

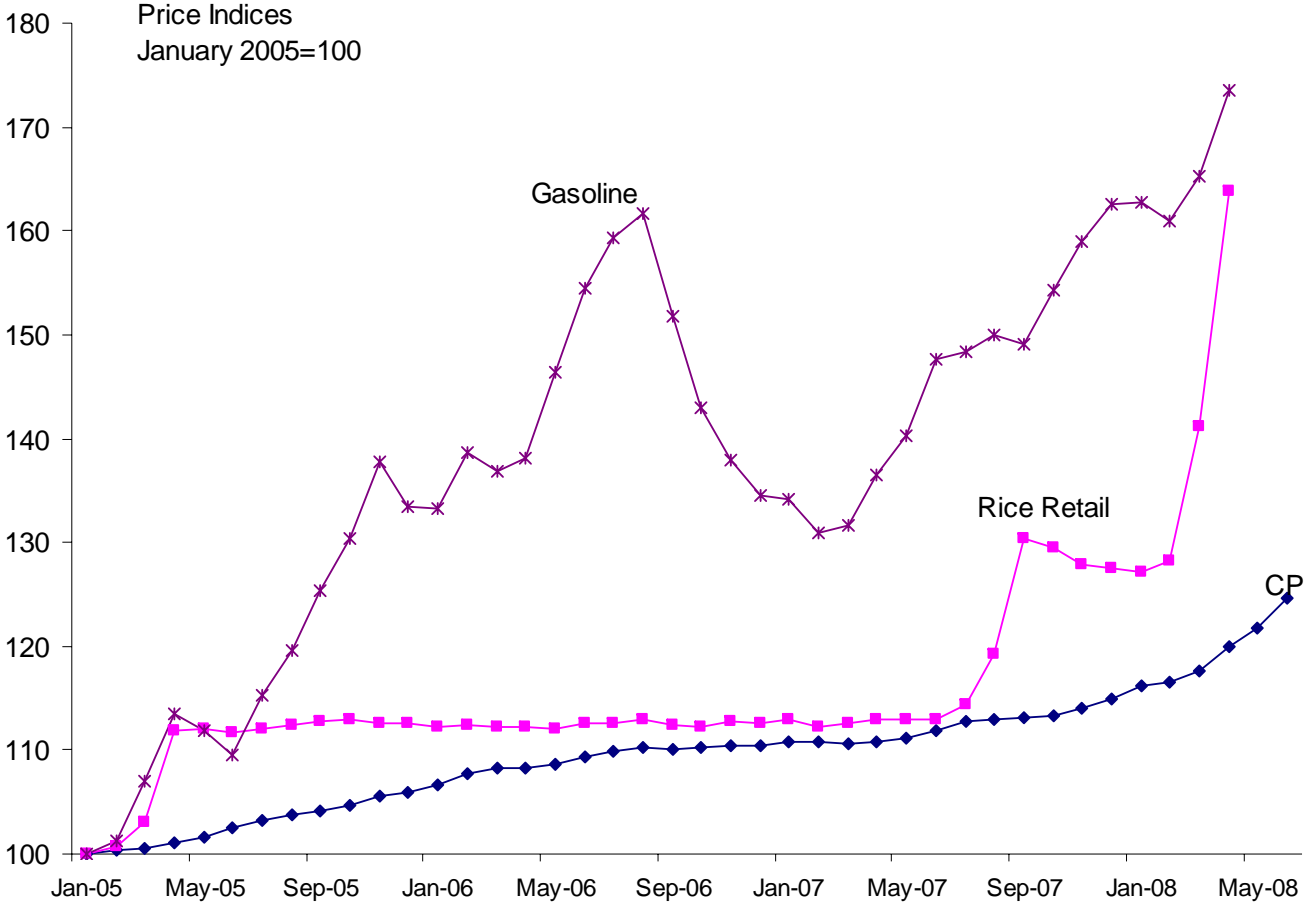
Food and Energy Price Increases and Policy Options

The Case of the Philippines

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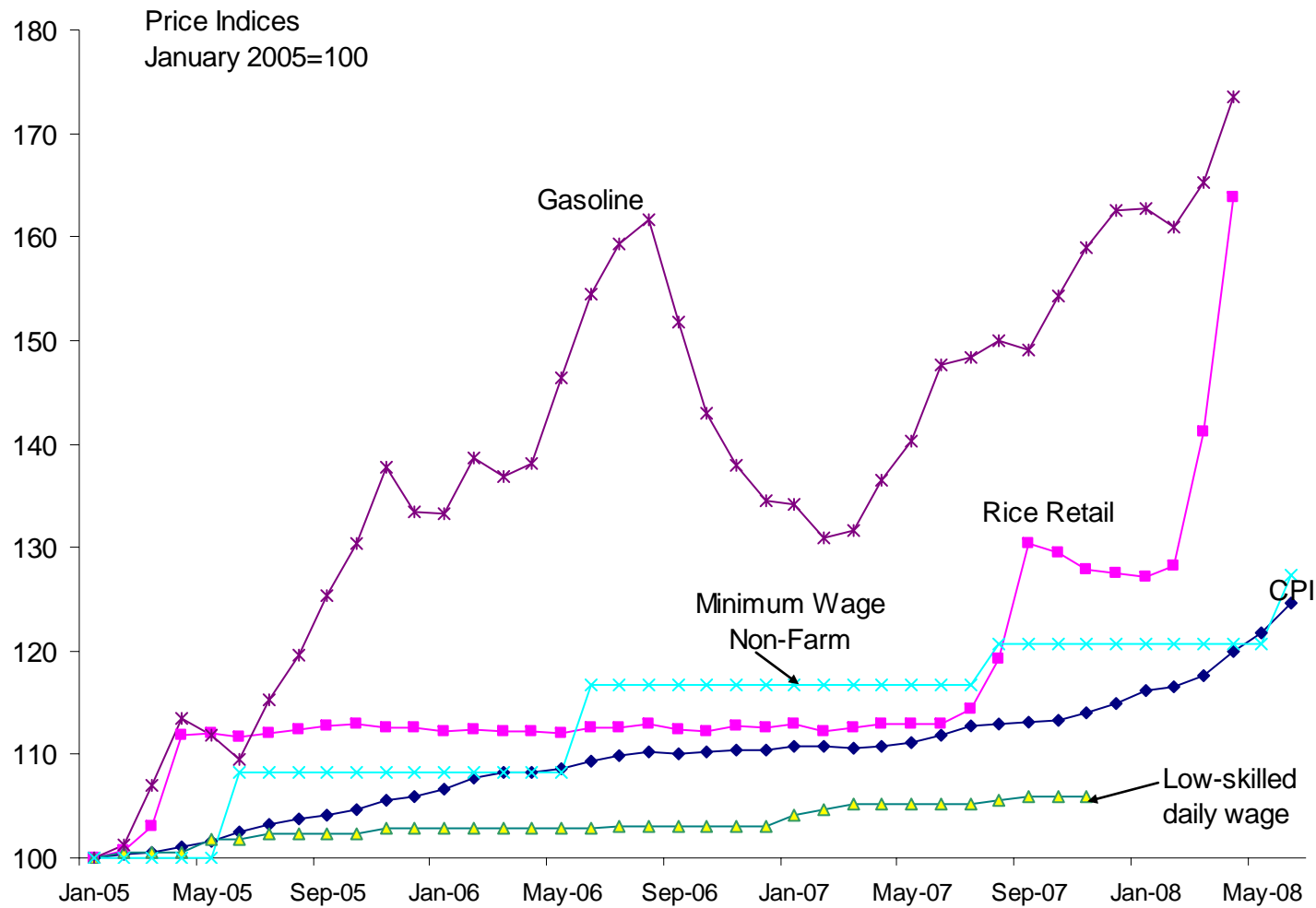
Country Director

Prices of fuel and food have been rising much more than the CPI



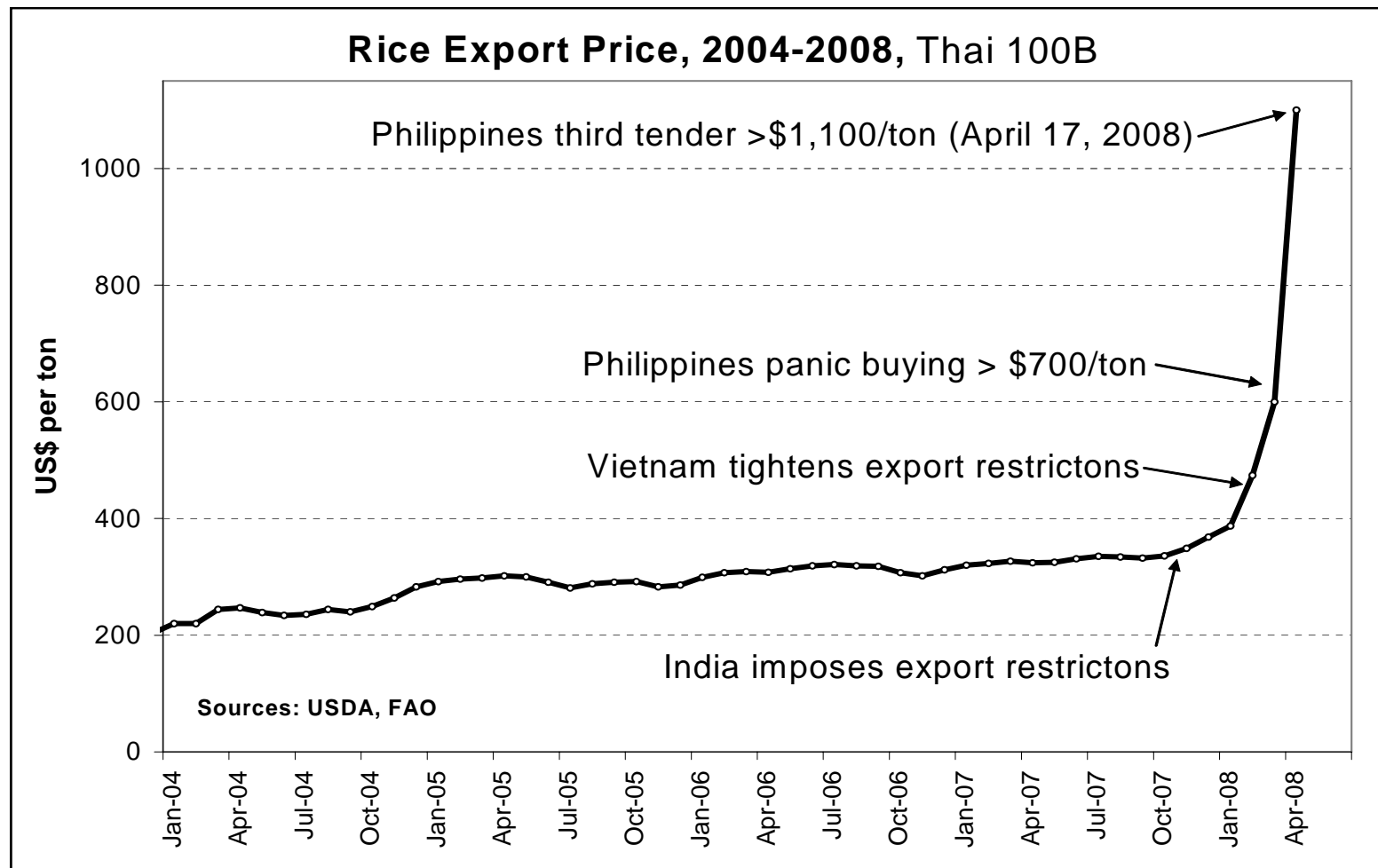
Source: CIEC Data

And more than low skilled wages

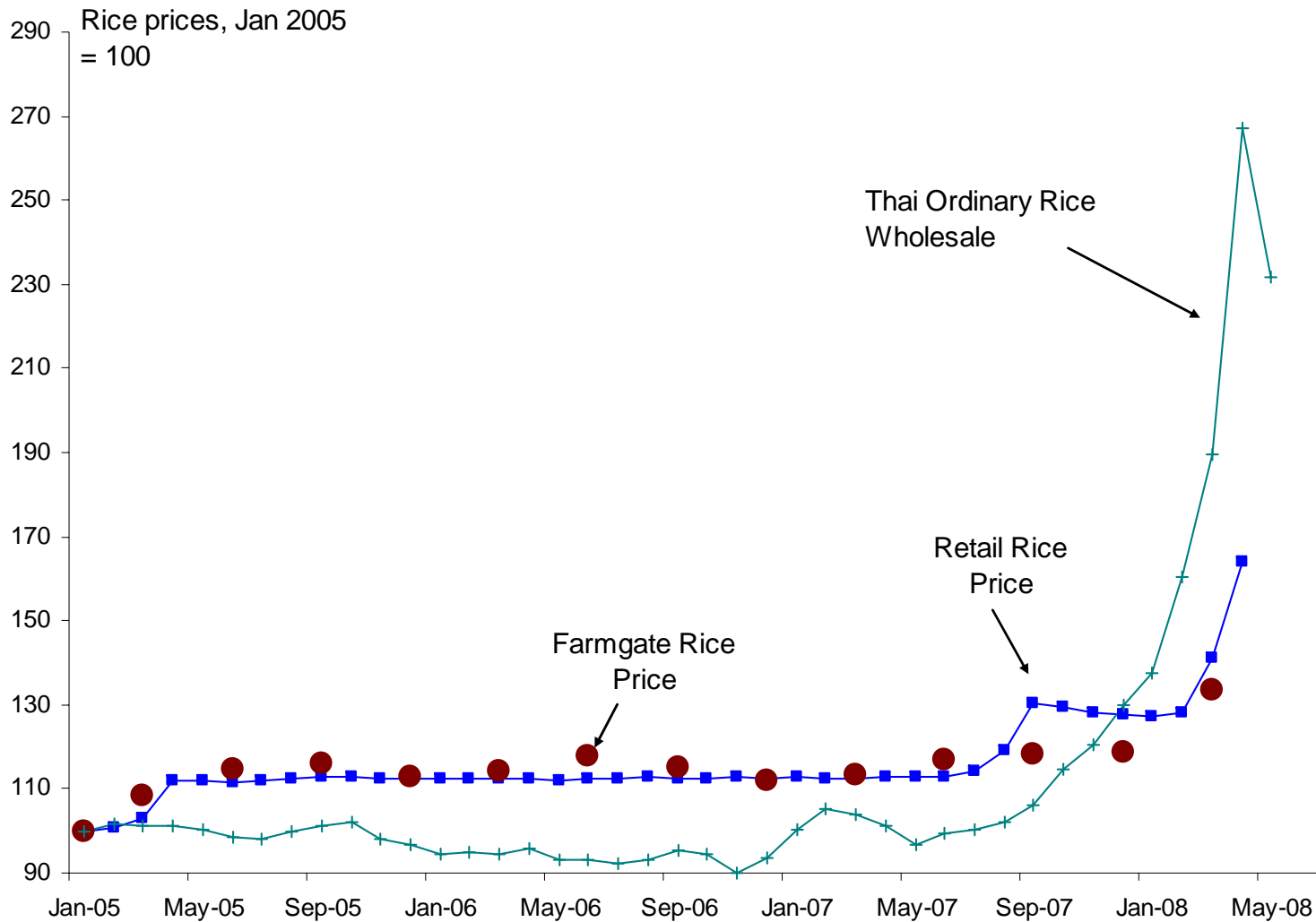


Source: CIEC Data

Philippines rice tenders became part of the problem



Domestic Prices Rose by Less than International Prices



Source: CIEC Data

The poor get hit harder by food, not fuel price increases

2006 Household Income decile	Share to Total Family Expenditure				
	All Food	Rice	Fuel & Light	Water	Transportation
1	60.9%	17.8%	2.7%	0.4%	2.3%
2	59.6%	18.7%	3.2%	0.4%	2.7%
3	57.7%	17.4%	3.7%	0.5%	3.0%
4	55.0%	15.2%	4.2%	0.7%	3.3%
5	52.3%	12.8%	4.7%	0.8%	3.6%
6	49.7%	10.5%	5.3%	1.0%	4.0%
7	46.3%	8.6%	6.1%	1.2%	4.2%
8	42.4%	6.9%	6.9%	1.2%	4.5%
9	37.8%	5.2%	7.9%	1.1%	4.2%
10	28.7%	2.9%	10.1%	1.0%	3.0%
PHILIPPINES	41.4%	7.8%	7.2%	1.0%	3.6%

Source: Family Income and Expenditure Survey
2006

While Farmers feel the Pinch of Cost Increases

Items	Cost Share	Percent price increase January 06-May 08	Contribution to Cost Increase
Fertilizer	0.16	27.68	4.32
Seeds	0.07	53	3.86
Pesticides	0.05	5.3	0.28
Other Costs	0.03	10	0.31
Labor	0.56	14.2	7.99
Machinery and fuel	0.13	21.40	2.68
Total cost per ton of paddy	1.00		19.44

Source: Staff
Estimates

Government's Reaction

- Change in trade policies
- Social protection measures to alleviate impact of price increases
- Agricultural productivity enhancement program (FIELDS) to achieve food self-sufficiency

Trade policies

- Phase out of large rice tenders
- Exploration of government-to-government deals with Japan, Vietnam
- Temporary lowering of import tariff
- Allocation of rice import quota to private sector
- Suspension of oil import tariff

Social Protection Programs

- 20+ pre-existing programs
- Scale up of subsidized rice distribution, rice card experiment in Manila, release of rice stocks in specific areas
- P500 (\$12) payment to “lifeline” power users
- Scale up of Conditional Cash Transfer experiment
- Income tax rebate for minimum wage earners
- Discussion on reduction of VAT on Fuel, Unconditional Cash Transfers,
- Announced design of overall “Social Welfare Policy”

Key Programs Detail

Program/Project	Program component/services	Coverage	Resource Allocation
Food for School Program	<p>This program aims to mitigate hunger of poor families and improve school attendance by providing food subsidies to public school children enrolled in Grade I, Pre-school, and Day Care (DSWD).</p> <p>A daily ration of 1 kilo of iron fortified rice (IFR) is provided to a family in order to fulfill daily food requirements which will eventually contribute to the improvement of the children family nutritional status.</p>	Public school children in identified food-poor provinces.	For 2008, Php2.5 billion (DepEd component) + Php 765.750 million (DSWD Component) allocated in the GAA
PhilHealth Indigent Program	Enrolment of indigent families into the National Health Insurance Program for availment of the medical & other health services insurance packages (Hospitalization Package, Out-patient Benefit Package, TOB DOTS Package, Maternal Care Program).	Indigent families nationwide	P3.5 bn allocated in the GAA 2008
Ahon Familyang Pilipino (Conditional Cash Transfer Program)	<p>The program aims to break the poverty cycle by addressing the issues of low educational achievement, high levels of maternal and infant mortality rates, high malnutrition rate and high rate of child labor among the poor.</p> <p>A cash transfer of P500 for health and P300 for education per month is given to qualified households on the condition that they send their children to school and to health centers for check-ups and vaccinations.</p>	Poor households in the poorest provinces with 0-14 aged children and/or pregnant women	P298 mn allocated in the GAA 2008; Budget of P4.5 bn proposed in 2009
NFA Rice Subsidy	<p>The program's objective is to make available cheaper rice to poor households.</p> <p>Subsidized NFA rice is distributed to the public through TRDP stores, Tindahan ni Gloria, Bigasan ni Gloria, accreditation of individual retailers, rolling stores, KALAHI store outlets</p>	Untargeted transfer to households nationwide	P26.3 bn in 2008 (WB estimate)
Pantawid Kuryente: Katanng VAT Program (Power Subsidy)	One-time cash transfer of P500 to "lifeline users" of electricity, i.e., households who consumed less than 100 kwh of electricity in May 2008.	4 million poor households nationwide (http://www.dbm.gov.ph/index.php?pid=3&nid=1194)	P2 bn unprogrammed funds in 2008

The FIELDS Program

- **F**ertilizer (subsidy)
- **I**rrigation and Infrastructure
- **E**xtension and Education
- **L**oans
- **D**ryers and other post-harvest facility
- **S**eeds
- Total Bill P20 bn (?) per year
- Public and private role unclear

Key Issues

- Weak targeting in existing programs
- Pressures to rapidly scale up
- Governance issues in core agencies (rice, fertilizer, land reform)
- Public distrust of political leadership
- Historical abuse of “handout” programs (Marcos times)
- Debate over leadership of social protection agenda