ANALYSIS

Assessment of the Philippine Social Protection Floor Policies

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Dr. Axel Weber

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Abbreviations

ABS-CBN	Alto-Broadcasting System-Chronicle Broadcasting Network
ADB	Asian Development Bank
AMSC	Average Monthly Salary Credit
ARMM	Autonomous Region of Muslim Mindanao
ASEAN	Association of Southeast Asian Nations
AVRC	Area Vocational Rehabilitation Center
BLES	Bureau of Labor and Employment Statistics
BMBE	Barangay Micro Business Enterprise
CARD	Center for Agriculture and Rural Development
CBO	Community-Based Organization
CCT	Conditional Cash Transfer
CEA	Certificate of Educational Assistance
CWSN	Children with Special Needs
DBM	Department Budget Management
DOH	Department of Health
DOLE	Department of Labor and Employment
DSWD	Department of Social Welfare and Development
EC	Employee Compensation
ECC	Employee Compensation Commission
ECF	Employee Compensation Fund
FDI	Foreign Direct Investment
FSP	Food for School Program
GDP	Gross Domestic Product
GFI	Government Financial Institutions
GOCC	Government-Owned and Controlled Corporation
GSIS	Government Service Insurance System
GTZ	Gesellschaft für Technische Zusammenarbeit
HDMF	Home Development Mutual Fund
HMO	Health Maintenance Organization
I-CARE	Invigorating Constituent Assistance in Reinforcing Employment
ILO	International Labor Organization
IMP	Iskolar ng Mahirap na Pamilya (Scholar of Poor Family)
IPP	Individually Paying Program
JBIC	Japan Bank for International Cooporation
JSDF	Japan Social Development Fund
KasH	Kasanayan at Hanapbuhay (training and capacity building program)
LBP	Land Bank of the Philippines
LGU	Local Government Unit
MBA	Mutual Benefit Association
MCF	Mentoring for Commercialization Funding
MFI	Micro Finance Institution

Abbreviations

MILF	Moro Islamic Liberation
MMR	Maternal Mortality Rate
NAPC	National Anti-Poverty Commission
NCC	National Credit Council
NCR	National Capital Region
NDHS	National Demographic and Health Survey
NEC	National Epidemiology Center
NEDA	National Economic and Development Authority
NGO	Non-Governmental Organization
NHIP	National Health Insurance Program
NLSF	National Livelihood Support Fund
NPA	New People's Army
NSCB	National Statistic Coordination Board
NSO	National Statistics Office
NVRC	National Vocational Rehabilitation Center
ODA	Official Development Assistance
OFW	Overseas Filipino Workers
OOP	Out Of Pocket Payment
OSI	Other Social Insurance
PCFC	People's Credit and Finance Corporation
PCIC	Philippine Crop Insurance Corporation
PCSO	Philippine Charity Sweepstakes Office
PESO	Public Employment Service Office
PHP	Philippine Peso
PhRO	PhilHealth Regional Office
PO	People's Organization
PWD	Persons with Disability
RHU	Rural Health Unit
SAP	Social Amelioration Program
SEPO	State Economic Planning Office
SONA	State of the Nation Address
SIP	Social Inclusion Project
SP	Sponsored Program
SSS	Service Security System
SUC	State Universities and Colleges
TESDA	Technical Education Skills Development Authority
TVET	Technical Vocational Education and Training
UNICEF	United Nations International Children's Emergency Fund
US-AID	United States Agency for International Development
WAP	Work Appreciation Program

Preface

The issue of social security has recently started to attract increasing attention in the development policy debates, dues to the encouraging experiences of various developing and emerging countries that have succeeded in absorbing the social impacts of global crisis by expanding their public social services. The hope that an adequate social participation of broad segments of the population is guaranteed solely by economic growth is gradually fading. For recent developments have shown: the gradual deregulation and opening of economies indeed strengthen the global exchange of information, capital and goods; but at the same time it is also aggravating social inequalities.

The food, energy, and financial crises of recent years have disenchanted long-established doctrines. In 2009, due to those crises the number of people suffering from hunger has for the first time increased to over one billion. In particular the majority of the poorer countries in the Global South see themselves not capable of financing national programs in order to strengthen the purchasing power. On the other hand, the budgetary flexibility of the western industrialized countries is equally put under significant pressure by the disruption of the financial markets. However, some middle income countries succeeded in improving the food security of poor people and in strengthening the purchasing power of local markets due to the expansion of social programs and the increasing of the minimum wages. In the context of the global crisis, high-level committees of the United Nations and the G20 have taken up these promising developments. The stabilizing effect which a systematic creation of a basic social protection has both on food security of the most vulnerable groups and on the national economy, is generally acknowledged.

Moreover, this state obligation can be fulfilled by every country, even by the poorer nations. Therefore, the United Nations Chief Executives Board for Coordination (UNCEB) and the International Labour Organization (ILO) launched the "Social Protection Floor"-Initiative as a human rights-based approach to social security.

In order to extend the coverage of social protection to all human beings, some essential issues have first to be clarified: An inventory of the existing social programs is necessary to prevent the fragmentation of the programs. At the same time, the modernization of government institutions and the provision of a national budget for a non-contributory system of social security are indispensable. Even the new models of non-contributory social systems are still based on the principles of social security and market economy. With regard to indigenous people, these models therefore need a fundamental adaptation to their cultural realities.

The "Social Protection Floor" concept provides a model for the expansion of the coverage in order to ensure a minimum level of social protection for the entire population of a country – especially for the most vulnerable groups like women, children, elderly and disabled people, as well as to the unemployed and underemployed. With regard to the demographic structure of countries in the Global South, this concept also provides a basis for investments in the empowerment of young people.

The „Assessment of the Philippine Social Protection Floor Policies" – a study commissioned by "Brot für die Welt" in cooperation with the International Labour Organization (ILO) – is a contribution to realize the initiative on a global level. Even though ensuring the human right to social security is primarily a state responsibility, the results of the study shall be used to enter into dialogue with civil society in order to expand the system of social security; not only in the Philippines, but in other countries as well. With this publication, we hope to give fresh impetus for further studies in several countries and regions all over the world with a different economic development status.

We would like to express our gratitude to the International Labour Organization for the cooperation and especially to the author of the study, Dr. Axel Weber, for his in-depth research and valuable results.

Dr. Lucimara Brait-Poplawski
Brot für die Welt

1 Introduction

This study is meant as a contribution to the discussion about social protection in the Philippines. It has been inspired by a series of previous studies and contributions, mainly by ILO and ADB.

The Government has undertaken major efforts in the last decade, namely the introduction of the 4-P CCT scheme, the enlargement of the sponsored membership of PhilHealth and the ongoing discussions about the introduction of an unemployment scheme inspired by the example of e.g. Vietnam.

Nevertheless this analysis highlights gaps and deficiencies in order to strengthen the general trend in the country to improve coverage and benefits of social protection. We would be happy to get a broad and critical feedback, and maybe even better up-to date data than the one we used, though we are sure that our conclusions are relevant and valid. We encourage all readers to provide us with additional data and information in order to improve the report. We are confident that the report as it is reflects well the situation in the Philippines and the existing gaps in social protection.

2 Context

2.1 Geography and Administration

The Philippines is a group of islands in southeastern Asia between the Philippine Sea and the South China Sea, east of Vietnam. It has three major island groupings – Luzon, Visayas and Mindanao. It has a land area of 300,000 sq km^2. and an extensive coastline of about 36,289 km.

By virtue of the "Integrated Reorganization Plan" issued by President Ferdinand E. Marcos in 1972 the country was divided into eleven administrative and planning regions, each with a regional center or capital. Today the number of regions has grown to seventeen. Key ministries then (now called departments) and other government agencies were regionalized and decentralized. Within each region, there are local government units at the provincial, city, municipal and barangay[1] levels. As of the year 2010, the Philippines has 79 provinces, 117 cities, 1,505 municipalities and 41,974 barangays.

In terms of the country's political structure, the Philippines has a presidential form of government with three separate branches: the executive, the two-chamber legislature and the judiciary. The president is both the head of state and the head of government within a multi-party system. The executive power is exercised by the government under the leadership of the president. Legislative power is vested in both the government and the two-chamber congress – the Senate (the upper chamber) and the House of Representatives (the lower chamber). Judicial power is exercised by the courts with the Supreme Court of the Philippines as the highest judicial body.

2.2 Population

The current population (2011) of the Philippines is 95.6 million making it the world's 12th most populous country. The country has one of the highest population growth rates in East Asia, exceeded only by Cambodia and Laos. From an annual rate of 2.36 percent in 1995 – 2000 population growth rate decelerated to 1.6 percent in 2010. Population is projected to grow at an average rate of 1.5 percent from 2011 to 2015. By 2015 the country's population reaches 110 million.

The country has one of the youngest populations among Asian countries with those in the age 25-39 bracket comprising the dominant group; the median age is just 22.5 years. Amongst Asian countries only Malaysia, India and the Philippines show positive growth on the age

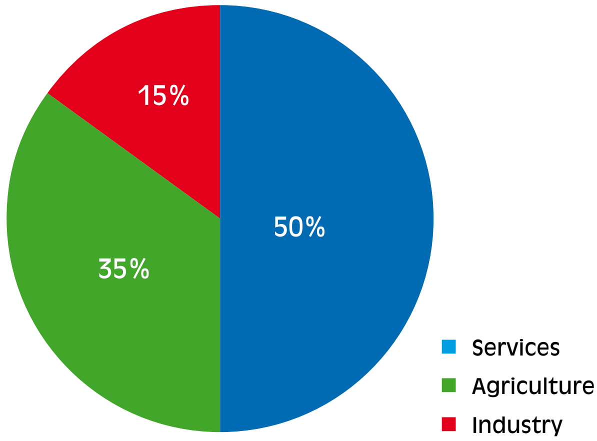
1 Barangays or villages are the smallest political units.

Table 1: Philippine Labor Market

	2010	2011
Population 15+	61,169,000	62,165,000
Participation Rate	64.20	66.30
Unemployment Rate	7.10	6.40
Underemployment Rate	19.60	19.10

Source: National Statistics Office 2011

Figure 1: Employed Persons by Industry Group



group below 25 years old whilst all the other countries in the region are experiencing an ageing population. Projections show that people over 65 years old will account for only 8 percent of the Philippine population in 2030.

The Philippines is rated as one of the fastest urbanizing developing countries in Asia. About 54 percent of the country's population live in the urban areas, compared to less than 50 percent in Indonesia, around 50 percent in China and 33 percent in Thailand. The urban growth rate has averaged around 4 percent annually for the last 50 years – substantially above the overall population growth rate. This trend results from factors such as high natural increase, rapid rural-urban migration and reclassification of local government units.

26 out of the country's 65 cities were classified as 100 percent urban in 1995. By the year 2000 the total number of Philippine cities has grown to 100 and there are now 117 cities. By 2030, it is projected that three out of every four Filipinos will live in cities.

2.3 Labor Market

The working age population in the Philippines is 62 million (2011). The labor force, based on a participation rate of 66.3 percent is 41.2 million. Out of these, 6.4 percent are unemployed. Another 19.1 percent are underemploye (Table 1).

The largest employer is the service sector (see Figure 1), mainly wholesale and retail, transport, public sector, education and private households. The share of employment in industry is shrinking, while those in agriculture and services are on the increase.

Table 2 shows the unemployment and underemployment rates in the different regions in the Philippines which vary considerably. The highest unemployment rate is in the National Capital Region (13.5 percent), the lowest in Region II (Cagayan Valley, 2.8 percent) and ARM Mindanao (1.5 percent).

The largest group of the unemployed are young people between 15 and 24 (50 percent of all unemployed). Interestingly, nearly 85 percent of the unemployed have a high school or college diploma. Only very few have no education at all or elementary school only.

Overall unemployment in the Philippines has been so far stable (2011) compared to the previous years. Underemployment has even slightly decreased (see Table 1) and it lies within the longer lasting trend.

In the wake of the global financial crisis, the most vulnerable workers are those in the export-oriented industries such as electronics, call centers and textile manufacturing. Indeed, several companies reported either laying off workers or cutting working hours as the crisis reduced demand for Philippine exports. The Philippine Labor Department reported that some 40,000 workers were retrenched, 33,000 workers experienced shorter working hours while over 5,400 overseas Filipino workers were displaced because of the financial crisis. The figures compared to total employment are small. In addition, the economy was kept afloat by the steady flow of

Table 2: Unemployment and Underemployment Rates 2009

	Unemployment Rate	Underemployment Rate
NCR	13.5	12.4
Cordillera Administrative Region	4.2	17.9
Region I – Ilocos Norte	8.3	15.6
Region II – Cagayan Valley	2.8	16.7
Region III – Central Luzon	8.5	5.4
Region IVA – Calabarzon	9.9	15.4
Region IVB Mimaropa	4.5	25.4
Region V – Bicol Region	6.5	36.8
Region VI Western Vizayas	7.9	26.8
Region VII – CentralVizayas	7.3	12.6
Region VIII – Eastern Vizayas	5.0	28.7
Region IX – Zamboanga Peninsula	3.8	27.4
Region X – Nothern Mindanao	5.2	24.5
RegionXI – Davao Region	6.2	23.4
Region XII – Soccsksargen	4.4	19.9
Caraga	5.1	26.8
ARMM	1.5	13. 0

NCR = National Capital Region
ARMM = Autonomous Region of Muslim Mindanao

Source: Bureau of Labor and Employment Statistics, 2009

remittances despite forecasts by the international financial institutions that these would decline. The National Economic and Development Authority (NEDA) forecast that in a pessimistic scenario as much as 200,000 workers may be laid off, as the crisis continues to hurt the local economy. But this has not yet materialized and there are signs of an economic recovery. Even pessimistic forecasts expect the unemployment level not to hit the double-digit levels recorded several years ago.

Nevertheless, an unemployment rate between 7 percent and 8 percent of the Philippine workforce is one of the highest rates in Asia (the Asian average lies around 5 percent). Also, the labor force in the Philippines is growing fast due to specific demographic reasons, so that net employment needs to increase substantially every year in order to avoid unemployment growing.

Little is known about the nature of unemployment but it is very likely that most of it is short term unemployment. Firstly, there is a high level of fluctuation in the labor market in the Philippines due to relatively rigid labor laws (after six months of employment it is practically impossible to retrench someone, which leads to the fact that many employers retrench workers before the completion of their six months of contract); and, secondly, there is hardly any worker in the Philippines who can afford long term unemployment, given the fact that there is practically no unemployment benefit.

The Philippine labor market is to a large extent not formalized. Only 9.5 million people or 25 percent (7.5 million employees and 2 million self-employed) out of 38 million workers are covered by social insurance (public and private sector). About 30 percent of the labor force in the formal sector in the Philippines works in establishments with less than ten employees (the average establishment has seven employees, see also Table 3 and Table 4). Including the informal sector, nearly 70 percent of workers are in establishments of less than ten employees.

2.4 The Economy

The Philippine economy is marked by slow growth and inequity. From underperformance between the years 1998 to 2001 Gross Domestic Product grew to 4.3 percent in 2002, 4.7 percent in 2003, and about 8.9 percent in 2010.

> *"Coming from a high base erected by election related expenditures last year, the domestic economy continued to decelerate, posting a 3.4 percent growth during the second quarter of 2011. This is less than half the booming 8.9 percent growth in 2010".*[2]

2 http://www.nscb.gov.ph/sna/2011/2nd2011/2011hi2.asp

Table 3: Size of Establishments Formal Sector 2007

	Size of (employees)	Number of		Number of Persons employed		Average Size
Micro	1 to 4	639,825	81.62%	1,154,630	22.26%	2
	5 to 9	80,259	10.24%	507,254	9.78%	6
Small	10 to 19	37,600	4.80%	483,651	9.32%	13
	20 to 49	15,240	1.94%	452,223	8.72%	30
	50 to 99	5,358	0.685	361,918	6.98%	68
Medium	100 to 199	2,919	0.37%	396,066	7.63%	136
Large	200 to 499	1,760	0.22%	537,072	10.35%	305
	500 to 999	543	0.07%	368,665	7.11%	679
	1,000 to 1,999	223	0.03%	310,801	5.99%	1,394
	2,000 and over	142	0.02%	615,513	11.86%	4,335
Total		783,869	100.00%	5,187,793	100.00%	7

Source: National Statistics Office 2007

Table 4: Number of Establishments by Employment Size and Sector, 2007

	Total	Micro	Small	Medium	Large
Agriculture	5,765	4,190	2,303	0,160	0,152
Industry	121,832	107,288	12,116	1,241	1,187
Services	656,272	609,181	44,244	1,518	1,329
Total	783,869	720,659	58,663	2,919	2,668
%	100.0	91.9	7.5	0.4	0.3

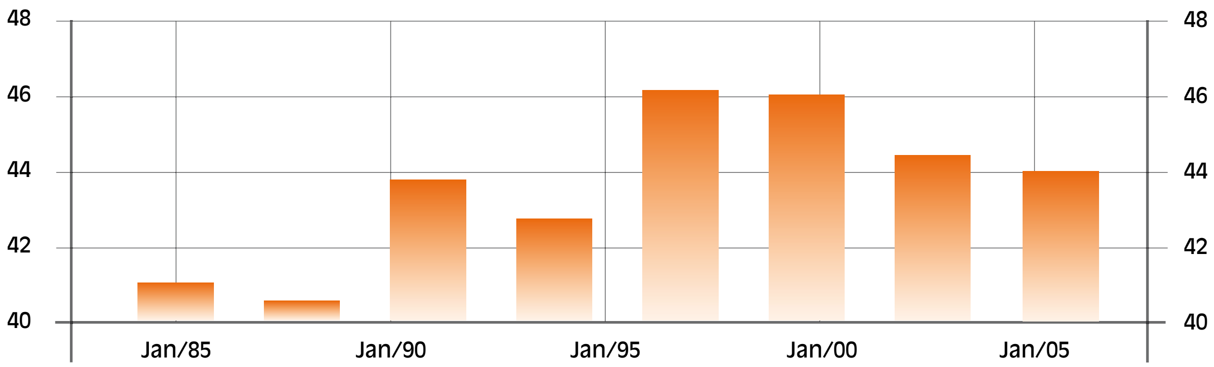
Source: National Statistics Office 2007

Aside from remittances from OFW (Overseas Filipino Workers) the other drivers of growth include services which are highly dependent on telecommunications and agriculture which is vulnerable to weather disturbance. Analysts say that these industries create little impact on employment generation in terms of the creation of permanent jobs for the working age population.

Analysts also project that it will take a higher, sustained growth path to make appreciable progress in poverty alleviation given the Philippines' high annual population growth rate and unequal distribution of income. With a population growth of 2 percent a real growth rate of 2 percent is needed to keep the per capita income constant. In 2003, the poorest 10 percent had 2.3 percent share in total consumption while the richest 10 percent had about 32 percent of the total, which shows the unequal distribution of income in the country (the GINI lies above 0.40, see Figure 2). Per capita income grew by 2.9 percent in 2005 down from 3.8 percent in 2004.

Foreign direct investment has been sluggish indicating low investor confidence on the economic and political situation. Foreign direct investment in 2004 leveled off at US$ 1 billion, well below the US$ 3 billion to US$ 4 billion of other ASEAN countries. For the private sector, the investment climate is adversely affected by complicated procedures, high transaction costs, infrastructure constraints, uncertain regulation, weak financial intermediation and growing competition among neighboring countries for foreign direct investment (FDI) (Amer-

Figure 2: GINI in the Philippines 1985-2005



Source: World Bank Indicators. See http://www.tradingeconomics.com/philippines/gini-index-wb-data.html

ican Chamber of Commerce of the Philippines 2004). Among the top investors in the country are the United States America, Japan, China and the Netherlands.

2.5 Government Expenditure

Since 2003, the Congress passed a re-enacted budget.[3] The legislated re-enacted budgets mainly comprised the primary obligation of the national government which are debt servicing and maintenance of the government bureaucracy. The bulk of the government's debts went to debt servicing in large, unprofitable public enterprises, especially in the energy sector. Only about an average of 15 percent of total expenditures was allocated to the improvement of infrastructures and delivery of social services. The Philippines' external debt against GDP was one of the highest amongst developing countries.[4]

The government has considered adopting measures to deal with huge deficits and to source new funds for government for infrastructures, for example, cutting its sovereign bond offering. 2007 the government has approved the reduction in the offshore bond issuance plan and decided to tap cheaper official development assistance loans and domestic borrowings. The government also plans to source a much bigger portion from ODA assisted program and project loans which have lower interest rates and longer repayment terms rather than the more expensive commercial borrowings (Dumlao 2006). 2009-2012 the public borrowing in percent of GDP went down (see Table 5).

2.6 Health

Estimated life expectancies at birth in 2005 were 68.72 and 74.74 for males and females respectively (2011 est.).[5]

Official estimate on the infant mortality rate was about 19.34 for every 1,000 live births (2011 est.) which shows a better picture compared with the rate of 36 ten years earlier.

Much of the country's population resides in thousands of dispersed rural villages. Local midwives and community health workers therefore play an important role

3 A re-enacted budget means that mandatory expenditures of debt service, personnel expenses and internal revenue allotment for the previous years are carried on and adjusted for requirements in the ensuing budget year. The President of the Philippines as provided by the Constitution reallocates line item amounts budgeted in the previous years for projects that are completed or for other reasons do not require the funds in the following year.

4 Bangko Sentral ng Pilipinas

5 http://www.indexmundi.com/philippines/life_expectancy_at_birth.html

Table 5: Public Budget Philippines, 2009-2012

Particulars	Levels (In Billion Pesos)				As Percent of GDP			
	2009 Actual	2010 Preliminary	2011 Revised	2012 BESF	2009 Actual	2010 Preliminary	2011 Revised	2012 BESF
Public Sector Borrowing Requirement	**(329,852)**	**(383,111)**	**(329,682)**	**(317,738)**	**(4.1)**	**(4.3)**	**(3.3)**	**(2,9)**
National Government	(298,532)	(314,458)	(300,000)	(286,000)	(3.7)	(3.5)	(3.0)	(2.6)
CB Restructuring	(8,759)	(7,689)	(6,095)	(6,081)	(0.1)	(0.1)	(0.1)	(0.1)
Monitored Government-Owned and Controlled Corporations (GOCCs)	(19,300)	(71,007)	(42,035)	(28,031)	(0.2)	(0.8)	(0.4)	(0.3)
Adjustment in Net Lending and Equity to GOCCs	(3,261)	9,927	18,449	2,373	(0.0)	0.1	0.2	0.0
Other Adjustment	–	0.116	–	–	–	0.0	–	–
Other Public Sector	**89,706**	**20,285**	**88,265**	**83,755**	**1.1**	**0.2**	**0.9**	**0.8**
SSS/GSIS/PHIC	44,500	39,268	39,160	30,873	0.6	0.4	0.4	0.3
Bangko Sentral ng Pilipinas (BSP)	(0,168)	(63,722)	1,000	1,000	(0.0)	(0.7)	0.0	0.0
Government Financial Institutions	10,800	7,939	11,190	11,577	0.1	0.1	0.1	0.1
Local Government Units	34,695	33,525 *	36,915	40,305	0.4	0.4	0.4	0.4
Timing Adjustment of Interest Payments to BSP	(0.328)	0.395	–	–	(0.0)	0.0	–	–
Other Adjustment	0.207	2,880	–	–	0.0	0.0	–	–
Consolidated Public Sector Surplus/(Deficit)	**(240,146)**	**(362,826)**	**(241,417)**	**(233,984)**	**(3.0)**	**(4.0)**	**(2.4)**	**(2.1)**
Nominal GDP (in billion pesos)	8,026.143	9,003.480	9,932.508	11,011.181				

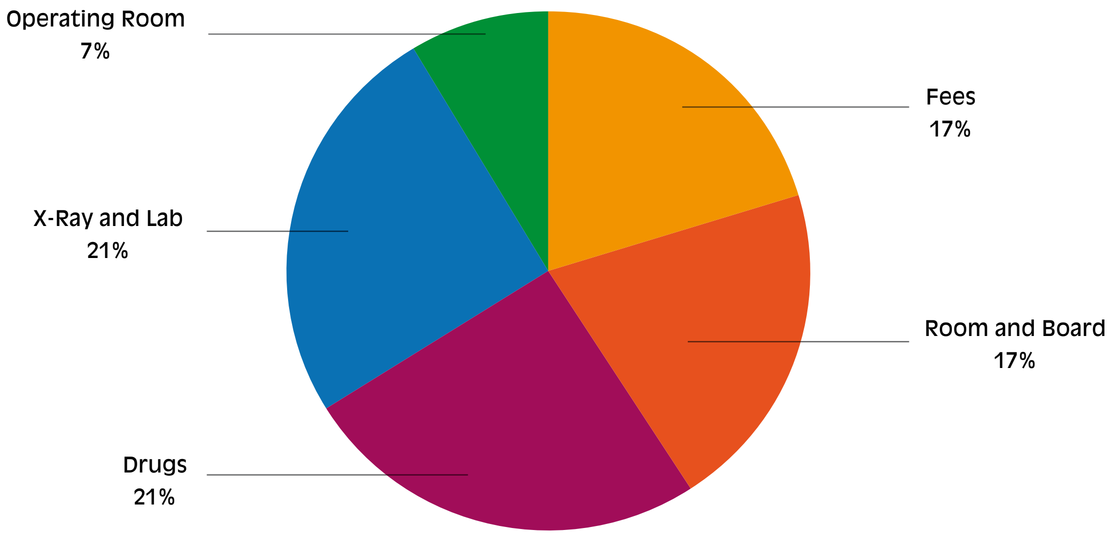
Source: Department of Finance (2012) * 2010 Preliminary Actual

Table 6: Health Expenditure in Selected Countries, 2006

	Total Expenditure on Health as % of GDP	Government Expenditure on Health as % of total health exp.	Per Capita total Expenditure on Health (ppp in US$)	Per Capita Gov. Exp. on Health (ppp in US$)	GDP per Capita (ppp in US$)
Indonesia	2.1	5.1	78.0	36.0	3,990.0
Malaysia	4.2	7.0	454.0	203.0	14,225.0
Philippines	3.3	5.5	199.0	72.0	3,539.0
Thailand	3.5	11.3	323.0	207.0	8,379.0
Vietnam	6.0	5.1	221.0	57.0	2,774.0
Avarage	3.8	6.8	255.0	115.0	6,581.4

Source: NSCB, PhilHealth

Figure 3: Expenditure Structure of PhilHealth



Source: Phil Heath

in birth deliveries in addition to that played by doctors in the hospitals and clinics. About 68 percent of births were attended by skilled health staff, about 27 percent by trained midwife and about 4 percent by untrained hilots (traditional birth attendants/TBAs, who are oftentimes untrained or unskilled) from the villages (NEC-DOH). Among the poor about 21 percent of births were attended by skilled health staff compared to 92 percent in the richest quintile (WB).

Maternal mortality ratio (deaths of women from pregnancy-related causes per 100,000 live births) has decreased from 209 in 1990 to 150 in 2010 (NSCB).

If we compare the Philippines to similar countries in the region, it can be seen that even taking into account different GDP levels health expenditure in percent of GDP in the Philippines is among the lowest (Table 6). This corresponds to the findings of the "ADB social protection index"[6]. On the other hand, coverage is among the best. Total expenditure on the mainstream programs of PhilHealth in 2008 was around PHP 21.3 billion (US$ 450 million). The reserve that PhilHealth accumulated, amounted to about PHP 50 billion (US$ 1.1 billion)/PHP 90 billion (US$ 2 billion) total assets, which is more than two/four annual incomes. If we look at the total health expenditure in the Philippines, we see that PhilHealth plays a relative subordinate role (see Table 7) with out of pocket payments (OOP) representing around 48 percent of the total expenditure.

This shows that there is still room for expanding PhilHealth financing. The average support value of PhilHealth benefits (meaning the average percentage of the amounts of medical bills reimbursed) is higher in some provinces; it is lower in secondary level facilities and in Metro Manila.

The reason for this is that the PhilHealth benefits are capped and there are no efficient cost controls in place.

6 The study showed that the level of social protection in the Philippines is below the average of Asia. Indicators were Social Protection expenditure as share of GDP, coverage, distribution of benefits and level of benefits. See Baulch, Weber, Wood: Social Protection Index for Committed Poverty Reduction. Volume 2: Asia. Manila 2008.

Table 7: Health Expenditure Structure in the Philippines

	2005
National Government	16%
Local Governments	13%
Philhealth	11%
OOP	48%
Private Insurance	2%
HMOs	4%
Employers	3%
Privat Schools	1%
Others	1%
Total	**100%**

Source: WHO 2008

This means that maximum amounts are paid depending on the level of the facility (primary up to tertiary) and the diagnosis. These maximum amounts rarely cover the actual medical bill.

2.7 Poverty and Inequality

Under the Social Reform and Poverty Alleviation Act, the poor are defined as those families and individuals whose income falls below the poverty threshold and who cannot afford to provide for their minimum basic needs in a sustained manner.

Poverty thresholds (or poverty lines) are determined annually for urban and rural areas to provide both for food requirements and other basic needs. Nationally, the 2009 poverty threshold was set at PHP 16,841 (which is still valid), of which 67 percent was intended for sustaining food needs and the balance of 33 percent was for other basic needs. In urban areas, the poverty threshold was a bit higher than in rural areas. The impact of inflation on incomes is important. People who had managed to make ends meet in one year had to earn 5-6 percent more income the following year to remain above the poverty line.

Table 8: Poverty Incidence Philippines

	Poverty incidence among families		
Region	2003	2006	2009
Philippines	**20.0**	**21.1**	**20.9**
Caraga	37.6	36.9	39.8
ARMM	25.0	36.5	38.1
Region IX	40.5	34.2	36.6
Region V	38.0	36.1	36.0
Region VIII	30.2	31.1	33.2
Region X	32.4	32.7	32.8
Region VII	32.1	33.5	30.2
Region XII	27.2	27.1	28.1
Region IV-B	29.8	34.3	27.6
Region XI	25.4	26.2	25.6
Region VI	23.5	22.1	23.8
Region I	17.8	20.4	17.8
CAR	16.1	18.6	17.1
Region II	15.2	15.5	14.5
Region III	9.4	12.0	12.0
Region IV-A	9.2	9.4	10.3
NCR	2.1	3.4	2.6

Source: NSCP Official Poverty Statistics, 2009

Despite the low rates of GDP per capita increase over the last 20 years, and perhaps reflecting the impact of remittances on household incomes, poverty rates in the Philippines substantially reduced between 1985 and 1997 in both urban and rural areas. Poverty has continued to remain higher in rural areas; and the gap appears to be widening. In all years, poverty in the National Capital Region (Metro Manila) has been substantially less than in other urban areas of the country. The poverty trend since 1997 is harder to estimate owing to changes in the methodology consequent revision of the 2000 estimates.[7]

7 See www.adb.org/Documents/Books/Poverty-in-the-Philippines/executive-summary.pdf, and http://www.worldbank.org.ph/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/PHILIPPINESEXTN/0,,menuPK:332992~pagePK:141132~piPK:141107~theSitePK:332982,00.html.

The general situation appears to be that poverty rates are again decreasing following a significant rise between 1997 and 2000 following the Asian financial crisis. In 2009 there were 3.85 million poor families in the Philippines, which corresponds to about 20 percent of the population (see Table 8).

Given the country's high population growth rates and presence of a big proportion of poor people, the country has to make significant progress in poverty alleviation and undertake programs that protect the poor and the vulnerable.

3 Description of Social Protection in the Philippines

Unlike in most Asian countries, the term 'Social Protection' is known and used in the Philippines. In 2005, the National Anti-Poverty Commission (NAPC), a coordinating body for poverty reduction oriented programs, convened a consultation meeting with agencies. During that meeting a definition of social protection was proposed based around three elements and/or approaches: (i) management of risks and vulnerability; (ii) protection of the welfare of the poor and vulnerable, and (iii) improvement of their capacities to confront and deal with risks. Based on these, the following operational definition of social protection was proposed:

> *"Social protection constitutes policies, programs, and interventions that seek to reduce the susceptibility of the poor and vulnerable to risks: through the promotion and protection of livelihood and employment, improvement in their capacity to manage risks and their protection from disruption or loss of income, loss of welfare and diminished wellbeing."*

The management of risks implies the capacity to foresee, measure, deal/manage risks before and especially when it happens for both provider and recipient. Capacity constitutes organizational, financial and technical capabilities to carry out the management of risks with respect to providers or implementers such as government, local governments, firms, communities. Capacity on the part of the poor implies access to social protection instruments and information to better prepare them for any eventuality.

While the proposed definition of social protection in the Philippines is evolving, it is, in most respects, very similar to the definition adopted by ADB and World Bank, involving as it does the following categories of programs: labor market interventions, social insurance, social welfare and social safety nets. It should however be noted that micro-credit/finance schemes are also included in the ADB definition given their importance to the livelihoods of poor people in many Asian countries and involve a mobilization (if not direct transfer) of funds to individual households.

The majority of the information was gathered from the ADB Social Protection Index Study and related studies as well as from ILO Studies (Baulch et al. 2008).

3.1 Labor Market Programs

The Department of Labor and Employment (DOLE), in coordination with other agencies and private organizations, undertakes programs that could provide bridging or transition opportunities, especially to the vulnerable sectors to help them obtain productive and formal employment or livelihood.

The implementation and enhancement of labor market programs consist of capacity building, livelihood generation, employment assistance, scholarship grants for indigent families to pursue technical or vocational courses, and others. The most important of these programs are summarized in the following paragraphs.

3.1.1 Unemployment Benefits

The current situation in the Philippines is that workers, who lose their jobs, mostly (except GSIS-means public sector social insurance members) have no unemployment insurance. However, there is a variety of laws and benefits that give workers some kind of protection:

- Public employees can avail of a regular unemployment benefit from GSIS (50 percent of the average monthly compensation, maximum 6 months, see also GSIS Act in the attachment). This, however, is little known by employees and consequently hardly practiced. The condition is, however, that he or she at the time of separation is a permanent employee. To date, many public employees are on fixed term contracts, so they are not protected by this provision.

- Employers are obliged to pay for each year of contract one month of severance pay. This, however, is mostly practiced in the formal sector. Especially in the informal sector and in small enterprises (less than 10 employees), most employers tend to neglect this obligation.

- Formal sector employees can avail of a loan (80 percent of the savings) from PAG-IBIG Fund to bridge the period of unemployment. This, however, is only a substantial amount if workers have fulfilled a number of years of contract. In terms of optimal social policy outcomes, this is also limited.

- Formal sector employees can avail of a loan from SSS (maximum PHP 24,000) based on their pensions savings.

- All workers can avail of 3 months contribution-free health insurance (PhilHealth) coverage as long as they have paid their premiums.

- Unemployed workers can obtain assistance from PESO offices and from TESDA (job facilitation and training).

For the rest, most of the unemployed depend on family support if they have no savings or their own means. To lose a job in most cases also means a loss of regular income for the family.

3.1.2 The Public Employment Service Office

The Public Employment Service Office or PESO is a free of charge employment service facility initiated by the Department of Labor and Employment pursuant to Republic Act No. 8759 otherwise known as the PESO Act of 1999. The PESO facility has been established in many capital towns of provinces, key cities, and other strategic areas to expand the existing employment facilitation service machinery of the government particularly at the local levels. The PESO is maintained largely by local government units (LGUs) and a number of non-governmental organizations (NGOs) or community-based organizations (CBOs) and state universities and colleges (SUCs). The regional offices of the DOLE provide coordination and technical supervision among the PESO offices.

The PESO aims to provide timely and efficient delivery of employment service and information of other DOLE programs. It provides jobseekers/clients with adequate information on employment and labor market situation in the area; and networks with other PESOs within the region on employment for job information exchange purposes.

Employers are encouraged to submit to the PESO on a regular basis a list of job vacancies in their respective establishments, administer testing and evaluation instruments for effective job selection, training and counseling; conduct employability enhancement trainings/seminar, provide occupational counseling and other related activities.

Among the activities and events that PESO supports are jobs fairs, livelihood and self-employment bazaars, extend Special Credit Assistance for Placed Overseas Workers , Special Program for Employment of Students and Out-of-School Youth, Work Appreciation Program (WAP), Workers Hiring for Infrastructure Projects (WHIP) and other programs/activities developed by DOLE to enhance provision of employment assistance to PESO clients, particularly for special groups of disadvantaged workers such as persons with disabilities (PWDs) and displaced workers.

In 2010, some 1 million jobseekers were employed with the help of PESO. For the same year DOLE Central Office allocated PhP 10 million to support the various PESO activities. LGUs and other PESO supporters augmented the funds coming from the central office for the implementation of the various activities of PESO but the amount of this money at the local units could not be ascertained

3.1.3 Promotion of Rural Employment (PRESEED)

PRESEED, a centerpiece project of the DOLE, was developed in response to the limited wage employment opportunities in the rural areas. The program assists in job creation or expansion of livelihood projects from client development and training, to technical assistance and consultancy services. DOLE regional offices form partnerships with accredited partners like NGOs, private sector, private voluntary organizations, labor unions, cooperatives, local government units and others to implement the PRESEED project.

Individuals and organizations are eligible to participate in the program. The unemployed or underemployed, with family incomes below the poverty threshold and have passed entrepreneurial tests administered by the accredited partners and validated by the DOLE regional offices are eligible for participation.

Organizations that are interested to participate must have a legal constitution, demonstrate the attributes of a functional organization, e.g. conducting regular meetings, have at least a minimum amount of organizational funds to sustain the current operational level of its existing activities and projects (funds from dues, membership fees, and other income generating projects) and have at least two years of continuing experience in successful projects (SEPs), mobilization or any project – simple or complex – planning and implementation and evaluation.

For 2010, the number of jobs created by PRESEED amounted to 10,000.

3.1.4 Kalinga sa Manggagawa (Workers Microfinance Program)

This program aims to help workers fund livelihood projects for workers whether in private, public or informal sectors and their organizations. DOLE, SSS, GSIS, DBM and ECC have contributed PHP 25 million each to this facility for the workers.

Among the beneficiaries of the program are the displaced workers in the formal and informal sectors or those who are not employed or fully employed, workers with existing micro enterprise venture needing expansion, workers with no existing micro enterprise and have participated in a livelihood training. To participate in the program one must:

- Have at least one year residency in the area;
- The micro enterprise should have weekly or daily income;
- Must be 18-65 years old;
- One member per household can apply;
- Not presently employed or has no fulltime employment;
- No existing loan with MFI/PCFC;
- Household monthly income of not more than PHP 10,000 or below the poverty threshold.

For 2010, there were some 2000 beneficiaries of the program.

3.1.5 Kasanayan at Hanapbuhay (KasH)

KasH is a training and capacity building program for the vulnerable sector to help them graduate into more productive, or more formal employment or livelihood. It is an apprenticeship and employment program that provides a bridging mechanism for new entrants to the labor force by giving them the opportunity to acquire basic skills and work experiences needed by employers in hiring new employees.

The program matches jobseekers with available jobs and ensure that there are qualified skilled workers based on industry needs. Any unemployed person 15 years old and above can apply for apprenticeship with any participating enterprise that should be duly registered with appropriate government authorities and has ten or more regular workers. The enterprise shall accept apprentices of not more than 20 percent of its total regular workforce.

Apprenticeship programs run to six months. Many employers have been dissatisfied with the provision of the apprenticeship law (Executive Order 11) and proposed to amend the law to waive the apprentice allowance level of 75 percent of the minimum wage to what employers can realistically afford and to allow employers with less than ten workers to employ apprentices.

As at end November 2010 there were some 100,000 apprentices trained. The cost of partnering between the government and the various enterprises in 2010 could not be determined but was considered minimal.

3.1.6 Tulong Alalay sa Taong May Kapansanan

This program has been developed to assist in the integration of persons with disability in the mainstream of society through training and employment. Selected government and private training institutions would undertake training programs suited to their interests, potentials and circumstances to enhance the employability of persons with disabilities (PWDs). The PWDs have the option to choose from any of the following training areas: industrial skills, livelihood skills and entrepreneurship skills.

PWDs whose qualifications are suited for wage employment are referred to private companies or government agencies where job vacancies are made available for them. For this purpose, a skills pool of PWDs as well as list of prospective employers shall be maintained for quick reference. PWDs who are inclined towards self-employment shall be encouraged to set up their own self-employment projects either individually or in group. Technical as well as financial assistance shall be extended to them in coordination with government livelihood agencies and financing institutions and non-government organizations. No figures on the cost of assistance and other expenditures were provided.

3.1.7 Training Programs

The Technical Education Skills Development Authority (TESDA) is the national leader in technical vocational education and training (TVET). TESDA provides direction to the TVET in the country by setting standards and developing systems adopted in the sector. It also exercises technical supervision over the various public and private TVET providers, builds capacity of providers and provides scholarships and other student assistance programs to deserving beneficiaries.

One of the programs undertaken by TESDA is the Iskolar ng Mahirap na Pamilya (IMP) or the Scholar of Poor Family. The program provides financial assistance to one qualified child per indigent family to equip him with skills for employment. A Certificate of Educational Assistance (CEA) is issued to the head of the family giving him the right to decide whom to send among the children to post-secondary education. Said Certificate is accepted in any of TESDA administered institution for a two-year vocational technical course. One of the unique features of the CEA is that it has no expiry date and works like an educational voucher plan that can be used at the time it is needed for TVET. For SY 2005-2006, a total of 44 qualified scholars have been provided with financial assistance out of the TESDA budget.

The I-Care Program, also known as Invigorating Constituent Assistance in Reinforcing Employment, is designed to create jobs. Commencing early part of 2005, I-CARE works as financial sharing scheme between TESDA and the external partners to increase education and training funds for the latter's chosen beneficiaries. Partners in this program included legislators, LGUs, NGOs, industry associations and other TVET stakeholders. These stakeholders forged strategic partnerships with TESDA to address the specific skills requirements of unique job markets and locations.

Based on regional reports as of December 2005, the I-CARE Program generated fund commitments/pledges of PHP 232 million from legislators, LGUs, NGAs, NGOs and private sector partners. Breakdown of the amount is as follows: legislators committed 89 percent or PHP 207 million out of their Program Development Assistance Fund while LGUs, partners, and other organizations committed 11 percent or PHP 25 million. Funds will be allocated to:

- community based skills and livelihood training: 30 percent,
- scholarship assistance: 34 percent,
- infrastructure development: 30 percent,
- competency assessment and certification: 1 percent.

Absolute figures on the amount of realized pledges could not be obtained. An estimated amount of pledges realized for training, scholarship assistance and competency certification was 50 percent of the total. Allocation for infrastructure development could constitute about 30 percent and the remaining balance of 20 percent was unrealized or deferred to the following year.

3.2 Social Insurance Programs

3.2.1 Social Security Security System (SSS) and Government Service Insurance System (GSIS)

The social security mechanism in the Philippines has the following characteristics:

- Participation is compulsory for all formal sector workers and public employees.
- Benefit schemes are financed from contributory payroll taxes levied on both workers and public employees. Contributions are accumulated in special funds out of which benefits are paid. Any excess funds are invested to earn further income.
- In kind (health) benefits are capped.
- Cash benefits (and contributions as well) are directly related to the level of earnings and/or length of employment.
- A person's rights to benefits is secured by his or her record of contribution without any need of test of means, except for health care, where there is a means tested sponsored program.
- Retirement benefits are designed to meet "minimum income needs" and are paid (e.g. monthly) until death.

In the Philippines, three government agencies deliver social insurance. The Social Security System (SSS) provides social insurance benefits for those employed, self-employed and those who had retired from the private sector, private corporations or companies. Government Service Insurance System (GSIS), on the other hand, provides the same benefits for government employed and previous qualified members who had retired from public service. PhilHealth provides health insurance for all. Furthermore, there is an Employee Compensation Fund (EC) that provides medical service and rehabilitation in case of work accidents. Table 8 shows the distribution of sub-components of the social security system and institutional responsibilities.

Table 9: Benefits from Statutory Social Insurance Coverage

Benefits	Program Sources	
Short Term	**SSS Members**	**GSIS Members**
Sickness	PhilHealth	PhilHealth
Funeral	SS, EC	SI, OSI, EC
Maternity	PhilHealth	PhilHealth
Medical Service	EC	EC
Rehabilitation	EC	EC
Long Term	**SSS Members**	**GSIS Members**
Retirement	SSS	SI
Death	SS, EC	SI, OSI, EC
Desability	SS, EC	SI, EC

SS = social security; EC = employees' compensation;
SI = social insurance; OSI = other social insurance.

Membership in the GSIS and the SSS requires subscription or payment of monthly contributions based on income. All GSIS and SSS-registered employers and their employees are compulsorily covered under the Employees' Compensation program. An employer on behalf of his employees pays monthly contributions on Employees' Compensation for as long as the employee works for him. The obligation of the employer ceases when an employee is separated from employment or, if the employee dies during employment. When a covered employee becomes disabled during employment, his employer's obligation to pay the monthly contribution arising from the employment will be suspended during such months that he is not receiving salary or wages.

SSS has expanded its coverage to include self-employed members and workers in the informal sector. Self-employed includes the regular self-employed or those who

Table 10: Social Security System Benefits

Cover	Benefits
Sickness	The sickness benefit is a daily cash allowance paid for the number of days a member is unable to work due to sickness or injury.
Maternity	A daily cash allowance. The maternity benefit is paid only for the first four deliveries and miscarriages on or after May 24, 1997. Maternity benefit applies to complete delivery on or after March 13, 1973. The fifth delivery or miscarriage is no longer paid, even if the benefit had never been availed of in the previous deliveries or miscarriages.
Disability	The disability benefit provides a monthly pension and a supplemental allowance of PHP 500 paid to the total or partial disability pensioner.
Retirement	Monthly pension or lump sum to a member who can no longer work due to old age.
Death	The death benefit is cash paid to the beneficiaries of a deceased member. Monthly pension or lump sum to the beneficiary of the deceased member.
Funeral	Grant of PHP 20,000 to whoever pays the burial expenses of a deceased member or pensioner.
Employee Compensation	Medical and rehabilitation services, and cash income benefits to workers who suffer work related illness, or injury resulting in disability or death. Paid simultaneously with other applicable benefits.
Loans	Salary loans, calamity loans, educational loans and housing loans

operate businesses, farmers and fishermen, overseas contract workers and non-working spouses. The informal sector workers include unincorporated enterprises, that consist of both informal own account enterprises and enterprises of informal employers, labor relations are contractual and without employers. Groups classified as informal workers are those with irregular income, the underemployed, small vendors such as sidewalk vendors; cigarette, balut/egg and peanut vendors; watch-your-car boys, hospitality girls, tricycle operators and drivers, pedicab and jeepney drivers, and many more. It is estimated that depending on which definition is chosen about 55 percent of the workers are in the informal sector.

The Department of Labor and Employment together with the Philippine Savings Bank, Development Bank of the Philippines and accredited banks implement the program for informal workers. The program is known as the DOLE Social Protection Program for the workers in the informal sector. The informal sector refers to the households that are unincorporated enterprises consisting of both informal own account enterprises and enterprises of informal employers. The informal sector operates with a low level of organization. There is no division between labor and capital as factors of production and labor relations are based on casual employment, kinship or personal and social relations rather than formal or contractual arrangements. To enroll in the program informal workers should be a member of an association or organization; should register with SSS; and should pay a premium monthly through any of the SSS accredited banks.

As of 2010, there were a total of 50,000 informal workers enrolled in Social Security System, most of them in PhilHealth, 600 in PAG-IBIG and some in Philippine National Red Cross. Private partners like the San Miguel Corporation Polo Brewery and Asahi Corporation have been tapped as cooperators.

SSS directly administers two programs:

- Social security (SS) which includes maternity, disability, retirement, death and funeral services. It provides replacement income in times of death, sickness, disability, maternity and old age.

- Employees' compensation (EC) which includes medical services, rehabilitation services and income cash benefit beginning on the first day of disability or sickness, permanent total disability, medical services and appliances.

Table 10 summarizes the benefits granted by these programs while Table 10 gives the total number of members and annual expenditures for 2003 to 2005.

Table 11: SSS Membership and Expenditures, 2003-2005

Membership	2005	2011
Employees	20,835,897	20,009,890
Self-Employed	5,391,739	5,780,998
Expenditure (million PHP)	**2005**	**2011**
On Benefits	46,269.8	82,000*
Operating Expenses	5,638.4	7,300*

Source: SSS * SSS Estimates

Table 11 shows the membership and expenditures of SSS. What is interesting is that in spite of a substantially grown expenditure on benefits and an increase of the labor force the number of members has stagnated.

The GSIS is composed of 1.6 million active members who are employed with the 10,000 government offices nationwide. There is a total of 250,000 pensioners, those who had reached the age of 60 and those who had retired due to disability.

3.2.2 Loans and Pension Program

In addition to GSIS regular social insurance programs, it administers a pension program which is the newest loan window for the elderly and the disabled pensioners. Qualified retirees under Republic Act 660, Presidential Decree 1146 or Republic Act 8291 are granted the opportunity to borrow one to six times the amount of their monthly pension but not exceeding PHP 100,000.

The loan window is open to old age and disability pensioners who do not have any outstanding stock purchase loans, at an interest rate of 8 percent per annum. The monthly amortization is paid in 12 or 24 months through auto-matic deduction from the regular pensions. Loans may be renewed after full payment. The program was created in 2001 as a loan facility that will answer the needs of pensioners who become unwilling victims of usurious lending. For this type of loan, the GSIS lends an amount of over PHP 1 billion, a doubling of pension loans released in two years owing to the improved loan processing time.

3.2.3 Health insurance

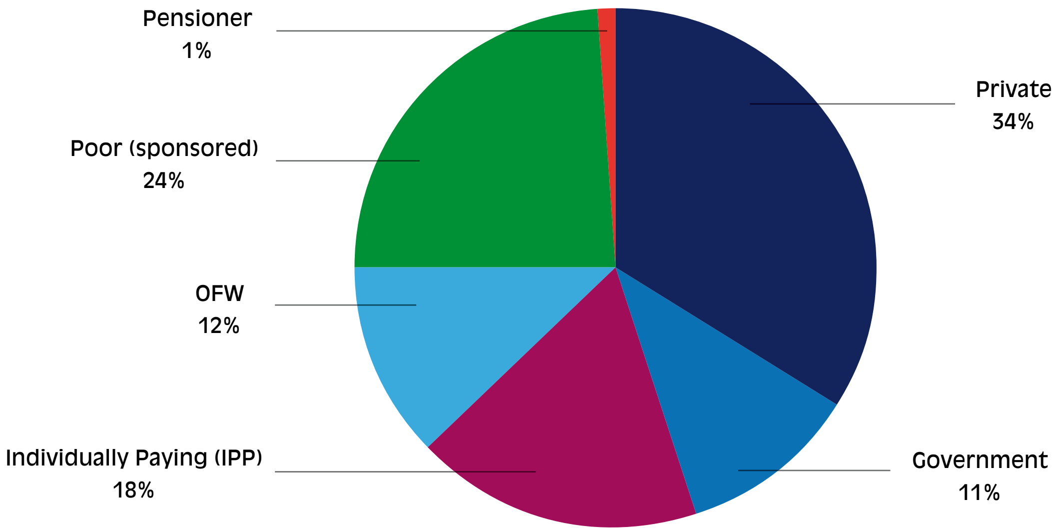
The Philippine Health Insurance Corporation or PhilHealth, a government agency, implements the National Health Insurance Act of 1995 (Republic Act 7875) through the National Health Insurance Program (NHIP). NHIP replaced and improved the old Medicare Program introduced 23 years earlier. Its mandate is to provide all citizens with the mechanism to gain financial access to health services, in combination with other government health programs.

Under the National Insurance Act all citizens of the country are required to enroll in the NHIP to become PhilHealth members to avoid adverse selection and social inequity. Members are assigned with a permanent and unique PIN or PhilHealth Identification Number. There are several categories of members (see also Figure 4):

- Employees (private sector and Government), who are compulsory members, contributions being paid half by the employer (PHP 100-750 per month);

- Individually paying members (IPP), mainly self employed and informal sector, who are voluntary members

Figure 4: PhilHealth Membership Structure



Source: PhilHeath

and have to pay 100 percent of the contribution (PHP 1,200 per year);

- Sponsored members, the poor, for whom the contribution 100 percent is paid by the state;
- Overseas Filipino Workers (OFW), (PHP 900 per year);
- Retirees over 65, who are enrolled free of charge if they have at least 120 months prior enrollment;
- Family members, who are insured with the members free of charge.

In the context of this study it is important that people the moment they get unemployed lose their PhilHealth entitlement unless they do become IPP and pay the contribution on their own. There is no cushioning like special transition regulations for people getting unemployed. (Usually the employees keep their membership for three months as the contributions paid entitle for three months).

To date total coverage is estimated to be around 66 percent of the population, where the coverage in the formal sector is close to 100 percent[8] and in the informal sector around 50 percent (see Table 12). Coverage varies very much according to regions and is highest in Manila and lowest in ARMM (Muslim Mindanao, see Table 13). Comparing the different population groups, coverage is the lowest in the group of the informal sector non-poor (individually paying members). The formal sector includes about 45 percent of the population in the Philippines and is covered by PhilHealth already.

The informal sector can be divided into:

- Those being part of the informal sector, but not poor (app. 30 percent of the population and 12 percent Phil-

8 There are no exact estimates as to in how far compulsory membership is enforced. There are estimates that there is an evasion of about 10 percent. This is why coverage rate is estimated with 90 percent.

Table 12: Enrolment 2008 and Target (estimates)

	% of Pop.	% Coverage of Sector	Coverage in % of Total Pop.	Target Coverage of Sector
Formal Sector	45.0	90.0	40.5	97.0
Informal Sector	55.0	49.1	27.0	75.0
IPP	30.0	40.0	12.0	
Sponsored	25.0	60.0	15.0	
Total	**100.0**		**67.5**	**84.9**

Source: PhilHealth, own estimates[9]

Health insured). They become members of PhilHealth on a voluntary basis through the Individually Paying Program (IPP). Presently 40 percent of the IPP targeted population is covered.

■ Those being part of the informal sector and poor (app. 25 percent of the population and 15 percent PhilHealth insured). PhilHealth should automatically cover these people with the national government and local government units (LGU) jointly paying their contributions (Sponsered Program). Presently 60-70 percent of the SP target population is covered.

Benefits include:

■ Inpatient coverage. PhilHealth provides subsidy for room and board, drugs and medicines, laboratories, operating room and professional fees for confinements of not less than 24 hours.

■ Outpatient coverage. Day surgeries, dialysis and cancer treatment procedures such as chemotherapy and radiotherapy in accredited hospitals and free-standing clinics.

Table 13: Coverage According to Regions, January 2009

	Population Estimates	2009 PHIC	Coverage %
NCR/Rizal	14,233,782	11,016,510	77.4
CAR	1,686,419	1,180,410	70.0
I	5,195,502	3,211,049	61.8
II	3,445,319	1,534,779	44.5
III	10,096,469	7,316,337	72.5
IV-A	7,011,690	5,640,704	80.4
IV-B	5,173,708	3,410,828	65.9
V	5,758,872	2,917,742	50.7
VI	7,646,953	4,672,104	61.1
VII	7,007,267	4,325,775	61.7
VIII	4,444,267	2,067,328	46.5
XI	3,395,066	1,721,204	50.7
IX	4,301,925	4,140,594	96.2
XI	4,527,594	3,320,508	73.3
XII	3,766,897	2,893,900	76.8
Caraga	2,578,332	1,596,715	61.9
ARMM	3,743,137	1,317,503	35.2
Total	**94,013,199**	**62,283,990**	**66.3**

Source: PhilHealth

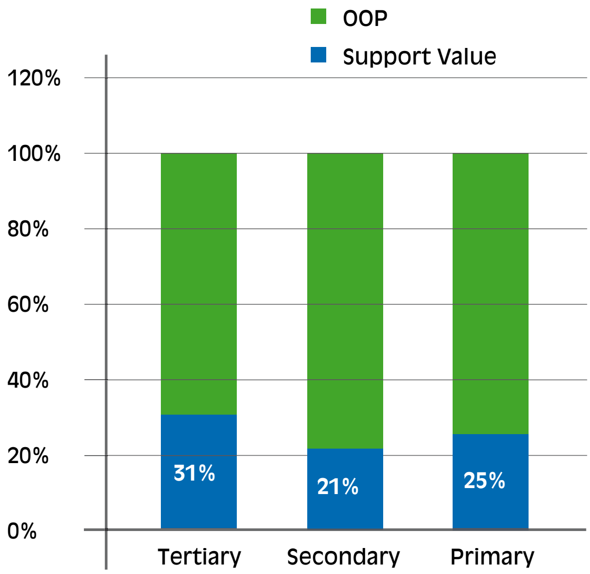
■ Special benefit packages. Coverage for up to the fourth normal delivery, Newborn Care Package, TB treatment through DOTS, etc.

Benefits are capped with maximum amounts depending on the severity of the diagnosis, level of hospital and type of benefit.

In May 2009, PhilHealth with GTZ support carried out a study in region 8, in order to get figures about drugs bought outside the hospital, parallel Professional Fees payment, etc. The results showed that the support value is 27 percent on average, around 50 percent in government hospitals and 20 percent in private hospitals. Looking at the different care levels, Figure 5 shows

9 The membership data is from PhilHealth. Data missing was estimated based on population data and summing up to 100 percent. The information on coverage is diverging. PhilHealth speaks of over 80 percent coverage. The President in his 2010 SONA spoke of 60 percent.

Figure 5: Comparison of Support Values between Hospital Categories (Based on Pilot Test Conducted in PhRO VIII



Source: PhilHealth/GTZ 2010

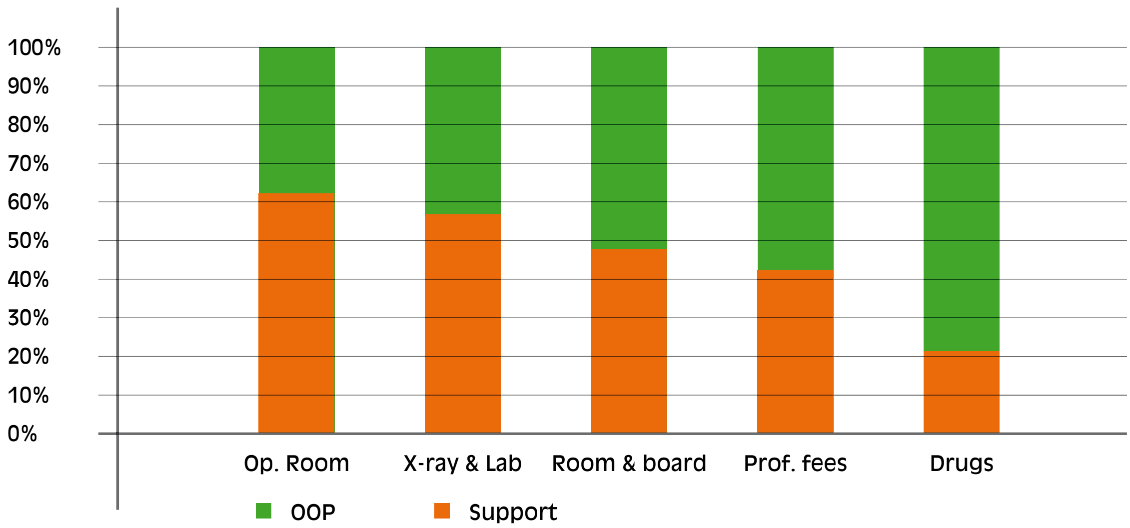
that the support value is highest in tertiary hospitals and lowest in secondary facilities. If we look at the different benefit types, Figure 6 shows that the support value is lowest in drugs and professional fees.

Providers normally are not bound to a fee schedule though PhilHealth since many years makes efforts to control prices and quality (though contracting). Some providers though, according to anecdotal evidence adjust their prices to the ability to pay of the patients. But in general a fact is that people who are not able to pay the part that exceeds PhilHelath reimbursement, get no treatment.

The problem mainly arises through the existing system of provider relations. Ideally a social health insurance contracts and directly and completely reimburses providers. The PhilHealth payments corresponding to the costs for "room and board", "professional fees" and "drugs and investigations purchased in the hospitals" are directly paid to the hospitals bank accounts (PhilHealth share). And the hospitals deduct those amounts from the patient payment upon discharge.

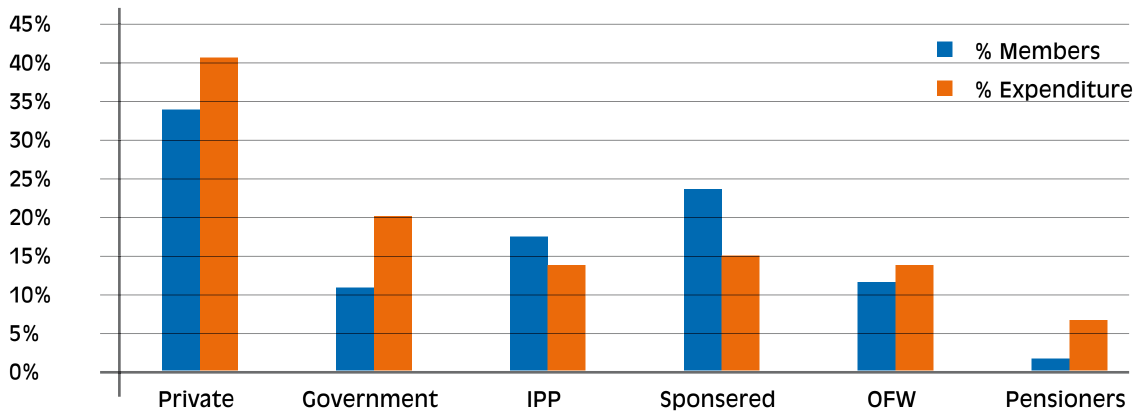
For drugs purchased outside the hospital, the members send a separate claim to PhilHealth but the amounts are much smaller than the ones observed in the third party payment system. Even though PhilHealth reimburses the provider directly, the exceeding part is paid cash by the patient. This leads to the situation that the patient is a financial buffer between provider and health insur-

Figure 6: Support Values of Different Benefit Items



Source: PhilHealth

Figure 7: Relative Consumption



Source: PhilHealth

ance and in the end has to bear the risk of pricing. In absence of binding fee schedule it would also not be a solution to lift the cap on PhilHealth benefits as providers may raise their fees at the moment they get aware that patients get higher reimbursement

Another problem in the Philippines is the high level of confinement. Many medical procedures, especially surgical ones are done in hospitals keeping patients hospitalized for some days though the procedures could be done on an outpatient basis. PhilHealth supports this through its benefit scheme, which mainly reimburses hospital bills but no outpatient. It could be evaluated if under certain conditions it would not be appropriate to reimburse outpatient surgery for example if this avoids confinement.

One might wonder why in spite of the fact that the poor are covered free of charge there is no 100 percent coverage of the poor population. There are various reasons for this:

- Even if the premium is covered 100 percent, there is still a large copayment because the benefits have a low support value. Poor people cannot afford the exceeding part and thus see no benefit in a registration, even if it is free. This might be also a reason for the low relative consumption (see Figure 7).

- Local Government Units are supposed to pay a share of the costs of the premium for the poor (between 10 percent and 90 percent). Many LGUs do not comply with their obligations.

- There are problems with the identification of the poor (which is the task of the LGUs), the current means test being not efficient and fraud happening and LGUs not making enough efforts to register the poor. The cards are also used politically by the LGUs within a patronage system:

> *"You vote for me, I give you the card, whatever your level of income".*

- There is low awareness about the possibility of free membership among the poor.

If the LGU is poor, e.g. category 6, then it will have to pay 10 percent of the PHP 1,200 contribution = PHP 120. But at the same time, the same LGU gets a PHP 300 subsidy from PhilHealth as capitation payment for the Sponsored member to benefit from outpatient care in the Rural Health Unit (RHU). Result is that the LGU is making a PHP 180 profit for every sponsored card. But it can keep that money for other purposes (no legal way to force LGUs to spend that money in buying drugs for the RHU for example).

Table 14: Development of 4P, 2007-2011

	Years				
	2007	2008	2009	2010	2011
Budget (In PHP)	50.0 mio	298.5 mio	5.0 bio	10.0 bio	21.2 bio
Number of Target Beneficiaries/Households	6,000	20,000	321,000	1 mio	2.3 mio

Source: DSWD Presentation to the Senate Committee on Finance, SEPO (2011)

In order to boost coverage among the sponsored members and the IPP, basically PhilHealth should increase the support value, raise awareness and secure funding.

3.3 Social Assistance and Welfare Programs

The Department of Social Welfare and Development, the key government agency involved in providing social assistance to the disadvantaged and the vulnerable sector, implements programs that cater to the short term needs of labor and rural sector when they face shocks and sudden disruption of income caused by disability, disasters and the like. Key programs are described below.

3.3.1 Pantawid Pamilyang Pilipino Program (4Ps)

The 4Ps is one of the more comprehensive programs in Asia. It was started only in 2008. The 4Ps is a means-tested CCT program following the model of Latin America, especially in Brazil and Mexico. The 4Ps provides grants to poor families, particularly to improve the health, nutrition, and education of children aged 0-14 years. It aims at short-term poverty alleviation and to break the intergenerational poverty cycle through investment in human capital.

The specific features of this program are (i) regional targeting combined with proxy means test, and (ii) conditionality and grants that are uniform but depend to some extend on the household size.

The program is targeted at the Philippines' poorest households, which are selected through a three-step means test.

- **Step 1: Regional targeting at the provincial level.** The country's 20 poorest provinces are selected based on the family income and expenditure survey. In addition, the poorest provinces in each of the six regions are included. Nine target cities are selected: five in the National Capital Region, two in the Visayas, two in Mindanao, and one city in the Cordillera.

- **Step 2: Regional targeting at the municipality level.** The poorest municipalities in the above mentioned provinces are selected based on small area estimates and on the family income and expenditure survey.

- **Step 3: Household-level targeting.** The poorest households in the above-mentioned areas are selected based on a computerized ranking system and proxy means test. The means test uses criteria such as ownership of assets and appliances, type of housing unit, level of education attained by the household heads, and access to water and sanitation facilities. Community assemblies are conducted to finalize the selection process in the communities.

In 2011, 2.3 million households were identified through means testing.

The beneficiaries receive two types of grants:

- PHP 6,000 (US$ 130) per year or PHP 500 (US$ 11) per month per household independent of the number of household members and the number of children for covering health and nutrition expenses; and

- PHP 3,000 (US$ 65) per school year (10 months) or US$ 6.5 per month per child for covering education expenses, for a maximum of three children.Thus, a household with three children can receive PHP 1,400 (US$ 31) per month or PHP 15,000 (US$ 372) per year.

To avail of the benefits, the families have to comply with conditions:

- Pregnant women must avail of pre- and postnatal care. The birth must be attended by a professional birth attendant.

- Parents or guardians must attend qualified parenthood sessions, mother's classes, and parent effectiveness seminars.

- Children 0-5 must receive regular preventive health checkups and vaccinations.

- Children 3-5 must attend day care or preschool classes at least 85 percent of the school days.

- Children 6-14 must enroll in elementary or high school and attend at least 85 percent of the school days.

- Children 6 – 14 must take deworming pills every 5 months.

The cash grant is paid quarterly through a major bank in the Philippines (the Landbank) or authorized rural banks using a cash card. The intention is for "the most responsible person in the household" to receive and manage the cash.

Where there are no ATMs and cash provision through card is not possible, over-the-counter payment is permissible. The households will receive the cash grant for a maximum of five years.

The program is managed through the Department of Social Welfare together with an advisory council composed of representatives from the Ministry of Education, Ministry of Health, Department of Local Government, and local government. Compliance with conditions is monitored by the municipalities. Noncompliance will lead to suspension of the cash grant.

The program is monitored by a private sector committee. There are grievance committees at municipal, regional, and national levels to ensure proper implementation and transparency.

A budget of PHP 10 billion per year has been allotted for this program (assuming about 700,000 beneficiary families).

3.3.2 Senior Citizens Medicine and Food Discounts

With the implementation of the law covering senior citizens, the Republic Act 7432, senior citizens aged 60 and above, whose income fall below PHP 60,000 per annum are entitled to certain benefits as follows:

- free medical and dental services in government establishments;

- exemption from payment of individual income taxes;

- 20 percent discount in the purchases of medicine from drugstores;[10]

- 20 percent discount from all establishment relative to utilization of transportation services, hotels and similar lodging establishment, restaurants and recreation centers; and

- 20 percent discount in admission fees charged by theaters, cinema houses, concert halls, circuses, carnivals and other similar places of culture, leisure and amusement.

[10] Mercury Drug, a leading drug chain store, has served thousands of senior citizens with extended 20% discounts for medicines under this program.

Owing to the way that these subsidies are delivered, i.e. at point of service/purchase, it is not possible to provide an overall estimate of their monetary value.

3.3.3 Rehabilitation Centers (AVRC and NVRC)

DSWD runs several centers that provide rehabilitation programs and services to persons with disabilities (PWDs) and other special groups. Services are also rendered for the elderly and dependents of PWDs to enable them to live a useful and satisfying life. There are three AVRCs in the country. These are located in Regions I, VII, IX. The NVRC is in Project 4, Quezon City under DSWD-NCR. The following centers provided training to 1229 persons with disabilities in 2005, broken down as follows:

- NVRC: 635 PWDs,
- AVRC Region I: 220 PWDs,
- AVRC Region II: 222 PWDs,
- AVRC Region III: 81 PWDs,
- Center for Handicapped: 71 PWDs.
- In addition, 741 children and youth with disabilities were provided with educational and vocational training.

3.3.4 The Social Amelioration Program (SAP)

DOLE assists the sugar workers under the aims to augment the income of sugar workers and to finance socio-economic programs to improve the livelihood and well-being of the sugar workers. Cash bonuses are distributed to covered workers and maternity and death benefits and socio-economic projects are financed by funds derived from related liens and interest earnings of the SAP.

SAP also includes the Sugar Workers Death Benefit program, a financial assistance to defray the cost of funeral and related expenses payable to the beneficiaries of the deceased covered sugar workers. It is funded out of the 5 percent of the liens collected per picul of raw sugar program. The program is implemented in the Visayas, one of the three major islands of the Philippines.

3.3.5 Disaster/Emergency Relief

In terms of response to displaced families due to calamities or other forms of emergencies the government has introduced the Emergency Housing Assistance Program. The program addresses the need of families rendered homeless due to natural calamities or man-made disasters. This entails the provision of temporary shelter and evacuation centers for immediate relief of the affected families, the provision of home materials assistance for housing reconstruction, and the development of new settlements for permanently displaced families.

GSIS administers a loan program for all active members or those who are still in service. Emergency loan assistance is granted as a one-time financial assistance package to all GSIS active members to help them pay tuition fees of their children and dependents. Educational Assistance Loans reached about PHP 45.5 million in 2003 and PHP 48.7 million in 2002. Calamity Loans are granted to active members affected by typhoon, earthquake and or disaster. In 2003 and 2002, the GSIS provided about PHP 1.9 billion per year for this type of loan. In 2005, the disbursements to victims of natural calamities amounted to PHP 39.92 million. The GSIS reported that in 2005, the total of 31,503 loan releases reached the One Billion Peso mark, doubling the releases in just two years.

The Home Development Mutual Fund (HDMF), another housing agency, provides financial assistance (loans) to PAG-IBIG members who are victims in calamity-stricken areas. Members must have made at least 24 monthly contributions, are actively paying contributions at the time they apply for a loan, and are committed to continuously remit contributions for the term of the loan to be eligible. The majority of the PAG-IBIG members are employed and do not belong to low income families.

3.3.6 The Philippine Charity Sweepstakes Office (PCSO)

PCSO extends assistance to indigents through programs like PCSO individual medical assistance programs, endowment program, charitable institutions, supplemental feeding program, and greater Medicare access. The Philippine Charity Sweepstakes Office (PCSO) is the principal government agency for raising and providing funds for health programs, medical assistance and services, and charities of national character. The PCSO holds and conducts charity sweepstakes, races, and lotteries and engages in health and welfare-related investments, projects, and activities to provide for permanent and continuing sources of funds for its programs. It also undertakes other activities to enhance and expand such fund-generating operations as well as strengthen the agency's fund-management capabilities.

The PCSO is also engaged in various social welfare and development programs. The main programs of the agency are as follows: endowment fund/quality health care program, individual medical assistance program, community outreach program, ambulance donation program, national calamity and disaster program, and hospital renovation and improvement of health care facilities. Also, the agency makes mandatory contributions to government agencies to assist them in their various social projects as well as regular quarterly and monthly contributions to charitable institutions engaged in giving welfare services to the children and youth who are either abandoned or exploited, the elderly, and the physically and mentally handicapped, among others.

In 2005, PCSO gave out PHP 15.6 million as aid to calamity victims, PHP 1.1 billion for medical assistance and PHP 41,000 as assistance to charitable institutions.

3.3.7 The Tindahan Natin

This project (translated as Our Store) provides low-priced but good quality rice and noodles through a store jointly identified and endorsed by the DSWD, the local government units, the barangay council and subsequently accredited by the National Food Authority. The barangay[11] officials keep a masterlist of the names of residents and their allowed weekly allocation of rice and noodles. The project started in 2006 and now covers about 49 areas. The DSWD plans to expand the project and has proposed under the 2007 budget to fund 7,725 Tindahan Natin operators that are expected to benefit 1.9 million families with improved food security. As this program commenced mid 2006 it will not be included in the computations for this study.

3.3.8 Other Social Assistance Programs

Protective Services of Persons in Especially Difficult Circumstances: the project received funding assistance amounting to PHP 331.5 million from UNICEF. Pilot sites are in Regions I, VII, IX, XII, NCR. Those benefited were mostly women who were physically abused, victims of sexual abuse, victims of armed conflict, victims of illegal recruitment, and children who were victims of rape, incest, acts of lasciviousness and victims of prostitutions. The exact number could not be determined as several agencies are involved in this program.

Other social assistance programs are targeted to the disadvantaged and the vulnerable, e.g. children and youth who are either abandoned, exploited or abused, the elderly and the physically and mentally handicapped, persons in especially difficult circumstances. Of note are the school feeding and free milk programs for grade 1 students (mostly about six to seven years old) designed to both reduce school absenteeism and improve nutrition. This program is described under the section on Child Protection. There are also subsidies to treat and rehabilitate drug dependents youth and others.[12]

11 Barangays or villages are the smallest political units

12 The programs targeted at children are described in section F below.

3.4 Micro Programs

3.4.1 The Kapit Bisig Laban sa Kahirapan (KALAHI-CIDSS)

The KALAHI-CIDSS is DSWD's centerpiece social development project that empowers the poorest barangays to plan, implement and manage their own community projects like roads, water systems, electrification and other infrastructure projects in the poorest communities. Funding comes from government contributions (approximately 30 percent) and the World Bank (70 percent).

The project targets the poorest 25 percent of municipalities in the 42 poorest provinces in the country. The project also employs interventions geared towards providing security and protection for the poor, and identified vulnerable groups, including victims of armed conflict, as well as communities and individuals that lack access to basic social services. At completion in 2009, KALAHI-CIDSS is expected to have provided assistance to 4,270 poor communities in 177 municipalities.

Kalahi currently operates in 2367 barangays in 13 regions. In Mindanao, particularly in areas where the New People's Army (NPA) and the Moro Islamic Liberation (MILF) are actively operating, the project has been implemented in 35 municipalities. Since project inception in 2003, a total of PHP 1.8 billion has been provided, of which PHP 1.6 billion has been in the form of grants and a little over one million persons have benefited. In 2005, expenditure was about PHP 747 million.

As a complementary project, the Japan Social Development Fund-Social Inclusion Project (JSDF-SIP) was launched to ensure the inclusion of indigenous peoples, people in conflict-affected areas and women in mainstream KALAHI-CIDSS activities at the community level. A total of 130 barangays in 37 KALAHI-CIDSS municipalities across 11 regions have been selected as JSDF-SIP sites through a Social Exclusion Mapping study. SIP's strategy is to create innovative approaches towards maximum and genuine people's participation, particularly the vulnerable groups in order to make them productive members of the community and encourage sustainable community development, a principle which forms the essence of KALAHI-CIDSS and the National Anti-Poverty Program of the government.

3.4.2 Self-Employment Assistance – Kauniaran project (SEA-K)

The DSWD started this program in 1993 to provide the poor with technical assistance and seed capital to start their own business. The SEA-K aims to enhance the socio-economic skills of poor families in partnership with the local government units. The project organizes community-based associations to develop the entrepreneurial skills of the members. Members can borrow up to a maximum loan of PHP 125,000 to finance small businesses, payable in monthly installments for 1-2 years at zero interest. From interviews with DSWD staff the rate of recoverability was estimated at 80 percent. It also lends for home improvements at 6 percent interest rate per year to assist members improve their housing.

There are two levels of financing: In Level 1, the start up program, about PHP 96 million was released to benefit about 20,775 families in 2005. Twenty to thirty members form an association to save and borrow for their businesses. Level 2, also called SEA Kabayan, is the merger of – two to five groups that have established a good track record in terms of managing their finances and to generate saving. Under this level, funding assistance valued at PHP 31 million was disbursed benefiting about 1,615 families who were provided a higher level of capability and entrepreneurial skills training and capital seed fund for micro enterprise.

3.4.3 Microfinance

The microfinance industry in the Philippines has been evolving over the last three decades. In the early 1980's, it was dominated by nongovernmental organizations (NGOs) that were dependent on external grant funding. Later, government agencies also received funding assistance from external sources for microfinance projects. In recent years, small banks have entered into the industry and their microfinance operations expanded.

Table 15: Institutional Framework for Microfinance

Institutions	Responsibilities
Microfinance Institutions (MFIs)	Engaged in sound, sustainable and viable microfinance intermediation.
National Government through the National Credit Council	Provides a market-oriented financial and credit policy environment which will promote efficient financial markets, and help private micro-finance institutions broaden and deepen their microfinancial services.
National Credit Council (NCC)	Serves as the microfinance policy making body.
People's Credit and Finance Corporation (PCFC)	The government credit corporation serving poor households and microenterprises, through provision of wholesale (loanable funds) and technical assistance to the MFIs and support the development of innovative financial products/services for poor households/microenterprises.
Government financial institutions (GFIs)	Provide wholesale funds (including those sourced from foreign borrowings) to MFIs which do not have access to wholesale loans from private commercial banks.
Commercial and other private banks	Provide wholesale funds and financial services to MFIs.
NGOs	Provide technical assistance in facilitating the linkage between the poor households/microenterprises and microfinance institutions, community organizations and capacity building of the target clientele.
Donors	Provide assistance to social preparation activities, and those that will lead to the broadening and deepening of microfinance services such as: development of microfinance products, training in microfinance technologies, and upgrading of performance standards.

The entry of new microfinance banks, cooperatives and established commercial banks, and government financial institutions as wholesalers of microfinance into the microfinance industry has changed the landscape of microfinance. Target groups for microfinance have also expanded to include low income men, women, and the children and the poorest of the poor (Asian Develpoment Bank 2005).

In the 10 point agenda outlined in the Medium Term Philippine Development Plan (2004 – 2010) the Arroyo government aims to generate 10 million jobs during the plan period through schemes including microfinance. Patterned after the Grameen Bank of Bangladesh scheme established in 1976, the government has adopted the original concept of microfinance where 5-8 persons comprising a cluster or cell is formed.

Centers are responsible for screening the borrowers and ensuring the repayment of loans granted to a member or cell. As in Grameen scheme, repayment of loans is ensured through social collateral, third party guarantees, peer pressure and moral persuasion amongst members. Microfinance loans are defined as those that do not amount to more than PHP 150,000.

The respective roles of various players in microfinance are determined by the policy framework and their relative comparative advantages in providing financial services to the poor. The National Anti-Poverty Commission, established in June 1998, oversees the implementation of microfinance as the national strategy for delivering financial services to the poor. Table 15 summarises the respective roles of the different microfinancing institutions.

For this study, the activities of four major programs/attached agencies of the Land Bank of the Philippines, a government financing institution and which is the biggest provider/conduit of microfinance, have been included. These microfinance companies serve the poor in the urban and rural areas, micro-entrepreneurs, the farmers affected by the agrarian reform, other small farmers, and fisherfolk.

The People's Credit and Finance Corporation (PCFC)

The PCFC, a subsidiary corporation of the Land Bank of the Philippines, was created through Administrative Order 148 (September 8, 1994) as a wholesale funding mechanism. It is essentially a microfinance company tasked to provide affordable credit to the marginalized sector of the country[13] and was authorized to mobilize financial resources from both local and international sources.

PCFC disburses loans to the beneficiaries through conduits or providers like rural banks, NGOs and cooperative banks. Total releases for 2005 reached PHP 1.27 billion while the total outstanding portfolio as of 31 December 2005 stood at PHP 3.17 billion with an actual cumulative outreach of 1.65 million active borrowers.

PCFC's network of MFIs operates in all the 80 provinces in the country. As at end of 2005 the number of borrowers from microfinance institutions registered a substantial increase of 28 percent over the previous year. The performance was registered by all three providers, rural banks, NGOs and cooperatives. NGOs/cooperatives served 12,107 more active borrowers than the rural banks.

The National Livelihood Support Fund (NLSF)

The NLSF was established in 1981 by virtue of Executive Order 715 to support the implementation of the then Kilusang Kabuhayan at Kaunlaran (KKK) program. Under the KKK program, the NLSF's mandate was to provide livelihood credit to the poor and the marginalized sectors of the society.

Later its mandate was strengthened with the enactment of Republic Act No. 6657 (Comprehensive Agrarian Reform Law) Section 37 of which transferred and attached the agency to the Land Bank of the Philippines and directed the use of the fund for support services to agrarian reform beneficiaries. Farmers in agrarian reform communities have been the main client group. The agency also serves other marginalized sectors through special tie-up programs.

The Fund aims to promote, generate and develop sustainable community–based micro enterprises particularly for farmer households in the agrarian reform zones, fisherfolks, the unemployed and other marginalized sectors especially in the rural areas to boost economic growth. The Fund employs the wholesale lending approach in all its credit programs, utilizing program partners/conduits to "retail" the funds to the target beneficiaries.

Microfinance Institutions (MFIs)

The MFI program of the Land Bank of the Philippines has established a microfinance program in support of the government's call to address the credit requirements of the Barangay Micro Business Enterprises (BMBEs) and the poor sector by opening a special wholesale financing window. The program started mid year 2005 and had served about 20,000 borrowers by the end of the year.

The program provides funds to MFI retailers which in turn on-lend to microfinance sub-borrowers. MFI retailers include cooperatives, countryside financial institutions, and non government organizations.

Loans for small farmers and fisherfolk

This scheme provides credit assistance to small farmers. In 2005, with Asian Development bank funding assistance, loan releases reached PHP 16.8 billion. These loans were lent through 1,075 partner cooperatives and 422 countryside financial institutions or CFIs (rural banks, cooperative banks, and development banks) and Quedancor.

The loans benefited more than 322,000 small farmers and fisherfolk. In 2005, LBP and Quedancor also worked together to provide PHP 1.6 billion in credit assistance to self-help groups of farmers who are not members of cooperatives.

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[13] By virtue of the Social Reform and Poverty Alleviation Act (R.A. 8425)

Table 16: MBA Membership as of 31 December 2005

MBAs	Membership	Members Contributions
A. Salaried/Fixed income Armed Forces of the Philippines, teachers associations, government and private employees associations etc.	680,881	NA
B. Variable income NGO-led MBAs	744,049	PHP 11.9 million
Total	**1,424,930**	**NA**

Source: Insurance Commission

Several foreign-assisted programs are also targeted at small farmers and fisherfolk:[14]

- JBIC – Rural Farmers and Agrarian Support Credit Program amounting to US$ 86.8 million (PHP 4 billion) for crop production and fixed asset acquisition of the Comprehensive Agrarian Reform Program beneficiaries in targeted agrarian reform communities.

- JBIC – Asean – Japan Development Fund amounting to US$ 57.7 million (PHP 2.7 billion) for small farmers and cooperatives to increase their income generating capacity.

- Asian Development Bank – Small Farmers Credit Project: US$ 75 million (PHP 3.5 billion) is aimed at improving productivity and income of small farmers and strengthening the rural financial system.

3.4.4 Micro-insurance

Micro-insurance is a subset of insurance that provides financial protection to the poor for certain risks in a way that reflects their cash constraints and coverage requirements. As defined in the Insurance Code, the term micro-insurance refers to the insurance business activity of providing specific insurance products that meet the needs of the disadvantaged for risk protection and relief against distress or misfortune.

A micro-insurance product is an insurance policy where (i) the amount of premium computed on a daily basis does not exceed ten percent of the current daily minimum wage rate for non-agricultural workers in Metro Manila and (ii) the maximum amount of life insurance coverage is not more than 500 times the daily minimum wage rate for non-agricultural workers in Metro Manila.[15]

Mutual Benefit Associations (MBA) are the primary insurance vehicle for low income families. Any MBA wholly engaged in the business of providing micro-insurance for their members shall be referred as Micro-insurance MBA.[16] Any existing and or new MBA shall be considered wholly engaged in micro-insurance if:

- It only provides micro-insurance policies to its members, and

- it has at least 5,000 member clients.

Of the MBAs licensed by the Insurance Commission, the Center for Agriculture and Rural Development (CARD) MBA has the biggest membership at 722,495. The second and third largest in terms of membership are Tulay sa Pagunlad Inc and Alalay sa Kaunlaran with 400,000 and 271,105 members respectively. These two organizations were licensed as MBAs in 2006. As of 31 December 2005, MBAs had a

14 Not all these programs will be included in the calculations as they do not fall within the study's definition of social protection.

15 Insurance Memorandum Circular dated September 2006 issued by Insurance Commission

16 Ibid

Table 17: Features of CARD's Micro-insurance Scheme

Type / Characteristic	Life insurance	Provident fund (long terms savings, not insurance)	Loan Redemption
Group or individual product	Has elements of both individual and group policies.	Individual	Group
Term	Essentially an individual policy.	Upon retirement at 65 years old	Same term as linked loan
Eligibility requirements	Whole life	CARD Inc. or CARD Bank member, member of other authorized MFI which has a valid contract with MBA	CARD Inc. or CARD Bank member, member of other authorized MFI which has a valid contract with MBA
Renewal requirements	CARD Inc. or CARD Bank member	n/percent	Automatic renewal with each loan
Rejection rate	Renewals match loan renewals	n/percent	Depends on CARD Inc or CARD Bank
Voluntary or compulsory	Depends on CARD Inc or CARD Bank Compulsory	Compulsory	Compulsory
Product coverage	Single payment at death or total or permanent disability of member	A guaranteed payment of a single sum at age 65; the value is determined based on the value of premiums received plus accumulated interest (currently 8% per annum)	In case of member death or total and permanent disability, the balance of that members loan will be repaid, additional benefit equal to the amount of loan already repaid is payable to the indicated beneficiary.
Key exclusions	Members recognized after May 31	None	None
Pricing – premiums	For Card members: PHP 5 per week	For CARD members PHP 5 per week (US$ 0.09) For other MFI members PHP 20 per month (US $ 0.36)	1.5 percent of loan value per annum, deducted or paid at loan payment to member

total membership of 1,424,930 (Table 16). This is further broken down into two groups: A. the salaried or fixed income; and B. variable income. Only the MBAs serving those with variable income were included in the computation of the SPI.

The variable income comprised of informal workers, farmers, fisherfolks, small businessmen, and other low income groups. In 2005, membership contributions of the three NGOs licensed as MBAs in category B amounted to PHP 11.9 million.

CARD MBA is a successful example of micro-insurance in the Philippines. In 1994, the NGO offered basic life insurance packages and subsequently, a pension package which is a more complex product, to its members. The NGO eventually extricated itself from this product as it realized that the continued implementation of the scheme would diminish CARD's capital and would make it difficult to comply with the obligation to its members. From a members' mutual fund in 1994 CARD converted to a mutual benefit association in 1999. Learning from the lessons in previous operations, CARD decided to get professionals who would operate the service under a new management. CARD received an insurance license in 2001. Today, CARD MBA provides life insurance to some 700,000 low income individuals, provident fund and loan redemption cover to members of CARD Inc and CARD Bank. Details of the scheme are provided in Table 17.

The most recent evaluation study on this issue (Sicat/Graham 2006) concluded that the CARD scheme responds to the insurance needs of its clients in terms of: protection for the death of the breadwinner, protection against the need to repay the loan in case of the borrower, who is often the breadwinner, become sick or disabled, and retirement savings.

3.4.5 Agricultural insurance

The Philippine Crop Insurance Corporation (PCIC) provides insurance protection to the country's agricultural producers, particularly the subsistence farmers, against crop losses arising from natural calamities, plant diseases and pest infestations and non crop agricultural losses due to perils for which the asset has been insured against.[17]

The different agricultural insurance schemes are for rice and corn crops. Both types of insurance cover the cost of production inputs (based on a Farm Plan Budget) plus an amount of cover at the option of the farmer of up to a maximum of 20 percent to cover part of the value of the expected yield. The amount of premium varies per region, per season and per risk classification which will be shared by the farmer, the lending institution and the government. Covered risks include natural disasters including typhoons, floods, drought, earthquakes, and volcanic eruptions and plant diseases. Those eligible to participate in this program are:

- Farmers who obtain production loans from any lending institutions participating in the government supervised rice production programs, government owned corporations and financial institutions, NGOs, Department of Interior and Local Government-sponsored credit programs.

- Any self financed farmer/organization and people's organization (PO) or group of farmers who agree to place himself/themselves under the technical supervision of PCIC accredited agricultural production supervision.

PCIC also provides insurance cover for livestock (e.g. cattle, carabao, horse, swine, goat, sheep, poultry, game fowls). The types of insurance cover are: non commercial mortality insurance, commercial mortality insurance, special cover for livestock dispersal, and special cover for game fowls and animals. Premium rates are determined as a percentage of sum insured. Insurance is also available for non crop agricultural assets. Types of insurance cover under the program include fire and lightning, agricultural equipment and machinery and commercial vehicles used for agricultural purposes. The period of cover shall be for a maximum of one year. For livestock and non crop agricultural asset insurance programs, the payment of premiums is solely shouldered by the farmer.

In 2005, there were 50,139 households who participated and were covered by the agricultural insurance schemes administered by the Philippine Crop Insurance Corporation. Of those covered about 32 percent claimed and received benefits.

3.5 Child Protection

3.5.1 The Food for School Program

The Food for School Program (FSP) is an immediate intervention in the form of food subsidy for pupils in Grade I, pre-school and day care center, and who belong to poor families in identified vulnerable municipalities or priority areas within regions of the Philippines. The subsidy includes a daily ration of one kilo of rice for a limited period, provided that the child attends school or day care center daily. The volume of rice delivered is based on the list of beneficiaries or enrollees submitted by the schools or day care centers.

The objectives of the program are to mitigate hunger of poor families and improve school attendance of their children. The program is implemented by the Department of Education, National Nutrition Council, Department of Social Welfare and Development, National Food Authority and the Department of Interior and Local

17 Insurance cover for high value crops and non-crop agricultural assets for commercial farming has not been included in this study

Table 18: Residential Centers for Children and Youths

Client category	Centers	Number
Children	Reception and Study Centers for Children	10
Children and Youths	Lingap Center, Ahon Bata Center, Nayon ng Kabataan, Home for Girls, Home for Boys	16
Youth's	National Training School for Boys, Regional Rehabilitation Centers for Youth, Marillac Hills, Youth Hostel	13

Government (Department of Education 2006). An inter-agency Technical Working Group is tasked to monitor and evaluate the program twice yearly at the national level, quarterly at regional level and monthly at the provincial and municipal levels.

The FSP covered 6,319 selected schools all over the country, with a total of 610,793 beneficiaries, 84 percent were in Grade I and 16 percent in pre-elementary. The three regions which had the biggest number of beneficiaries were Metro Manila, Autonomous Region in Muslim Mindanao and Bicol.

3.5.2 Residential Centers for Children

There are 38 residential institutions for abused, orphaned, abandoned, neglected and exploited children, aged 7-17 years old nationwide. Table 18 shows the type of center and clientele category.

3.5.3 Child Protection Services

Child protection services provide a series of programs and services designed to prevent abuse and exploitation among children, and/or to provide treatment and rehabilitation to victims and survivors of abuse and exploitation. From January to June, 2006, the Department of Social Welfare and Development handled about 4,906 cases in the country involving children with special needs as a result of abandonment, neglect, abuse, maltreatment, rape, prostitution, pedophilia, pornography, illegal recruitment, child trafficking and armed conflict.

Several NGOs are involved in child protection programs. One of the largest is Bantay Bata which has the advantage of media support because of the foundation's linkage with a television network, ABS-CBN. To date Bantay Bata has assisted about 1,101 new cases and 2,140 returning cases. Support and counseling are done personally and mostly through phone calls.

Table 19: Bantay Bata Services in Manila and Davao, Dec. 2005

Bantay Bata 163 Services (Metro Manila)	Manila Jan. to Dec. 2005	Davao Jan. to Dec. 2005
Calls received and acted upon	22,409	2,038
Phone counsellings provided	6,257	331
Children rescued	49	19
Homes visited	1,252	274
Sheltered (Children's visited)	44	18
Walk in assistance	918	258
Medical assistance	1,094	66
Legal assistance	103	43
Court cases handled	28	19

Table 19 shows the different services provided by Bantay Bata in two major cities. Data on expenditures for 2005 could not be obtained.

Aside from counseling Bantay Bata has feeding programs in Quezon City which benefited 366 malnourished children and resulted in a dramatic drop in cases of malnourishment. Bantay Bata has replicated its programs in communities in several provinces: Guagua, Pampanga, Antipolo, Rizal and in Navotas. Bantay Bata services also include rescue, homes visited, sheltering of children, medical and legal assistance.

DOLE, through the Bureau of Women and Young Workers, implements programs on preventive advocacy and effective protection of working children from abuse and exploitation, and promotion of children's rights and welfare. The program includes activities like action research, organization of parents and communities, development of capabilities of all stakeholders, rehabilitative services, and legal protection including rescue of exploited children in worst forms of child labor through "The Sagip Batang Manggagawa" project. Agencies including the Philippine National Police, National Bureau of Investigation, local government units and the Department of Social Welfare and Development have separately conducted rescue operations. DOLE alone has conducted 63 operations and rescued 151 children.

Other projects that have benefited an estimate of 25,000 children in 2005 include:

- Street and Urban Working Children Project which received PHP 290 million from Australian Government and PHP 45.7 million from the government.

- Child Health and Development 2025 which received assistance from the USAID.

- Women's Health and Development Program funded with foreign grants/loans and government counterpart funds.

- Belgian Integrated Agrarian Reform Support Program funded by Belgium benefit out-of-school youth or the rural poor.

4 Gap Analysis

4.1 Financial Assessment

Most programs associated with social protection in the Philippines are government led and multi-sectoral in terms of target beneficiaries. However, as in many other Asian countries, social protection schemes in the Philippines have traditionally been largely confined to a formal social insurance system which provides a high level of protection but for formal and public sector employees only.

More recently, and especially in the last few years, social protection activities are seen as an essential component of poverty reduction programs. In consequence, a number of programs, especially related to health care, micro-credit, and assistance to vulnerable groups such as children with special needs, are being formulated and implemented. As is evident from the descriptions of social protection programs contained in this Chapter, initiatives now exist which cover most of the key social protection target groups. In particular, the creation of a national system of health provision is now a major government goal as is the continued expansion of microfinance programs.

Nevertheless, based on the findings of a UNDP assisted study on social protection,[18] the implementation of social protection in the Philippines in 2003–2005 was beset with problems, namely: (i) under-coverage of programs, (ii) lack of targeting and poor assessment and (iii) lack of coordination among programs.

Social protection expenditure in Philippines is dominated by the expenditure on social insurance (including health insurance) which accounts for almost 70 percent of total expenditure, most of which relates to pensions. The next most important category are the social assistance and micro credit programs which account for around 16 percent each of total expenditure. Other categories account for a small proportion of the total expenditure. In respect of children, this is partly explained by the free provision of primary and junior secondary education by the government.

Table 20: SP Expenditure by Category and % 2010

SP Category	Expenditure	% Age
Labour Market Programs**	150,000,000	0.10
Pensions	80,000,000,000	51.07
Health Insurance	22,000,000,000	14.04
Other Social Insurance (e.g. maternity, unemployment, disability etc.	3,500,000,000	2.23
ALL Social Insurance	105,500,000,000	67.35
Social assistance	26,000,000,000	16.60
Micro-/Area-based (incl. MCF)	25,000,000,000	15.96
Child Protection	200,000	0.00
Total SP Expenditure (000 PHP)	**156,650,200,000**	**100.00**

** With reclassification of employment related social insurance programs as labour market programs.

Partly estimates, based on NSO data 2011[19]

18 A study prepared by Charity Lao Torregosa for the National Anti-Poverty Committee as part of the project entitled "Strengthening Institutional Mechanisms for the Convergence of Poverty Alleviation Efforts Phase II" implemented by NAPC with funding assistance from UNDP (cf. NAPC 2006).

19 Estimates were made for child protection and labor market programs based on relative costs of benefits and number of beneficiaries. Also, all programs were estimated with the target of 2010, using GDP deflator.

Table 21: Beneficiaries of Social Protection Programs in the Philippines

SP Programs	Beneficiaries (000s)
PESO	748
Social Security System Retirement	587
Social Security System death, funeral	741
Social Security System Disability	215
Social Security System Sickness, informal workers, poor	4
Government Service Insurance System (GSIS)	249
GSIS Hospitalization Program	4,134
Philhealth	60,000
Philhealth Sponsored Program for Indigents	2,500
Microinsurance	744
Peoples Credit	3,300
Social Assistance (4P)	2,000

Source: NSO, Various Programs

Total expenditure on Social Protection constitutes 2.5 percent of GDP. This value is significantly lower than that obtained for most Asian countries.

4.2 Coverage of Social Protection Programs

The second dimension of social protection is coverage. Table 21 shows the coverage of the most important programs

The ADB Social Protection Index Study computed coverage indicators for six target groups considered to be of priority interest for any social protection system. These groups are the unemployed, the elderly, the sick, the poor, the disabled and children with special needs.

Table 22 provides the basis for deriving the coverage rates for these target groups. It establishes the pairings between the target groups and the types of SP programs

Table 22: Social Protection Target Groups, Types of Social Protection Programs and Reference Populations

Target Group	Types of SP program*	Reference Population**
The unemployed and the underemployed	All labor market programs (relevant training and job creation through SME support); food for work programs; targeted public works programs	The unemployed and the underemployed
The elderly	- Pensions - Social assistance to the elderly	Population aged 60+ years
The sick	- Formal health insurance - Micro-insurance - Subsidized health costs or exemptions - Senior citizen treatment allowance	Total population
The poor (especially the severely poor and disadvantaged)	- All recipients of basic social welfare/assistance payments - Land tax exemptions - Residential care for vulnerable groups - Food aid BUT excluding education and health programs as well as those for the disabled.	Poor population
	Micro-finance/credit including those aimed at job creation	Poor population
The disabled	All forms of assistance programs for the disabled (including recipients of social assistance, training programs)	The disabled population
Children with special needs (CWSN)	- Educational programs (e.g. fee exemptions, scholarships, school feeding programs, etc.) - All other identified child protection programs	Poor children, aged 5-14 years

* These are generic programs and will vary from country to country. ** Essentially equivalent to the target population

Source: Baulch a.o. 2008

Table 23: Target Group Coverage Rates (2010)

Target group	Coverage Rate
Unemployed	7%
The Elderly	16%
The Sick	70%
The Poor – social assistance	13%
The Poor – MCF	32%
The Disabled	24%
Children with Special Needs	5%

Source: NSO data, own calculation [20]

Table 24: Largest SP Programs in Terms of Beneficiaries

Rank	Programs	Beneficiaries (mio)
1	PhilHealth	62
2	Microcredit Programs	6
3	Pensions	2.1
6	4P	2

Source: Membership data of the respective programs

as well as the definition of the reference population that will be used to derive the indicators from the beneficiary date. It should be noted that a separate coverage rate is derived for micro-credit programs given the importance of these as a means of social protection and employment generation in many Asian countries.

Coverage rates for these target groups were obtained by aggregating beneficiaries from all programs targeted at this group. It should be noted that beneficiaries from some programs can fall into more than one target group, e.g. beneficiaries of the program to aid the elderly and the disabled.

Table 23 shows the coverage rates derived for each target group. In general, coverage rates are low in the Philippines indicating the absence of major social protection programs for most of the identified target groups. There is however one important exception: health care assistance where up to 70 percent of the population is covered by either the main NHIP program or the sponsored program for indigents. Coverage rates are also significant for MCF programs and the disabled, although the latter might reflect an underestimation of the number of disabled in the country.

Table 24 shows the largest individual SP programs in terms of beneficiaries. By far the largest is the main Health insurance scheme which covers well over half the Filipino population. This is followed by the micro-credit programs, pension program, and the 4P program.

From these tables, it can be seen that the largest gaps exists in the field of old age security, unemployment and poverty, despite some large existing programs. The main deficiency of the pension scheme is that it is concentrated on a relatively small number of workers in the formal sector. There are basically no programs for the large informal sector. The main problem of the social assistance program is that it covers just 15 percent of the poor, thus only a small aspect of poverty.

4.3 Health Insurance Support Value

The average support value of PhilHealth benefits (meaning the average percentage of the amounts of medical bills reimbursed) lies around 30 percent. It is higher in some provinces; it is lower in secondary level facilities and in Metro Manila. The reason for this is that the PhilHealth benefits are capped and there are no efficient cost controls in place. This means that maximum amounts are paid depending on the level of the facility (primary up to tertiary) and the diagnosis. These maximum amounts rarely cover the actual medical bill.

In May 2009, PhilHealth with GTZ support carried out a study in region 8, in order to get figures about drugs bought outside the hospital, parallel Professional Fees payment, etc. The results showed that the support value is 27 percent on average, around 50 percent in gov-

20 The coverage rates were calculated using SPI data from 2006, which were updated with recent PhilHealth and SSS data.

ernment hospitals and 20 percent in private hospitals. Looking at the different care levels, the support value is highest in tertiary hospitals and lowest in secondary facilities. If we look at the different benefit types, the support value is lowest in drugs and professional fees.

Providers normally are not bound to a fee schedule. Prices as well as prescriptions are absolutely unregulated. Some providers though, according to anecdotal evidence adjust their prices to the ability to pay of the patients. But in general a fact is that people, who are not able to pay the part that exceeds PhilHealth reimbursement, get no treatment.

The problem mainly arises through the existing system of provider relations. Ideally a social health insurance contracts directly and completely reimburses providers. The PhilHealth payments corresponding to the costs for "room and board", "professional fees" and "drugs and investigations purchased in the hospitals" are directly paid to the hospitals bank accounts (PhilHealth share). And the hospitals deduct those amounts from the patient payment upon discharge. For drugs purchased outside the hospital, the members send a separate claim to PhilHealth but the amounts are much smaller than the ones observed in the third party payment system.

Even though PhilHealth reimburses the provider directly, the exceeding part is paid cash by the patient. This leads to the situation that the patient is a financial buffer between provider and health insurance and in the end has to bear the risk of pricing.

In absence of binding fee schedule it would also not be a solution to lift the cap on PhilHealth benefits as providers may raise their fees at the moment they get aware that patients get higher reimbursement.

A special problem is that of the "Insurance Rent" that can be observed in provider behavior. Providers often adjust their prices upwards if they know that patients are insured. The patients have to pay a higher fee in these cases, which leads to the effect that providers basically skim the benefits that patients have from insurance.

So far, PhilHealth has not achieved its objective to limit the prices in the market and to introduce effective provider payment mechanisms. The reason might be the strong position of the providers, which also is supported by the fact that they are part of the PhilHealth board. Basically PhilHealth is a third party payer but no purchaser.

The result thus can be summed up as follows:

- The support value for the target group (low income earners) lies around 30-50 percent depending of the facilities frequented and the location of residence. Most outpatient care is not covered at all (except for sponsored members and OFW).

- This means that people are faced with an enormous financial risk.

- A solution could either be to limit the costs and expand the Philhealth support value (long term solution) or to introduce an affordable complementary insurance program.

4.4 Lending Based on Pension Entitlements

Formal sector employees can avail of a loan from SSS (maximum PHP 24,000), which has as collateral the pension savings of the beneficiary. This facility is quite in demand though it can be questioned, whether taking loans against old age security is appropriate from a social protection point of view as it defeats the purpose of securing pension benefits.

4.5 Gaps of Social Assistance (4P)

Typical Gaps of CCT programs are:

- the quality and availability of the conditioned services;

- a focus on one aspect of poverty, whereas others are neglected;

- a lack of employment opportunities.

In this context Social Watch Philippines published the following analysis of the 4P program:[21]

> *"The 4Ps program is patently a poverty reduction program designed to address issues on maternal mortality and child mortality (the latter mostly through the provision of vaccines and cash), as well as keep children in school for five years. Other vulnerable groups like poor senior citizens, the chronically sick, people with disabilities, the millions of out-of-school, and functionally illiterate or the unemployed poor are not covered by the program. As such, other anti-poverty programs designed to address the other dimensions of poverty must likewise be prioritized.*
>
> *For example, tuberculosis remains one of the leading causes of morbidity and mortality among the Filipino poor and yet, the budget for the Indigents' Program under the Philippine Health Insurance Program was reduced by thirty-three percent for 2011. Furthermore, we note that twenty percent of school age children and youth are out of school, and yet they get less than one percent of the education budget. While the 4Ps is designed to attract the out-of-school to re-enroll, studies conducted locally and around the world have shown that a significant majority of the out-of-school will never return to school even with attractive packages. To continue, the housing budget was slashed by half for 2011(from PhP 11 Billion in 2010 to PhP 5.6 Billion), a move that will certainly negatively impact on the rising number of informal settlers in dire need of mass housing. Finally, the majority of the poor are in the rural areas and yet we note that public investment in agriculture, fisheries and forestry remains low. Much of the rationale used by government to justify low and or decreasing levels of public spending in these areas is to be able to free up and provide additional sources for the 4Ps, a policy position which we disagree with. We believe the government should not reduce public spending for other pro-poor programs and re-channel the freed up resources for the 4Ps, which only address a few dimensions of poverty and vulnerability and therefore only targets a sub-set of the total number of poor."*
>
> *"No amount of conditionalities will work if there is a lack of schools, health clinics, and means of transport in 4P areas. The fact that Philippine public investment in education and health is low and has generally declined between 2000 and 2006 at both the national and local government levels does not augur well for the 4Ps meeting its stated objectives. This means that public investment in education and health must significantly increase. Stress is made on ensuring the quality of services."*
>
> *"The Social Watch study reveals that most of the beneficiaries it surveyed expressed gratitude that with the cash grants, the health and education status of their families were improving. Nevertheless, an overwhelming majority of beneficiaries said that what would lift them out of poverty was access to regular employment."*

An analysis published by the State Economic Planning Office (SEPO 2011) reveals other gaps of the 4P system. The result of the spot check is disappointing, particularly the compliance rates for health.

> *"One of the most pressing problems of the country is the very high maternal mortality rate (MMR) and looking at the compliance rates of pregnant women surveyed, it seems that the 4Ps CCT is ineffective or inadequate in addressing the maternal deaths among the poor. Given that deworming and immunization are free, the low compliance rate is puzzling." (SEPO 2011, 9).*

21 http://www.socialwatchphilippines.org/news_38_4Ps.htm

Table 25: Shortages for Critical School Inputs, SY 2011-2012

Item	Level	SY 2009-2010 Inventory	Client category Estimated Gross Shortages
1. Classroom	**Total:**	**421,496**	**152,569**
	Elementary	328,406	108,977
	Secondary	93,090	43,592
2. School seats	**Total:**	**15,280,942**	**13,225,572**
	Elementary	11,271,350	10,279,007
	Secondary	4,009,592	2,946,565
3. Teachers	**Total:**	**487,969**	**103,599**
	Elementary	356,397	37,460
	Secondary	131,572	66,139
4. Textbooks	**Total:**	**85,975,925**	**95,557,887**
5. Sanitation facilities	**Total:**	**313,085**	**151,084**
	Elementary	259,855	90,018
	Secondary	53,230	61,066

Source: Department of Education, 2010

Moreover, it has to be mentioned that CCT programs are effective only if the conditional services are available and the costs of availing of them are low.

Concerning the school services criticism was that large shortages in supply hampered school attendance (see Table 25).

> *"Lastly, CCT programs are just one option within the arsenal of social protection programs that can be used to redistribute income to poor households. They cannot be the right instrument for all poor households. For example, they cannot serve the elderly poor, childless households, or households whose children are outside the age range covered by the CCT. Redistribution to those groups is better handled through other means." (SEPO 2011, 12)*

The gaps mentioned can be remedied for example through:

- employment programs for the poor like the 100-days-work program in India;
- investment in education and health infrastructure focused on the poor.

5 Costing Exercise

5.1 Health

The first option when we discuss about costs of additional health care cover is the introduction of fee schedules, which currently are absent.

If we look at additional cover, there are three sources of data, which could be used to estimate the cost:

- National Demographic and Health Survey (NDHS) data,
- PhilHealth data,
- data from private insurers and HMOs.

NDHS shows the frequency of confinement, the main risk that the insurance will cover. It can be seen that the confinement frequency lies around 4.1 percent or 4.1 million cases per year (given a population of about 100 million).

Table 26 shows the costs per case. According to this, the average costs lie around PHP 16,800 (where private facilities are more than double of public facilities). From this we can calculate the total costs per capita per year, which is PHP 689 for a mix of public and private facilities.

However, this result may be distorted by the costs of private patients. Not only from NDHS but also from the data of private insurers (for example GREPA Life and MAXICARE) we know that their average costs per case of inpatient care are nearly double the average (PHP 28,130 in the case of MAXICARE). For reasons of prudence, we nevertheless calculate with the average number mentioned above, for two reasons:

- Insured people might prefer to use private providers for quality reasons (though we have to limit these options in order to keep the premium affordable).
- The majority of PhilHealth claims is from private facilities (PHP 16.1 billion compared to PHP 6.6 billion from public).

The following Table 27 shows the costs per member of PhilHealth, which lie at PHP 1,269 per year (2009). Including administration costs, in total these are around PHP 1,400 per year or PHP 117 per month. The costs per capita of all members can

Table 26: Costs per Case Philippines, 2008

Average cost (in pesos) per person for those who visited a health facility in the past 30 days and for those who were confined in hospital or clinic in the past 12 months, by whether the facility was public or private, Philippines 2008

	Total		Public facility		Private Facility	
	Average Cost (pesos)	Number	Average Cost (pesos)	Number	Average Cost (pesos)	Number
Person visited a health facilitiy in past 30 days						
- Average cost of transport	109	3,490	80	1,625	134	1,864
- Average cost of treatment	1,872	4,642	1,051	2,540	2,864	2,102
Person visited a health facilitiy in past 30 days						
- Average cost of transport	16,802	2,376	9,849	1,231	24,728	1,145

Source: National Statistics Office, 2009

Table 27: PhilHealth Expenses 2009

Total	in mio PHP	in %	Members	Beneficiaries	Costs per capita	costs per member
Government	4,392,758,004.38	19	1.86	6.51	674.77	2,361.70
Private	8,615,717,909.69	38	6.72	23.52	366.31	1,282.10
Indigent	3,032,782,498.08	13	3.80	13.30	228.03	798.10
IPP	3,985,503,945.53	18	3.17	11.10	359.22	1,257.26
OFW	796,195,530.50	3	1.96	6.86	116.06	406.22
Lifetime	1,930,179,883.30	8	0.42	1.47	1,313.05	4,595.67
Total	**22,753,137,771.48**	**100**	**17.93**	**62.76**	**362.57**	**1,269.00**
Public	**in mio PHP**	**in %**	**Members**	**Beneficiaries**	**Costs per capita**	**costs per member**
Government	1,393,099,049.32	6	1.86	6.51	213.99	748.98
Private	1,893,092,831.19	8	6.72	23.52	80.49	281.71
Indigent	1,696,618,008.61	7	3.80	13.30	127.57	446.48
IPP	1,047,977,646.51	5	3.17	11.10	94.45	330.59
OFW	187,114,235.23	1	1.96	6.86	27.28	95.47
Lifetime	392,668,633.86	2	0.42	1.47	267.12	934.93
Total	**6,610,570,404.72**	**29**	**17.93**	**62.76**	**105.34**	**368.69**
Privat	**in mio PHP**	**in %**	**Members**	**Beneficiaries**	**Costs per capita**	**costs per member**
Government	2,985,185,187.33	13	1.86	6.51	458.55	1,604.94
Private	6,707,141,782.90	29	6.72	23.52	285.17	998.09
Indigent	1,327,862,156.93	6	3.80	13.30	99.84	349.44
IPP	2,923,041,514.45	13	3.17	11.10	263.46	922.10
OFW	595,226,569.92	3	1.96	6.86	86.77	303.69
Lifetime	1,532,135,957.13	7	0.42	1.47	1,042.27	3,647.94
Total	**6,070,593,168.66**	**71**	**17.93**	**62.76**	**256.08**	**896.30**

Source: own calculations (per capita figures) based on PhilHealth data

Table 28: Sensitivity Test

Total costs	Benefi-ciaries	Coverage	Per capita costs
22,753,137,771.48	72.00	80%	316.02
22,753,137,771.48	67.50	75%	337.08
22,753,137,771.48	62.76	70%	362.54
22,753,137,771.48	58.50	65%	388.94
22,753,137,771.48	54.00	60%	421.35
22,753,137,771.48	49.50	55%	459.66
22,753,137,771.48	45.00	50%	505.63

Source: Own Calculation based on PhilHealth Data[23]

be estimated as PHP 362,57 per year.[22] The costs per member are the more reliable figure as the number of beneficiaries is debated and depending on the source lies between 50 and 80 million. These numbers are influenced by the denominator (number of beneficiaries and members), which are debated. The estimates range from 50 percent coverage to nearly 70 percent coverage.

The effect of the number of beneficiaries on the per-capita costs is shown in the following sensitivity test (Table 28).

22 It can be seen that the costs in private facilities represent the majority of the costs and that they are more than double the level of public facilities. If private and public together is less than the total, the reason is that a part of the cases is unclassified.

23 The calculation was made using a uniform cost figure and calculating the impact of several coverage levels.

Table 29: Household Income Distribution

	2000	2003
Number of families (Th)	15,270.00	16,480.00
By income class (%)	100.00	100.00
Under PHP 10,000	0.23	0.18
10,000 – 19,999	2.15	1.66
20,000 – 29,999	5.48	4.16
30,000 – 39,999	7.67	6.87
40,000 – 49,999	9.09	7.80
50,000 – 59,999	7.83	7.63
60,000 – 79,999	12.99	13.38
80,000 – 99,999	9.80	10.51
100,000 – 149,999	15.92	17.23
150,000 – 249,999	15.60	16.41
250,000 – 499,999	10.01	10.86
500,000 and over	3.22	3.31

If we calculate with PHP 36,257 covered by PhilHealth mentioned in Table 27 and deduct these from the costs calculated from NDHS (PHP 689) total costs for IPC shown above, we come to a total of exceeding costs of around PHP 326, which would mean that PhilHealth covers about 50 percent of the actual costs.

If the PhilHealth part represents a support value of around 50 percent, a 100 percent coverage of the costs would cost around PHP 750 per year per capita (PHP 350 for PhilHealth and PHP 350 for the complementary, PHP 50 for administration). If we suppose that the per capita costs of PhilHealth are higher (according to the sensitivity test shown above) this either can mean that the support value is higher, if we follow the data deducted from the National Demographic and Health Survey, or, if the support value is constant, that the exceeding costs are higher, in this case up to PHP 500 per capita.

To sum up: the most probable costing scenario for our purposes lies between the numbers shown from PhilHealth and NDHS data. According to these, total costs for the health insurance lie around PHP 750 per capita per year or PHP 45 billion. However, in this context we have to remind again of the necessity to introduce fee schedules and cost control. Otherwise additional funding will lead to higher income of providers and not to better support values.

5.2 Unemployment Insurance

The following tables show the result of quantitative simulations (sensitivity tests) that have been made with different parameters in the framework of the ILO Unemployment Insurance Study. The basis for the simulations is shown in Table 30. UI in a first stage could only cover the formal sector, the total number equals the number of members of SSS and GSIS. The Average Monthly Salary Credit is the basis for the assessment of the contributions and the benefits as well. It was around PHP 9,000 in 2008. The minimum wage currently lies between PHP 210 and PHP 382 per day, which adds up to a monthly wage of between PHP 4,200 and PHP

Table 30: Parameters of Simulation

Members covered	Total SSS	7,965,000.00 6,600,000.00	
	GSIS	1,365,000.00	
AMSC		9,000.00	
Benefit levels	from		50% to 60%
Benefit Duration	from		5 months to 8 months
Unemployment Rate	from		6.5% to 9%
Share of Recipients	from		50% to 100%
Administrations costs			15% of total costs
Evasion			10% to 35%

Table 31: Contribution Rates under Different Levels of Evasion and Duration of Benefits

Contribution Rate					
	Average duration of Benefit (Months)				
		5,00	6,00	7,00	8,00
Evasion	10%	1.80%	2.16%	2.52%	2.88%
	15%	1.90%	2.28%	2.66%	3.04%
	20%	2.02%	2.43%	2.83%	3.23%
	25%	2.16%	2.59%	3.02%	3.45%
	30%	2.31%	2.77%	3.23%	3.70%
	35%	2.49%	2.99%	3.48%	3.98%

7,600. But given the fact that few employers stick to the minimum wage, the wages paid in many sectors of the economy, especially for low skilled labor, are below the minimum wage. The average monthly wage according to BLES in 2008 was PHP 12,525.

The administration costs were calculated at 15 percent given the fact that this type of scheme is quite work intensive and also because the administrative costs would incorporate costs for training. The evasion rate of 10 percent to 35 percent reflects the fact that not all contributions would be collected. It can be seen from Table 31 that evasion (defined as employers failing to deduct contributions for registered workers) may have a significant effect on the contributions taking into account that beneficiaries will get a benefit even if employers do not comply with their obligation to pay contributions. If this is shouldered by employers, there will be no effect of evasion on the contribution level and unpaid contributions lead to no extra costs of benefits.

Table 32 shows the contribution rates based on an unemployment rate of 7.5 percent and a benefit level of 50 percent of AMSC, for different average duration of benefit and take-up rates. This means that if on the average all beneficiaries received unemployment benefits for example for 5 months and if 70 percent of the unemployed received benefits (take-up rate of 70 percent), the contribution rate lies at 1.4 percent. The other parameters of this model calculation are: administration costs 15 percent, evasion 10 percent.

Table 32: Contribution Rates under Different Take-up Rates and Benefit Duration; Assumed Monthly Benefit Level 50 Percent of AMSC

Contribution Rate					
	Average duration of Benefit (Months)				
		5,00	6,00	7,00	8,00
Take-Up Rate	50%	1.00%	1.20%	1.40%	1.60%
	60%	1.20%	1.44%	1.68%	1.92%
	70%	1.40%	1.68%	1.96%	2.24%
	80%	1.60%	1.92%	2.24%	2.56%
	90%	1.80%	2.16%	2.52%	2.88%
	100.0%	2.00%	2,40%	2.80%	3.19%

Table 33: Contribution Rates under Different Take-up Rates and Benefit Duration; Assumed Monthly Benefit Level 60 Percent of AMSC

Contribution Rate					
	Average duration of Benefit (Months)				
		5,00	6,00	7,00	8,00
Take-Up Rate	50%	1.20%	1.44%	1.68%	1.92%
	60%	1.44%	1.73%	2.01%	2.30%
	70%	1.68%	2.01%	2.35%	2.68%
	80%	1.92%	2.30%	2.68%	3.07%
	90%	2.16%	2.59%	3.02%	3.45%
	100.0%	2.40%	2.88%	3.35%	3.83%

Table 33 shows the simulation with the same parameters but with a benefit level of 60 percent of the AMSC. It can be seen that the contribution rates are relatively higher.

Table 34 shows the simulation for different rates of unemployment. The parameters are: 90 percent of unemployed receive benefits (take-up rate of 90 percent), benefit level is 50 percent. The other parameters are as in the simulations above.

In general it can be said that the contribution rate for the proposed scheme with a reasonable level of benefits

Table 34: Contribution Rates Different Levels of Unemployment (Benefit Level 50 percent)

	Contribution Rate			
	Average duration of Benefit (Months)			
Unemployment Rate	5,00	6,00	7,00	8,00
6.5%	1.76%	2.11%	2.46%	2.82%
7.0%	1.90%	2.28%	2.65%	3.03%
7.5%	2.03%	2.44%	2.84%	3.25%
8.0%	2.17%	2.60%	3.03%	3.47%
8.5%	2.30%	2.76%	3.22%	3.68%
9.0%	2.44%	2.93%	3.41%	3.90%

Table 35: Estimate of Costs Pensions

Coverage	People (million)	Costs (billion PHP)
16%	1.80	80.00
30%	3.38	150.00
45%	5.06	225.00
60%	6.75	300.00
80%	9.00	400.00
100%	11.25	500.00

Own Calculation using SSS data [24]

and an unemployment rate between 7 and 8 percent will lie around 2 percent. The level varies with the average duration of unemployment, the level of unemployment and of course the benefit parameters.

The impact of the unemployment insurance on labor costs would be modest (1 percentage point higher social security contributions for employers). The contribution for SSS currently is 7.07 percent for the employer and 3.33 percent for the employee. The contribution for PhilHealth is 2.5 percent for the employer and 1.25 percent for the employee. In addition to this, employers have to pay a 13th salary by the end of the year and both, employers and employees contribute PHP 100 monthly to the loan program of PAG-IBIG. Thus, total social security costs are at around 10 percent for the employer plus about 8 percent for the 13th salary, which adds up to 18 percent. Compared to this the additional premium of 1 percent is very modest.

The total costs of the unemployment insurance, depending on the level of unemployment, replacement rate and take-up rate would lie between PHP 21 billion and PHP 30 billion per year.

Unemployment insurance would, however, not be feasible for the informal sector. But by making labor relations more market oriented and at the same time introducing more social protection in the case of unemployment, it is expected that employers would be able to end the practice of hiring many people for six months only. Fluctuation on the labor market would thus be reduced and employers would hire staff more easily if they do not fear the commitment in the same way as today

5.3 Pension

It is hard to estimate the costs of additional pension coverage for the following reasons:

- the replacement rate as well as the take-up rate can only be guessed very roughly;

- the question is also whether we estimate the contribution side or the benefit side. In a funded scheme these can be very different.

If we suppose that the current 16 percent of the elderly would be increased to 60 percent, this would mean an increase of the benefit payment from PHP 80 billion to PHP 300 billion. Table 35 shows the options:

5.4 Social Assistance

Currently, about 2 million beneficiaries are covered, which represents about 10 percent of the poor (see

24 The calculation uses most recent SSS data and supposes same average pension with varying coverage levels

Table 36: Estimate of Costs Social Assistance

Coverage	People (million)	Costs (billion PHP)
10%	2.00	22.00
30%	6.00	66.00
45%	9.00	99.00
60%	12.00	132.00
80%	16.00	176.00
100%	20.00	220.00

Own Calculation using 4P data [25]

Table 37: Current and Expected Coverage Rates

Target group	Current	Expected
Unemployed	7%	80%
The elderly	16%	60%
The sick	70%	90%
The Poor – social assistance	13%	50%
The poor – MCF	32%	50%
The disabled	24%	80%
Children with the Special Needs	5%	30%

Source: NSO and own estimates [26]

Table 36). If we want to cover all the poor, a total of up to 20 million recipients needed to be covered. This is a maximum scenario. More probable is that not all will pass the means test, fulfil the conditions or will want to apply. If we calculate with a take-up rate of 50 percent, we will have up to 10 million recipients or a budget of around PHP 110 billion.

This budget will have to be paid entirely from the public budget.

5.5 Summary

In order to estimate possible costs of extending social security, a series of questions have to be answered:

- What is the level of coverage that we expect to reach?

- What is the level of envisaged benefits (replacement rate, level of health benefits, level of subsistence benefits)?

- Who will bear the costs (beneficiaries, employers, state budget)?

If we expect the coverage shown in Table 37 we estimate the costs shown in Table 38.

It can be seen that if the current expenditure corresponds to 2.6 percent of GDP, the proposed coverage will amount to about 7.97 percent of GDP, which still will be less than many other countries spend. The costs of the social assistance and the expansion of the coverage of the health insurance will mostly be borne by the state. The expansion of unemployment insurance and pension will be mostly paid by beneficiaries and partly by employers.

The data above are rough estimates. The costs of the unemployment scheme are based on a ILO stdy conducted in 2010

25 The calculation uses most recent 4P data and supposes same average benefit level with varying coverage levels

26 The own estimates refer to the expected coverage levels. These were seen as minimum desired coverage.

Table 38: Estimated Costs

	Coverage	Costs(Bn)	Projected Coverage	Projected Costs
Unemployed	7%	0,15	80%	1,71
Elderly	16%	80,00	60%	300,00
Sick	70%	22,00	90%	28,29
Poor (social assistance)	13%	26,00	50%	39,06
Poor (Microcredit)	32%	25,00	50%	39,06
Children with special needs	5%	0,20	30%	1,20
Total		**153,35**		**470,26**

Source: NSO and own estimates [27]

27 The costs were calculated based on current average per-capita costs multiplied with higher numbers of beneficiaries.

6 Conclusion and Recommendations

The Philippines have a quite elaborate social insurance framework, which, however, shows low coverage and benefit pattern. Gaps mostly are in the fields of

- health insurance coverage of the informal sector and support value;
- pension coverage as well as the fact that many people take loans on their pension entitlements;
- absence of unemployment insurance;
- still low coverage and range of social assistance.

To remedy these gaps will lead to an increase of share of GDP spent for social protection to 9 percent, which is still at the lower end of comparable countries.

The findings of this study correspond with those of the ADB Social Protection Index, which ranged the Philippines below average of all Asian countries. Based on the analysis above, can be highlighted some recommendations for future social protection in the Philippines:

- Economically the Philippines would be able to expand the social protection system, especially as much of the suggested measures would be funded by the beneficiaries themselves and constitutes pure risk sharing and no redistribution. At least a doubling of the social budget and the share of GDP spend for social protection would be recommendable.
- In line with an expansion of social protection spending and risk sharing, an expansion of the number of people covered is needed. This counts especially for old age security, minimum income security (social assistance) and health insurance.
- In the field of health insurance, the introduction of fee schedules and an increase of the support value is needed.
- The policy of taking loans against the pension fund should be revised. We think that it is not acceptable that workers spend their pension funds before retirement.
- Concerning Social Assistance, a close monitoring and improvement of the conditioned services should be envisaged as well as a boost of compliance. Further target groups like poor elderly and poor childless households need attention.
- Apart from coverage, the breadth of risk coverage should be increased by introducing at least an unemployment insurance. The basics for this have been laid, among others by DOLE and ILO. Next step would be to discuss a respective law in Parliament.

The present study tries to elaborate some options the Philippine Government has in order to improve social protection of their citizens. There is a vertical and a horizontal aspect of improving coverage. Vertical means adding further branches of social protection like unemployment insurance or to broadening support value of health insurance. Horizontal means including larger parts of the population into social protection. However, some measures would be more feasible and useful than others. For example introducing unemployment insurance for informal workers makes less sense than providing health insurance, accident insurance or old age security for them. In any case, we recommend expanding social protection and working continuously on a strategy to provide better protection for Filipino workers and their families.

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