

POLICY BRIEF

POVERTY AND ECONOMIC POLICY RESEARCH NETWORK–COMMUNITY-BASED MONITORING SYSTEM

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ANALYSIS OF THE IMPACT OF THE CHANGES IN THE PRICES OF RICE AND FUEL ON POVERTY IN THE PHILIPPINES

In 2008, prices of rice and fuel in the Philippines have dramatically increased following the trends in the global market. Although the movements in the farmgate (producer) and retail (consumer) prices of rice is fairly stable during the period January 2006 to December 2007, prices significantly increased starting January 2008 (Figure 1). The average retail prices of rice for the period January to September 2008, in fact, increased by 34.3 percent as compared to 3.7 percent growth in the previous year. Meanwhile, farmgate prices increased by 26.7 percent in January to September 2008 as compared to the previous year's growth of only 4.5 percent. During the period, price of rice was at its highest in June 2008 with farmgate and retail prices of ordinary rice at P27.98 per kilogram and P35.78 per kilogram, respectively.

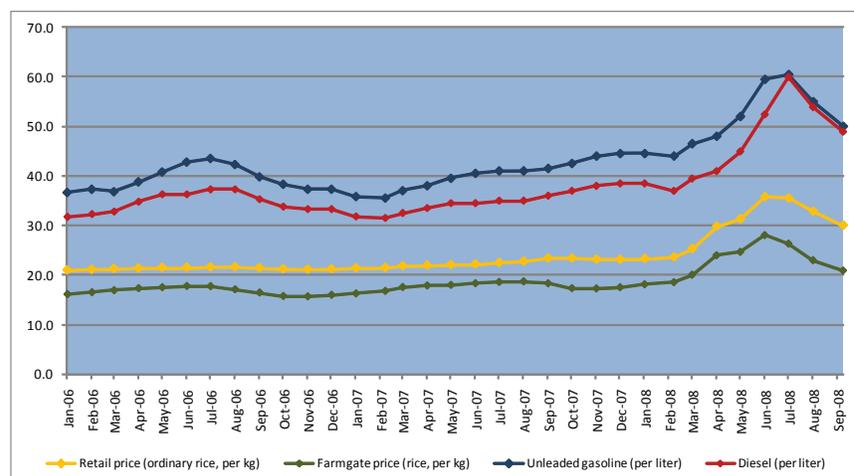


Figure 1. Trends in Rice and Fuel prices, January 2006 to September 2008

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Notes: International prices cover prices of white broken rice, Thai A1 Super, f.o.b Bangkok (Friday closing price). Farmgate price is calculated as the rice equivalent price (palay price/0.65) Sources: Department of Energy (DOE), Bureau of Agricultural Statistics (BAS); Food and Agriculture Organization (FAO)

Meanwhile, data on fuel prices also showed fairly stable prices, particularly of unleaded gasoline and diesel, during the period January 2006 to September 2008. However, the prices of fuel significantly increased in 2008. During the period January to September 2008, the average price of unleaded gasoline increased by 31.6 percent as compared to 2007 when unleaded gasoline prices stood at 2.5 percent lower than in 2006. Moreover, average prices of diesel increased by 36.9 percent in January to September 2008 as compared to the previous year's decline of 3.11 percent.

Despite these prices increases in 2008, the estimated pass-through rates of prices reveal that there is no complete pass-through of changes in the foreign price of rice and fuel. This may be partly due to the interventions provided by the government in these sectors during the period.

Direct estimation based on changes in the Consumer Price Index (CPI) resulting from rice and fuel price increases during the period could force more than 1.8 million additional people to fall below the poverty threshold (Table 1). This translates to a 2.0 percent increase in poverty incidence among families.

On the other hand, using the 2000 Input-Output Accounts of the Philippines to estimate the direct and the indirect impact transmitted through other sectors of the economy, the simultaneous changes in the prices of rice and fuel would cause an increase in poverty incidence among families by about 2.5 percent.

Table 1. Changes in Poverty Measures After the Rice and Fuel Price Increases

INDICATOR	Direct Estimation Based on CPI	Estimation Based on I-O Tables
% Increase in general prices	4.1	5.2
Proportion of poor HHs (%)	2.0	2.5
Magnitude of poor (population)	1,828,392	2,277,265
Headcount Index	2.2	2.7
Poverty Gap Index	0.9	1.1
Poverty Severity Index	0.5	0.6

Note: Poverty measures are based on poverty indices from Foster, Greer and Thorbecke (FGT) 1984 class; Source of basic data: 2006 FIES (NSO)

This translates to an increase in the number of poor people by about 2.3 million, holding other factors constant. Other measures, including the poverty gap index and severity of poverty, also reflect a worsening of the living condition of the households in the Philippines generally as a result of the rice and fuel price hikes.

Impact of Rice Price Increases

The effects of rice price changes may vary depending on whether a household is a net producer or a net consumer. Hence, the net benefit ratio (NBR), as used by Deaton (1989), is used as the main indicator to capture the duality (i.e., both producer and consumer of rice) of households in the Philippines. The important results are as follows:

- Most of the households in the Philippines are net consumers, rather than net producers of rice. Based on the NBRs, about 85.5 percent of households would be negatively affected while only 12.1 percent would benefit from the increase in rice prices. The rest of the households (2.4%) are not directly affected by rice price changes. These would include households whose rice

(palay) income share is equal to the rice budget share, as well as those households which do not have income from palay and do not consume rice at the same time.

- Not all rice producers would benefit from rice price increases and at the same time, not all gainers are rice producers. The latter include household which allow other households to use their piece of land for rice production and receive a net share of rice (or palay) during harvest. The poorest farmers tend to be the most adversely affected as shown by the large proportion of losers (40.3%).
- There are more nonpoor gainers (75.7%) in the Philippines than poor gainers (24.3%) in both urban and rural areas. Households in the lower income deciles (i.e., 1st to 5th income deciles) tend to be the most adversely affected group.
- Urban households would be the more adversely affected as compared to those living in the rural areas.

Impact of Fuel Price Increases

The impact of higher fuel prices include the following components:

i) direct effect on the petroleum products consumed by the household, and ii) indirect effect on the prices of other goods and services consumed by the households that use fuel as an intermediate input. Households in the Philippines in general spend a relatively small proportion of their budget on fuel (including petroleum and LPG) amounting to only about 1.5 percent of their total expenditures. The amount of fuel expenditures increases as households move from one income decile to a higher level. However, the overall fuel budget share of the poorest group of households is higher compared to the richest households (i.e., the 10th income decile).

The increase in fuel prices would affect sectors that are highly dependent on fuel as a major input, including the transportation sector and agriculture-related industries (e.g., manufacture of pesticides, insecticides and fertilizer). This would mean that farmers, especially those who are poor, would also eventually be affected by fuel price increases.

Household-Level Impact and Coping Mechanisms Adopted

To come up with specific case studies, data were collected in three barangays using the CBMS methodology. The selected villages (barangay) represent urban and rural areas, namely: Barangays 51 and 85 in Pasay City representing the urban areas, and Barangay Sta. Rita in Capas, Tarlac representing a rural area. Results show that about a quarter of the households living in

each barangay perceived that they have become worse off as compared to their condition six months prior to the survey. Although this may not be attributed solely to the price shocks, the fact that rising prices reduce purchasing power, especially of the poor households, may have contributed to their perception of declining economic situation.

Holding other factors constant, poor farmers are less likely to benefit from price increases unless the household can get hold of sufficient capital to expand rice production. This is the tipping point where government intervention is most welcome. Credit programs can enhance poor rice farmers' capacity to effectively respond to incentives posed by increases in prices. The provision of affordable agricultural

inputs would likewise lower the risks of incurring huge debts by the farmers, thereby decreasing costs and increasing profits.

In response to the price shock, households adopted various coping mechanisms. For instance, some households modified their expenses on food, health and education which may have negative consequences in the long-run (Table 2). For instance, some households changed their health seeking behavior by shifting from private clinics/hospitals to government health centers/hospitals. Some even resorted to self-medication or shifted to herbal medicines. Other coping strategies adopted by households include tapping various fund sources and seeking additional sources of income (Table 3).

Table 2. Modifying Households Expenses as a Major Coping Strategy Adopted by Households

Major Coping Strategy	Rural		Urban	
	Santa Rita		Pasay	
	Poor	Non-poor	Poor	Non-poor
Modified household expenses				
Changed health-seeking behavior	60.6	38.8	24.1	18.5
Decreased electricity usage	45.5	22.2	6.1	12.3
Shifted to NFA Rice	42.3	17.8	4.8	6.8
Changed electricity consumption pattern	36.6	26.5	36.5	43.5
Changed food consumption pattern	22.5	14.9	34.9	22.9
Food market preference changed to NFA rolling store/TNG	21.4	13.3	6.9	7.1
Children stopped attending school	8.5	6.7	4.8	0.8
Changed conduct of recreational/leisure activities	6.8	8.2	66.7	45.4
Shifted to low-cost cooking fuel	5.6	3.3	2.4	0.8
Transferred children from private to public schools	0.0	1.1	0.0	0.8
Decreased usage of cell phone	0.0	0.0	33.3	36.8
Shifted to cheaper means of transportation	0.0	0.4	0.0	0.4

Source: 2008 CBMS Survey

Table 3. Tapping Various Fund Sources and Seeking Additional Source of Income as Major Coping Strategies Adopted by Households

Major Coping strategy	Rural Santa Rita		Urban Pasay	
	Poor	Non-poor	Poor	Non-poor
Tapped various fund sources				
Borrowed money	76.1	71.6	41.6	34.1
Pawned properties	14.1	26.9	3.5	4.4
Sold properties	12.7	15.3	5.2	2.0
Used savings	7.0	16.4	10.4	23.8
Sought additional sources of income				
Sought work outside of area/country	5.6	12.7	0.0	2.6
Tried to seek additional work	12.7	9.3	2.4	4.2
Did additional work besides main occupation	9.9	9.3	0.0	2.1

Source: 2008 CBMS Survey

Government Responses

In response to the recent price increases, the Philippine government has implemented policies and programs that would mitigate the negative impact of soaring prices. One of the most popular interventions of the government (through NFA) is the direct sale of rice at subsidized prices. Although the efforts of the government to provide cheaper rice to the population are being recognized, one important concern is on targeting. In particular, it was noted that among all NFA rice consumers, only 46.6 percent are considered poor. Furthermore, although the poor households are supposed to be the target beneficiaries of the highly subsidized rice, results confirm that only 24.0 percent of these poor households were able to access NFA rice. Note that for households in the lowest income decile, NFA

rice accounted for only about 12.7 percent of their total spending on rice. These results imply serious leakage and exclusion problems with the current targeting system.

Conclusion and Policy Implications

The varying impacts of price shocks on different groups of households should be considered in improving the implementation of government programs. The fact that some households reduced their expenses on food, health and education

expenses should also be taken into account given their potential long-term effects on their poverty situation.

Furthermore, while there have been efforts to address the problem on leakages in the implementation of the NFA rice access program to the extent that Family Access Cards were issued, they have not been successful due to lack of household level data that would identify eligible beneficiaries. Consequently, considerable leakages and exclusion still prevail. Thus, it is recommended that household level data in the community, such as those being generated by the community-based monitoring system being implemented by local government units, be used to identify eligible beneficiaries through some proxy means test model.

This Policy Brief is based on the research paper of the same title which was presented during the 7th PEP Network General Meeting on 9-12 December 2008, Dusit Thani Hotel, Makati City, Metro Manila, Philippines. A full version of the paper may be downloaded from the Poverty and Economic Policy website: www.pep-net.org. A similar study was likewise conducted by the CBMS Teams in Cambodia and Ghana.

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EFFECTS OF RISING FOOD AND OIL PRICES ON RURAL HOUSEHOLDS IN GHANA: A CASE STUDY OF SELECTED COMMUNITIES IN THE DANGME WEST DISTRICT USING THE CBMS APPROACH

The development in the global agricultural front in 2007, such as the rising food prices, poses significant threats to Ghana's macroeconomic stability and overall development achievements. Global food prices increased over 50 percent as a result of the use of crops for bio-fuel, rising cost of production, climate change and increase in demand as a result of population increase. Petroleum and other fuel price increases were also driving up food prices, particularly because of the high transport costs of low-value high-volume commodities such as staples. The increase in crude oil prices has also made agricultural production more expensive by raising the cost of mechanical cultivation and of inputs (e.g., fertilizers and pesticides). These developments on the global scene always have repercussions for individual countries, and eventually trickle down to the household.

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The effects of the rising prices in Ghana cannot be underestimated as these are felt at all levels of the economy and society. At the household level, surging and volatile food prices hit the poor and food insecure. The few poor households that are net sellers of food, however, benefit from higher prices.

The average nominal wholesale prices of grains in 2007 show that maize, rice, and cowpea were above

their 2006 levels (Figure 1). Maize prices increased by more than 12 percent from 2006 to 2007, while local rice and cowpea prices rose by more than 5 percent and nearly 6 percent, respectively, (Table 1). With exception of cassava and gari, all prices in the starchy rose in 2007 relative to 2006. The price of plantain went up by about 131.1 percent in 2007. The prices of yam and cocoyam also appreciated by 19.3 percent and 18.7 percent, respectively. Vegetables also had

Table 1. Changes in Nominal Prices of Major Food Items

Food Items	2002-03	2003-04	2004-05	2005-06	2006-07
Grains					
Maize	11.58	41.54	56.92	-29.72	12.43
Local Rice	16.07	32.04	23.46	4.99	5.34
Millet	1.78	17.76	66.63	-2.31	-13.64
Sorghum	-2.63	26.98	61.70	-12.73	-2.57
Cowpea	29.77	10.11	44.07	-1.58	5.93
Starchy					
Cassava	-11.06	27.26	43.02	3.14	-7.60
Yam	10.37	16.70	23.08	3.68	19.33
Cocoyam	-0.28	31.06	23.21	13.21	18.68
Plantain	12.47	27.74	4.45	14.30	131.07
Gari	-9.98	11.10	75.55	7.89	-4.46
Vegetables/Others					
Onion	41.08	-2.42	39.50	-9.52	8.20
Dried Pepper	40.31	8.89	19.52	7.75	2.19
Tomatoes	39.92	14.41	41.76	-2.09	75.78
Groundnut	32.83	10.90	45.73	14.41	64.53
Palm Oil	27.37	2.93	6.50	-0.22	32.02

Source: ISSER, 2008

significant price increase in 2007 with tomato and groundnut prices increasing by as much as 75.8 and 64.5 percent, respectively.

Household-Level Impacts and Coping Mechanisms Adopted

In order to determine the impact of rising food and oil prices on rural households in Ghana, a community-based monitoring system (CBMS) survey was conducted in October 2008 covering a total of 300 households. Three communities in Dangme West District were

selected to determine the impact of price shocks. These include Dodowa, Ningo, and Prampram, whose major food staple was corn or maize. Information in relation to their food, access to healthcare and education, changes in their work situations, their financial management practices, and their recreational and leisure practices, were collected during the survey.

Based on the results of the CBMS survey, some households made some adjustments in their food preparation patterns as well as changed the places they buy food

items. One of the most common coping strategies adopted by households across three sites is eating less of what they usually used to eat (Table 2). These changes had been made by households across income groups but have mainly been conspicuous among those in the 1st and 2nd quintiles.

Changes in electricity consumption were also observed among households due mainly to the increase in electricity tariffs and in the amount of electricity consumed. In response, most of them replaced incandescent bulbs with compact fluorescent bulbs with lower wattage. This was mainly practiced by households in the 2nd quintile across all communities.

Although health seeking behavior of households had changed, it was mainly as a result of the implementation of the National Health Insurance Scheme (NHIS). As such, households were given the opportunity to visit government hospitals or health centres where they were likely to benefit from the insurance scheme (Table 3). However, there were still some households who reported that, as part of their coping mechanisms, they decided not to bring their sick member to the hospital unless the person was in very critical condition.

Children in some households were transferred from private to public schools, which became more prevalent with the government's introduction of the Capitation Grant. The program allowed many parents to pay nothing, or just a very small amount to maintain

Table 2. Coping Strategies Adopted by Households in terms of Food Consumption (%)

Coping Strategy	Dodowa	Ningo	Prampram
Eating less of what they normally used to eat	29.7	14.7	37.5
Eating same food for days	21.6	2.9	0.0
Eating more carbohydrates	13.5	17.6	0.0
Mixing varieties	13.5	2.9	0.0
Skipping meals	8.1	32.4	37.5
Combining meals	5.4	17.6	12.5
Shifting from perfumed rice to local	2.7	2.9	12.5
Parents eating less	2.7	8.8	0.0
Eating more ready to cook food	2.7	0.0	0.0

Source: CBMS Survey 2008

their children in public schools, as compared to paying much higher fees if their children were in private schools. Survey results also reveal that some children of households had also dropped out of school, mainly because they were needed to help in the family's farming business. Some children, however, willingly dropped out of school because they were simply not interested in education.

Although job loss was not very common, results showed that households did not depend on only one source of income, but rather diversified in terms of employment so that they could meet their daily household expenses. Moreover, the increases in the cost of fuel and consequently the cost of transportation, by both private vehicles and public utility vehicles, had resulted in some household members walking to work or school in order to save money. Borrowing money was also a common coping strategy among households.

Results of the CBMS survey also showed that households were divided concerning the issue of whether their standard of living was better off, worse off, or had remained the same. In the case of Dodowa and Prampram, there were more households which reported

that they had seen improvements in their lives as compared to their conditions one year ago with 46.3 percent and 39.6 percent, respectively (Table 4). However, a majority of households in Ningo (51.5%) opined that they had become worse off. The proportion of households which had seen no changes ranged from 17.8 percent in Ningo and 23.8 percent in Dodowa.

Government's Mitigating Policies

The Government of Ghana has tried to mitigate the negative impacts of global food price increases without jeopardizing the potential benefits. It also implemented measures to mitigate the effects of rising costs of petroleum products in the country. In fact, a task force was constituted to study the situation on a continuous basis so as to recommend actions that would be

Table 3. Changes in Patterns Adopted by Households to Meet Health Care Needs (%)

Coping Strategy	Dodowa	Ningo	Prampram
Going to government health centre for consultation and hospitalization	52.0	33.3	20.0
Not bringing a sick member to the hospital unless the person is in very critical condition	16.0	11.1	10.0
Resorting to self medication	12.0	22.2	20.0
Taking medicines for relief of symptoms but not for curing the disease	12.0	3.7	10.0
Using medicinal plants or herbal medicines as alternatives to pharmaceuticals	4.0	25.9	10.0
Consulting a pharmacist instead of a doctor	4.0	0.0	10.0
Shifting from branded to generic drugs	0.0	3.7	10.0
Taking medicines in lower dosages	0.0	0.0	10.0

Source: CBMS Survey 2008

Table 4. Changes in the Standard of Living Among Households

Town	Better off	The same	Worse off
Dodowa	46.3	23.8	30.0
Ningo	30.7	17.8	51.5
Prampram	39.6	22.8	37.6

Source: CBMS Survey 2008

necessary from time to time, until stabilization and normalcy was achieved.

Apart from measures taken to cushion the Ghanaian consumer against the rising food costs, such as the removal of import tariffs on rice, wheat, yellow corn and vegetable oil, the government intervened to ensure that Ghana's farmers are best positioned to take advantage of emerging opportunities. To ensure that producers in the agricultural sector are well positioned to respond to the challenges and take advantage of emerging opportunities, the government further instituted measures such as subsidizing fertilizer, substituting cassava flour for wheat flour in bread and pastry products, supporting large-scale cultivation of rice and rehabilitation of dams, among others. There were also additional proposed interventions such as investing in mechanization, expanding of irrigation facilities, strengthening and revolutionizing the agricultural extension service, providing post-harvest infrastructure, and supporting farmers with soft loans. The government also removed excise duties and recovery

levies on selected items, increased support for the production cost of electricity, imported wheat and rice, among others.

Conclusion

Efforts of the government to protect the local rice industry have not paid off, since local production has not been able to meet demand which causes harm to the consumers' ability to purchase local rice. This ultimately protect producers among Ghana's rice trading partners, since imported rice becomes cheaper on the Ghanaian domestic market, further distorting domestic prices and hurting local producers.

This resulted in households having less money to spend on consumer goods, education, and health and

to improve their general livelihood. In response, households adopted different coping strategies. For instance, some changed their food consumption behaviors by eating less of what they usually eat, skipping meals, and shifting from expensive staples to relatively cheaper ones, among others. Some households also changed their health-seeking behavior while others had their children drop out of school to help in the family's farming business. Adequate nutrition for the population, especially poor people, is at risk when they are not shielded from price increases. Higher food prices lead poor people to limit their food consumption and shift to even less-balanced diets, with harmful effects on health in the short and long run.

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THE IMPACT OF THE GLOBAL FINANCIAL AND ECONOMIC CRISIS ON POVERTY IN THE PHILIPPINES

The recent global financial and economic crisis, which started in the United States and expanded to other developed countries, has to some extent affected developing countries as well. Since some of the Philippines' major trading partner, including the United States, have experienced a recession during the crisis period, the country may be affected through reduction in demand for our exports to these countries. Characterized by heavy dependence on exports for growth, the Philippines, with its exports accounting for about 46.7 percent of its GDP as of 2008, may be considered vulnerable to external demand shocks.

Furthermore, during the economic crisis, income transfers from workers employed in affected countries may also be reduced. Since the Philippines relies substantially on overseas deployment of workers, the economic slowdown in affected countries could lead to a decline in their demand for foreign workers to protect their domestic labor.

Results at the macro and micro levels reveal that although the impact of the crisis was not as large as initially expected, it has affected some specific sectors in the economy and with varying degrees. For instance, workers

in the manufacturing sector are most likely to be displaced, or could experience reduction in wage or number of working hours. Households which largely depend on remittances as a source of income could also be adversely affected when remittances decline.

Macro Level Impacts

Simulation exercises which capture the direct impact through these channels reveal an increase in poverty incidence by 0.14 percent which would translate to approximately 120,000 people (Table 1). Poverty gap and severity of poverty also increases

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Table 1. Results of Counterfactual Simulation

Indicator	Slower growth in remittance	Wage reduction
Δ in poor population	~120,000	~201,000
Δ in poverty incidence	0.14	0.22
Δ in poverty gap index	0.06	0.08
Δ in poverty severity index	0.05	0.01

Source: CBMS Survey 2009

by 0.06 percent and 0.05 percent, respectively. Meanwhile, wage reduction among affected households could lead to a 0.22 percent increase in poverty rate (representing about 201,000 households), with poverty gap index and severity of poverty index increasing slightly by 0.08 and 0.01, respectively.

Micro Level Impacts

Monitoring the impact of the global crisis at the micro level was done through the conduct of the community-based monitoring system (CBMS) surveys¹ in selected sentinel sites, where household- and community-level data were collected to capture the different dimensions of poverty. In addition to the CBMS core indicators, outcome and impact indicators were monitored in line with the identified key transmission channels for the Philippines, including overseas employment and remittances, and local employment. Thirteen (13) barangays all over the Philippines were selected to serve as poverty observatories or sentinel sites for

monitoring the impact of the crisis.

CBMS survey results show that at about 7.6 percent of the households would be directly affected by the global crisis through the two major transmission channels mentioned earlier (Table 2). About 2.3 percent were directly affected through overseas employment and remittance while 5.5 percent were affected through domestic employment. The most likely affected were those living in urban areas. Households which are highly dependent on agriculture

were not directly affected by the global crisis.

Results of the CBMS survey confirmed that the potential impact of the crisis on poverty varies across different groups of households. In fact, certain groups of households or individuals were more likely to be affected by the crisis as compared to the other groups. Households which are highly dependent on remittances as a source of income would be adversely affected through reduced remittance receipts. About 12.1 percent of households which received remittances during the past 6 months reported that they suffered a decline in the amount of remittances they received, while 9.1 percent indicated that they experienced a decline in the frequency of receipt of remittances during the period (Table 3).

Households with members who are working in the affected sectors could be negatively affected.

Table 2. Households Affected by the Global Financial Crisis

Barangay	Affected by GFC		OER ¹		Local employment	
	No.	%	No.	%	No.	%
Urban NCR	65	7.6	22	2.6	46	5.4
Urban Outside NCR	196	8.3	64	2.7	138	5.8
Rural	114	4.4	29	1.1	86	3.3
TOTAL	375	7.6	115	2.3	270	5.5

¹Overseas employment & remittance; Source: CBMS Survey 2009

¹ Data collection was conducted in May-July 2009 using the following reference period: November 2008-April 2009.

Table 3. Households Affected by the Crisis through Remittances

Indicator	No.	%
HHs which received remittances	372	
Experienced a decline in amount of remittances received	45	12.1
Experienced a decline in the frequency of receipt of remittances	34	9.1

Source: CBMS Survey 2009

An estimated 1.6 percent of the employed persons lost their job during the period while another 1.2 percent suffered a decrease in wages (Table 4). There were also some workers who experienced reduced working hours (1.1%) and reduced benefits (0.1%).

Coping Mechanisms Adopted

In response to the crisis, households adopted various coping strategies. One of the most common strategies was modify to food expenses (Table 5) which was adopted by 89.3 percent of the directly affected households. Results across all sentinel sites show that poor households are more predisposed to change food

consumption pattern, withdraw children from school and change health-seeking behavior. These coping strategies may be damaging and counter-productive in the medium- and long-run, especially on women and children and other vulnerable groups. Withdrawal of children from school may have negative long-term consequences. The health status of the affected households could also be adversely affected if they do not seek medical attention.

Government Responses

The government, in response to the crisis, has also identified and implemented some programs that could mitigate the impact of the crisis. For instance, the government

started to implement the Economic Resiliency Plan (ERP) to cushion the impact of the crisis and jumpstart the economy through a mix of accelerated government spending, tax cuts, and public-private sector investments in infrastructure projects. Several government agencies also played a role in assisting those which are directly affected by the crisis, including those OFWs and local workers who were displaced due to the crisis.

Conclusion

Modest increase in poverty in the Philippines, in fact, can be observed as a result of the global crisis, particularly of the slowdown in remittance growth and reduction in wages. Coupled with the impact of price shocks in 2008 and the recent natural calamities, poverty incidence is expected to go up significantly in the future. This is more worrisome given the recent reversal in poverty incidence observed in 2006, when poverty incidence went up for the first time since 1985.

Although recent estimates reveal that the Philippines and the global economy have started recovering from the crisis, there must be a continuing effort to improve targeting of relevant government programs. In terms of programs, there is still enough room for improving targeting of beneficiaries. As shown by the CBMS results, leakage and exclusion rates are still high for programs such as the NFA rice access program and 4Ps. High exclusion rate is also recorded for the PhilHealth program.

Table 4. Members who Experienced Reduction in Wages, Working Hours or Employment Benefits

	No.	%
Number of employed persons	7,114	
Members who lost jobs	115	1.6
Members with reduced wages	88	1.2
Members with cut in working hours	80	1.1
Members with reduced benefits	8	0.1

Source: CBMS Survey 2009

Table 5. Coping Strategies Adopted by Affected Households

Coping strategy	No.	%
1) Modified the following Types of Expenses		
Food	335	89.3
Clothing	324	86.4
Electricity	321	85.6
Communication	281	74.9
Fuel	268	71.5
Health	234	62.4
Water	209	55.7
Transportation	176	46.9
Recreation	163	43.5
Education	90	24.0
2) Tapped various fund sources		
Borrowed money	184	49.1
Used savings	87	23.2
Pawned assets	29	7.7
Sold assets	15	4.0
3) Sought additional source of income		
Looked for additional work	52	13.9
Did additional work	31	8.3
Employed member not previously working	11	2.9
Looked for work abroad	15	4.0

Source: CBMS Survey 2009

The recurring problem of targeting in social protection programs highlights the need for a good targeting mechanism in order to minimize leakages and exclusion. Evaluation of current programs is necessary in order to identify those which are ineffective and need not be implemented anymore, and to determine the improvements in others that should be kept. This is one area where CBMS can be very useful. Household-level data, such as those being generated by the community-based monitoring system, are very useful in identifying eligible beneficiaries. Indeed, CBMS data can be used to enrich information in terms of identifying who will be affected, as well as to validate results at the macro level.

This Policy Brief is based on the full paper of the same title which will be presented during the PEP General Meeting on June 2010 in Dakar, Senegal.

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IMPACT OF HIKED PRICES OF FOOD AND BASIC COMMODITIES ON POVERTY IN CAMBODIA: EMPIRICAL EVIDENCES FROM FIVE CBMS VILLAGES

Consumer prices in Cambodia remained stable between 2000 and 2003. However, prices increased since mid 2004 and reached the highest period of May and October 2008. Although the price of consumer goods show reversed trends after October 2008, prices of many consumer and productive goods remained higher in December 2008 as compared to the previous year. Furthermore, although the price of food consumer items started to decline after reaching its highest record of annual inflation rate at 37 percent in August 2008, it still remains 32 percent higher in November 2008 than in the previous year. The official statistics show that the average price of rice in November 2008 is 2,780 Riels per kilogram which is 77 percent higher than in the previous year. Meanwhile, the prices of meats, such as pork, beef and chicken remain 17 percent more expensive. This phenomenon has provoked enormous policy debates and responses to retain food security and speed of poverty reduction in Cambodia.

Written by TRY SOTHEARITH AND
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Figure 1 shows the changes in prices of selected agriculture commodities in Cambodia since the mid-2005 along with rising price of oil, and the increases in demand for cereal and oil crops at the international markets. High price events, like low price events, are not rare incidence in agricultural markets and farmers in Cambodia. High prices are often short lived compared with

low prices, which persist for longer periods. What distinguishes the current situation of agricultural markets is the concurrence of the hiked price for Cambodia farmers of not just a selected few, but nearly all major food and other necessary commodities and the possibility that the prices may continue to remain high after the effects of short-term shocks dissolve.

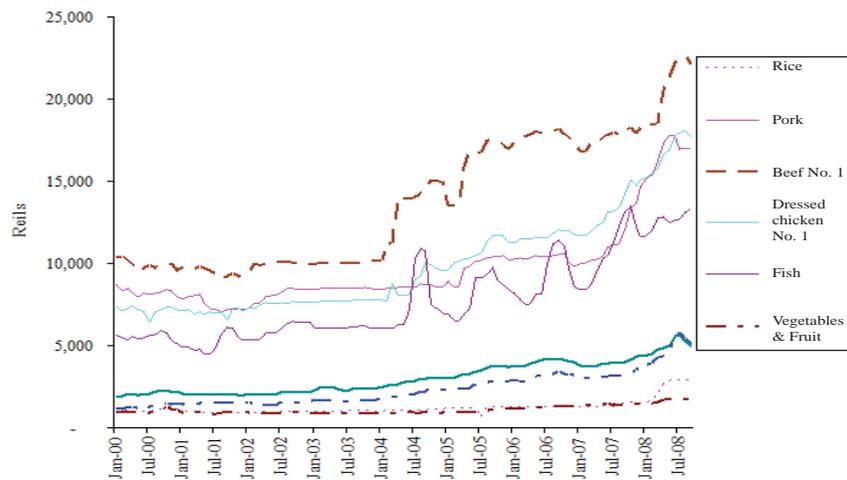


Figure 1. Price of Selected Agricultural Products, 2000-November 2008 (CPI, NIS, Ministry of Planning)

Source: Food and Agriculture Organization, June 2008

Cambodia is one of the net importing countries in terms of oil and many recorded consumer goods except rice. The integration of its economy to international market has enhanced economic performance and poverty reduction of the country in the last decade or so. Any change in demands of its produce and prices of important products will unduly affect the productivity and society as a whole. While the economic and administrative reforms and infrastructure development are on progress, Cambodia is still behind its neighbouring countries to curb with any shocks or seize economic opportunities generated by rising prices. The recent fluctuation in prices has somehow undermined the government efforts of poverty reduction is obvious through many dimensions.

About 20 percent of the rural population who are landless in Cambodia are characterized as net food buyers. Furthermore, about 45 percent of the Cambodians

in the rural areas are landpoor as they own one hectare or less to grow rice for own household consumption (Chan 2008). A majority of agricultural producers are rice growers. However, most of large farm rice producers did not make any profits from selling their rice since the rising price began after the harvests when they had already sold out their produce.

Household-Level Impacts

In order to determine the impact of hiked prices of food and basic commodities on poverty, a follow-up CBMS survey was conducted in September 2008 in five (5) villages of Battambang province of Cambodia covering 1,132 households. Although the selected CBMS villages are located in the rice producing surplus area, only about 23 percent of them are characterized as large rice farmers, petty traders and/or money lenders who can seize the opportunities generated by the rising prices to

produce surplus for sale or to increase their income. About 77 percent of households, including the landless and land poor who hold one hectare or less, are or become net buyers of food during the crisis. Most of them have limited ability to earn income which is enough to offset the increase in the prices of food. Hence, food security for many becomes worse.

Results also suggest that the impact of the crisis varies across CBMS sites. People living in the village closer to the market center tend to suffer the most from the rising prices as shown by the increase in number of poor households in Savy Chrum village. While agricultural dependent villages such as Sdei Leu and Bak Amraek tends to gain well-being improvement from rising food prices through the sale of their farm produce and in turn are able to improve household consumption; and therefore, have experienced higher rates of poverty reduction. In contrast, rising prices tend to slow down poverty reduction in the remote village of Reach Doumkeo.

Looking at the perceived poverty status of households, CBMS data show that 24 percent of the poor households and 21 percent of the nonpoor became worse off compared to 8 months ago while around 71 percent of the poor and non poor were able to sustain their livelihoods. Only 5 percent of the nonpoor and 2 percent of the poor households were able to improve living conditions while about 4 percent were uncertain whether they remained in status quo or not.

Table 2. Poverty headcount and village characteristics, 2006-2008

Village	No. of HHs	Poverty		Change	Village characteristics
		2006	2008	2006:2008	
Svay Chrum	216	28	44	16	Close to the market centre, rice farming and petty trade are main source of income
Reach Dounkeo	150	72	68	-4	Remote village, wet and dry season rice and fishing
Samraong Outrea	343	63	36	-27	Good road access and connection to market, rice farming, fruit trees and petty trade
Sdei Leu	234	61	38	-23	Cash crop and wet rice farming
Bak Amraek	189	66	40	-25	Wet and dry season rice farming and fishing
Total	1132	58	43	-15	

Source: 2006 and 2008 CBMS Surveys

Coping Mechanisms Adopted

Based on the CBMS survey, some of the affected households had to take their children out of school to help family cope with food short-shortage or to sustain a business. In the CBMS sites, there were 128 households (or 11%) which withdrew their children from schools to help earn income to cope with rising cost of living. Among the villages under study, increased incident of child labour is high in areas where there is fast growth and development. Village out-migration also adopted as a coping strategy for many. Some elderly also have to work harder to sustain household income for food and other basic household expenditure.

About half of CBMS households reported to take and used loan for food consumption rather than for productive purpose in the last

eight months prior to the survey period. Some have to sell out their productive assets or small plots of land in order to repay a loan, sustain food needs and relieved on income from selling labour when they become landless. The increase in prices has immediately resulted in food insecurity for many people

and push small landholders into indebtedness, as well as deteriorated the capacity of the poor to cope with any future shocks or crises.

Government and Donor Responses

The Government and donors in Cambodia had been working together to set up the immediate policy in response to food crises and sustainable growth for poverty reduction. The policy measures include (1) Government and ADB fund of 3.5 million USD for food security and (2) government temporary action to prohibit the export of paddy rice in order to increase internal stocks and sell paddy rice for cheap price to the poor before the national election in 2008. In order to secure employment and labour migration support, the government decided to issue passport to Cambodian cross-border migrants free of charge; and to encourage the Recruitment Company to pay the

Table 3. Changes in Household Status of Living of Poor and Nonpoor Household by the Time of the Survey Compared to 8 Months Ago

	Better off	Normal	Worse off	No idea	Total
Number of Households					
Non-poor	30	458	138	20	646
Poor	10	338	118	20	486
Total	40	796	256	40	1132
% with same group					
Non-poor	5	71	21	3	100
Poor	2	70	24	4	100
Total	4	70	23	4	100

Source: 2006 and 2008 CBMS Surveys

visa fee for the migrants in credit in the late 2008. In addition, the poor can also benefit from health equity fund to improve health access for the poor that came into effect in 2007. The agricultural producers can also take advantage of the government's subsidy on advanced farming practice and productivity. The government has also come up with its import policy of agricultural machinery and commitment to further boost agricultural growth through infrastructure development and development strategies.

Policy Implications

The more striking impact of rising prices on poverty are not just increasing food insecurity of many people but also make the poor become poorer; push many rural people into debts that is difficult to recover. Rising prices has further change human capital with regard

to education and poor health. It has also led to loss of productive assets as well as deterioration of the capability of the small landholders and the poor to cope with any future shocks or crises. Hence, a stronger social safety net programme is necessary to support the affected households and the smaller farmers to remain in the producer group and for the poor children to remain in school. A better targeting policy intervention to support the poor and vulnerable is very important. The social safety net programme can be implemented more effectively if the capacity of commune council can be further enhanced and strengthened for pro-poor and good governance.

The higher price is often viewed as constraints and opportunities to farmers to increase agricultural intensification and diversification. Lack of saving, ineffective extension services and imperfect markets

are still obstacles to agricultural development. The findings from the CBMS survey support stronger commitment and timely intervention to support small farmers and the poor. The policy action should accelerate efforts of rural infrastructure development: road and irrigation facilities, outreaching effective extension service to support both crops and livestock production. For landless poor, however, special social safety programme and vocational training should be reflected in the community development planning and funding.

This Policy Brief is based on the research paper of the same title which was presented during the 7th PEP Network General Meeting on 9-12 December 2008, Dusit Thani Hotel, Makati City, Metro Manila, Philippines. A full version of the paper may be downloaded from the Poverty and Economic Policy website: www.pep-net.org. A similar study was likewise conducted by the CBMS Teams in Ghana and the Philippines.

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