



## PHILIPPINE SOCIAL PROTECTION NOTE

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# Who Benefits from Social Assistance in the Philippines?

## Evidence from the Latest National Household Surveys

Luisa Fernandez and Rashiel Velarde<sup>1</sup>

*This note discusses two of the Philippines' biggest social assistance programs—the Pantawid Pamilyang Pilipino Program, the government's first conditional cash transfer (CCT) program, and the rice subsidy program of the National Food Authority (NFA), one of the country's long-standing food-based social assistance programs—with a focus on targeting efficiency and the benefits to the poor. The goal of the CCT program, which has an explicit poverty targeting mechanism embedded in the program, is to provide short-term cash assistance to poor households while helping to strengthen human capital of their children with the long-run vision of breaking the cycle of poverty. The goal of rice subsidy program is to ensure that low-priced rice is available in the markets to all consumers.*

*Using benefit incidence analysis on the latest official household surveys of 2009, results suggest that both programs benefit poorest households the most. This has implications for the CCT program given the program was only launched with limited coverage in 2008. Despite having been implemented for one year as captured by the data, the program had already reached 12.4 percent of poor households in 2009. Moreover, about 71 percent of its beneficiaries in 2009 belonged to the poorest 20 percent of the population and accounted for 74 percent of total program benefits. These results suggest that the Philippine CCT program has achieved better targeting outcomes than similar programs of other countries in East Asia and Pacific as well as in Latin America where CCT programs started decades ago. Meanwhile, the universal rice subsidy program was also progressive despite not being explicitly targeted to the poor. In 2009, the program reached 47.7 percent of poor households after nearly fifty years of implementation.*

*Considering both direct and indirect costs to value the total amount of assistance delivered by Pantawid Pamilya and the rice subsidy program, beneficiaries receive about the same benefit from both programs as a share of their reported incomes. However, direct benefits from the Pantawid Pamilya represents a higher share of beneficiary households' reported income (16 percent) compared to the rice subsidy program (1.4 percent). This reflects the high cost of administering the rice subsidy program compared to the CCT. On average, the government spends Php 6.84 for every Php1.00 of direct assistance delivered through the universal rice subsidy program while it only spends 15 centavos through the CCT program.*

*As almost any other program, the universal rice subsidy program and the Pantawid Pamilya do not target the poor perfectly—the former by design and the latter due to errors in targeting or implementation. The share of total program benefits that went to the non-poor is especially high for the rice subsidy program at 58 percent, twice that of the Pantawid Pamilya (29 percent). There is further scope for both programs to reach more poor Filipinos. While the CCT program will never be able to reach 100 percent of the poor by design, coverage is expected to increase in the coming years as the program continues to expand and utilize the national household targeting system. The rice subsidy program can improve efficiency in reaching the poor by adopting an explicit targeting criterion.*

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<sup>1</sup> Luisa Fernandez is Senior Social Protection Specialist and Rashiel Velarde is Social Protection Analyst in the World Bank Office Manila.



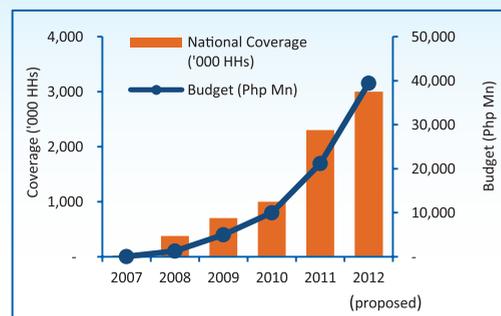
## 1. Background

In recent years, social protection (SP) has played a more prominent role as the main vehicle for helping poor Filipinos escape poverty. The persistently high rates of poverty as well as the vulnerability of Filipinos to various forms of shocks—highlighted by recent events such as the 2008 food and global financial crises and the 2009 typhoon disasters—raised government awareness of the need to ramp up efforts to assist the poor and vulnerable. To this end, SP-related reforms are now being undertaken continuously, including enhancing the country’s SP strategy and increasing budget allocations to the sector (NEDA, 2011). Two of the Philippines’ biggest and most popular social assistance programs are the conditional cash transfer (CCT) program and the rice subsidy program. According to the most recent data available, the two programs together accounted for 67 percent of the SP budget or 0.5 percent of GDP.<sup>2</sup>

In 2008, the Philippines launched its first CCT program, the *Pantawid Pamilyang Pilipino Program*. The *Pantawid Pamilya* was launched as a demand-side approach to addressing poverty and lagging health and education outcomes. Like most CCT programs, the *Pantawid Pamilya* aims to alleviate current poverty by supplementing the income of the poor to help meet immediate consumption needs, while using conditionalities to improve human capital and thus break the intergenerational cycle of poverty. The program provides cash grants to beneficiary households, subject to compliance with education and health conditionalities which include children regularly attending school and pregnant women and children visiting health facilities for regular health monitoring. The cash grants range from Php500 (US\$12)<sup>3</sup> to Php1,400 (US\$32) per household per month, depending on the number of eligible children and their compliance to program conditions.<sup>4</sup>

The *Pantawid Pamilya* has grown to be the Philippines’ largest social assistance program. The *Pantawid Pamilya* has grown substantially from an initial 360,000 household beneficiaries to 2.3 million to date, representing about 44 percent of poor households nationwide that are registered in the targeting database.<sup>5</sup> As a consequence, the budget allocation for the program has increased considerably over the years (Figure 1). The program figures prominently in the current administration’s medium-term plan, and in 2012, the program is planned to expand to 3 million poor households with a budget of Php39 billion (US\$913 million). Prior to the introduction of *Pantawid Pamilya*, spending on the social sectors—particularly SP—was low, comprising only 0.4 percent of GDP in 2007. The allocation for SP was comprised mainly of in-kind subsidies, which were found to largely benefit non-poor households mainly due to inability to properly target the poor (Manasan, 2000 and 2009).

Figure 1. National Coverage and Budget of *Pantawid Pamilya*



Sources: DSWD program data and Department of Budget and Management, various years. Henceforth, ‘HHs’ in tables and charts means households.

Meanwhile, the subsidized rice program has been one of the government’s long-standing programs for assisting households in times of difficulty. The rice subsidy program has been in place for the last 50 years and has perhaps been the most important SP program budget-wise, accounting for about 50 to 65 percent of spending in SP until 2008.<sup>6</sup> It is administered by the National Food Authority (NFA) as part of the NFA’s mandate to achieve food security and keep food affordable for consumers.<sup>7</sup> Under the program, the government subsidizes the difference between what would have been the market price of NFA rice and its official selling price in the market. In addition, the government absorbs taxes on rice importations by the NFA. The NFA’s mandate, however, has operationally translated into providing more affordable rice to the poor (Tolentino, 2011).

<sup>2</sup> Based on 2008 data and including NFA implicit subsidies (Sicat, forthcoming).

<sup>3</sup> US dollar equivalent was based on the average exchange rate in 2011, which was at Php43.20 (BSP, 2011).

<sup>4</sup> More details about the *Pantawid Pamilya* is also found in Philippine Social Protection Policy Note No. 2 (May 2011).

<sup>5</sup> There are 5.2 million poor households registered in the country’s National Household Targeting System for Poverty Reduction (NHTS-PR) database.

<sup>6</sup> Based on data from Sicat (forthcoming).

<sup>7</sup> The NFA’s mandate is set forth in Presidential Decree (PD) 4 and Republic Act (RA) 7607. Although the NFA was formally established only in 1981, the rice subsidy program started in the 1960s with the establishment of the Rice and Corn Administration, which was tasked to distribute low-priced rice especially during the lean months.

**As a general subsidy program, subsidized rice is made available in the market to all consumers, but it is also distributed through other channels.** NFA rice is publicly released to the markets through NFA-accredited retail stores and sold at lower-than-prevailing market prices. In 2009, NFA rice was sold at Php20 (US\$0.46), Php25 (US\$0.58), and Php35 (US\$0.81) per kilogram, depending on the quality of rice.<sup>8</sup> In comparison, the domestic price of commercial rice of the same quality ranged between Php30.00 (US\$0.69) to Php42.84 (US\$0.99) per kilogram, while the average world price of rice of similar quality was at US\$0.46 per kilogram in 2009.<sup>9</sup> Anyone can buy NFA rice sold in retail stores without needing to be pre-qualified. NFA rice is also distributed through other government programs, such as the Food-for-School program of the Department of Education (DepEd) and Department of Social Welfare and Development (DSWD) where NFA rice is given for free, as well as the DSWD's Family Access Cards for the poor.

**With its nationwide network of warehouses, the NFA's rice subsidy program has been used by the government as a ready instrument to help the poor in times of crisis.** In the 1998 financial crisis, NFA rice releases increased to over 20 percent of total consumption, more than double the 1997 level of 8 percent (Manasan, 2000). More recently, when the 2008 food and fuel crisis pushed an estimated 3 million Filipinos into poverty, the rice subsidy program turned out to be the only SP program with enough scale at that time to reach a large number of poor (ASEAN, 2010; World Bank, 2009).

**Understanding how effective these two social assistance programs are in delivering benefits to the poor can help guide the design of new programs as well as inform policy decisions on already existing programs.** This analysis aimed to measure targeting efficiency and the benefits derived by the poor from these two programs as a basis for determining their effectiveness in reaching the poor. A benefit-incidence analysis was conducted using the latest official household surveys to estimate coverage, the level of benefits provided to beneficiaries, and various other indicators of targeting efficiency and cost-effectiveness. The choice of programs for this type of analysis is constrained mainly by data availability, as explained in subsequent sections of this note.

## 2. Beneficiary Selection for the Pantawid Pamilya and the Rice Subsidy Program

**Understanding who benefits from a program requires an appreciation of its targeting mechanism, and for the *Pantawid Pamilya*, this begins with identifying the poor.** The government initiated the design of the CCT program by developing a national household targeting system with the main goal of identifying poor households across the country in a standard manner. This targeting system, now called the National Household Targeting System for Poverty Reduction (NHTS-PR), identifies poor households based on a Proxy Means Test (PMT) methodology. As of June 2011, the NHTS-PR completed a national survey that generated a database of 11 million households across the country, of which 5.2 million households (or about 25 million people) were identified as poor. Of the poor households in the NHTS-PR database, about 75 percent live in rural areas while 25 percent live in urban areas.

**The design of the NHTS-PR combines geographic targeting with household targeting.** First, geographic targeting was done to prioritize the areas to be surveyed. Provinces were prioritized based on official poverty rates in the Family Income and Expenditure Survey (FIES). Municipalities were then selected based on Small Area Estimates (SAE) of poverty. Both sets of statistics are officially released by the National Statistical Coordination Board (NSCB). The second step involved a household assessment through the application of a PMT methodology that predicts household income based on household-specific characteristics, such as demographic characteristics of members, their educational levels, housing conditions, access to basic services (water and electricity), household assets, tenure status, and region of residence. A PMT model was estimated separately for urban and rural areas using the 2003 FIES and Labor Force Survey (LFS). Following best practices in designing targeting systems, once the PMT model was selected, a Household Assessment Form (HAF) that contains data to calculate the PMT was designed. The questions in the HAF were patterned after questions in the FIES and LFS to ensure consistency in results.

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<sup>8</sup> Beginning in December 2011, the NFA rice can be bought in the market at the universal price of Php27.00 (US\$0.63) per kilogram.

<sup>9</sup> Average price per kilo of Thai 25 percent broken rice in 2009 (World Bank Commodity Price Data).



**Information to calculate the PMT was collected using a number of data collection strategies.** Survey sweeping, on-demand application, and a combination of the two methods were utilized.<sup>10</sup> The strategy applied in a specific area depended on its poverty rate and its classification as an urban or rural area. Data collection followed strict procedures to guarantee quality and was supervised closely. Information was processed at regional offices, and once the database was consolidated, the PMT was calculated. Poor households were identified by comparing their estimated income with the official poverty lines.

**Once the poor are identified in the system, potential beneficiaries of the *Pantawid Pamilya* pass through eligibility checks before they are enrolled as beneficiaries.** The *Pantawid Pamilya* only covers those who meet the program’s eligibility criteria: being a poor household having a pregnant mother or children aged 0-14, and residing in program areas. The final stage of the selection process involves validation of information on potential beneficiaries in a community assembly, where they are finally enrolled as program beneficiaries.

**In contrast to the *Pantawid Pamilya*, the rice subsidy program is a universal consumer price subsidy which, by design, is not administratively targeted.** As a universal subsidy program, subsidized NFA rice is distributed throughout the regions and provinces. This is done through the NFA’s nationwide network of warehouses and grains retailers that are accessible to consumers. Studies have shown that the distribution of NFA rice has not been sensitive to poverty.<sup>11</sup> It appears that the distribution of NFA rice is more reflective of the distribution of the population, that is, NFA rice goes to more populous regions. For example, in 2006 and 2009, the National Capital Region (NCR) and Central Luzon (Region 3) received a significant share of NFA rice, although these two regions have the lowest poverty rates (Table 1). However, to the extent that the program uses rice of inferior quality,<sup>12</sup> it has a self-targeting mechanism to select beneficiaries that attracts less of those who are able to afford better quality rice.

**Table 1. Distribution of NFA Rice, 2006 and 2009**

Region	2006		2009		2007 Population share (%)
	Poverty Rate (% of poor HHs)	Share of Rice Distribution (%)	Poverty Rate (% of poor HHs)	Share of Rice Distribution (%)	
Region 1	20.4	5.5	17.8	6.0	5.2
Region 2	15.5	2.5	14.5	3.0	3.5
Region 3	12.0	11.8	12.0	12.4	11.2
Region 4	14.2	7.0	13.7	12.0	16.4
Region 5	36.1	7.8	36.0	9.3	5.9
Region 6	22.1	2.4	23.8	3.9	7.9
Region 7	33.5	6.3	30.2	5.1	7.4
Region 8	31.1	4.8	33.2	4.7	4.5
Region 9	34.2	4.6	36.6	3.9	3.7
Region 10	32.7	4.1	32.8	3.2	4.5
Region 11	26.2	7.2	25.6	5.6	4.8
Region 12	27.1	1.9	28.1	2.2	4.4
NCR	3.4	29.7	2.6	23.2	13.3
ARMM	36.5	1.7	38.1	3.0	4.7
CARAGA	36.9	2.6	39.8	2.5	2.6
PHILIPPINES	21.1	100.0	20.9	100.0	100.0

Sources: NSCB for poverty rates, NFA for the rice distribution, and National Statistics Office for 2007 population.

<sup>10</sup> Survey sweeping means total enumeration of households in an area while on-demand application means households apply to be surveyed.

<sup>11</sup> For instance, see Manasan, 2000 and 2009 and Jha and Mehta, 2008.

<sup>12</sup> Official NFA statements regard the NFA rice as low-priced but of good quality. Retailers and consumers, however, report otherwise (Aguilar, 2005; World Bank, 2001; Roumasset, 2000). Another aspect of the program’s self-targeting stems from the fact that consumers have to wait in line for extended periods during times when NFA rice is deemed to be in short supply, for instance during the rice crisis in 2008 (Manasan, 2009).

### 3. Estimating Benefit Incidence of *Pantawid Pamilya* and the Rice Subsidy Program

**Benefit incidence (BI) analysis is a standard approach for determining the targeting efficiency and cost-effectiveness of public services.** BI indicates who is benefiting from public services as well as how much of the program benefits are received by specific groups of people. BI does this by combining the unit cost of providing the service with information on the use or receipt of the service. In some countries, BIs of social assistance programs have been used as effective tools to justify reforms that eliminate ineffective programs and replace them with better-targeted ones. Early applications of BI in government-wide reforms include those of education and water and sanitation systems in Colombia and health systems in Malaysia and Ghana in the 1990s. Based on empirical evidence from BI analyses, Indonesia in 2005 initiated the dialogue to reform ineffective general subsidies such as petroleum and reallocated funds to health, education, and a new cash transfer program (Indrawati, 2005). One limitation of BI is that it does not deal with issues of service quality.<sup>13</sup>

**BI analysis can be done if participation in a given program has been captured in a nationally representative income or expenditure household survey.** For the Philippines, the latest household surveys that could be used were the Labor Force Survey (LFS) and Family Income and Expenditure Survey (FIES) in 2009 (Box 1). The analysis used reported expenditures on NFA rice in the FIES, which includes both cash spending and in-kind receipts of NFA rice, to identify participation in the rice subsidy program. In addition, a special rider question was commissioned for the FIES 2009 to indicate participation in the *Pantawid Pamilya*. The FIES 2009 captured an unweighted sample of 1,094 household beneficiaries of the *Pantawid Pamilya* (3 percent of the total survey sample), which represented 420,096 household beneficiaries of the program nationwide. The survey also captured an unweighted sample of 11,513 household beneficiaries of the rice subsidy program (30 percent of the total survey sample), which represented about 5.2 million household beneficiaries of the program nationwide.

**The overall benefit from any social assistance program consists of direct and indirect subsidies.** Direct subsidies refer to the monetary value of transfers directly received by beneficiaries, while indirect subsidies consist of all other costs to the government related to implementing the program to deliver the assistance to beneficiaries. In BI analysis, both costs should be taken into consideration in order to account for the full cost of providing the public service. Accounting for indirect costs/subsidies is important especially in comparing programs that employ different targeting and delivery mechanisms. Programs that put little effort into selecting beneficiaries, such as general subsidies, will generally have lower administrative costs than programs that invest in targeting mechanisms, which require resources for data collection and information management systems, especially in the start-up phase. Some studies, however, have shown that delivering food-based assistance may add up to 10 percent to the total budget, depending on the delivery mechanism used (Grosh, et al, 2008).

**Direct subsidies for the *Pantawid Pamilya* were estimated based on household information from the surveys.** The FIES 2009 asked about program participation in the *Pantawid Pamilya* but not the amount of cash grants received from the program. Information about households program participation contained in the FIES was, thus, complemented by individual

#### Box 1: Identifying the Beneficiaries of the Rice Subsidy Program and *Pantawid Pamilya* in the Household Surveys

Beneficiaries or beneficiary households are those who receive benefits from a particular program. For the rice subsidy program, beneficiaries as used in this note are households who availed of NFA rice. This corresponds to households who reported expenditures on NFA rice in the FIES 2009. Total expenditures for NFA rice in the FIES include both cash spent by the household to buy NFA rice as well the cash value of NFA rice received in-kind from others.

For *Pantawid Pamilya*, the World Bank introduced a special rider question in the second round of the FIES 2009. The survey was conducted in January 2010 and asked all sample households the question, "Is any member of your household a beneficiary of the *Pantawid Pamilyang Pilipino* Program?" Beneficiaries of the *Pantawid Pamilya*, as used in this note, therefore, refer to households who replied affirmatively to this question.

In addition to beneficiaries, this note also refers to eligible households in the *Pantawid Pamilya*. These are poor households with children 0-14 years old at the time of survey. This is an important indicator for the *Pantawid Pamilya* because it shows program coverage relative to its target population. In the case of the rice subsidy program, no such eligibility criteria exist since subsidized rice is available to all households.

<sup>13</sup> For more information on benefit incidence analysis, see Demery (2000).



household member characteristics in the LFS to estimate a beneficiary household's direct subsidy from the CCT. In addition, the following assumptions were made to reflect the realities of program implementation in 2009 and approximate the grants received by household beneficiaries: (i) full compliance of *all* beneficiaries to health conditionalities<sup>14</sup> and (ii) compliance to education conditionalities of household beneficiaries with children 6-14 years old using the average provincial attendance rates in 2009, if available, as recorded in the *Pantawid Pamilya* database.<sup>15</sup> In provinces without reported attendance rates in 2009, full compliance was assumed.

**For the rice subsidy program, the direct subsidy was assumed to be the price wedge between the average retail price of regular milled rice (RMR) and the retail price of NFA RMR (RMO) rice.** Although different varieties of NFA rice were sold at different prices in 2009, the FIES did not report the quality of NFA rice consumed by households. For this analysis, it was assumed that households consumed the regular milled rice variety of NFA (RMO), which was sold at the median NFA price of Php25 per kilogram.<sup>16</sup> In 2009, the average market retail price of RMR of comparable quality to the RMO was Php30.69 per kilogram (NFA, 2009). A direct subsidy of Php5.69 was hence applied per kilogram of NFA rice estimates from the FIES (Box 2). It should be noted that the price of domestic rice is regulated as a result of the rice stabilization policy of NFA, so this estimate for the direct subsidy per kilo of NFA rice may be somewhat low, although not necessarily by a significant amount.<sup>17</sup>

### Box 2: Estimating Benefit Incidence of the *Pantawid Pamilya* and the Rice Subsidy Program

The calculation of total benefits from the rice subsidy program and *Pantawid Pamilya* took into account the overall cost of providing the assistance, which included: (a) the direct benefit received by the beneficiaries and (b) the indirect benefit in the form of other program costs, including costs of beneficiary selection and program administration.

#### *Pantawid Pamilya*

Direct benefit/transfer: The annual cash grant for household beneficiaries was estimated as the sum of the health and education grants.

- (a) Health grant = Php500/month\*12 months for all beneficiary households
- (b) Education grant = Php300/month\*10 months\*number of children 6-14 years old, up to a maximum of 3 children\*provincial school attendance rate in the beneficiary household's province of residence.

Attendance rates were taken from administrative data of the *Pantawid Pamilya*.

Indirect benefit/cost: The administrative costs of designing and implementing the program include the costs of targeting, monitoring, delivering the grant, and so on. Using administrative data from DSWD for 2008-2010, this includes 100 percent of the targeting costs in 2008 and 2009 and 50 percent of the NHTS-PR budget in 2010.

#### *Rice Subsidy Program*

Direct benefit/transfer: Direct subsidy was computed as the price wedge between the average retail price of regular milled rice (RMR)—rice of comparable quality to NFA rice—and the retail price of NFA RMR (RMO) rice. In 2009, the average retail price of RMR was Php30.69/kilogram, while the retail price of RMO was Php25/kilogram (NFA, 2009). A direct subsidy of Php5.69 was therefore applied per kilogram of NFA rice purchased as estimated from the 2009 FIES.

Indirect benefit/cost: Since data on other administration-related costs such as transport and storage costs were not available, indirect subsidies were calculated based only on the tax expenditure subsidy for the NFA. Audited NFA accounts show that the tax expenditure subsidy comprised 87 percent of total program costs from 2005 to 2008.

<sup>14</sup>This assumption implies that all reported beneficiaries received the Php6,000 health grant in 2009, as was the case during the early stages of implementation when no systematic (even manual) monitoring of health conditionalities existed yet.

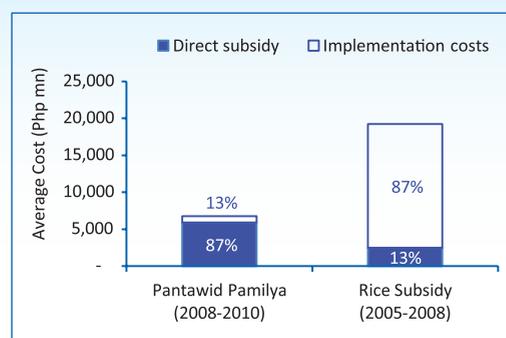
<sup>15</sup>This assumption implies that 3-5 year old children were not eligible for education grants, so education conditionalities were not applied to them. Eligibility of 3-5 year old children attending school was introduced later in the program.

<sup>16</sup>As noted earlier, other varieties were sold at Php20 per kilogram and Php35 per kilogram.

<sup>17</sup>Other estimates use the price of imported rice after clearing customs as the shadow market price of rice. In this case, the direct subsidy per kilogram of NFA rice may be as high as Php25.40 (World Bank, 2009). At the same time, some studies questioned the effectiveness of the NFA stabilization policies in affecting domestic rice prices (for example, see Roumasset, 2000), so the price wedge may not be as large.

In terms of indirect subsidies, for the recently-established CCT program, these subsidies reflect the administrative costs of program design and implementation. Such costs include building the targeting system to identify beneficiaries of the *Pantawid Pamilya*, procuring computer equipment and developing systems to monitor program conditions, delivering the cash grants to beneficiaries through various modes, and hiring program staff at the national and local levels. Based on administrative data from DSWD, indirect costs of the *Pantawid Pamilya* comprised 13 percent of annual program costs in 2008-2010 (Figure 2). The cost of identifying potential program beneficiaries accounted for a significant portion (55 percent) of indirect costs. This cost was estimated based on the full budget of the DSWD allocated for targeting in 2008 and 2009 and half of the NHTS-PR budget in 2010, as results of the targeting database were shared with other programs beginning in 2010.<sup>18</sup>

Figure 2. The *Pantawid Pamilya* and Rice Subsidy Program Costs



Source: Authors' estimates based on data from DSWD and Sicut (forthcoming).

Indirect subsidies for the universal rice subsidy program were estimated based on the tax expenditure subsidy of importing NFA rice. The program does not have any targeting costs, and data for other administration-related costs such as transport and storage costs are not available. Although the tax expenditure subsidy of importing NFA rice does not incur actual cash from the government, it represents revenue losses from NFA's exemption from taxes when it imports rice. Data from audited NFA accounts show that the tax expenditure subsidy comprised the bulk of the NFA budget from 2005 to 2008 (Figure 2).

Program coverage and benefit levels were determined based on reported and pre-transfer incomes. For the *Pantawid Pamilya*, it is more appropriate to use household pre-transfer incomes rather than reported incomes in the FIES to assess targeting performance. The estimated CCT cash transfer was therefore deducted from reported income in the FIES to estimate beneficiary household's income pre-CCT. The population was then divided into income groups (deciles) based on the estimated pre-CCT per capita incomes. In the case of the rice subsidy program which does not directly augment household incomes, the analysis simply used reported incomes in the FIES. For comparison, we also present analysis of the CCT program based on reported incomes in the FIES.

The targeting performance of both programs was measured by several coverage indicators. Coverage was used to determine the reach of both programs relative to (i) the total households in a specific locality (i.e. nationwide, or in urban and rural areas); (ii) total households by income group, also referred to as 'beneficiary incidence'; and (iii) the total number of poor households in a locality. In the case of the *Pantawid Pamilya*, coverage was also measured relative to (iv) the total number of eligible households. In the case of the universal rice subsidy program, the fourth indicator of coverage is irrelevant since there are no rules for eligibility. Because social assistance programs are often judged by how they benefit the poor, inclusion and exclusion errors were also computed to indicate the accuracy of each program in targeting the poor. In this note, *exclusion error* refers to the share of the poor who are not beneficiaries of the program. *Inclusion error* refers to the share of non-poor receiving program benefits. To standardize the analysis, these errors were also computed for the rice subsidy program, even though all households are eligible to avail of the program without the need for prequalification.

The analysis also assessed benefit levels in terms of adequacy, progressivity, leakage, and cost-benefit ratio. *Adequacy* is measured as the share of benefit to the income of beneficiaries. *Progressivity*, also referred to in this note as 'absolute incidence,' is measured by comparing the amount of benefit that accrues to poor households against their share of national income and is usually presented graphically by a Lorenz curve. *Leakage* as defined in this note refers to the amount of program costs that went to the non-poor. Finally, *cost-benefit ratio* measures how much it costs the government to deliver Php1.00 of assistance or subsidy to program beneficiaries.

<sup>18</sup> In 2010, the list of poor households in the NHTS-PR was shared with PhilHealth for its Sponsored (Indigent) Program, the Department of Health for its Safe Motherhood Project in the province of Sorsogon, as well as for the DSWD's Social Pensions Program for Indigent Senior Citizens.



## 4. Who Benefits from the *Pantawid Pamilya* and Rice Subsidy Program?

### 4.1 The *Pantawid Pamilyang Pilipino* Program<sup>19</sup>

#### Coverage

According to the latest national household surveys, **11 percent of poor Filipino households were recipients of the CCT program in 2009.** By the time of the FIES 2009 survey in January 2010, the *Pantawid Pamilya* had already enrolled about 640,000 beneficiary households. Of this number, 420,096 were represented in the FIES 2009 across 47 provinces in the Philippines, accounting for about 2.3 percent of the total households in the country and about 11 percent of poor households in 2010 (Table 2).<sup>20</sup> Coverage of poor households was shown to be highest in the fourth decile, in which about 36 percent of poor households benefited from the program in 2009. Among poor and eligible households, that is, poor households with children 0-14 years old, overall coverage was 12.4 percent. This indicator best reflects the program’s progress in covering its target population.

The latest household surveys indicate that the *Pantawid Pamilya* reached the poorest households. Figure 3 presents coverage of the program by income group at the time of the FIES in 2009, using both reported and pre-transfer incomes. Regardless of the reference income used, program coverage was highest among the poorest households. Coverage among the poorest 10 and 20 percent of the population based on pre-transfer income (pre-CCT HH income) was 16 percent and 6 percent, respectively.

**Table 2. Coverage of the *Pantawid Pamilya***

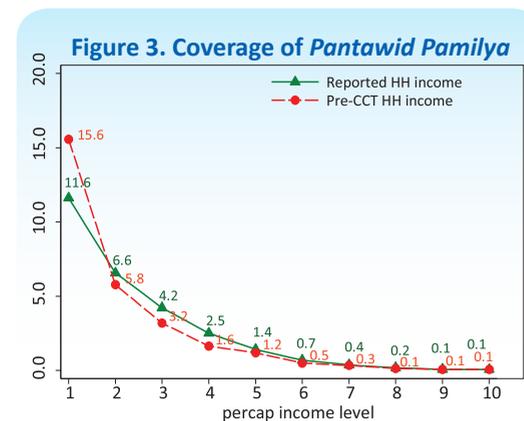
Per Capita Pre-Transfer Income Deciles	Total HHs A	Total poor HHs B	Total poor & eligible C	PP Beneficiary HHs D	PP as % of total HHs D/A	PP as % of poor HHs D/B	PP as % of poor & eligible HHs D/C
1	1,348,266	1,348,266	1,245,357	209,911	15.6	15.6	16.9
2	1,499,741	1,493,329	1,288,333	86,545	5.8	5.8	6.7
3	1,635,326	969,198	795,438	52,002	3.2	5.4	6.5
4	1,761,308	81,002	67,496	28,885	1.6	35.7	42.8
5	1,806,526			21,454	1.2		
6	1,869,185			9,218	0.5		
7	1,955,058			6,448	0.3		
8	1,989,146			2,670	0.1		
9	2,133,964			1,515	0.1		
10	2,452,894			1,448	0.1		
<b>Total</b>	<b>18,451,414</b>	<b>3,891,795</b>	<b>3,396,624</b>	<b>420,096</b>	<b>2.3</b>	<b>10.8</b>	<b>12.4</b>

Source: This table as well as succeeding tables and charts, unless otherwise stated, are based on authors’ estimates from the LFS-FIES 2009.

Notes: Poor and eligible households are those who are poor and with children 0 to 14 years old. Henceforth, ‘PP’ in tables and charts refers to *Pantawid Pamilya*.

In addition, the greatest concentration of *Pantawid Pamilya* beneficiaries (beneficiary incidence) was also found in the poorest 20 percent of the population. About 71 percent of household recipients of the *Pantawid Pamilya* belonged to this income group in 2009, of which 50 percent were in the poorest decile and 21 percent were from the second-poorest decile (Table 3).

**Beneficiary incidence results for *Pantawid Pamilya* compare favorably with targeting outcomes of similar programs in other countries.** Different countries use varying targeting mechanisms. However, regardless of the targeting mechanism used to select beneficiaries for social programs, the best programs are those that are able to concentrate a higher share



<sup>19</sup> For this section, discussions are all based on pre-transfer incomes, unless otherwise stated. Poor households, as defined in this section, refer to those whose pre-transfer incomes were below the official provincial poverty thresholds in 2009.

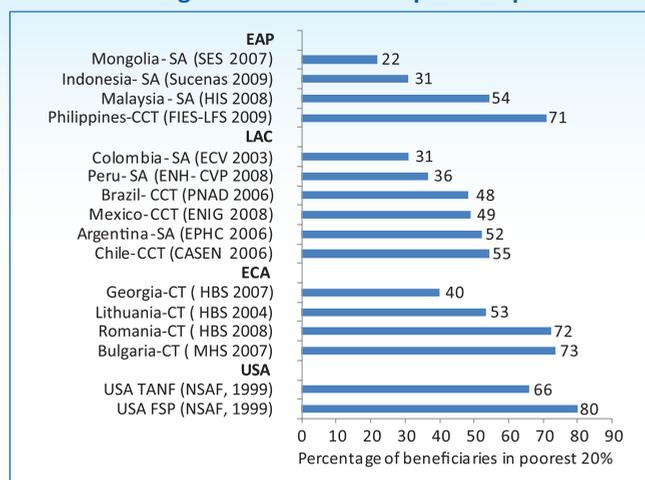
<sup>20</sup> Of the 640,000 households enrolled in the program by January 2010, about 51 percent were part of the first set of implementation (Set 1), and about 49 percent were part of the second set of implementation (Set 2). Beneficiary households of *Pantawid Pamilya* in the survey sample represented 34 percent of provinces covered in Set 1 and 66 percent in Set 2.

of beneficiaries to the poorest households. Countries in Europe and Central Asia (ECA) and the United States mainly use verified means test (VMT) as targeting mechanism. These countries have in general very good targeting outcomes since verification of reported incomes is strictly enforced (Figure 4). VMT is the gold standard in targeting mechanism and it is mainly used in developed countries with good national databases to cross check with reported income and with a small informal sector. Latin American countries (LAC) use mostly PMT-based targeting mechanisms, except Brazil that uses unverified means test (UMT). Targeting outcomes in LAC have acceptable values. In East Asia and Pacific (EAP), the Philippines is the only country using PMT-based targeting system and it has shown very good targeting outcomes. Other countries of the region such as Malaysia, Indonesia and Mongolia are trying to introduce PMT targeting mechanisms as well, following the Philippines successful experience.

**Table 3. Targeting Performance of Pantawid Pamilya**

Per Capita Pre-Transfer Income Decile	Beneficiary HHs	Beneficiary Incidence (%)
1	209,911	50.0
2	86,545	20.6
3	52,002	12.4
4	28,885	6.9
5	21,454	5.1
6	9,218	2.2
7	6,448	1.5
8	2,670	0.6
9	1,515	0.4
10	1,448	0.3
<b>Total</b>	<b>420,096</b>	<b>100</b>

**Figure 4. Beneficiary Incidence: Percentage of beneficiaries in poorest quintile**



Sources: Data for EAP, LAC, ECA taken from Atlas SP-World Bank. USA data refers to percentage of total benefits as reported in Castaneda, et al, 2005.  
Note: 'SA' refers to social assistance, and 'CT' to cash transfers.

**Pantawid Pamilya beneficiaries have worse living conditions than many poor Filipinos.** Like the poor, the large majority of *Pantawid Pamilya* beneficiaries live in rural areas and work in the agriculture sector. Most of them are in the informal sector, have larger families, and have more dependent children aged 15 years and below compared to the average Filipino household (Table 4). They also belong to the most underserved groups in terms of access to basic services. A higher share of *Pantawid Pamilya* beneficiaries do not have access to electricity, own water source, and toilet facilities compared to the poor. More beneficiaries also live in unsafe dwelling units that are predominantly made of light or salvaged materials.

**Table 4. The Poor and the Beneficiaries of Pantawid Pamilya (PP), 2009**

Out of 100...		
Poor HHs	PP HHs	
76	84	lived in rural areas
67	73	belonged to households whose head worked in agriculture
60	57	belonged to households with more than 5 members*
6	6	was the average number of household members
63	65	was the share of household members aged <15y.o.
67	73	was the share of household members aged <15y.o. & >60y.o.
87	90	belonged to male-headed households
58	65	belonged to households whose heads are informal sector workers**
9	6	had household heads who were unemployed
69	69	had household heads who did not reach high school
6	5	had household heads who did not attend school
32	41	lived in dwellings built out of predominantly light materials
38	42	did not have access to electricity
78	80	did not have their own water source
23	25	did not have any toilet facility

\* Average household size in the Philippines is 5 in 2009.

\*\* Informal sector workers here refer to own-account workers who are either self-employed without any employee, employer in own family-operated farm, or worker who does not receive wages from own family-operated farm.



**While the *Pantawid Pamilya* appropriately targets the poor, beneficiary selection is not perfect.** Inclusion and exclusion errors are present in any targeting method. For *Pantawid Pamilya*, these errors were computed by comparing the reported participation of households in the program against their poverty status based on their pre-transfer income. Results of the FIES 2009 show that about 76 percent of *Pantawid Pamilya* beneficiary households were poor in 2009, that is, those who lived below the official poverty lines (Table 5). The remaining 24 percent comprised the inclusion error, or the share of *Pantawid Pamilya* beneficiary households who were non-poor. A breakdown of this inclusion error by income group suggested that about 79 percent of non-poor beneficiaries fell between the second and fifth deciles, or those living just above the poverty line. Exclusion errors were high in 2009 since the program had only been in place for one year at the time of the survey, so that coverage of the poor and eligible had only reached 12.4 percent. Since then, the program expanded to around 2.3 million poor households by the end of 2011, covering about 44 percent of poor households registered in the NHTS-PR.

**Table 5. Distribution of Beneficiary Households, 2009**

Per Capita Pre-Transfer Income Deciles	Share to Total <i>Pantawid Pamilya</i> Beneficiaries (%)					
	Total		Urban		Rural	
	Non-poor	Poor	Non-poor	Poor	Non-poor	Poor
1	-	50.0	-	27.8	-	54.2
2	0.2	20.4	-	24.6	0.2	19.6
3	6.7	5.7	4.3	11.1	7.2	4.6
4	6.9	-	7.2	-	6.8	-
5	5.1	-	11.0	-	4.0	-
6	2.2	-	5.2	-	1.6	-
7	1.5	-	5.2	-	0.8	-
8	0.6	-	1.7	-	0.4	-
9	0.4	-	0.6	-	0.3	-
10	0.3	-	1.2	-	0.2	-
<b>Total</b>	<b>23.9</b>	<b>76.1</b>	<b>36.5</b>	<b>63.5</b>	<b>21.5</b>	<b>78.5</b>

**Inclusion errors were found to be lower in rural areas.** Incidence analysis by geographic area showed that inclusion errors were lower in rural areas (22 percent), where the *Pantawid Pamilya* is concentrated and where poverty is also more pronounced (Table 5).<sup>21</sup> In urban areas where the program has low coverage, about 37 percent of program beneficiaries were not considered as poor. Targeting the poor in urban areas is always more complex than in rural areas mainly because education levels are higher compared to rural areas, access to basic services is better, and discriminating between the poor and rich in urban areas is generally more difficult since they share similar observable characteristics.

**While these errors are within acceptable bounds, they can still be reduced by proactive program monitoring.** The estimated inclusion errors of the *Pantawid Pamilya* are within the range of errors for this type of PMT targeting mechanism and are in line with similar targeting systems in other countries. Nevertheless, these errors can still be reduced by using systems that are already part of the program design. By design, the first filter to weed out unintended beneficiaries is applied during the validation and enrolment process that happens at the community assemblies in the barangays. In these assemblies, program implementers may receive complaints from the community about non-deserving potential beneficiaries. Before enrolling these reported cases into the program, a process to verify information collected through the HAF is needed since this information was the basis for selecting potential beneficiaries. It could be validated with external sources of information, if necessary. The program also has a grievance redress mechanism with guidelines for resolving reported cases of inclusion, even after they have been enrolled into the program.

<sup>21</sup> In general, CCT programs in other countries also focus in rural areas where poverty is concentrated, as in the Philippines.

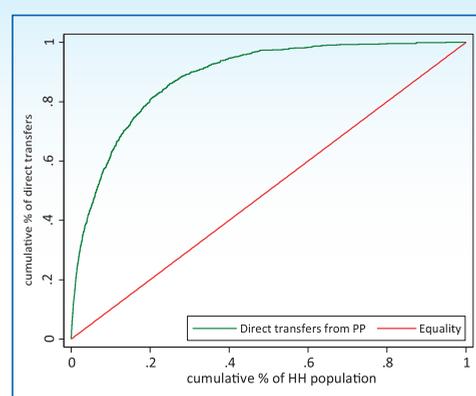
## Benefits

The survey results revealed that not only was the *Pantawid Pamilya* able to reach the poorest, it also gave the largest share of benefits to them. As shown in Table 6, the share of transfers (absolute incidence) received by households falling within the poorest 10 percent of the population was 54 percent, and those in the second decile received 20 percent of the transfers. The program is highly progressive, since poor households received a higher share of program benefits than their actual share in the national income distribution. For instance, 74 percent of the direct benefits/transfers accrued to the poorest 20 percent of the population. The Lorenz curve in Figure 5 further illustrates the progressivity of the *Pantawid Pamilya*.

**Table 6. Absolute Incidence *Pantawid Pamilya***

Per Capita Pre-Transfer Income Decile	Total Annual Transfer Millions (Php)	Absolute Incidence (%)
1	2,393	53.5
2	909	20.3
3	509	11.4
4	279	6.2
5	199	4.4
6	77	1.7
7	60	1.3
8	21	0.5
9	9	0.2
10	16	0.4
<b>Total</b>	<b>4,473</b>	<b>100.0</b>

**Figure 5. Progressivity of the *Pantawid Pamilya***

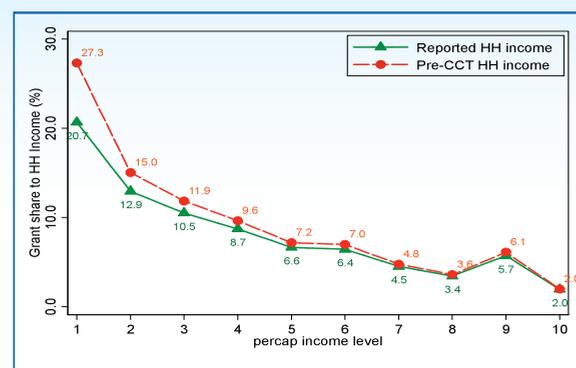


The analysis also indicates that the CCT program provided adequate direct cash assistance to its beneficiaries. On average, *Pantawid Pamilya* beneficiaries received an annual direct cash transfer of Php10,648 or 16 percent of their reported income and 20 percent of their pre-transfer income (Table 7).<sup>22</sup> Generosity levels of similar CCT programs in Colombia and Mexico are at 17 percent and 20 percent of consumption, respectively (Skoufias, 2007). Among the poorest households in the Philippines, direct transfers represented about 21 percent of reported income for the poorest decile and 13 percent for the second-poorest decile. Among richer households, the transfer represented a smaller share of their reported income. The results were the same regardless of the reference income used (Figure 6).

**Table 7. Adequacy of *Pantawid Pamilya* Cash Transfers**

Per Capita Pre-Transfer Income Deciles	Average Annual Total Income (Php)	Average Annual Cash Transfer (Php)	Cash Transfer as Share of Income (%)
1	60,079	11,401	20.7
2	85,141	10,506	12.9
3	97,451	9,789	10.5
4	117,025	9,661	8.7
5	147,609	9,271	6.6
6	139,967	8,342	6.4
7	234,454	9,352	4.5
8	250,203	7,902	3.4
9	121,457	6,000	5.7
10	568,758	11,292	2.0
<b>Total</b>	<b>85,866</b>	<b>10,648</b>	<b>15.5</b>

**Figure 6. *Pantawid Pamilya* Grants as a Share of Household Income, 2009**



<sup>22</sup> Figures differ from estimates in Social Protection Policy Note No. 3, which were based on household data in the NHTS-PR and predicted income from the PMT.



Although the program required huge capital investments at start-up, it has delivered cash assistance to beneficiaries inexpensively. Between 2008 and 2010, the administrative costs of the CCT program amounted to an average of Php856 million pesos (Table 8). Nominally, this amount is even higher than the budget allocations for some government agencies (e.g., Department of Science and Technology, Department of National Defense). However, it accounts for only 13 percent of total program costs. As mentioned earlier, this includes the cost of setting up a household targeting system and the necessary information technology structures, which in 2008 and 2009 only served the CCT program but since then has been shared with other government programs. If administration costs are included, the total annual benefit of program beneficiaries increases by a minimal amount to Php12,100 or 18 percent of beneficiary households’ reported income. Based on administrative data, transferring Php1.00 of CCT cash grant only cost the government 22 centavos in 2009.

**Table 8. Cost of the Pantawid Pamilya Program (Php million)**

	2008	2009	2010	Average 2008-2010
<b>Total Program cost</b>	<b>1,272</b>	<b>7,665</b>	<b>11,286</b>	<b>6,741</b>
Cash grants (direct subsidy)	1,149	6,283	10,221	5,884
Administrative cost (indirect subsidy)	122	1,382	1,065	856
of which NHTS-PR*	-	1,056	361	472
% Cash grants (direct subsidy)	90%	82%	91%	87%
% Administrative cost (indirect subsidy)	10%	18%	9%	13%
Cost-benefit ratio (Php)**	0.11	0.22	0.10	0.15

Source: Figures based on administrative data of DSWD.

Notes: \* NHTS-PR was established as a separate unit in DSWD in 2009. Prior to that, targeting for the *Pantawid Pamilya* was lumped in DSWD records as part of administrative costs of the *Pantawid Pamilya*. \*\*Cost-benefit ratio is computed as the quotient of the indirect subsidy to direct subsidy.

## 4.2 The Rice Subsidy Program<sup>23</sup>

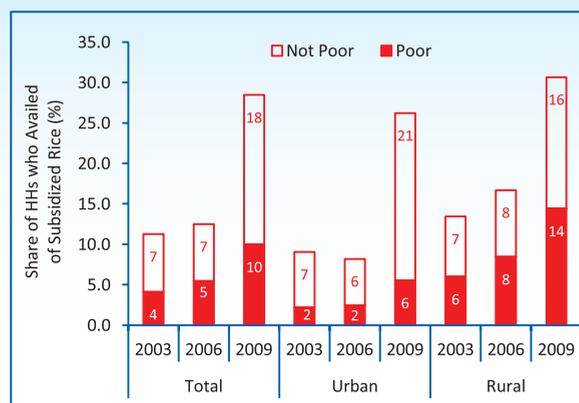
### Coverage

In 2009, 28 percent of Filipino households benefited from the general subsidized rice program. Although everyone is eligible to buy, only 5.2 million of the 18.4 million Filipino households availed of cheaper rice from the NFA’s subsidized rice program in 2009 (Table 9). Among program beneficiaries in 2009, 54 percent were from rural areas. Compared to previous years, this suggests a significant improvement in the program’s reach. Evidence from previous national household surveys shows that no more than 12 percent of households purchased subsidized rice from the NFA in 2003 and 2006 (Figure 7).

**Coverage of the poor has increased since 2003.** In 2003, only 20 percent of poor households purchased subsidized rice. This increased to 26 percent in 2006, and by 2009, the share of poor households who availed of subsidized rice nearly doubled to 48 percent. Such improvements can be attributed to measures taken by the government in recent years to improve beneficiary selection.

The food crisis in 2008 and the calamities that ensued in 2009 caused hardship for many Filipinos who depended on rice as their staple. In response to the food crisis, as rice prices escalated, the Government made a rapid effort to issue Family Access Cards (FACs) to poor households in Metro Manila. While the method used to identify the poor at that time was less than optimal —namely, relying on local government officials to identify the poor— around 315,000 such cards had been issued to poor families by the end of 2008 (DSWD, 2008) to temporarily cushion the impact of the crisis.

**Figure 7. Access to Subsidized Rice, 2003-2009**



Source: Authors’ estimates based on FIES 2003, 2006, and 2009.

<sup>23</sup> For this section, discussion is based on reported incomes in the FIES. Poor households, as defined in this section, refer to those whose reported incomes were below the official poverty threshold.

In 2009, coverage of the rice subsidy program was highest among the poorest households. Out of the 5.2 million household beneficiaries of the program in 2009, 26 percent were from the poorest 20 percent of the population, while more than half (52 percent) were from the poorest 40 percent. Moreover, the program reached 52 percent of households in the bottom income decile, nearly 8 times the program’s coverage among those in the top income decile (Table 9, column A/C). The share of recipients in the poorest 10 percent to 40 percent of the population was more than proportionate (Table 9, column E).

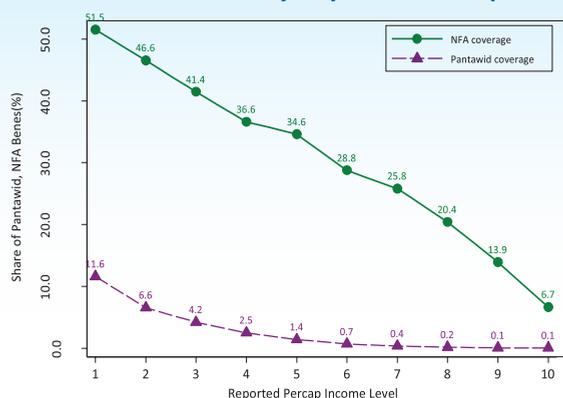
**Table 9. Coverage of the Rice Subsidy Program, 2009**

Per Capita Income Decile*	Total HHs (#)	Poor HHs (#)	NFA Beneficiary HHs (#)	NFA Coverage (% of Total HHs)	NFA Coverage of the Poor (% of Poor HHs)	NFA Beneficiary Incidence (%)
	A	B	C	A/C	D	E
1	1,344,582	1,344,582	692,402	51.5	51.5	13.2
2	1,501,229	1,494,178	699,034	46.6	46.6	13.3
3	1,636,087	942,332	677,929	41.4	44.2	12.9
4	1,762,320	74,617	645,195	36.6	47.2	12.3
5	1,807,131	-	625,206	34.6	-	11.9
6	1,868,373	-	537,165	28.8	-	10.2
7	1,955,761	-	505,079	25.8	-	9.6
8	1,989,073	-	406,207	20.4	-	7.7
9	2,133,964	-	297,166	13.9	-	5.7
10	2,452,894	-	163,628	6.7	-	3.1
<b>Total</b>	<b>18,451,414</b>	<b>3,855,709</b>	<b>5,249,011</b>	<b>28.4</b>	<b>47.7</b>	<b>100.0</b>

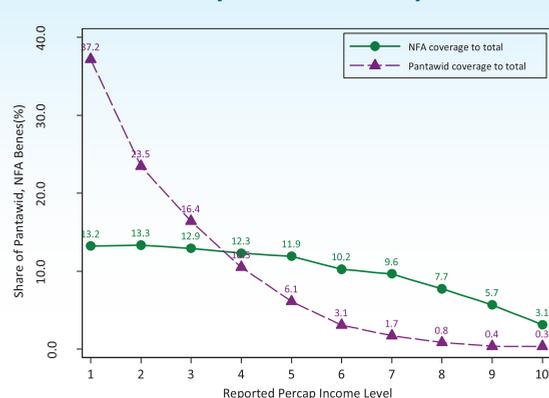
\* All figures reported in this section are based on final reported income, not pre-transfer income as in Table 2.

The rice subsidy program reached more of the poor than the CCT program in 2009, although the latter was more focused in assisting the poorest. Figure 8 compares the share of households that benefited from the rice subsidy program and the *Pantawid Pamilya* within each income group. The evidence suggests that the rice subsidy program was able to reach more poor households nationwide in 2009—appropriately so, since the *Pantawid Pamilya* had only been running for two years at this time. While 52 percent of households from the poorest 10 percent of the population benefited from the rice subsidy program in 2009, only 11.6 percent of households from the same group were covered by the *Pantawid Pamilya* that year. In spite of this, a higher concentration of beneficiaries of the CCT program belonged to the poorest 20 to 40 percent (61 and 88 percent of household beneficiaries, respectively) compared to the subsidized rice program (27 and 52 percent, respectively; Figure 9). The national surveys indicate that 56 percent of the CCT beneficiaries in 2009 were able to access subsidized rice as well.

**Figure 8. Coverage of the Rice Subsidy and *Pantawid Pamilya* by Income Group**



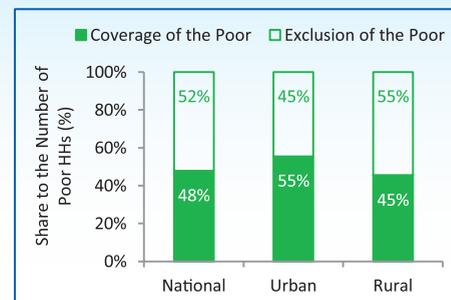
**Figure 9. Distribution of Rice Subsidy and *Pantawid Pamilya* Beneficiaries by Income Group**





**Despite the wide reach of the rice subsidy program, exclusion of poor households remains high.** Overall, 52 percent of the country’s poor were unable to access subsidized rice in 2009. Given that the program is universal and has been running for more than 50 years, missing more than half of the poor is high, especially compared to similar programs in other countries. For example, the exclusion rate of Egypt’s rice subsidy program was 32 percent in 2009, while Indonesia’s Rice for the Poor program (Raskin) was found to have an exclusion rate of 23 percent in the same year.<sup>24</sup> Although the rural areas of the Philippines had a slightly higher share of program beneficiaries (54 percent) than urban areas, exclusion of poor households also remained higher in rural areas, where only 45 percent of the rural poor availed of NFA rice in 2009 compared to 55 percent of the urban poor (Figure 10).

**Figure 10. Coverage and Exclusion of the Poor, 2009**



**Consequently, the majority of those who benefit from the subsidized rice are not poor.** In general, beneficiaries of the subsidized rice program have better living conditions than the average poor Filipino household: more of them are better educated, have electricity and toilet facilities, and live in dwellings made of stronger materials, and less of them work in agriculture (Table 10). First, this is because half of beneficiaries lived in urban areas where Filipinos have better access to these facilities and services. Second, and more importantly, this is because inclusion errors of the program were high (Figure 10). Inclusion error at the national level was 65 percent, meaning that overall, two-thirds of program beneficiaries were not poor. This is more than twice the rate of inclusion error observed for the *Pantawid Pamilya* in 2009, as shown in Table 5 in the previous section. Figure 8 above illustrates the same finding, showing that more households from higher income groups benefited from the rice subsidy program compared to the *Pantawid Pamilya*. The inclusion error was higher in urban areas (79 percent) than in rural areas (53 percent).

**Table 10. The Poor and the Beneficiaries of the Rice Subsidy Program, 2009**

Out of 100...		
Poor HHs	NFA HHs	
76	54	lived in rural areas
67	43	belonged to households whose head worked in agriculture
60	42	belonged to households with more than 5 members*
6	5	was the average number of household members
63	62	was the share of household members aged <15y.o.
67	71	was the share of household members aged <15y.o. & >60y.o.
87	81	belonged to male-headed households
58	49	belonged to households whose heads are informal sector workers**
9	14	had household heads who were unemployed
69	52	had household heads who did not reach high school
6	4	had household heads who did not attend school
32	22	lived in dwellings built out of predominantly light materials
38	22	did not have access to electricity
78	61	did not have their own water source
23	15	did not have any toilet facility

\* Average household size in the Philippines is 5 in 2009.

\*\* Informal sector workers here refer to own-account workers who are either self-employed without any employee, employer in own family-operated farm, or worker who does not receive wages from own family-operated farm.

<sup>24</sup>Egypt and Indonesia have long-standing food subsidy programs similar to the Philippines. Egypt’s rice subsidy program was introduced in the 1940s, together with other food subsidies (e.g., baladi bread and cooking oil). Indonesia’s Raskin is the successor of the Operasi Pasar Khusus (OPK), which was first introduced in after the financial crisis of 1998/1999 (World Bank, 2010; Sumarto and Bazzi, 2011).

## Benefits

While *total* benefits from the rice subsidy program were about as high as those from the *Pantawid Pamilya*, *direct* subsidies that beneficiaries received were minimal. Including the indirect costs of administering the rice subsidy program, the total benefit received by beneficiary households amounted to Php10,217 per year on average, equivalent to 11 percent of beneficiary households' reported income (Table 11). By this measure, the mean benefit level from the rice subsidy program was thus close to that of the *Pantawid Pamilya*. However, the direct assistance received by beneficiary households through the rice subsidy program represented only a meager share of their income. On average, beneficiary households received Php1,328 of direct subsidy from purchasing NFA rice in 2009. This is equivalent to about 53 kilograms of free NFA rice—enough to cover 27 days of rice for a family of 5<sup>25</sup>—and accounted for only 1.4 percent of the reported income of beneficiary households, or 10.4 percent of their total rice expenditure for the year. Direct subsidies from the NFA rice amounted to only one-tenth of the direct assistance received by beneficiary households of the *Pantawid Pamilya* (Table 11).

**Table 11. Adequacy of Benefits from the Rice Subsidy Program and the *Pantawid Pamilya***

Per Capita Income Decile*	NFA Average Annual Direct Subsidy (Php)	NFA Average Annual Total Subsidy (Php)	Share of Direct NFA Subsidy to Reported Income (%)	Share of Total NFA Subsidy to Reported Income (%)	Share of Direct PP Transfers to Reported Income (%)	Share of Total PP Transfers to Reported Income (%)
1	1,655	12,730	3.0	22.7	22.1	27.0
2	1,521	11,697	2.0	15.7	14.5	17.7
3	1,553	11,946	1.8	13.9	12.1	14.7
4	1,425	10,963	1.5	11.4	10.2	12.4
5	1,306	10,045	1.1	8.8	7.8	9.5
6	1,192	9,167	0.9	6.8	6.1	7.4
7	1,080	8,305	0.7	5.3	5.3	6.5
8	1,007	7,749	0.5	4.1	3.8	4.6
9	894	6,877	0.3	2.7	5.7	7.0
10	698	5,368	0.2	1.5	2.0	2.4
<b>Total</b>	<b>1,328</b>	<b>10,217</b>	<b>1.4</b>	<b>11.0</b>	<b>15.5</b>	<b>18.9</b>
Poor	1,599	12,297	2.3	18.0	18.5	22.6
Non-poor	1,182	9,095	1.0	7.3	9.2	11.2

\* Based on final reported income, not pre-transfer income as in Table 2.  
Note: Total subsidy refers to the sum of direct and indirect costs, as defined in Section 3.

**A large portion of the rice subsidy program's cost went to program implementation rather than to beneficiaries in the form of direct subsidies.** Based on available audited NFA financial reports between 2005 and 2008, 87 percent of the program's cost went to the cost of administering the program. Specifically, this portion accounted for tax subsidies on imported rice. As a result, for every Php1.00 of direct transfer or rice subsidy received by those who purchased NFA rice, the government spent another Php6.84 just for the tax subsidy of importing the NFA rice (Table 12). In comparison, the average cost-benefit ratio for *Pantawid Pamilya* was Php0.15 over 2008 to 2010.

**Table 12. Costs of the Rice Subsidy Program (Php million)**

	2005	2006	2007	2008	Average 2005-2008
<b>Total Program Cost</b>	<b>12,921</b>	<b>8,722</b>	<b>16,062</b>	<b>39,172</b>	<b>19,219</b>
Rice Price Subsidy (direct subsidy)	900	4,811	2,100	2,000	2,453
Tax subsidy (indirect subsidy)	12,021	3,911	13,962	37,172	16,767
% Rice Price Subsidy (direct subsidy)	7%	55%	13%	5%	13%
% Tax subsidy (indirect subsidy)	93%	45%	87%	95%	87%
Cost-benefit ratio (Php)	13.36	0.81	6.65	18.59	6.84

<sup>25</sup> This assumes that 2 kilograms of NFA rice priced at Php25 per kilogram are consumed by a family of 5 members for 3 meals a day. Poor households have an average of 6 members.



However, the high benefit level from the rice subsidy program is attributed mainly to its high administrative cost. Based on available audited NFA financial reports between 2005 and 2008, for every Php1.00 of direct transfer or rice subsidy received by those who purchased NFA rice, the government spent another Php6.84 just for the tax subsidy of importing the NFA rice (Table 12). In comparison, the average cost-benefit ratio for *Pantawid Pamilya* was Php0.15 over 2008 to 2010.

Furthermore, the direct assistance received by beneficiary households through the rice subsidy program represented only a meager share of their income. On average, beneficiary households received Php1,328 of direct subsidy from purchasing NFA rice in 2009, which is equivalent to about 53 kilograms of free NFA rice—enough to cover 27 days of rice for a family of 5. This accounted for only 1.4 percent of the reported income of beneficiary households, or 2.6 percent and 10.4 percent of their total food and rice expenditures for the year, respectively. Direct subsidies from the NFA rice amounted to only about one-tenth of the direct assistance received by beneficiary households of the *Pantawid Pamilya* (Table 11). While the direct subsidy from the Philippine rice subsidy program seems low, it is within the range of rates in other countries where food and rice subsidies also figure very prominently as a social assistance program. For example, in Egypt, where other forms of commodity subsidies exists, rice subsidies only accounted for 0.5 percent of per capita consumption in 2009. Meanwhile, while rice subsidies reached up to 11 percent of pre-program expenditures of beneficiary households in Indonesia in 2006 (World Bank, 2010; Sumarto and Bazzi, 2011).

As the majority of beneficiaries were not poor, the bulk of the program benefits accrued to them, as well. While the rice subsidy program is a general untargeted program, as a social assistance program, it is justified by how much it benefits the poor. Based on the reported NFA rice spending of households in 2009, the program amounted to an estimated Php53.6 billion, including the Php7 billion in direct benefits that went to program beneficiaries in the form of a direct price subsidy (Table 13). However, only 42 percent of the total program cost went to poor household beneficiaries, which means that Php4 billion (of the Php7 billion) in direct benefits went to the non-poor. In comparison, the 24 percent of *Pantawid Pamilya* beneficiaries who were identified as not poor received 29 percent of the estimated total program cost in 2009.

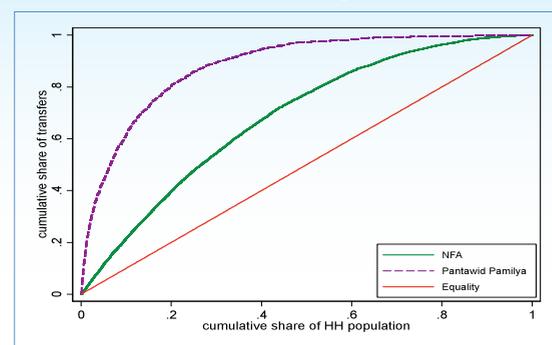
Despite the high leakage to the non-poor, the rice subsidy is progressive, although not to the same degree as the *Pantawid Pamilya*. With a concentration curve that lies above the line of equality, Figure 11 shows that poorer households received a more-than-proportionate share of program benefits relative to their share of national income. More specifically, the poorest 10 percent of the population received an estimated 16.4 percent of program benefits (Table 13). The poorest 20 percent received 31.7 of the benefits, while the poorest 40 percent received 60 percent of the benefits. The absolute incidence of the program subsidy was thus progressive. The self-selection mechanism of using lower-than-average quality rice may have contributed to this result.

**Table 13. Benefit Incidence of the Rice Subsidy Program and *Pantawid Pamilya***

Per Capita Income Decile*	Total Annual Direct NFA Subsidy (Php mn)	Total Annual Total NFA Subsidy (Php mn)	Absolute Incidence of Total NFA Subsidy (%)	Absolute Incidence of Total PP Transfers (%)**
	A	B	D	E
1	1,146	8,814	16.4	40.3
2	1,063	8,177	15.2	23.6
3	1,053	8,098	15.1	15.8
4	920	7,073	13.2	9.7
5	816	6,280	11.7	5.6
6	640	4,924	9.2	2.5
7	545	4,195	7.8	1.4
8	409	3,148	5.9	0.6
9	266	2,043	3.8	0.2
10	114	878	1.6	0.4
<b>Total</b>	<b>6,972</b>	<b>53,631</b>	<b>100.0</b>	<b>100.0</b>
Poor	2,941	22,624	42.2	71.1
Non-poor	4,031	31,007	57.8	28.9

Notes: \*Based on final reported income, not pre-transfer income as in Table 2. \*\*"PP" refers to *Pantawid Pamilya*.

**Figure 11. Progressivity of Rice Subsidy and *Pantawid Pamilya***



**More resources could be channeled to the poor if the rice subsidy program used a more targeted approach similar to the *Pantawid Pamilya*.** Due to high participation of the non-poor in the rice subsidy program, about 60 percent of program resources benefited households otherwise capable of buying regular-priced rice. With the new NHTS-PR, improving the targeting and distribution of the subsidized rice program could channel more resources to the poor and food-poor. Targeting only the poor could increase the direct subsidies they receive from the rice subsidy program from Php1,600 to Php3,800—an increase of about 140 percent, equivalent to an additional 88 kilograms of free rice for 44 days.

**Toward this end, recent attempts have been made to improve targeting of the rice subsidy program, beginning with the Family Access Cards in 2008.** In April 2008, the NFA withdrew the highly subsidized rice (then priced at Php 18.25 per kilogram) from public markets and replaced it with different grades of rice sold at Php20, Php25, and Php35 per kilogram to regular consumers. At the same time, the government initiated distribution of the highly subsidized NFA rice priced at Php18.25 per kilogram to poor families through the issuance of FACs. The target beneficiaries of the program were families with earnings below the food threshold (i.e., Php5,000 per month). A FAC entitled the holder to buy 2 kilograms of the highly subsidized NFA rice per day. This rice was sold only in government-accredited retail stores. The task of identifying beneficiaries of this targeted rice distribution was shared by the DSWD, local government units (LGUs), and the Church (DSWD, 2008). A similar program was implemented in select provinces in 1998 in response to the impacts of the East Asian financial crisis, but the program's effectiveness was limited due to low coverage (Manasan, 2000).

**In 2011, the list of poor households in the NHTS-PR began to be used for distribution of subsidized rice.** In May 2011, the DSWD introduced a temporary rice subsidy for small-scale farmers and fishermen through its Food-for-Work program. The program aimed to provide temporary support to farmers who were displaced by calamities or distressed in the lean seasons. It provided 2 sacks of NFA rice per family for 10 days of community work. Around 1.6 million farmers and fisher folks were targeted for the program based on the list of poor households in the NHTS-PR. By the end of 2011, subsidized rice was distributed to about 1.4 million beneficiaries of the program (DSWD, 2012).

## 5. Summary and Recommendations

**Results from the 2009 national household surveys indicate that the rice subsidy program and the *Pantawid Pamilya* benefited the poorest the most.** In 2009, the poorest 20 percent of the population accounted for a more-than-proportionate share (26 percent) of program beneficiaries of the government's long-standing general rice subsidy program. The relatively new CCT program has been more progressive, with 71 percent of its household recipients belonging to the poorest 20 percent of the population in 2009. The analysis also revealed that not only were the two programs able to reach the poorest, both programs also granted the most benefits to them compared to other income groups. About two-thirds of the total benefits from *Pantawid Pamilya* went to the poorest quintile, while the same group received around one-third of total benefits from the rice subsidy program.

**Despite its wide reach, the rice subsidy program suffered from weak targeting performance.** As of 2009, the rice subsidy program reached 48 percent of poor households nationwide. However, as a universal subsidy program that has been in place for more than 50 years, it still excludes the majority of the poor (52 percent exclusion rate) and largely benefits relatively well-off households (65 percent inclusion rate). Consequently, a large share of the program costs accrued to the non-poor (58 percent leakage rate).

**In comparison, the success so far of the CCT program in delivering assistance to the poor weighed heavily on a sound targeting system.** The establishment of the NHTS-PR should be viewed as a major government achievement to improve delivery of services and assistance to the most needy. Other programs, such as rice subsidy program, can increase their effectiveness by channeling more resources to the poor if they use the NHTS-PR to target beneficiaries. Given the high inclusion and exclusion rates of this long-standing general rice subsidy program, policy debate is needed on whether it should adopt an explicit targeting criterion.



**While both programs are not perfect, continuous program enhancements could increase their benefit to the poor.** While about one-quarter of CCT program recipients were not poor, the inclusion rate of the rice subsidy program was much higher at 65 percent. Targeting the rice subsidy program to the poor by using a similar beneficiary selection mechanism as the *Pantawid Pamilya* would increase coverage of the poor (thereby reducing exclusion rate) as well as their benefit from the program. The *Pantawid Pamilya* could also enhance program benefits for the poor by minimizing inclusion errors through proactive program monitoring.

**Notably, monetization of the rice subsidy program could significantly reduce the administrative cost of delivering the in-kind subsidy, and the savings would allow for an increase in coverage of the poor.** International experience indicates that cash transfers are the most direct type of intervention designed to support the poor (Grosh, et al, 2008). Once the administrative infrastructures are in place, the costs of operating cash transfer programs are relatively small and far less than the costs of providing universal price stabilization or in-kind programs. Indeed, the analysis showed that the untargeted rice subsidy program is not necessarily cheaper than the targeted CCT program, which required huge resource investments in the start-up phase.

**Other programs aimed at assisting poor households can benefit from the experience of the rice subsidy program and the CCT program to increase efficiency and program impact.** For example, the innovation of the NHTS-PR in identifying and locating the poor has paved the way toward designing targeted, more cost-effective assistance programs. Returns from the government's investment in the system can be maximized if more programs utilize it.

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