ps beneficiaries. The increase in grant amounts is being proposed ahead of the schedule provided in RA 11310 (otherwise known as the 4Ps Act) wherein the “PIDS shall recommend to the National Advisory Council (NAC) an inflation-adjusted value of the grants six year after the enactment of the law.” The proposals are motivated by the unprecedented impacts of the COVID-19 pandemic on poverty and increase in prices of basic commodities.

Proposed Increase in 4Ps Grants:

Table 1 shows the proposed increase in the amount of 4Ps grants compared with the current amount of grants as provided in RA 11310. The items under Option 1 include the amounts proposed in the pending legislative measures. The succeeding Options adjust the grant amounts using historical values of the Consumer Price Index for the bottom 30% of households by income estimated by the Philippine Statistics Authority and projected annual inflation rates by the Development Budget Coordination Committee (DBCC), which represent the minimum values required to maintain the 4Ps grant amount to its 2019 purchasing power. Option 2 shows the adjusted amount of grants using 2022 as reference year, while Option 3a uses most recent available actual inflation data from January to May, 2023. Options 3b and 4 present the amount of grants adjusted to 2023 and 2024 (projected) prices, respectively. All of these options may be used as benchmarks in determining the appropriate levels of increase of CCT grants.

Table 2 summarizes the range of total household grants and its corresponding proportion as share of the 2021 national poverty threshold. Assuming an average of six household members and perfect compliance to 4Ps conditionalities, the range of 4Ps grant a beneficiary household may receive represents around 11% to 22% of the 2021 national poverty threshold. Adjusting the grants using the proposed amounts in Options 1 and 3a raise these proportions to as much as 27% and 26% of the 2021 national poverty threshold, respectively.

If the goal is to only adjust the grant amounts to maintain the same purchasing power as in 2019, then Options 3b and 4 may be more appropriate values, depending on when the proposed consolidated measure will take into effect, i.e., whether in 2023 or 2024. However, Option 1 may be a superior option as it provides for some allowance against inflation until the next adjustment in grant amount.

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Table 1. Proposed grant adjustments versus current grant amounts in RA 11310

Type of grant	Current grant amounts according to RA 11310	Proposed grant increase based on filed House Bills		Inflation-adjusted amount based on different inflation trend assumptions (in PHP) ^a			
		House Bill	Option 1/ Proposal in HB	Option 2: 2022 ^b (full year average inflation)	Option 3a: 2023 ^b (January to May average inflation)	Option 3b: 2023 (projected full year average inflation; lower - upper limit)	Option 4: 2024 (projected full year average inflation; lower - upper limit)
Daycare and Elem	300/mo for 10 months	HB 4372	500	342	361	359 – 362	366 – 377
Junior High School	500/mo for 10 months		700	570	602	598 – 604	610 – 628
Senior High School	700/mo for 10 months		900	798	843	837 – 845	854 – 879
Health	750/mo for 12 months	HB 6813	1,100	855	903	897 - 906	915 – 942
		HB 8040	1,800				
Food and Nutrition/ Rice Subsidy	600/mo for 12 months ^d	HB 6813	1,000	684	722	718 – 725	732 – 754
		HB 8040	600				

Notes:

- a/ The amounts show the inflation-adjusted amount of the grants, by year, equivalent to the original value of the grants in 2019 when the 4Ps Act was passed.
- b/ Calculations for Option 2 and 3a use the Consumer Price Index (CPI) (i.e., headline inflation) data for the bottom 30% income households. These data represent changes in the prices of all goods and services purchased for consumption by the poorest 30% of households by income. CPI values are based on the latest available data of the Philippine Statistics Authority (PSA)³. The 2022 amounts are based on full year average inflation in 2022, while Option 3a uses the average inflation from available data in 2023 (January to May).
- c/ The projections in Option 3b and Option 4 are based on the inflation projections⁴ of the Development Budget Coordination Committee (DBCC) which is 5% to 6% in 2023 and 2% to 4% in 2024. The range of amounts reflects the lower and upper limit of these inflation projections.
- d/ Rice subsidy of 600/mo is not included in the RA 11310 but is being provided to the beneficiaries based on an earlier directive of former President Duterte

³PSA. (2023). Summary Inflation Report Consumer Price Index for the Bottom 30% Income Households (2018=100): May 2023. Retrieved from [link](#)

⁴ Gonzales, A. L. (2023, June 09) Economic managers retain GDP forecast, narrow inflation outlook. Retrieved from: <https://www.pna.gov.ph/articles/1203251>

Table 2. Minimum and maximum grants per household under current grant amounts in RA 11310 and proposed adjustments

Proposal/ Option ^a	Minimum amount of grant per household (Scenario: one (1) elementary student)		Maximum amount of grant per household (Scenario: three (3) Senior High School students)	
	Total annual grant of household (PHP) ^b	Share of 2021 poverty threshold for a HH of 6 ^c	Total annual grant of household (PHP) ^b	Share of 2021 poverty threshold for a HH of 6 ^c
Current grant amounts per RA 11310 ES: 300/mo for 10 months JHS: 500/mo for 10 months SHS: 700/mo for 10 months Health: 750/mo for 12 months Rice: 600/mo for 12 months	19,200	11.1%	37,200	21.5%
Proposed <u>minimum</u> adjusted grant amounts per proposed bills ES: 500/mo for 10 months JHS: 700/mo for 10 months SHS: 900/mo for 10 months Health: 1100/mo for 12 months Rice: 600/mo for 12 months	25,400	14.7%	47,400	27.4%
Inflation adjusted grant amounts (based on Option 3a) ES: 500/mo for 10 months JHS: 700/mo for 10 months SHS: 900/mo for 10 months Health: 1100/mo for 12 months Rice: 600/mo for 12 months	23,119	13.3%	44,793	25.9%

Notes:

- a/ The table above shows the minimum and maximum amounts of total grant per household per year under the prevailing grant amounts, minimum amounts proposed in the pending House Bills, and Option 3a or inflation adjusted amounts from Table 1.
- b/ The total annual amount of grant per household is based on amount of potential grants assuming 100% compliance with program conditionalities. The minimum scenario is a household with only one (1) beneficiary child enrolled in elementary school, while the maximum scenario is a household with three (3) beneficiary children enrolled in Senior High School.
- c/ The share of poverty threshold is computed by dividing the total amount of grants by six (6) as the assumed household size of 4Ps beneficiaries, and dividing the quotient with the annual per capita poverty threshold. The per capita poverty threshold used is as of 2021 (i.e., Php 28,871).