

Report No. 22181-PH

# Philippines Filipino Report Card on Pro-Poor Services

May 30, 2001

Environment and Social Development Sector Unit  
East Asia and Pacific Region



**Document of the World Bank**

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## **CURRENCY EQUIVALENTS**

(As of May 30, 2001)

|               |   |             |
|---------------|---|-------------|
| Currency unit | = | Peso        |
| \$1.00        | = | 50.57 Pesos |
| 1.00 Peso     | = | \$0.02      |

## **FISCAL YEAR**

January 1 – December 1

|                  |   |                          |
|------------------|---|--------------------------|
| Vice-President   | : | Jemal-ud-din Kassum, EAP |
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## ABBREVIATIONS AND ACRONYMS

|               |   |  |
|---------------|---|--|
| <b>ACSI</b>   | - | American Customer Satisfaction Index                         |
| <b>ADB</b>    | - | Asian Development Bank                                       |
| <b>AGILE</b>  | - | Accelerating Gross Investment and Liberalization with Equity |
| <b>APIS</b>   | - | Annual Poverty Indicators Survey                             |
| <b>ARMM</b>   | - | Autonomous Region of Muslim Mindanao                         |
| <b>ASEAN</b>  | - | Association of Southeast Asian Nations                       |
| <b>AusAid</b> | - | Australian Agency for International Development              |
| <b>BHS</b>    | - | <i>Barangay</i> Health Station                               |
| <b>BP</b>     | - | <i>Batasang Pambansa</i>                                     |
| <b>BWSA</b>   | - | <i>Barangay</i> Waterworks and Sanitation Association        |
| <b>CDA</b>    | - | Cooperative Development Authority                            |
| <b>CDF</b>    | - | Congressional Development Fund                               |
| <b>CENTEX</b> | - | Center for Excellence in Public Elementary Education         |
| <b>CHAPEL</b> | - | City Housing Acquisition of Private Lots                     |
| <b>CIDSS</b>  | - | Comprehensive Integrated Delivery of Social Services         |
| <b>CMP</b>    | - | Community Mortgage Program                                   |
| <b>COA</b>    | - | Commission on Audit  |
| <b>COCA</b>   | - | Certificate of Occupancy                                     |
| <b>COMPAS</b> | - | Center for Market and Survey Research                        |
| <b>COPE</b>   | - | Community Organization of the Philippines Enterprise         |
| <b>CORE</b>   | - | City-Owned Lots Rehabilitation and Disposition               |
| <b>CWS</b>    | - | Clark Water & Sewerage                                       |
| <b>DBM</b>    | - | Department of Budget and Management                          |
| <b>DBP</b>    | - | Development Bank of the Philippines                          |
| <b>DECS</b>   | - | Department of Education, Culture and Sports                  |
| <b>DEDP</b>   | - | <i>Divisional Elementary Education Development Plan</i>      |
| <b>DILG</b>   | - | Department of Interior and Local Government                  |
| <b>DOF</b>    | - | Department of Finance  |
| <b>DOH</b>    | - | Department of Health   |
| <b>DPWH</b>   | - | Department of Public Works and Highways                      |
| <b>DSWD</b>   | - | Department of Social Welfare and Development                 |
| <b>EO</b>     | - | Executive Order  |
| <b>ERAP</b>   | - | Enhanced Retail Access for the Poor                          |
| <b>ESC</b>    | - | Education Service Contracting                                |
| <b>GAO</b>    | - | General Accounting Office                                    |
| <b>GASTPE</b> | - | Government Assistance to Students for Private Education      |
| <b>GDP</b>    | - | Gross Domestic Product                                       |
| <b>GFI</b>    | - | Government Financing Institution                             |
| <b>GH</b>     | - | Government Hospital  |
| <b>GLAD</b>   | - | Group Land Acquisition Development Program                   |
| <b>GMA</b>    | - | Greater Manila Area  |
| <b>GOP</b>    | - | Government of the Philippines                                |
| <b>GSA</b>    | - | General Services Administration                              |
| <b>GSIS</b>   | - | Government Service Insurance System                          |
| <b>HDMF</b>   | - | Home Development Mutual Fund (or <i>PAG-IBIG</i> )           |
| <b>HH</b>     | - | Household  |

|                   |   |  |
|-------------------|---|--|
| <b>HHH</b>        | - | Household Head   |
| <b>HSRA</b>       | - | Health Sector Reform Agenda                              |
| <b>HUDCC</b>      | - | Housing and Urban Development Coordinating Council       |
| <b>IBRD</b>       | - | International Bank for Reconstruction and Development    |
| <b>ICSI</b>       | - | Institute on Church and Social Issues                    |
| <b>IMR</b>        | - | Infant Mortality Rate                                    |
| <b>IPC</b>        | - | Institute of Philippine Culture                          |
| <b>IRA</b>        | - | Internal Revenue Allotment                               |
| <b>KG</b>         | - | Kilogram   |
| <b>LBP</b>        | - | Land Bank of the Philippines                             |
| <b>LGU</b>        | - | Local Government Unit                                    |
| <b>LGUWSP</b>     | - | Local Government Unit Urban Water and Sanitation Program |
| <b>LWUA</b>       | - | Local Water Utilities Authority                          |
| <b>MBN</b>        | - | Minimum Basic Needs                                      |
| <b>MCWD</b>       | - | Metro Cebu Water District                                |
| <b>MFI</b>        | - | Multilateral Financial Institution                       |
| <b>MSO</b>        | - | Marikina Settlements Office                              |
| <b>MTWG</b>       | - | Municipal Technical Working Group                        |
| <b>MWCI</b>       | - | Manila Water Company, Inc.                               |
| <b>MWLP</b>       | - | Multi-Window Lending Program                             |
| <b>MWSI</b>       | - | <i>Maynilad</i> Water Services, Inc.                     |
| <b>MWSS</b>       | - | Metropolitan Waterworks and Sewerage System              |
| <b>NAPC</b>       | - | National Anti-Poverty Commission                         |
| <b>NCR</b>        | - | National Capital Region                                  |
| <b>NEDA</b>       | - | National Economic Development Authority                  |
| <b>NFA</b>        | - | National Food Authority                                  |
| <b>NGA</b>        | - | National Government Agency                               |
| <b>NGO</b>        | - | Non-Government Organization                              |
| <b>NHA</b>        | - | National Housing Authority                               |
| <b>NHMFC</b>      | - | National Home Mortgage Finance Corporation               |
| <b>NSCB</b>       | - | National Statistical Coordination Board                  |
| <b>NSO</b>        | - | National Statistics Office                               |
| <b>NSP</b>        | - | National Shelter Program                                 |
| <b>NWRB</b>       | - | National Water Resources Board                           |
| <b>NWRC</b>       | - | National Water Resources Council                         |
| <b>O&amp;M</b>    | - | Operations and Management                                |
| <b>OCW</b>        | - | Overseas Contract Worker                                 |
| <b>ODA</b>        | - | Official Development Assistance                          |
| <b>OECF</b>       | - | Overseas Economic Cooperation Fund                       |
| <b>PAB</b>        | - | Project Advisory Board                                   |
| <b>PAC</b>        | - | Public Affairs Center                                    |
| <b>PCER</b>       | - | Presidential Commission on Educational Reform            |
| <b>PAF</b>        | - | Poverty Alleviation Fund                                 |
| <b>PD</b>         | - | Presidential Decree                                      |
| <b>PHIC</b>       | - | Philippine Health Insurance Corporation                  |
| <b>PhilHEALTH</b> | - | Philippine Health Insurance                              |
| <b>PHILSSA</b>    | - | Philippine Support Service Agencies                      |

|                |   |   |
|----------------|---|---|
| <b>PhP</b>     | - | Philippine Peso   |
| <b>PIDS</b>    | - | Philippine Institute of Development Studies                           |
| <b>PNC/H</b>   | - | Private Non-Profit Clinic/Hospital                                    |
| <b>PO</b>      | - | People's Organization   |
| <b>PPAS</b>    | - | Public Performance Audit System                                       |
| <b>PPC/H</b>   | - | Private For-Profit Clinic/Hospital                                    |
| <b>PTA</b>     | - | Parent-Teacher Association  |
| <b>PTFWRDM</b> | - | Presidential Task Force on Water Resources Development and Management |
| <b>PWUA</b>    | - | Provincial Water Utilities Act  |
| <b>RA</b>      | - | Republic Act  |
| <b>RHU/C</b>   | - | Rural Health Unit/Urban Health Center                                 |
| <b>RP</b>      | - | Republic of the Philippines   |
| <b>SIDCA</b>   | - | Swedish International Development Cooperation Agency                  |
| <b>SBWS</b>    | - | Subic Bay Water & Sewerage  |
| <b>SRP</b>     | - | Self-Rated Poverty  |
| <b>SSS</b>     | - | Social Security System  |
| <b>SWS</b>     | - | Social Weather Stations   |
| <b>TA</b>      | - | Technical Assistance  |
| <b>TEEP</b>    | - | Third Elementary Education Project                                    |
| <b>TFS</b>     | - | Tuition Fee Subsidy   |
| <b>TH/A</b>    | - | Traditional Healer/Attendant  |
| <b>UHC</b>     | - | Urban Health Center   |
| <b>UK</b>      | - | United Kingdom  |
| <b>UN</b>      | - | United Nations  |
| <b>UNCHBP</b>  | - | United Nations Centre for Housing, Building and Planning              |
| <b>UNDP</b>    | - | United Nations Development Programme                                  |
| <b>UNICEF</b>  | - | United Nations Children's Educational Fund                            |
| <b>UPA</b>     | - | Urban Poor Associates   |
| <b>UPAO</b>    | - | Urban Poor Affairs Office   |
| <b>URC</b>     | - | Urban Research Consortium   |
| <b>WB</b>      | - | World Bank  |
| <b>WD</b>      | - | Water District  |
| <b>WHO</b>     | - | World Health Organization   |



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# FILIPINO REPORT CARD ON PRO-POOR SERVICES

## SUMMARY

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*"I believe in listening to and learning from those whom I serve. I will ensure that my organization creates and respects genuine mechanisms for regular feedback from our citizen-customers, and subsequently uses this feedback to render better service to them."*

President Gloria Macapagal-Arroyo<sup>1</sup>

### 1. INTRODUCTION

#### A. What is the Report Card?

1. The Report Card is a means by which citizens can provide credible and collective feedback to public agencies about their performance. It brings forth information on users' awareness, access, use and satisfaction with public services. It is an important follow-up to the World Bank's Philippines Poverty Assessment.<sup>2</sup> It complements the expert analyses and findings in the Poverty Assessment with a "bottom-up" assessment of pro-poor services in five key sectors -- health care, elementary education, water supply, housing and subsidized rice distribution.<sup>3</sup>

2. The Report Card identifies the key constraints that Filipinos face in accessing public services, their appraisals of the quality and adequacy of public services, and the treatment they receive in their interactions with service providers, especially government officials. It offers several recommendations on sector and sub-sector policies, strategies and programs to address the constraints and improve service delivery, especially to the poor and under-served areas and groups.

3. The Report Card is based on a national client satisfaction survey undertaken by the World Bank in collaboration with the Social Weather Stations (SWS), a premier survey research organization in the Philippines that is independent, non-partisan and credible. The survey was implemented from March 26 to April 17, 2000. It covered 1,200 households, distributed nationwide in four broad regions: National Capital Region (NCR), Balance Luzon,<sup>4</sup> Visayas, and Mindanao -- in proportion to their population. In keeping with global best practice, client satisfaction with public services in the

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<sup>1</sup> President Gloria Macapagal-Arroyo required her Cabinet members to undertake a pledge to be accountable to eleven service standards, including responsiveness to Constituency Feedback.

<sup>2</sup> *Philippines Poverty Assessment, The World Bank, Washington, D.C., June 14, 2000.*

<sup>3</sup> These five sectors are key elements of the government's poverty reduction efforts under the Minimum Basic Needs (MBN) approach, which include the Social Reform Agenda of the Ramos Administration and the flagship *Lingap Para sa Mahihirap* Program of the Estrada Administration.

<sup>4</sup> Rest of Luzon excluding NCR.

Philippines is assessed using the results for the services provided by the private sector as benchmarks.<sup>5</sup>

## **B. Why Prepare a Report Card?**

4. There is a growing concern in the Philippines about the performance and accountability of public agencies that deliver services, especially to the poor. Most accountability mechanisms for public agencies focus on inputs (e.g., number of personnel, facilities, and expenditures) and occasionally on broad outcome indicators such as literacy and mortality rates. Beyond this arithmetic, little is known about the QUALITY of services delivered by the State. It is therefore difficult to identify specific areas for improvement to make public services more responsive to and effective in meeting the needs of the users.

5. There are a number of evaluations of pro-poor programs in the Philippines, undertaken by service providers and experts that often identify program-specific problems and issues with little connection to sectoral and cross-sectoral dimensions. Also, very few of the evaluations and assessments are done from the client perspectives. The Report Card initiative was launched to undertake an assessment of pro-poor services by citizens, based on their experience. In addition, the Report Card helps to pull together the myriad individual problems facing the various programs into common sectoral issues, by drawing attention to the worst problems and good practices in the five selected sectors. By ranking and quantifying issues, it brings into limelight those concerns that trouble the clients most and can trigger public pressure and collective action.

6. To be effective, traditional public accountability systems need to be strengthened and reinforced through adoption of innovative approaches that involve public participation. Those at the receiving end -- clients/users or Filipino citizens -- are well placed to provide systematic feedback to service providers and policy makers on the results of government actions that are intended to benefit them. While most users may not be able to comment on complex technical matters, they are eminently qualified -- EXPERTS -- on whether the public services meet their needs and expectations, whether specific aspects are satisfactory or unsatisfactory, and whether the concerned agencies are responsive, reliable, and accountable.

7. The Report Card is a timely initiative, which should help translate the renewed commitment of Filipinos<sup>6</sup> to a democratic, transparent and accountable State that responds to the needs of the people, especially the poor. It builds upon the previous Administration's commitment to "treat each citizen as a customer in much the same way as the best private companies treat their clients." This commitment is reiterated by President Gloria Macapagal-Arroyo, who required her Cabinet members to sign a Pledge

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<sup>5</sup> For example, see *Federal Agencies Government-wide Customer Satisfaction Report for the General Services Administration*, December 1999, University of Michigan Business School, American Society for Quality, and Arthur Anderson.

<sup>6</sup> After the successful non-violent People Power II revolution in January 2001.

to be accountable to eleven service standards, including responsiveness to Constituency (client) Feedback.<sup>7</sup>

8. This shift to think of Filipinos as customers or clients rather than beneficiaries requires that their “voices” count in the design, delivery and assessment of public services. Private firms operating in a competitive environment make use of this approach and use the information gathered through client surveys to redesign their products to meet customer needs and enhance customer loyalty. User feedback is especially important for government service providing agencies as they often operate as monopolies or oligopolies where people (particularly, poor people) may have few viable and affordable alternatives. For example, aspects such as quality of services, timeliness of service delivery, and responsiveness of agency personnel may leave much to be desired, but market pressures (through, for example, competition in service provision at comparable prices) are missing to rectify the deficiencies. Client feedback is a much-needed corrective in this setting, which can be used either by reform-minded champions in the government and/or as a trigger for public pressure to improve performance.

9. While user report cards and client surveys are new to most governments and their agencies, these are now being used as a way to assess performance of public agencies in several countries including Canada, Denmark, Ghana, India, Sweden, United Kingdom, United States, and Uzbekistan. In these cases, quantifying and grading different dimensions of public services from the perspective of users is helping government agencies measure and benchmark their performance, understand the factors that contribute to it, and respond better to the needs and expectations of the people they serve.

### **C. What Does the Report Card Present?**

10. The Report Card presents people’s perspectives on pro-poor services that are not always captured in traditional evaluations by experts and in the routine reports of agencies providing the services.<sup>8</sup> The client assessments bring forth valuable insights into such critical dimensions as awareness, availability, and affordability of pro-poor services from different service providers (e.g., government, private sector and other sources). These service dimensions are presented from the perspectives of different population groups, differentiated by geographic region, rural and urban residence, and level of household expenditure. These should be key inputs in the design and improvement of effective service delivery programs. They should be seen as complementing the findings of expert evaluations and agency reports.

11. The insights derived from the Report Card should be helpful in understanding the degree to which the pro-poor services are reaching the target groups, the extent of leakages, and factors that contribute to such misdirection of resources and services. They help identify the physical availability, quality and cost factors that constrain the access to

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<sup>7</sup> See quote from President Gloria Macapagal-Arroyo at the beginning of this Summary.

<sup>8</sup> For example, some of the new insights emerging from the Report Card that have not been captured by traditional surveys to-date, include health/disability-related reasons for dropping out of elementary school and the high dissatisfaction of rural households with their housing. These findings deserve further scrutiny and follow-up.

and use of the services by the poor and possible means to rectify the situation. The latter includes suggestions by the respondents (citizens) on the types of programs that might enhance service delivery to and use by the poor. Also, the Report Card results help test some of the policy conclusions in other analytical studies<sup>9</sup> from the clients' standpoint. Thus, it complements the analytical work of the World Bank and others from a "bottom-up" perspective. The client appraisals from the Report Card survey need to be augmented with expert assessments and agency reports to obtain a comprehensive picture of the strengths and weaknesses of service provision to various groups. To this end, secondary data have been used to complement and crosscheck, wherever available.

#### **D. How are the Poor Identified?**

12. The primary poverty measure in the Report Card is based on household expenditures. Households with expenditures in the bottom three expenditure deciles (bottom 30%) are classified as poor;<sup>10</sup> those with expenditures in the fourth to sixth deciles (middle 30%) as middle-income; and those with expenditures falling in the top four expenditure deciles (top 40%) as rich. This helps link the quantitative poverty information from the expenditure module of the Annual Poverty Indicators Survey (APIS) with client feedback on pro-poor services in the Report Card.

#### **E. How Participatory is the Report Card?**

13. Planning the Report Card survey began with consultations with key stakeholder groups in government, private sector, civil society, and selected academic institutions in the Philippines. The inputs of different stakeholders were actively solicited and incorporated in the design of the survey questionnaire. After completion of the fieldwork, preliminary data tables were prepared and the initial findings drawing upon the tables were presented to stakeholder representatives in regional workshops in Manila, Clark and Cebu during June 2000. The participants identified a number of nuances that were helpful in explaining the apparent discrepancies between the Report Card results and sector level data.<sup>11</sup> Altogether, the feedback from the participants in the workshops helped in validating the preliminary results from the Report Card survey. Also, the stakeholder representatives suggested areas for further analysis and additional tabulations in the Report Card, which have been taken on board and implemented. The strong stakeholder participation in the preliminary workshops suggests that there is interest in the Report Card findings, and positive expectations regarding the follow-up actions.

14. Detailed tabulations of the Report Card survey responses, analyses and interpretation of the results were carried out during the succeeding six-months. A number of World Bank sector specialists and national experts prepared the write-ups on

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<sup>9</sup> For example, the recommendations in the *Philippines Poverty Assessment* such as abolishment of a general rice subsidy and weak performance of the *Lingap Para sa Mahihirap* Program.

<sup>10</sup> About 30% of Filipinos are classified as poor by official sources.

<sup>11</sup> For example, according to official data, the teacher pupil ratio is lowest in Mindanao, while the Report Card results (confirmed by the feedback from the participants from Mindanao) show that large class size is a problem in Mindanao.

the five sectors utilizing the final data tables. They married the Report Card survey findings with sector level data from different sources and presented a comprehensive picture of the situation in the sectors. The detailed data tables and draft sector write-ups have been shared with the government (through NEDA) to encourage independent scrutiny and validation of the analysis by the government. A number of initiatives and actions are already under way to address some of the constraints identified by the users.<sup>12</sup> Additional actions at the sector, program and project levels are recommended to improve service delivery by public agencies, enhance complementarity between public, private and civil society service providers, sharpen targeting of the services, and promote accountability to the clients at the grassroots.

15. The draft Report Card was finalized based on feedback from different stakeholders. The next step is to stimulate informed dialogue and follow-up actions by development partners to improve service delivery. Different versions of the Report Card will be produced and disseminated to cater to the needs of various target audiences.<sup>13</sup> The follow-up dissemination actions include:

- Individual consultations with concerned public agencies on the Report Card results to help them understand client concerns, how ongoing and proposed actions in the sector are likely to address these, and identify necessary adjustments and additional actions to better respond to client needs;
- Consultations between different public agencies on common citizen concerns that span across sectors to help evolve approaches to addressing the common problems (sectoral and systemic) by service providers and by coordinating agencies (e.g., NAPC, NEDA, DBM and DOF), and to learn from the successes and mistakes of different approaches adopted by the various agencies;
- Consultations between service providers (public, private and civil society organizations) and citizens to help the different groups appreciate the constraints and strengths faced by each; identify potential complementarities and explore ways of exploiting them; and reach agreement on mutual obligations, responsibilities and commitments;
- Targeted dissemination to the legislative branch of the government to facilitate discussion of the implications of the Report Card findings;
- Advocacy and dissemination of the main findings of the Report Card through the media and regional stakeholder workshops to help Filipinos, including the poor,

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<sup>12</sup> For example, the implementation of the Health Sector Reform Agenda, which addresses several constraints identified by the clients has begun, albeit, on a modest scale.

<sup>13</sup> For example, busy policy makers may require a short note summarizing the key findings, as included in this Summary, along with selected data tables. On the other hand, sector specialists may require more in-depth analysis as presented in the sector chapters in the main text. Ordinary citizens may value yet another form of the Report Card; perhaps a “folksy” version, in local languages, which demystifies service provision and provides information in a simple form.

understand the situation, possible options, and ways in which concerns of the poor and under-served could be “voiced” to make a difference in service delivery; and

- Distribution of the Report Card data on user-friendly compact discs to analysts, researchers, and others interested in carrying out independent analyses and interpretation of the results.

## 2. SUMMARY FINDINGS

16. The Filipino Report Card captures citizen assessments of the five sectors and the *Lingap Para sa Mahihirap* (or Caring for the Poor) Program. These assessments are summarized and presented below and discussed in greater detail in the main text. Readers may also wish to read the main text to review the Report Card data and secondary information, which support these findings. Where appropriate, key implications of the Report Card findings for sector policies and operations are also presented below and discussed in greater detail in the main text.

### A. HEALTH

17. Health facilities included in the Report Card are *barangay* health stations, rural health units/urban health centers, government hospitals, private clinics/hospitals, non-profit clinics/hospitals, and traditional healers. More than three-fourths of the respondents have utilized at least one of these health facilities in the twelve months preceding the survey.

- **The non-poor use health facilities more than the poor.** Urban residents visit health facilities more than rural residents. A larger proportion of the better-off visit health facilities, compared to the poor, although poor Filipinos are more likely to suffer from ill health. Those who do not go to health facilities give absence of illness, self-medication and high cost of medical care as reasons.
- **Public facilities<sup>14</sup> are low in cost, but inferior in quality.** Health services provided by public facilities are used mainly by those who cannot afford the widely preferred private services. Compared to government facilities, private facilities<sup>15</sup> are ranked superior on all quality aspects (care, facilities, personnel, medicines and convenience) by the clients. Low cost (of treatment, medicines and supplies and flexibility of payment) is the only advantage of government facilities over private facilities. The quality aspects of government health facilities require significant improvement.

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<sup>14</sup> Public health facilities included in the Report Card are *barangay* health stations, rural health units/urban health centers, and government hospitals.

<sup>15</sup> Private health facilities included in the Report Card are private clinics/hospitals and non-profit clinics/hospitals.

- **Primary facilities<sup>16</sup> are frequently bypassed.** Primary government facilities appropriately provide preventive health services and treatment for minor illnesses/accidents. However, a sizeable number of Filipinos bypass these primary health facilities, even when highly accessible, in favor of government hospitals and private clinics/hospitals. Thus, government hospitals end up providing the same services as primary facilities, with only a third of their business consisting of specialty services like care for major illnesses and accidents. The quality of primary facilities is perhaps the single most pressing issue for consumers. The patient classification system and referral mechanisms also need considerable improvement.
- **Public primary facilities are noted for low quality.** Those who bypass the primary health facilities are dissatisfied with their quality. In fact, client satisfaction is lowest for frontline *barangay* health stations and health centers at the grassroots, compared to the other facilities included in the Report Card. Diagnosis is poor, resulting in repeat visits. Medicines and supplies are inferior and rarely available. The personnel are often absent, especially in rural areas, and are perceived to lack both medical and people skills. Waiting time is long, facility schedule is very inconvenient, and facilities are rundown.
- **Primary facilities are mostly used by the poor.** Private clinics/hospitals are more likely to be visited in Metro Manila and in other urban areas, and by the non-poor. On the other hand, residents of Mindanao, rural households, and the poor are more likely to visit government primary facilities and traditional healers. About a tenth of the users of private facilities, mostly in Mindanao, do not have access to any government facility. There may be some quick gains for the poor by placing primary health care providers in remote unserved *barangays* or linking them to private providers, where possible.
- **Improving primary facilities is pro-poor.** Since public primary facilities are mostly frequented by the poor, improving their quality, with particular emphasis on services demanded by the poor, would greatly enhance their pro-poor nature. This would also reduce inefficient use of public hospitals, which are now mainly providing primary health care. The *Sentrong Sigla* program of the Department of Health, which provides a seal of approval to facilities that meet certain quality standards, is a good initiative in this regard and should be strengthened. Targeted assistance, most likely geographically focused on poorer and isolated communities (in rural areas and Mindanao), is required to upgrade primary facilities to *Sentrong Sigla* standards.
- **Government hospitals require quality upgrading, too.** The non-poor, especially middle-income households, are twice as likely to use government hospitals compared to the poor. While clients rate government hospitals higher than public primary facilities, there remains a significant quality deficit compared to private facilities. For example, clients favor private facilities two-to-one over government hospitals in

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<sup>16</sup> Primary government facilities, included in the Report Card are *barangay* health stations and rural health units/urban health centers.

NCR. This is particularly disconcerting since a large share of the national government budget for health is spent on NCR hospitals. The priority for government hospitals is to improve service quality through financial autonomy and market pressure, or to go out of business and leave service provision to the private sector.

- **The poor pay more in relative terms.** Median annual household expenditure on health is PhP1,180 (about \$25), and in absolute amounts, the rich spend ten times more on average than the poor on health care (about \$100: \$10). This is largely due to patronage of cheaper, lower-quality government services by the poor. However, even the modest health expenditures of the poor absorb a larger share of their income, as compared to the rich.
- **The poor especially need insurance coverage.** Insurance coverage could lighten the medical burden of all Filipinos, especially the poor. While a third of the population is protected by health insurance, about 1% of the poor are covered. Thus, payments for health care by the poor are almost entirely out of pocket, effectively limiting their use of care for catastrophic illnesses and quality (private) care. Expanding health insurance coverage for the poor can be achieved by increasing contributions from national and local governments to subsidize insurance premiums for the poor and expanding membership of the non-poor to allow greater cross-subsidies from the non-poor to the poor.
- **High prices of medicines are a burden.** Medicines and supplies account for the largest share of household medical expenses, at 49%. This is even bigger than the 33% share of bills for hospital stay and the 10% share of bills for consultation and treatment. It is urgent to cut the prices of medicines, which are significantly higher in the Philippines than in the rest of the ASEAN. Recognizing this, the government has initiated a parallel drug importation program from countries such as India, where the same patented drugs are sold for a fraction of the price in the Philippines. In addition, use of competitive international bidding procedures for procurement has helped reduce the price of some drugs, like for tuberculosis, by half. The challenge for the government is to reduce these costs by either intervening on the supply side (prices, volumes) and/or the demand side (monitoring prescribers/dispensers and educating consumers).
- **Implement the Health Sector Reform Agenda (HSRA)<sup>17</sup>** The HSRA proposes to make the health system in the Philippines more pro-poor by: (i) expanding health insurance coverage for the poor; (ii) improving the quality and accessibility of health care for the poor in public primary facilities; (iii) reducing the cost of medicines and expenditures on hospital stays; and (iv) improving quality in government hospitals. If successfully implemented, the HSRA could fully respond to the findings of the Report Card above. To this end, the new Administration is urged to continue with the HSRA, albeit in a more focused and sequenced manner, as its core elements are validated by the citizen feedback on the performance of the health sector in the Philippines.

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<sup>17</sup> Health Sector Reform Agenda, Philippines, 1999–2004, Department of Health, Manila.

## **B. ELEMENTARY EDUCATION**

18. Elementary education in the Philippines is provided by public and private (including sectarian) schools. More than nine out of ten school-age children are enrolled in elementary schools, and 88% of them go to public schools. Access to public schools has improved over time.

- **Drop-outs are mostly from poor families.** About three-fourths of the drop-outs belong to poor households. They are more often located in rural areas. Two out of five Filipino children not in school are Mindanao residents. Boys tend to drop out more often than girls. Of those children who drop out of elementary school, 60% do so in grades 4 and 5.
- **Children drop out for health and economic reasons.** Poor health (or disability) is the top reason for dropping out, followed by economic reasons, like the high cost of education, or the need for the child to work. A small proportion drop out due to poor grades. To this end, the respondents recommend the following programs for helping poor families: in-school health care, full exemption from miscellaneous fees, and more qualified and better trained teachers. Targeted scholarships for poor families, especially in rural areas, are also recommended.
- **Drop-outs deserve special attention.** Donor-financed projects have focused mostly on poor provinces and those with low education achievement, especially in Mindanao and Western Visayas. However, more needs to be done to enhance the demand from families, primarily the poor, whose children are at risk of dropping out. Successful NGO efforts should be supported or replicated in areas with high drop-out rates. The identification by respondents of disabilities/health problems as the major reason for dropping out deserves further exploration, and follow-up actions in collaboration with the Department of Health.
- **Public schools are low in cost, but inferior in quality.** A majority of private and public school patrons agree that private schools are better than public schools on quality aspects. Public schools are rated higher by clients only on costs and convenience of location. Those who can afford to pay send their children to private schools. The quality aspects of public schools require significant improvement.
- **Private school tuition is prohibitive.** Because they are out of the reach of the poor and most middle-income households, private schools are mainly patronized by the rich, urban households, and residents of NCR. Unsurprisingly, these schools are more often located where the better-off live. Social targeting could potentially enable youth from low-income households to attend private schools. Experience from government's ongoing GASTPE program can be instructive in this regard.
- **Then again, public elementary education is far from free.** Public education is supposed to be free. In actual fact, families spend about 2% of total household expenditures on each child enrolled in a public elementary school. A fifth of this

amount goes to miscellaneous fees and donations for the school's upkeep. These fees are particularly high in the Visayas, and deserve further scrutiny. Transportation accounts for about half of education expenses, and uniforms for about one fourth.

- **Class size, textbooks, and facilities are rated poorly in public schools.** Public school patrons are most satisfied with location, perhaps as a result of the successful implementation of the long-standing “one barangay, one school” policy of the government. However, they are least satisfied with class size, availability of textbooks and school facilities. Average class size in the Philippines (45) is much higher than the average teacher to student ratio (35), largely due to poor deployment of teachers. Five students, sometimes more, share a textbook, and the condition of most school buildings is very poor. While current government expenditures may be insufficient to adequately deal with these shortcomings, the main issue is the cost-effectiveness of these public expenditures.
- **Improving effectiveness of public expenditures is key.** The textbook situation in elementary schools is expected to improve dramatically with the procurement of 50 million textbooks under projects implemented with World Bank assistance. The government is also committed to further textbook reform to ensure quality of textbooks, timely delivery to schools and sustainability of supply. Redeployment of teachers and reform of the school building program are required to address uneven class size and poor facilities. All three areas of client dissatisfaction are the focus of a Second Social Expenditure Management Project currently under development with World Bank support.
- **There is a sharp drop in client satisfaction with private schools.** The fall is related to tuition fee increases, slipping teacher performance, and deteriorating school facilities. The lower rating for teacher performance should be of particular concern to private schools, as this has been their main comparative advantage over public schools. Unless private schools are able to arrest this decline, they are likely to lose more students. This is bad news for public schools too, as it puts additional pressure on their already strained resources.
- **Implement a comprehensive teacher development strategy.** The level of competency of teachers is a complex problem, confronted by private and public schools alike, and needs to be addressed through a comprehensive teacher development strategy. The corrective actions should begin with attracting good students, especially of mathematics and science, to the teaching profession; revamping the teacher training curriculum; enforcing minimum standards in teacher training institutions; reforming personnel policies; and instituting a periodic and effective in-service training program.
- **Parent-Teacher Associations (PTAs) are widespread.** PTAs are found in 98% of public schools, and two-thirds of the parents are PTA members. Participation of the poor is higher than the national average -- three-fourths of poor households are PTA

members -- and has improved over time. Four out of five private schools have PTAs, and their numbers have risen over time.

- **PTAs are a potent force for reform.** Almost all of the poor say they are well represented in PTAs. Public school PTAs are concerned equally with education and fund raising, and members feel they have considerable influence on the teaching programs. Private school PTAs are mostly concerned with education activities, and members also feel that they have considerable influence on the teaching programs. Thus, PTAs represent valuable social capital, which could help enhance responsiveness, accountability and results-orientation in elementary schools. In particular, the involvement of PTAs in monitoring school inputs and ensuring good use of public funds has been largely overlooked, and is a tremendous resource waiting to be tapped.

### C. WATER SUPPLY

19. The government has classified three levels of water services, with norms on the number of families they could serve. Level I is a point source (without any piped distribution), like a spring or protected well, and is expected to serve an average of fifteen households within 250 meters. Level II is a piped system with community faucets, serving four to six households within 25 meters. Level III is a full waterworks system with individual house connections for those residing in densely populated settlements. In general, water that is not piped transfers the responsibility of improving water quality to the consumer. Level I and II water has to be stored by consumers for longer periods of time, which exposes it to contamination. Other (informal) water supply sources include self-provisioning and purchasing water from vendors.

- **Only three out of five Filipinos get water from formal sources.** Only 64% of Filipinos get water from the Level I, Level II, or Level III systems. A third rely on self-provisioning while 3% get water from vendors. This means 37% of the consumers have to devise their own strategies for water services they need. On the one hand, the rich invest in self-provisioning to ensure good quality and reliable water, although this has often resulted in adverse environmental impacts in the past. On the other hand, self-provisioning is the last resort of poor households, forced to collect water from contaminated sources, store it in containers (such as clay pots, plastic cans or tins) not regularly cleaned, and drink it without treatment.
- **A majority of the poor are excluded from Level III water service.** Only a fourth of the poor get water piped to their homes. The access of the poor to home-piped water is less than half that of the rich. The poor are three times more likely than the rich to access water from wells, springs, and communal faucets (i.e., Level I and II systems). Of the poor with no house connections, more than two-thirds want such access.
- **Rural communities and Mindanao are under-served.** Urban households are four times more likely to be served by level III systems than rural households. More than

four-in-five households in NCR enjoy access to level III services. Level III service is least available in Mindanao. A majority of households there get water from communal faucets (Level II) and point sources (Level I), and a third rely on self-provisioning. Special attention to improve coverage of safe water service in Mindanao and rural areas is required.

- **Level III service is unable to meet consumer demand.** Hence, consumers are forced to get water from other sources. Among those without access to home-piped water, two-thirds want to get it, but 95% have not applied for such service. The main reason cited is unavailability of the service in their area. This calls for provision of water supply services based on what the clients want, and are willing to pay for. While government mandates the provision of water based on perceived needs and affordability of communities, this demand-based approach is worth implementing further. To this end, the government could benefit from the experience of the World Bank-assisted LGU Urban Water and Sanitation Project in further refining sector policies and operational approaches.
- **Consumer demand for Level III service should be addressed.** The substantial unmet demand for level III service among consumers and their willingness to pay for satisfactory service suggest a feasible market for level III service in both urban and rural locations, across regions, and among different expenditure groups. Thus, programs on provision of level III service should be promoted regardless of geographical location or income consideration as long as there is a demand and a willingness-to-pay for such service. In areas where it is apparent that the poor cannot afford the full cost of a level III service because of grossly high tariffs due to difficult water sources and geographical conditions, government needs to formulate an appropriate policy. Such policy may involve targeted subsidies, institutional arrangements on water resource management (e.g., inter/intra-LGU trans-basin diversion, tradable water rights), and the like. Initial policy work on the latter has been done with World Bank support but more follow-up work as well as consultations among stakeholders are needed.
- **Households with Level III service consume more water than the others.** Median water consumption for level III households is more than the combined consumption for those with level I and level II access. Higher consumption levels along with convenience are indicators of greater welfare, and the Report Card confirms that level III systems are the preferred choice of consumers. Even the poor consume more water from level III systems, compared to any other water source.
- **Water consumption by the poor is unacceptably low.** Half of all poor and rural households consume less than 30 liters per capita per day, which barely meets human water requirements. Among the poor who buy water from vendors, median consumption is just 15 liters, a level dangerously close to the survival minimum. Thus, inequitable and irregular access to water supply affects poor and rural households disproportionately. This increases their vulnerability to diseases induced

by contaminated or inadequate water supply (for example, malaria, dengue fever, typhoid, gastroenteritis, etc.).

- **Water supplied by all sources is considered unsafe for drinking.** Almost all households incur additional expenditure on water treatment and bottled water, which is often substantially higher than that paid to the water utility. The quality of water provided in rural areas appears worse than that in urban areas, as seen in the higher treatment costs in the former. Rural residents spend more than twice their utility bills on treating water. Urban households spend almost an equal amount on bottled water; a source in need of improved regulation.
- **Low water quality especially hurts the poor.** The poor compromise on water treatment by spending too little on it, partly due to resource constraints and partly due to lack of hygiene education. This makes them more vulnerable to water-related diseases.
- **The poor pay more, but get less.** In general, the share of outlays on water in total household expenditure varies between 2% and 9% with self-provisioning and vended water showing the highest shares. On average, poor households allocate proportionally more of their monthly household expenditure on water, compared to rich households. Thus, the poor can afford only limited amounts of (low quality) water, and have very little left-over for treating it. This group should be accorded priority in new service provision, with a focus on affordability.
- **The poor spend the most on low quality vended water.** Clients give the lowest rating to vended water in the Report Card, based on quality and service aspects. Almost a tenth of Metro Manila residents, many of them poor, get their water from vendors. The Filipino poor who rely on vended water as their main water source devote 9% of their household expenditure to buy water. This is the highest share among all categories and sources, and this population segment should be considered top priority for targeted interventions.
- **The rich are subsidized more than the poor.** Past government policies of prescribing water supply services on the basis of a three-level classification and cost recovery strategies have resulted in many of the poor accessing level I and level II systems, which place the burden of improving water quality on the household. Level III systems, which often received the largest public investments and subsidies (in capital and operational costs), serve mainly the non-poor, and mostly in urban areas. Thus, the inequality in low access of the poor to level III services is compounded by the subsidy going to systems serving non-poor clients. While the sector strategy emphasizes full cost recovery for new systems, it is equally important to initiate measures to remedy inequities in existing systems, especially in terms of providing the poor with access to the preferred level III services.

## D. HOUSING

20. The Report Card ascertained citizen assessments of their current housing as well as the housing assistance services they receive from both public and private sources. Information on current housing provides the context for better interpreting the experiences of Filipinos with housing assistance programs.

- **The poor are extremely dissatisfied with their housing.** Half of the respondents rate their housing as inadequate. Another one-third consider their housing as borderline inadequate. In Mindanao and Visayas where poverty is more widespread than in Luzon, nearly two out of three households regard their housing as inadequate. Dissatisfaction with housing is higher in rural communities, where more poor Filipinos live, than in urban areas. However, the urban poor are only somewhat less satisfied than the rural poor, and extremely dissatisfied compared to their wealthier urban neighbors.
- **Location is linked to satisfaction.** Urban residents, especially the poor, are more satisfied than rural Filipinos with the location of their house relative to their place of work, public facilities and public services. Because the urban poor value access, distant, out-of-city relocation is ill-advised. On the other hand, there is a need to bring jobs, public facilities and public services closer to rural communities, who give low grades on access. Community upgrading and provision of basic services, like water and sanitation, will also help reduce the disadvantages that ordinary Filipinos face to improve their quality of life.
- **Land tenure is vital to housing satisfaction.** In the Philippines, house ownership (at 78%) is more common than residential land ownership (at 58%). Among the regions, Mindanao and Visayas, which have the lowest proportion of households owning residential land, also express the lowest satisfaction with housing. Among the expenditure groups, the poor have the lowest proportion of households owning residential land. They are also the least satisfied with their housing. Unsurprisingly, housing programs, which focus on security of land tenure, like the Community Mortgage Program, are in high demand in low-income communities, and should be strengthened.
- **The poor are capable of building their own shelter.** Although residential land ownership is lowest among the poor, house ownership is highest, compared to middle-income and rich households. This reflects the capacity of the poor to build their own shelter. To improve housing for the poor, government priority should be security of land tenure and the provision of essential services, leaving people to build their own houses.
- **Access to housing programs is very limited.** Out of the five basic services included in the Report Card, housing assistance offers the lowest access. Only a tenth of the respondents have ever applied for (both public and private) housing assistance. Of this number, a third had to do so because of government eviction and relocation

drives. The three main reasons for not applying for housing assistance are: (i) lack of awareness on housing programs, and ways to access these (50%); (ii) lack of need (20%); and (iii) high transaction costs (7%). As a first step, service providers need to inform the public, particularly non-NCR, rural, and poor households, about ongoing housing programs. They also need to streamline application procedures, reduce waiting times and establish responsive complaint resolution mechanisms.

- **The private sector hardly participates in housing assistance.** Three-fourths of those who get housing assistance obtain it from the government. A majority of the rest get it from informal sources like relatives, money lenders, religious institutions, cooperatives and NGOs. Overall, the private sector appears to be a very minor player in housing assistance. Options for increasing the flow of private funds into the housing sector, for example, through the development of a secondary market for mortgage-backed securities, deserve serious consideration. These will require accompanying reforms in laws, regulations, supervision and tax aspects.
- **Government housing assistance benefits mostly those who need it least.** About 95% of the beneficiaries of government housing assistance to-date have been urban households (majority in NCR). Most government housing assistance has been captured by rich and middle-income households, with only 21% of the beneficiaries coming from poor households. Ironically, a larger proportion of NCR, urban and non-poor households confirmed that they did not require housing assistance. Government housing assistance should be reconfigured to give more attention to rural and poor households.
- **The poor are excluded from housing associations.** SSS, GSIS, and *PAG-IBIG* require membership and contributions for at least two years before borrowers qualify for housing assistance. These eligibility requirements discriminate against the poor and those employed in the rural and informal sectors. As only 3% of poor households are members, this accounts for the larger proportion of housing applications by, and offers to, the non-poor. Even the poor households who are members are often unable to access assistance because of unrealistic payment requirements and corruption among lending officials. A separate, transparent and user-friendly housing assistance window, with more favorable terms, targeted at the poor should be explored.
- **Client rejection of housing assistance is high.** Applicants reject more than half the assistance offered to them by housing agencies. One possible explanation is that the assistance comes too late, as respondents cite long waiting time to be their primary cause of dissatisfaction with housing services. Rural Filipinos display a higher rejection rate than urban Filipinos. This may be due to the additional transaction costs associated with travelling long distances to urban centers to make monthly payments. Decentralization of housing services and the increased capacity of local governments through effective training, resource allocation and institutional reorganization are required.

- **Low cost rental housing will benefit the poor.** The Philippine Constitution calls for adequate shelter for all, not home ownership for all. Since affordability is a major issue, alternatives to home ownership for the poor are necessary. Rental housing is an option, which can improve housing quality and security of tenure, without conferring ownership. The Rent Control Law should be overhauled to make the rental housing market work for the poor. The destitute homeless may require special hostels offering beds and toilet facilities.

## E. SUBSIDIZED RICE DISTRIBUTION

21. Rice is an important staple food, particularly in rural and poor communities. According to the Report Card findings, more than 84% of Filipinos buy rice in the market, while only 13% produce rice they consume. Even in the rural areas, approximately 71% of the respondents buy rice. Therefore, any pro-poor government has to address the food needs of the poor and ensure that affordable rice is available and accessible to them. This should also be accorded high priority in major social safety net schemes. The Government of the Philippines has been supplying rice at subsidized prices through the National Food Authority (NFA), not necessarily to tackle food poverty, but to ensure price and supply stabilization. The subsidized rice sold by the NFA is referred to as NFA rice below, while the rest is referred to as non-NFA rice.

- **Availability of NFA rice is limited.** The Report Card found that the majority of respondents are aware that the NFA sells subsidized rice. Yet, only 15% of the respondents buy NFA rice, which is consistent with the NFA participation in the market.
- **The poor self-target NFA rice.** Despite NFA's limited participation in the market, it appears to have disproportionately reached the poor, with 27% of the poor buying NFA rice, compared with 16% among the middle-income group and 6% among the rich. However, this does not appear to result from any deliberate government targeting, but from purchasing decisions of consumers, since anyone can purchase as much NFA rice as stocks will allow. Targeting of the rice subsidy to the poor should be an explicit objective of the government rice policy, in addition to supply and price stabilization. There is merit in delineating the targeted rice subsidy program from the supply and price stabilization functions.
- **NFA rice is low in cost, but inferior in quality.** Purchasing decisions are based largely on price and quality. Given the poor quality of NFA rice, those who can afford to pay a higher price, buy better quality non-NFA rice; while the poor, who do not have adequate income, resort to lower priced NFA rice. The non-poor appear to buy NFA rice mostly for domestic helpers and pets. The quality of NFA rice could be improved, in part, through better management of storage (including stock rotation) at minimum additional cost.
- **The non-poor benefit more from rice subsidy.** While proportionately more poor people buy NFA rice, the absolute number of the non-poor who buy NFA rice is not

much different from the absolute number of the poor who do so. Because the middle-income and rich households purchase more NFA rice than the poor, the non-poor enjoy a bigger subsidy. This appears to be a misallocation of scarce resources of a government concerned with improving basic services for the poor. To this end, the government should consider targeting rice support to the poor, rather than providing a general rice subsidy for all.

- **Filipinos recommend geographical targeting to the poor.** Targeting rice subsidies to the poor has been on the government agenda for the past few years, which is validated by the survey results. A majority of respondents recommend geographic targeting, by locating special stores selling NFA rice in poor areas, as the most effective targeting mechanism. There is less support for provision of identification (ID) cards and food stamps due to concerns relating to potential corruption, high costs of administration, and implied limits.
- **The non-poor patronize ERAP stores more.** Client feedback on the enhanced retail access to the poor (ERAP) stores, which are supposed to be located in areas where the poor live, is not encouraging. The Report Card found that that the middle-income and the rich are more aware of ERAP stores, intended to provide the poor with access to basic commodities at subsidized prices. Moreover, the survey showed that more middle-income and rich households patronize the ERAP stores, than the poor.
- **Mindanao is excluded.** Among all the regions, Mindanao has the highest proportion of households to whom no NFA rice is available. It also has the least ERAP stores in the country. As a first step, more ERAP stores should be located in disadvantaged areas, especially Mindanao, as part of the Mindanao Peace and Development Plan, to enable the poor to avail of low-priced basic commodities, including NFA rice.
- **Government tests geographical targeting plus ID passbooks.** Government is proposing a Targeted Low-Priced Rice Distribution Pilot Program to make available low-priced, and good quality, NFA rice to poor families. This is expected to pave the way for discontinuing the general rice subsidy available to all. The pilot program uses geographic targeting but further limits beneficiaries and purchase of rice through the use of passbooks, a form of ID cards. Combining geographic targeting plus ID cards may reduce leakage more significantly than the application of either one alone.

22. Several recommendations for application in the pilot program can be made, based on the Report Card findings:

- **Review the subsidy level.** The NFA pilot program offers rice at the same price as the generally available NFA rice. However, a key survey finding is that the amount of NFA rice subsidy is modest and makes marginal difference for the poor. Therefore, NFA may wish to consider adjusting the price upwards for generally accessible stocks. The savings obtained from adjusting the price of generally accessible stocks could then be redirected to increase coverage and amount of subsidy to the poor in the pilot program.

- **Differentiate price and quality.** According to the Report Card, respondents were dissatisfied with the quality, smell, taste, and color of NFA rice. In relation to the targeted program, NFA should take steps to differentiate prices between different quality of rice sold, improving consistency of stock and eliminating the need to mix stocks of various qualities.
- **Reconsider the entitlement level.** The pilot program limits entitlement of rice allocation per person. However, respondents are least supportive of food stamps to buy subsidized rice, due to the implied limits to buy rice. To this end, NFA may wish to review the entitlement level, following the pilot phase.

#### F. LINGAP PARA sa MAHIHIRAP PROGRAM

23. The *Lingap Para sa Mahihirap* (or Caring for the Poor) Program was launched as the flagship poverty reduction program of the *Estrada* Administration. It aims to reduce the number of poor Filipinos from 24 million in 1997 to 17 million by 2004.<sup>18</sup> Initially, 16,100 poor families were identified to receive assistance; they were selected as the 100 poorest families in each of the 78 provinces and 83 cities. Government support under the Program was channeled to the poor families in the form of a package of assistance on (i) food, nutrition and medical assistance; (ii) price support for rice and corn; (iii) protective services for children and youth; (iv) rural waterworks; (v) socialized housing; and (vi) livelihood development.

- **The poor and rural residents are less aware of the *Lingap* Program.** About two-thirds of the respondents have heard of the *Lingap* Program. This is impressive, given its short history. However, rural residents are much less informed about the Program, compared to their urban counterparts. Awareness is lowest among the poor, as compared to the middle-income group and the rich. It is unfortunate that the neediest groups, the poor and rural residents, are least informed about this poverty alleviation program. A targeted information campaign through television and radio, covering such aspects as program benefits, eligibility criteria and how clients can access program benefits is required.
- **Purse strings are controlled by legislators.** About two-thirds of the *Lingap* funds are to be disbursed in each constituency with the approval of the members of the Senate and House of Representatives from the constituency. Further, the legislators are represented in the Program Advisory Boards in each of the implementing agencies. This subjects the Program to the pressures of political patronage. This is the reason why the Report Card looks into poverty targeting.
- **The non-poor *barangays* benefit more.** The proportion of households who responded that their *barangay* is listed for coverage under the *Lingap* Program is

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<sup>18</sup> This target was subsequently revised to bring down the poverty incidence from 31.8% in 1997 to 25-28% by 2004.

almost the same for the poor, middle-income and rich groups. In fact, the number of poor households who indicated that their *barangay* is included for coverage is less than half of that of the non-poor – middle income plus rich households.

- **The non-poor households benefit more.** While 16% of the poor count themselves as eligible to receive benefits from the *Lingap* Program, so do 16% of the middle-income group and 11% of the rich. This reveals ineffective targeting. Worse, the non-poor who were listed as eligible to receive benefits outnumber the poor by a ratio of almost two-to-one.
- **The poor are less connected to legislators.** A fourth of the respondents say that they know a Congressman or a Senator who will recommend their household to be included in the *Lingap* Program. The proportion of poor households having such connections is lowest (19%), as compared with the middle-income group (23%) and the rich (27%). This puts the poor at a disadvantage.
- ***Lingap* Program should be overhauled or terminated.** At its inception, a majority of Filipinos believed that the *Lingap* Program would have no impact on poverty reduction. A few even predicted that it would make things worse. After the first year of implementation, the bulk of the benefits of the *Lingap* Program appear to be going to the non-poor. The mechanisms for beneficiary selection seem to facilitate this leakage. To this end, the Program requires a major overhaul, or termination.
- **Evaluate and draw lessons from the *Lingap* Program.** A detailed evaluation of the *Lingap* Program and possibly other recent Poverty Alleviation Funds should be undertaken to draw out lessons for future poverty reduction interventions. Some preliminary lessons/recommendations can be made based on the Report Card findings, which need to be confirmed through the detailed evaluation(s). These are:
  - Sequence and limit the number of activities under future narrowly-targeted poverty reduction programs to a limited few, say, four to six that are of the highest priority to the poor and are distinct from the regular (ongoing) programs and activities of the implementing national government agencies. The activities selected should be amenable to narrow targeting. It is futile to try to enforce strict targeting of programs to poor households that have a broader community focus and are often of the same nature as other regular government services.
  - Involvement of the political establishment in the selection of beneficiaries, and in the control and allocation of program funds may compound the problem of leakages. However, political commitment to, and legislators' support for, poverty reduction are intertwined with control over the resources for poverty alleviation by members of Congress and Senate. The challenge is to reduce and eventually eliminate political intervention in the allocation of poverty reduction funds at the grassroots without losing the legislators' support for appropriation of these funds.
  - Rule-based targeting criteria with little room for discretion and strict enforcement of the application of the criteria may reduce major leakages. However, the

capacity of national government agencies to implement such targeting is weak and needs to be strengthened in the medium-term. In the mean time, geographic targeting may be a viable option, albeit with increased attention to the concentrations of the poor and the intensity of their poverty.

- Decentralization and localization of beneficiary identification and resource allocation under the program, with the involvement of LGUs, *Barangay* Captains and civil society organizations should be adopted, because these grassroots organizations are likely to be better informed and more adept at tailoring the program components to the needs and priorities of the poor groups. Also, this may enhance the transparency of operations and accountability to clients.
- Monitoring should be an integral part of program management to identify problems and constraints facing program implementation. This should be the basis for prompt corrective action to resolve problems and maintain the pace and course of implementation. It is important to obtain feedback from the ultimate clients -- the poor -- on such aspects as suitability of the interventions, access, use, satisfaction, leakages and complaints at different stages of implementation of the program.
- Periodic auditing of the results of the program should be undertaken by independent agencies such as the Commission on Audit (COA) and credible NGOs. The audit findings should be made public and should be taken into account in the design of future public interventions on poverty reduction.

### 3. INSTITUTIONALIZATION OF THE REPORT CARD

#### A. Why Institutionalize the Report Card?

24. The Filipino Report Card on Pro-Poor Services provides client assessments of the performance of selected government services based on citizens' experiences. It is expected that the service providers in government, private sector and civil society would take into consideration the Report Card findings in adjusting their programs to improve service delivery. However, many past assessments did not have a lasting impact on service delivery because they were often one-shot exercises with no effective means to follow through. It is necessary to implement the Report Card mechanism periodically in order to gauge the improvements in service delivery from a "bottom-up" perspective. The incentive to respond with concrete improvements would be greater, if service providers know they will be tracked again. Thus, the Report Card mechanism should be institutionalized as an ongoing process to be repeated periodically (say, at 12- to 18-month intervals).

#### B. Global Experiences with Report Cards

25. While citizen report cards are new to most governments and their agencies, these are now being used as a way to assess the performance of public agencies in the delivery of services in Canada, Denmark, Ghana, India, Sweden, Ukraine, the United Kingdom, and the United States. It is instructive to review the institutional arrangements for report

cards in these countries in exploring options for institutionalizing the Report Card in the Philippines.

26. The institutional arrangements for the report cards range from independent non-government policy research institutions, central statistical agencies of government, government service provider agencies, and federal coordinating agencies. These may be categorized under three main types (models) of institutional arrangements for preparation of the report cards: (i) by independent civil society organization; (ii) by government service provider agency; and (iii) by government coordinating agency.

27. Under the first model, the initiative for preparing the report card comes from a civil society organization – often a policy research and advocacy institute. A primary example of this is the Public Affairs Centre in Bangalore, Karnataka State, India.<sup>19</sup> It is usually financed by public contributions and grants from charitable organizations, international foundations and donors. The advantage of the first model is that it is totally independent. On the other hand, its links with service providers and public coordinating/budget agencies are tenuous. Service providers may resist the results and/or even undermine the findings. Also, the sustainability of the report card exercise in the medium and long-term is doubtful as regular funding for it is uncertain, and the rigorous technical requirements may be burdensome.

28. The second model is characterized by a government service provider agency initiating the preparation of the report card, with the actual survey and draft report preparation often contracted out to a private or civil society organization. The draft report is vetted by the agency, finalized and usually disseminated to the public. The focus of the report card may be confined to a single program (service) or a facet relevant to a program administered by the agency. Examples of countries using this model include Canada and the United Kingdom. A major strength of this model is the ownership of the exercise by the public service provider agency. Preparation of the report card by an outside firm brings some degree of independence to the exercise. The preliminary results are available to the agency and its views and feedback are included in the final report.

29. The same factors may become weaknesses in the model when viewed from a different perspective. As the report card preparation is sponsored, and its implementation overseen, by the service provider, the public at large, government coordinating agencies and legislators may question the independence and objectivity of the findings. Its links with the decision makers on public expenditures (budgets) is weak. In addition, the

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<sup>19</sup> The work by the Public Affairs Centre is truly exceptional and is largely the result of the vision and dynamism of its Chairman. The Centre is a non-profit and professionally competent organization, which is well recognized both within the country and outside. Its credibility with government and the public is high. The report card findings are taken seriously by a wide range of stakeholders. This is a testimony to the stature of the Chairman. As a result of his remarkable work at the state and city level, the Government of India has asked the Centre to conduct a millennial report card on public services for the entire country. The limitations of this model relate to the difficulties in replicating this unique situation.

information collected is usually tailored to meet the requirements of the public agency, and is not packaged for the consumption of and advocacy by most citizen groups. This compromises the public accountability outcome of the report card.

30. Typical arrangements under the third model involve a government coordinating agency engaging an independent organization to design and prepare the report card in consultation with (but independent of) the public service provider agencies. The experience in the United States is instructive in this context. The *Government Performance and Results Act of 1993* requires the executive branch of the federal government to report to Congress (legislative branch) on the performance of various government agencies and the results achieved. The General Services Administration (GSA), a government coordination agency, was instructed to devise a mechanism for assessing performance of the federal agencies.

31. The American Customer Satisfaction Index (ACSI) developed jointly by the University of Michigan Business School (an academic institution), American Society for Quality (a professional society), and Arthur Andersen (a private consulting firm), was selected as the tool for assessing the performance of the federal agencies.<sup>20</sup> The GSA engaged the consortium<sup>21</sup> to undertake the *1999 Customer Satisfaction Survey of Federal Agencies in the United States*. The survey focused on 29 federal agencies which included most of the high impact agencies that dealt with 90% of the federal government's customers. Service provision by public agencies was assessed using the private sector as a benchmark. The results of the survey were presented to Congress. Thus, a link between agency performance, as measured by a report card based on client feedback, and the budget allocations to the agencies has been established.

32. Among the three models discussed above, the third model is the most comprehensive both in terms of product and process. A mandate for undertaking the report card was established through legislation and resources were allocated for this purpose. An independent and credible consortium of institutions was recruited to prepare the report card. A well-established methodology was used to assess the performance of federal agencies. The consultation process with public service providers was appropriate, but not dominant. Most important, the report card findings (results) were fed back not only to the service providing agencies and the public but also into the budget (public expenditure) allocation process of the Congress.

### **C. Institutionalizing the Report Card in the Philippines**

33. Discussions with key local stakeholders indicate that the third model is the most desirable one to consider for adoption in the Philippines, with appropriate modifications. In fact, the pilot round of the Filipino Report Card incorporated many of the positive

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<sup>20</sup> The independent consortium developed the ACSI in 1994 as an economic indicator of satisfaction with quality, and has since been used for assessing client satisfaction with the services provided by major private companies.

<sup>21</sup> The consortium comprises the University of Michigan Business School, American Society for Quality and Arthur Andersen.

attributes of the third model.<sup>22</sup> Institutionalizing the Report Card tool in a government oversight agency that feeds the results directly into the public expenditure allocation process is highly advantageous as it ties the budget allocations not only to past performance, but also to the constraints that remain to be tackled for improving future performance. Thus, the "power of the purse" could be used to correct deficiencies, ameliorate constraints and improve performance. This should prove to be an effective means for improving the delivery of public services and enhancing the accountability of public agencies. It also provides an opportunity for citizens to get involved in the process of allocating public resources to address their basic needs. This is particularly beneficial to the poor, given their relatively weak voice as purchasers and users of public services.

34. In recent years, the Department of Budget and Management (DBM) of the Government of the Philippines has initiated a program on development of performance-based indicators for public agencies to assess their effectiveness, and guide future budget allocations. Three key areas proposed for measurement of performance are: (i) outputs; (ii) processes; and (iii) citizen feedback. To this end, the DBM has expressed a strong interest in institutionalizing the Report Card tool, piloted by the World Bank and the SWS, as a way of obtaining regular citizen feedback on key public services.<sup>23</sup>

35. The government's new initiative on performance-based budgeting provides an opportunity to channel user feedback into decisions relating to public spending. The DBM can increase public accountability by seeking citizen feedback on major programs and expenditures of government agencies and by using the results as inputs into the budget allocation process. It would be a strong complement to and a valuable crosscheck on the agency reports on outputs/results as well as those on processes. It would create a comprehensive performance monitoring system by augmenting the DBM's ongoing output and process monitoring efforts with client feedback.

36. The idea of institutionalizing the Report Card in the DBM to assess citizen satisfaction with public services on a regular basis is compelling. Both the DBM and the Bank agree that instead of reinventing the wheel, the Report Card tool, which has recently been tested in the context of five public services in the Philippines, can be applied with appropriate modifications to cover a broader range of public services and public sector agencies that are engaged in service delivery to Filipinos, including specific target groups such as the poor. Preliminary discussions indicate implicit support for this approach from NEDA.

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<sup>22</sup> For example, obtaining client feedback on public services, which is at the core of the Filipino Report Card, has strong support from the highest levels of the Government of the Philippines as supported by the quotation from President Gloria Macapagal-Arroyo at the beginning of the Executive Summary. The SWS, an independent and credible institution with a good reputation, was engaged to undertake the design and execution of the Report Card survey instrument. A consultative/participatory process is adopted in designing the survey, involving a wide spectrum of stakeholders including government service providers. Service provision by public agencies was assessed using the private sector as a benchmark. The Report Card findings are (proposed to be) shared with the service providing agencies and the public, as well as fed into the budget allocation process through the DBM.

<sup>23</sup> The Report Card was piloted in close collaboration with NEDA, which has taken the leadership in coordinating the inputs from government service providers. Also, NEDA sponsored and chaired the consultation workshops in June 2000 and provided feedback on the Report Card findings.

37. Implementation of the Report Card survey, analysis and report preparation could be contracted out by the DBM to a credible and independent civil society organization with substantial expertise and experience in such activities. An advisory panel comprising representatives of service providers, key government oversight agencies, private sector, civil society organizations including sectoral (interest) groups and prominent experts, should be convened to advise and guide the Report Card exercise and its integration with the budgetary processes. It may be worth exploring the feasibility of utilizing the multi-stakeholder advisory panel on the budget set up by the government in mid-2000 for this purpose, with appropriate augmentation of its membership.<sup>24</sup>

#### **D. Improving the Report Card<sup>25</sup>**

38. Continued assessments of the concepts and measures used in the pilot Report Card should be undertaken to further improve the tool. While the first round of the Report Card spread the net wide and covered as many facets of service delivery as possible within the budget, the scope of future Report Cards should be limited to a few principal performance indicators that significantly overlap with those (to be) used by the DBM in monitoring outputs and processes. To this end, the citizen feedback will be useful for triangulating and complimenting the findings on outputs and processes. In addition, limiting the scope to a few principal and common performance indicators should bring about considerable savings, which should make the Report Card more cost-effective and sustainable. This will also ensure that the Report Card does not duplicate what other existing surveys and assessments are already tracking in the Philippines. Finally, this will help focus the attention of public service providers and key policy makers on critical corrective actions for improving service delivery to the poor.

#### **E. Last Word**

39. It is recognized that no single sample of 1,200 households, no matter how carefully selected and representative, can fully represent a country as large and diverse as the Philippines. Nevertheless, the Report Card does provide valuable feedback from a wide spectrum of Filipinos on pro-poor services. The client assessments have been collected by means of sound and well-tested survey techniques that meet international standards. The results are subjected to rigorous standard error analysis, which shows the findings to be statistically significant. Admittedly, the Report Card tool is not perfect at entry. Many of the concepts and measures used in this pilot phase will undergo iterative refinements as the Report Card is repeated and institutionalized. But what matters most is that the Report Card provides a channel for citizens to voice their concerns and

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<sup>24</sup> The advisory panel on the budget is the Budget Dialogue Group. It is expected that membership in the core group will be expanded by increasing civil society participation. In addition, multi-stakeholder working groups will be set up to support the core group.

<sup>25</sup> The DBM has agreed to modify and expand on the pilot Report Card exercise for institutionalization of client feedback on key public services. To this end, the World Bank will provide the DBM with one-time grant assistance to: (i) establish concrete linkages between the Report Card tool and the proposed performance indicator system of the DBM; and (ii) conduct the second round of the Report Card using an upgraded instrument.

priorities, and an avenue for service providers and policy makers to directly listen to their clients.

40. Much can be learned already from the information in this Report Card about the potential of this tool to improve public service delivery and accountability to clients.<sup>26</sup> Recognizing this, a number of Report Card initiatives are being launched in the Philippines. These include the preparation of a Report Card on Municipal Services in the seventeen municipalities in Metro Manila.<sup>27</sup> Thus, the Report Card tool, which is admittedly imperfect at entry, is being improved through application in a variety of settings in the Philippines.

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<sup>26</sup> In the Philippines, a great deal of time and effort is spent on planning and designing public programs. There is need for a more balanced approach that pays equal attention to the task of adapting and responding to problems and opportunities that arise on the ground as the plans get translated into action. The Report Card is an example of a tool that can help remedy this shortcoming through the generation and analysis of timely citizen feedback.

<sup>27</sup> During the World Bank organized international workshop on Voices and Choices at the Macro Level: Participation in Country-Owned Poverty Reduction Strategies, Washington, D.C., April 3-5, 2001, senior government representatives from seven (out of twelve) developing countries indicated considerable interest in preparing client report cards, based on the Philippine experience, in their countries.



# FILIPINO REPORT CARD ON PRO-POOR SERVICES

## CHAPTER I. INTRODUCTION

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### 1. WHAT IS THE REPORT CARD?

1. The Report Card is an important follow-up to the World Bank's (the Bank) Philippines Poverty Assessment.<sup>1</sup> It complements the expert analyses and findings in the Poverty Assessment with client assessments on pro-poor services in five key sectors -- health care, elementary education, water supply, housing and subsidized rice distribution.<sup>2</sup> It contains information on users' awareness, access, use and satisfaction<sup>3</sup> with publicly provided pro-poor services. The Report Card identifies the key constraints the poor face in accessing public services, their views about the quality and adequacy of services, and the treatment they receive in their interactions with service providers, especially government officials. It offers several recommendations on sector and sub-sector policies, strategies and programs to address the constraints and improve service delivery, especially to the poor and hitherto under-served areas and groups.

2. The Report Card is based on a national client satisfaction survey undertaken by the Bank in collaboration with the Social Weather Stations (SWS), a premier survey research organization in the Philippines that is independent, non-partisan and credible.<sup>4</sup> The survey was implemented from March 26 to April 17, 2000. It covered 1,200 households, distributed in the four broad regions: National Capital Region (NCR); Balance Luzon,<sup>5</sup> Visayas; and, Mindanao -- in proportion to their population. In keeping

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<sup>1</sup> *Philippines Poverty Assessment, The World Bank, Washington, D.C., June 14, 2000.*

<sup>2</sup> These five sectors are key elements of the government's poverty reduction efforts under the Minimum Basic Needs (MBN) approaches, which include the Social Reform Agenda of the Ramos administration and the flagship *Lingap Para sa Mahihirap* Program of the Estrada Administration. Although the first round of this Report Card does not cover every pro-poor sector and program, it helps track the services that are intended to fulfill the basic needs of food, water, shelter, health, and literacy (education).

<sup>3</sup> The responses on satisfaction are captured on a five-point structured scale to facilitate compilation of overall net satisfaction scores. The structured responses and the weights attached to them are: very satisfied accorded a score of plus two (2); somewhat satisfied accorded a score of plus one (1); undecided accorded a score of (0); somewhat dissatisfied accorded a score of minus one (-1); and very dissatisfied a score of minus two (-2). The weighting helps distinguish the variations in the degree of satisfaction and dissatisfaction. The value of the aggregate net satisfaction score ranges from plus two (2), or all households very satisfied; to a low of minus two (-2) or all households very dissatisfied.

<sup>4</sup> If service providers or program implementers had undertaken the client survey themselves, the independence of the results could be questioned by oversight agencies, legislators and civil society. On the other hand, if advocacy NGOs were engaged to conduct the survey, service providers could question their "agenda." In contrast, the SWS is recognized and respected by many as an independent, professional, credible, and non-partisan organization. This was a critical factor in its selection to undertake the survey.

<sup>5</sup> Rest of Luzon excluding NCR.

with global best practice, customer satisfaction with public services in the Philippines is assessed using the results for the services provided by the private sector as benchmarks.<sup>6</sup>

## 2. WHY PREPARE A REPORT CARD?

3. There is a growing concern in the Philippines regarding the performance and accountability of public agencies that deliver services, especially to the poor. Most accountability mechanisms for public agencies focus on inputs (e.g., number of personnel, facilities, and expenditures) and occasionally on broad outcome indicators such as literacy and mortality rates. Beyond this arithmetic, little is known about the QUALITY of services delivered by the State. It is therefore difficult to identify specific areas for improvement in order to make public services more responsive to and effective in meeting the needs of the users.

4. There are a number of evaluations of pro-poor programs in the Philippines, undertaken by service providers and experts. The Report Card originated from an inventory of these evaluations and assessments of poverty alleviation programs in the country. The inventory yielded significant information but pointed to a glaring gap -- very few of the evaluations and assessments were done from the citizen perspective. As a follow-up to the inventory, and on the advice of Filipino experts, the Report Card initiative was launched to undertake a "bottom-up" assessment of pro-poor services. The initiative is considered important and timely by experts, service providers, and civil society representatives.<sup>7</sup>

5. A further issue emerging from the inventory of evaluation of poverty alleviation programs is that they often identify program-specific problems and issues with little connection to sectoral and cross-sectoral dimensions. In addition to providing the citizen perspectives, the Report Card helps to pull together the myriad individual problems facing the various programs into common sectoral issues, by drawing attention to the worst problems, and good practices, in the five selected sectors.<sup>8</sup> By ranking and quantifying issues, it facilitates the focus of attention on those concerns that trouble the clients most and can trigger public pressure and collective action.<sup>9</sup>

6. To be effective, traditional public accountability systems need to be strengthened and reinforced through adoption of innovative approaches that involve public participation. Those at the receiving end -- users or Filipino citizens -- are well placed to provide systematic feedback to service providers and policy makers on the results of

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<sup>6</sup> For example, see *Federal Agencies Government-wide Customer Satisfaction Report for the General Services Administration*, December 1999, University of Michigan Business School, American Society for Quality, and Arthur Anderson.

<sup>7</sup> The following quote from a service provider representative is a good illustration of this: "We have always been evaluated by outside consultants. It is high time that we are evaluated by our clients. After all, who knows us better." Comment by a government representative at the stakeholder workshop arranged to discuss the preliminary findings of the Report Card, Manila, June 13, 2000.

<sup>8</sup> Other important service sectors and programs should be added to the Report Card survey as it is repeated and institutionalized.

<sup>9</sup> Quantification and rankings in the Report Card are arguably superior to anecdotes in focusing the attention of policy makers, service providers and the public at large.

government actions that are intended to benefit them. While most users may not be able to comment on complex technical matters, they are eminently qualified -- EXPERTS -- on whether the public services meet their expectations, whether specific aspects are satisfactory or unsatisfactory, and whether the concerned agencies are responsive, accountable, and reliable. This does not imply that everything a user says is necessarily correct. But development experience reveals that ignoring feedback may be more costly to an agency, than listening. If users, for example, are misinformed or have misunderstood some aspects of a program, then the agency needs to better inform and educate them. Even this cannot be done without first getting user feedback.

7. The Report Card is a timely initiative, which should help translate the renewed commitment of Filipinos to a democratic, transparent and accountable State that is responsive to the needs of the people, especially the poor.<sup>10</sup> It builds upon the previous Administration's commitment to "treat each citizen as a customer in much the same way as the best private companies treat their clients."<sup>11</sup> This commitment is reiterated by President Gloria Macapagal-Arroyo, who required her Cabinet members to sign a Pledge to be accountable to eleven service standards, including Constituency (client) Feedback along the following:

*"I believe in listening to and learning from those whom I serve. I will ensure that my organization creates and respects genuine mechanisms for regular feedback from our citizen-customers, and subsequently uses this feedback to render better service to them."*

8. This shift to think of Filipinos as customers or clients rather than beneficiaries, requires that their "voices" count in the design, delivery and assessment of public services. Private firms operating in a competitive environment make use of this approach in many countries. In light of the information gathered through client surveys, private firms redesign their products to meet customer needs and enhance customer loyalty. User feedback is especially important for government service providing agencies as they often operate as monopolies or oligopolies where people (particularly, poor people) may have few viable and affordable alternatives. For example, aspects such as quality of services, timeliness of service delivery and responsiveness of agency personnel may leave much to be desired, but market pressures (through competition in service provision at comparable prices) are missing to correct the deficiencies. Client feedback is a much needed corrective in this setting, which can be used either by reform minded champions in the government and/or as a trigger for public pressure to improve performance. A similar client-focused approach is being adopted by government agencies in a number of countries.

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<sup>10</sup> Actions taken, or not taken, by previous Administrations will no doubt have a bearing on the quantity and quality of services being assessed by the Report Card, but apportioning credit or blame is not attempted here. At the same time, a responsive government is expected to set in motion changes for the better. It is with this expectation -- to use the State machinery to improve performance and accountability of pro-poor services -- that the Report Card findings are presented.

<sup>11</sup> Former President Joseph Estrada made this commitment in the context of delivery of essential services. See *Intouch*, a newsletter of the World Bank Country Office Manila, Volume 5, Number 2, March 2000.

9. While user report cards and client surveys are new to most governments and their agencies, these are now being used as one way to assess performance of public agencies in some countries including Canada, Denmark, Ghana, India, Sweden, United Kingdom, United States, and Uzbekistan. For example, a recent client survey in Karnataka State,<sup>12</sup> India, covered access to, use of and satisfaction with primary education, basic health care, safe water, and food distribution, disaggregated by income and location similar to the Report Card in the Philippines. In this case, and others, quantifying and grading different dimensions of public services from the perspective of users helped government agencies measure their performance, understand the factors that contribute to it, and respond better to the needs and expectations of the people (clients) they serve.

### 3. WHAT DOES THE REPORT CARD PRESENT?

10. The Report Card presents user perspectives on pro-poor services that are not always captured in traditional evaluations by experts and in the routine reports of agencies providing the services. The client assessments bring forth valuable insights into such critical dimensions as awareness, availability, and affordability of pro-poor services from different service providers (e.g., government, private sector and other sources). These service dimensions are presented from the perspectives of different population groups, differentiated by geographic region, rural and urban residence, and level of household expenditure. These should be key inputs in the design and improvement of effective service delivery programs. They should be seen as complementing the findings of expert evaluations and agency reports.

11. The insights derived from the Report Card should be helpful in understanding the degree to which the pro-poor services are reaching the target groups, the extent of leakages, and factors that seem to contribute to such misdirection of resources and services. They help identify the physical availability, quality and cost factors that constrain the access to and use of the services by the poor and possible means to rectify the situation. The latter include suggestions by the respondents on the types of programs that might enhance service delivery to and use by the poor.<sup>13</sup> Also, the Report Card results help test some of the policy conclusions in the *Philippines Poverty Assessment* such as abolishment of a general rice subsidy and weak performance of the *Lingap Para sa Mahihirap* Program from the clients' view. Thus, it complements the Bank's analytical work from a "bottom-up" perspective.

12. The Report Card is a snapshot of the situation prevailing during March - April 2000. On most aspects, it does not indicate whether access to services has been expanding, quality and quantity have been improving, and how client satisfaction with the services has been changing over time.<sup>14</sup> Such information could be obtained through

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<sup>12</sup> *A Citizen's Report Card on Karnataka State's Governance*, Samuel Paul and Gopakumar K, Public Affairs Center, Bangalore, India, 2001.

<sup>13</sup> Each of the sector modules in the survey questionnaire includes some questions with structured responses seeking client views on alternative pro-poor service delivery programs as well as queries with open-ended responses that elicited respondents own suggestions on suitable programs.

<sup>14</sup> An exception is the education module of the Report Card where comparisons are made between present and past elementary schools.

periodic (say, at 12 to 18-month intervals)<sup>15</sup> Report Card surveys. Also, the client perspectives from the Report Card survey need to be augmented with expert assessments and agency reports to obtain a comprehensive picture of the strengths and weaknesses of service provision to various groups. To this end, secondary data has been used as a complement and cross-check, wherever available.

13. There may be subjectivity and variability in user responses to the questions on service quality in the Report Card survey. On subjectivity, it is important to understand that client responses are based on their experiences and reflect their actions on the use of services, weighing both costs and benefits. One way of addressing the variability in user responses is to group the responses by the socio-economic characteristics of respondents. The Report Card analyzed the responses, among others, by expenditure groups (e.g., poor, middle-income and rich). Another is to track changes in client assessments over time of different socio-economic groups to see whether the variability across the groups is consistent over time. This should be facilitated through the institutionalization of the Report Card.<sup>16</sup>

14. Undoubtedly, many of the concepts and measures used in this pilot Report Card will require further refinement.<sup>17</sup> It is hoped that close scrutiny and utilization of the results will lead to progressively better measurement of client satisfaction in the coming years.<sup>18</sup> Yet, much can be learned already from the information in this Report Card about the potential of this tool to improve public service delivery and accountability to clients.<sup>19</sup> Recognizing this, a number of Report Card initiatives are being launched in the Philippines. These include the preparation of a Report Card on Municipal Services in the seventeen municipalities in Metro Manila, undertaken by the Development Academy of the Philippines, with assistance from the Asian Development Bank. Thus, the Report Card tool, which is admittedly imperfect at entry, is being improved through application in a variety of settings in the Philippines.

#### 4. HOW ARE THE POOR IDENTIFIED<sup>20</sup>

15. Two poverty classifications are used in the Report Card.<sup>21</sup> The first is based on self-rating/classification of the status of the households as poor, borderline and not-poor.

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<sup>15</sup> See also Chapter VIII on Institutionalization of the Report Card.

<sup>16</sup> See also Chapter VIII.

<sup>17</sup> For example, the Report Card survey questionnaire was found to require greater clarity in some areas and abridgement in still others.

<sup>18</sup> In addition, client satisfaction measures developed in other countries, such as the American Customer Satisfaction Index (ACSI), could be drawn upon.

<sup>19</sup> In the Philippines, a great deal of time and effort is spent on planning and designing public programs. There is need for a more balanced approach that pays equal attention to the task of adapting and responding to problems and opportunities that arise on the ground as the plans get translated into action. The Report Card is an example of a tool that can help remedy this shortcoming through the generation and analysis of timely citizen feedback.

<sup>20</sup> See Appendix 1 for details.

<sup>21</sup> A third poverty classification of households into A, B, C, D, and E, based on the enumerator's observation and assessment of housing and living conditions was also included in the Report Card. This has been a useful measure for market research in the Philippines.

This is a bottom-up assessment of the status of the household by the respondent(s). The self-rated poverty (SRP) concept has been used by the SWS for the past 15 years in its quarterly surveys. It was found to be a valuable independent instrument to capture people's assessment of their own status/well-being. About 60% of the sample households rated themselves to be SRP poor, 28% as SRP borderline and 12% as SRP not-poor.<sup>22</sup>

16. The second poverty classification is based on household expenditure.<sup>23</sup> Households with expenditures in the bottom three expenditure deciles (bottom 30%) are classified as poor; those with expenditures in the fourth to sixth deciles (middle 30%) as middle-income; and those with expenditures falling in the top four expenditure deciles (top 40%) as rich.<sup>24</sup> The self-rated and expenditure poverty measures appear to be directly and closely inter-related. To this end, the expenditure poverty classification is used in the Report Card as the primary poverty measure. This helps link together the quantitative poverty information from the expenditure module of the Annual Poverty Indicators Survey (APIS) with client feedback on pro-poor services.

## 5. HOW PARTICIPATORY IS THE REPORT CARD?

17. Planning the Report Card survey began with consultations with key stakeholder groups in government, private sector, civil society, and selected academic institutions in the Philippines. The survey questionnaire was drafted jointly by SWS and Bank staff. It was shared widely with various stakeholders in the Philippines, sector specialists in the Bank and selected international experts. This was followed by a field test. The feedback from the various groups was incorporated, as appropriate, in the finalization of the questionnaire. Thus, the inputs of different stakeholders were actively solicited and incorporated in the design of the questionnaire.

18. After completion of the fieldwork in April 2000, preliminary data tables were prepared by the SWS. The preliminary findings drawing upon these tables were presented to stakeholder representatives in regional workshops in Manila, Clark, and Cebu during June 2000. The participants in the workshops in Manila included government officials from coordinating agencies and service providers,<sup>25</sup> local

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<sup>22</sup> The proportion of households rating themselves to be poor (self-rated poverty) fluctuated around 60% between February 1998 and April 2000 (range of 57% to 65%).

<sup>23</sup> The Report Card obtained information on household expenditures by including the expenditure module from the Annual Poverty Indicators Survey.

<sup>24</sup> An alternative labeling of the groups was suggested by the SWS: households in the bottom three expenditure deciles (or bottom 30%) to be labeled very poor, in middle 30% as somewhat poor, and those in top 40% as middle-income and rich.

<sup>25</sup> For example, DBM, DILG, NAPC, NEDA among oversight agencies, and DOH, DECS, DSWD, LWUA, MWSS, NHA, SSS, HUDCC, and NFA among service providers.

government units,<sup>26</sup> private service providers,<sup>27</sup> civil society organizations including NGOs,<sup>28</sup> and donors (e.g., ADB,<sup>29</sup> UNDP and UNICEF).

19. The participants in the workshops at Cebu and Clark included government officials,<sup>30</sup> private sector (e.g., private schools), and civil society organizations. The reactions of these participants were grounded on practical experience at the grassroots and complemented the overall (macro-level) perspectives presented by the participants in the Manila workshops. They identified a number of nuances that were helpful in explaining the apparent discrepancies between the Report Card results and sector level data.<sup>31</sup> Altogether, the feedback from the participants helped in validating the preliminary results from the Report Card survey. Also, they suggested areas of further analysis and additional tabulations that should be undertaken in the Report Card, which have been taken on board and implemented. The strong stakeholder participation in the preliminary workshops suggests that there is great interest in the Report Card findings, and positive expectations regarding the follow-up actions.

20. Detailed tabulations of the Report Card survey responses were carried out during the succeeding six-months. A number of Bank sector specialists and national experts prepared the write-ups on the five sectors utilizing the final data tables.<sup>32</sup> They married the Report Card survey findings with sector level data from different sources and presented a comprehensive picture of the situation in the sectors. The detailed data tables and draft sector write-ups have been shared with the government (through NEDA) to encourage independent scrutiny and validation of the analysis by the government. A number of initiatives and actions are already under way to address some of the constraints identified by the users.<sup>33</sup> Additional actions at the sector, program and project levels are recommended to improve service delivery by public agencies, enhance complementarity between public, private and civil society service providers, sharpen targeting of the services, and promote accountability to the clients at the grassroots.

21. The Report Card survey responses are coded and recorded on compact disks and are being made available to interested Filipino analysts, researchers and policy makers to

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<sup>26</sup> For example, Governor of Batangas, and representatives of Caloocan, Makati and Pasay Cities.

<sup>27</sup> For example, Capitol Medical Center, University of Santo Tomas Hospital, St. Luke's Medical Center and Maynilad Water Services, Inc.

<sup>28</sup> For example, Children & Youth Foundation, Coalition of Development NGOs, Education, Research & Development Assistance Foundation, Institute on Church & Social Issues and Health Dev Institute of Ateneo De Manila University, Freedom to Build, Philippine Rural Reconstruction Movement, and Women Health Philippines.

<sup>29</sup> A separate presentation on the preliminary findings was made at the Asian Development Bank.

<sup>30</sup> For example, provincial planning and health officers, regional directors of DECS and NEDA, and functionaries of DPWH, LWUA, DILG, DSWD and NFA.

<sup>31</sup> For example, according to official data, the teacher pupil ratio is lowest in Mindanao, while the Report Card results (confirmed by the feedback from the participants from Mindanao) show that a large class size is a problem in Mindanao.

<sup>32</sup> The health and education chapters are prepared by Jayshree Balachander, and the water chapter by Vijay Jagannathan and Mariles Navarro. Mary Racelis is the main author of the housing chapter, while Ching Dela Peña and Carol V. Figueroa-Geron have collaboratively written the rice chapter.

<sup>33</sup> For example, the implementation of the Health Sector Reform Agenda, which addresses several constraints identified by the clients has begun, albeit, on a modest scale.

carry out further analyses and interpretation. Copies of the preliminary results presented to the stakeholders in June 2000 are made available as well, and a copy of the concept paper has been posted on the Bank's Philippines website.

22. The draft Report Card was shared with stakeholder representatives and their reactions sought and incorporated in the final report. The next step is to stimulate informed dialogue and follow-up actions by the government, private sector and civil society to improve service delivery. The follow-up actions contemplated to facilitate such outcomes include the following:

- consultations with concerned public agencies individually on the Report Card results to help them understand client concerns, how ongoing and proposed actions in the sector are likely to address these, and identify necessary adjustment and additional actions to better respond to client needs,<sup>34</sup>
- consultations between different public agencies on common citizen concerns that span across sectors. This should help evolve approaches to addressing the common problems (sectoral and systemic) by service providers and by coordinating agencies (e.g., NEDA, DBM and DOF). Also, it should provide an opportunity to learn from the successes and mistakes of different approaches adopted by the various agencies;
- consultations between service providers (public, private and civil society organizations) and citizens to help the different groups appreciate the constraints and strengths faced by each; identify potential complementarities and explore ways of exploiting them; and reach an agreement on mutual obligations, responsibilities and commitments;
- advocacy and dissemination of the Report Card results<sup>35</sup> through the media to help Filipinos, including the poor, understand the situation, possible options, and ways in which concerns of the poor and the under-served could be “voiced” to make a difference in service delivery.

## 6. STRUCTURE OF THE REPORT

23. The report is organized by sectors/program. Chapter II presents the results and recommendations on Health; Chapter III on Elementary Education; Chapter IV on Water Supply; Chapter V on Housing; and, Chapter VI on Subsidized Rice Distribution. An

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<sup>34</sup> The concerned agencies may wish to undertake more in-depth analysis of problems before implementing corrective actions.

<sup>35</sup> It is recognized that different versions of the Report Card may have to be produced depending on the target audience. For instance, busy policy makers may require a short note summarizing the key Report Card findings, as included in the executive summary. On the other hand, sector specialists may require more in-depth analysis as presented in the sector chapters II-VII. Ordinary citizens, and their representatives, may value yet another form of the Report Card; perhaps a “folksy” version, which demystifies service provision and provides them with simple information based on which they could advocate for better performance from service providers.

analysis of the initial experience with the *Lingap Para sa Mahihirap* Program, the flagship program of the Estrada Administration to "care for the poor," is presented in Chapter VII. It is followed by Chapter VIII on Institutionalization of the Report Card.

24. Appendix 1 presents the details on the sample design, questionnaire, survey execution, characteristics of the sample households, their geographic distribution, and key poverty concepts and classifications.

## 7. LAST WORD

25. It is recognized that no single sample of 1,200 households, no matter how carefully selected and representative, can fully represent a country as large, diverse and unique as the Philippines. Nevertheless, the Report Card does provide valuable feedback from a wide spectrum of Filipinos on pro-poor services. The citizen assessments have been collected by means of sound and well-tested survey techniques. The results are subjected to rigorous standard error analysis, which show that the findings included in the sector chapters are significant. Admittedly, the Report Card tool is not perfect at entry, and there will be incremental improvements as the Report Card tool is repeated and institutionalized. But what matters most, is that the Report Card provides a learning and feedback mechanism for service providers and policy makers, and an avenue to directly listen to their clients.

# FILIPINO REPORT CARD ON PRO-POOR SERVICES

## CHAPTER II: HEALTH<sup>1</sup>

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*"The health sector in the Philippines is not doing well. This is due to an inappropriate health delivery system and an ineffective mechanism for providing public health."*

Department of Health, Health Sector Reform Agenda, 1999-2004

### 1. POVERTY AND HEALTH

1. Lack of good health is both a cause and a consequence of poverty.<sup>2</sup> Cross-country comparisons have long established a high correlation between GDP and life expectancy on the one hand and infant mortality rates (IMRs) on the other. Data on intra-country differences in health status have recently become available. The data confirm that the same inter-country inequities also apply within countries, with the richer sections of the population within poor countries often enjoying health status comparable to that of citizens of industrialized nations, rather than their national counterparts.<sup>3</sup>

2. Key health indicators for the Philippines, for example, show that IMRs of the poorest quintile are three times higher than for the richest quintile. Inequities in health status also result from location differences. For example, the richest quintile in rural areas has an IMR that is twice that in urban areas; and the under-five mortality rate is also significantly higher for the same quintile in rural areas. In addition, wide disparities in health status persist across regions. The highest IMR is recorded for ARMM in Mindanao, while the National Capital Region (NCR), which is the most urbanized region, continuously registers the lowest IMR.<sup>4</sup>

3. A number of socioeconomic variables determine the health status of a population, and they operate at least at three different levels: (i) household-level determinants such as income, education and intra-family "voice," (ii) community-level determinants including environment, norms and values, and (iii) health-system determinants covering, *inter alia*, accessibility and quality. The Filipino Report Card on Pro-Poor services focuses on the service delivery of the country's health system, probing such facets as access, use, satisfaction, and costs incurred by different socioeconomic groups, with the objective of assessing whether the system is pro-poor.

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<sup>1</sup> This chapter has been prepared by Jayshree Balachander, with inputs from the Report Card team.

<sup>2</sup> In a December 2000 national opinion survey in the Philippines, the Social Weather Stations asked respondents: "As Christmas and the end of the year approach, may I know what one or two things you are most thankful for in your life right now?" The most common response (40% of all respondents) was thanks for personal and/or family health, i.e., not being sick. Thankfulness for good health was more commonly expressed, the poorer the respondent.

<sup>3</sup> *Demographic and Health Survey, 1998*; and Gwatkin et al. 2000. *Socio-Economic Differences in Health, Nutrition, and Population*, World Bank, Washington, D.C.

<sup>4</sup> *Philippines Health Situationer, 1998* (ADB Compendium of Health Statistics in the Philippines).

## 2. THE SURVEY

4. Of the total 1,200 sample households canvassed in the Filipino Report Card, 919 (or 77%) used health services of one type or another in the twelve months preceding the survey period. The survey responses are analyzed by geographic region,<sup>5</sup> rural and urban location, and one measure of poverty status of the households. The poverty measure is based on household expenditure (expenditure poverty) in three categories – the poor covering those in the lowest three expenditure deciles (or, bottom 30%), the middle-income households that fall in the fourth to sixth expenditure deciles (or, middle 30%), and the rich that are placed in the top four expenditure deciles (or, top 40%).

## 3. USE AND ACCESS

5. The socioeconomic variables that affect the health status of a population also influence its behavior in seeking health services. The Filipino Report Card showed a fairly widespread use of health facilities in the country, with more than three-fourths of the households surveyed having used health facilities of one type or another in the twelve months preceding the survey.

6. The majority of the remainder who did not visit a health facility (19%) in the survey gave absence of illness as the reason. A possible implication of this is that the health facilities and services are seen to be essentially “curative”, with a lower emphasis on the preventive aspects.<sup>6</sup> Other reasons for not visiting a health facility included self-medication and high cost of medical care.

7. The proportion of households that visited a health facility in the past twelve months is higher for urban (80%) as compared to rural (72%) households. The largest number of visits was made in Mindanao, followed by Visayas. Possible explanations include poorer health status in Mindanao and Visayas than in Luzon, or less effective care, necessitating many repeat visits; the latter being the more plausible explanation on the basis of the kinds of facilities used (see below).

8. A larger proportion of non-poor households visited health facilities compared to poor households in the last twelve months. While only 70% of the poor used health facilities, 75% of the middle-income and 82% of the rich did so. This is cause for concern since poor Filipinos are more likely to suffer from ill health compared to their better off counterparts.<sup>7</sup>

9. Respondents in the survey were asked which of six kinds of health facilities they or any member of their family had visited in the last year and their responses are shown

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<sup>5</sup> Geographical categories included in the survey are aggregate Republic of Philippines (RP), National Capital Region (NCR), rest of Luzon (or Balance Luzon), Visayas and Mindanao.

<sup>6</sup> The use of preventive health services by only about 40% of the households that used health facilities adds credence to this.

<sup>7</sup> For example, a recent Social Weather Stations national survey asked respondents whether they were sick at any time in the last two weeks. Overall, 29% of the respondents reported sickness. In terms of poverty groups, 32% of poor adults were sick, compared to only 19% of rich adults.

in Table 1. Government primary facilities<sup>8</sup> were the most frequented overall (51%), followed by private clinics/hospitals (49%) and government hospitals (39%), while the non-profit/NGO sector plays a very small part in the total provision of health services. This picture changes somewhat when the data are disaggregated by region. In NCR, private clinics/hospitals were visited almost twice (or more) as frequently as government primary facilities or government hospitals, despite the large number of government hospitals located there. In Balance Luzon, the usage of government hospitals and private clinics/hospitals is high and it appears that clients are bypassing primary facilities.

**Table 1: Utilization of Health Facilities by Region**  
 (Percentage usage by facility)

| Region        | Barangay Health Station | Health Center | Government Primary | Government Hospital | Private Clinic/Hospital | Non-Profit Clinic/Hospital | Traditional Healer |
|---------------|-------------------------|---------------|--------------------|---------------------|-------------------------|----------------------------|--------------------|
| RP            | 29                      | 22            | 51                 | 39                  | 49                      | 4                          | 27                 |
| NCR           | 13                      | 20            | 32                 | 30                  | 59                      | 4                          | 7                  |
| Balance Luzon | 14                      | 17            | 31                 | 45                  | 49                      | 2                          | 11                 |
| Visayas       | 43                      | 19            | 62                 | 42                  | 46                      | 4                          | 42                 |
| Mindanao      | 51                      | 34            | 85                 | 32                  | 46                      | 5                          | 51                 |

Note: The row totals add up to more than 100% due to multiple uses of facilities by many households.

10. Traditional healers, who are important providers in Mindanao and the Visayas, are hardly used in NCR and Balance Luzon. In Mindanao, there was overwhelming reliance on government primary facilities (*barangay* health stations, in particular), followed by traditional healers. The users in Visayas, on the other hand, utilized *barangay* health stations, traditional healers, government hospitals and private hospitals/clinics in almost equal measure.

11. While access to health facilities is good on average, hard to reach pockets continue to pose a challenge to the Philippines health system. Users of private facilities were asked whether the reason for not using government facilities was because that type of facility was not available. At the aggregate (RP) level, about 8% of those who used private health facilities stated that they did not have access to any government facility. The proportion is highest in Mindanao (11%), compared to other regions. This finding is supported by secondary data, which highlights that Mindanao consistently has the highest ratio of population served per government facility.<sup>9</sup>

12. Data on the reasons for use of different health facilities are also available by expenditure groups. One-in-five (20% of) poor households using private health facilities indicated non-availability of any alternative government health facilities as the reason. The corresponding proportions for middle-income and rich households are 7% and 5% respectively. Overall, access to health facilities, especially government facilities, continues to be a constraint facing poor Filipinos.

<sup>8</sup> *Barangay* health stations and rural health units/urban health centers (henceforth referred to as health centers) together constitute government primary facilities.

<sup>9</sup> For example see table on Number and Ratio of Rural Health Units to Population by Island Groups, 1992 - 1996, DOH, *Philippines Health Situationer, 1998*.

13. Utilization of private facilities varied significantly by expenditure group and urban/rural residence (see Table 2 below). Private clinics/hospitals are predominantly used by the rich households and urban respondents, although they account for a significant portion of the health care facilities used by middle-income, poor and rural respondents as well.<sup>10</sup> On the other hand, *barangay* health stations, health centers and traditional healers were more frequently used by rural and poor households. The non-poor, especially middle-income households, are twice as likely to use government hospitals than the poor.

**Table 2: Utilization of Health Facilities by Location and Expenditure Class**  
(Percentage usage)

| Area/ Group | Barangay Health Station | Health Center | Government Hospital | Private Clinic/Hospital | Non-Profit Clinic | Traditional Healer |
|-------------|-------------------------|---------------|---------------------|-------------------------|-------------------|--------------------|
| Urban       | 24                      | 19            | 36                  | 56                      | 4                 | 20                 |
| Rural       | 37                      | 28            | 43                  | 38                      | 3                 | 39                 |
| Bottom 30%  | 37                      | 28            | 37                  | 28                      | 3                 | 40                 |
| Middle 30%  | 34                      | 27            | 48                  | 42                      | 4                 | 31                 |
| Top 40%     | 21                      | 16            | 34                  | 68                      | 4                 | 16                 |

Note: The row totals add up to significantly more than 100% due to multiple uses of the facilities by many households.

14. The urban bias is consistent with the unequal distribution of medical personnel across rural and urban areas in the Philippines. While the overall physician-to-population ratio in the country is comparable to that in Taiwan, and exceeds the ratios in Thailand and Indonesia, only 10% of doctors, dentists and pharmacists, 20% of medical technicians, and 35% of nurses practice in rural areas.<sup>11</sup> Metro Manila alone accounts for about half of all physicians and two thirds of all dentists.<sup>12</sup>

15. The Demographic and Health Survey data also confirm limited use of government primary facilities by the rich as compared to the poor.<sup>13</sup> For example, the percentage of sick children treated in a public (government) facility was much lower in the higher income groups. The overwhelming majority of women from poor households delivered at home and without support from a medically trained person, whereas women from the richest households usually delivered in a private facility with a medically trained person (mostly a doctor) in attendance.

16. In sum, although the poor are more likely to suffer from ill health compared to the better-off, they are less likely to visit a health facility. Moreover, the poor are more likely to visit primary health care facilities or traditional healers and less likely to see a

<sup>10</sup> In many countries, even poor people prefer to spend money on health services from the private sector (or NGOs) if they perceive the quality to be higher than that of public services. *World Development Report, 2000*, Chapter 5. This is supported by the Filipino Report Card findings which reveal that the poor who used private facilities spent 20% of their household expenditures on these private services. In comparison, the rich and middle-income groups spent only 5% of their household expenditures on private facilities.

<sup>11</sup> *Health Manpower, Profile, Stock and Requirements*, PIDS Discussion Paper, Series No. 95-31, 1995.

<sup>12</sup> *A Strategy to Fight Poverty, Philippines*, The World Bank, 1996.

<sup>13</sup> *Demographic and Health Survey, 1998*; and Gwatkin et al., *Socio-Economic Differences in Health, Nutrition, and Population*, World Bank, Washington, D.C.

doctor than the rich clients. The same pattern holds for rural areas compared to urban, and for the regions of Mindanao and Visayas compared to NCR and Balance Luzon. While access (availability of facility/personnel) may be an important dimension in explaining this pattern, affordability (or ability to pay) may be an equally or more important factor.

#### 4. SERVICES PROVIDED BY HEALTH FACILITIES

17. Respondents were asked about the kinds of treatment they sought at the different facilities and the differences emerging in the nature of care provided by different levels of facilities are summarized in Table 3. Preventive health services (including immunization, health and nutrition education, family planning and routine check-up) are the mainstay of government primary facilities accounting for 63% of all services provided by these facilities. Treatment of minor accidents and minor illnesses account for another 30% of the services provided by government primary facilities. These are appropriate functions for the primary health facilities. Traditional healers are most often consulted for minor accidents (sprains, etc.) and illnesses. They may be good complements for government primary facilities.

18. However, the same services (i.e., preventive healthcare and treatment of minor accidents and illnesses) also account for two-thirds of all the services provided by government hospitals and private clinics/hospitals. Treatment of major accidents and illnesses and laboratory services account for only about a third of the services provided by government hospitals and private clinics and hospitals. Provision of these types of services should be the primary function (main business) of both government and private secondary and tertiary facilities.

**Table 3: Type of Services Provided by Different Health Facilities**  
 (Percentage of households)

| Services                               | Government Primary | Government Hospital | Private Clinic / Hospital | Traditional healer |
|--|--------------------|---------------------|---------------------------|--------------------|
| Health & Nutrition Education           | 9                  | 3                   | 2                         | 0                  |
| Immunization                           | 14                 | 1                   | 3                         | 0                  |
| Family Planning                        | 6                  | 1                   | 1                         | 0                  |
| Routine check ups                      | 34                 | 30                  | 31                        | 5                  |
| <b>Preventive Healthcare</b>           | <b>63</b>          | <b>35</b>           | <b>37</b>                 | <b>5</b>           |
| Minor Accidents                        | 1                  | 3                   | 1                         | 68                 |
| Minor Illnesses                        | 29                 | 28                  | 31                        | 19                 |
| <b>Minor Accidents &amp; Illnesses</b> | <b>30</b>          | <b>31</b>           | <b>32</b>                 | <b>87</b>          |
| Laboratory Services                    | 2                  | 10                  | 10                        | 0                  |
| Pre/post natal and delivery            | 3                  | 4                   | 4                         | 2                  |
| Major Accidents                        | 1                  | 2                   | 2                         | 1                  |
| Major Illnesses                        | 2                  | 18                  | 15                        | 4                  |
| <b>All other services</b>              | <b>8</b>           | <b>34</b>           | <b>31</b>                 | <b>7</b>           |

*Preventive healthcare* comprises health and nutrition education, immunization, family planning and routine check-ups. *All other services* cover laboratory services, pre/post natal and delivery, major accidents and major illnesses, plus any other service not covered under preventive healthcare and minor accidents and illnesses.

19. Stated another way, about two-thirds of all services provided by government hospitals and private clinics/hospitals are classified as routine check-ups or minor accidents/illnesses, confirming that clients are by-passing lower level facilities that (should) offer these services. This is despite the fact that government primary health facilities are most conveniently located with 69% of households having access to a *barangay* health station within a 15-minute walk, and 46% to health centers. However these facilities are frequently by passed<sup>14</sup> (see Table 4 below).

**Table 4: Using/Bypassing of Health Facilities within Easy Access**  
 (Households within a 15-minute walk from facility)

| RP                | Barangay Health Station | Health Center | Government Hospital | Private Clinic/Hospital | Traditional Healer |
|-------------------|-------------------------|---------------|---------------------|-------------------------|--------------------|
| Percent using     | 32                      | 26            | 50                  | 60                      | 27                 |
| Percent bypassing | 68                      | 74            | 50                  | 40                      | 73                 |

20. At least two issues need to be addressed in this context: (i) how to improve the quality of government primary facilities to enable clients with easy access to use them; and, (ii) how to encourage secondary and tertiary facilities to provide specialized services for which they were created. In addition, referral mechanisms among different health facilities, and across local government units, need to be strengthened.<sup>15</sup> The patient classification system in government hospitals also needs to be reviewed and improved.

21. The situation is further exacerbated in government hospitals by the fact that many provincial and district hospitals have been strapped for cash after devolution, particularly for operating expenses, and have lost managerial autonomy. As a result, more patients are forced to bypass the local government hospitals and seek out better-endowed national government (or DOH-retained) hospitals. Most of the DOH-retained hospitals are in urban and better off areas/municipalities and DOH now spends more than half its budget on around 50 of these retained hospitals. Thus, the distribution (location) of the DOH-retained hospitals aggravates the inequity in access to these facilities by residents in poorer and rural areas. Further, the allocation of the lion's share of DOH budget to the DOH-retained hospitals crowds out badly needed resources from other government health facilities and programs.

22. The Health Sector Reform Agenda (HSRA) recommends that DOH-retained hospitals should be allowed to collect and retain user fees and other forms of revenue, so their dependence on direct government subsidies can be reduced over time, and they can

<sup>14</sup> The reasons why clients are bypassing the government primary facilities may be discerned from the results on client satisfaction ratings on the overall and specific aspects of these facilities presented in the following sections.

<sup>15</sup> According to the Health Sector Reform Agenda (HSRA), devolution of health services to local government units (LGUs) has led to fragmentation of local health services and deterioration of integrative approaches to health care delivery. One proposal of the HSRA is that several LGUs group together to form individual Inter-Local Health Zones, which among other things "pool" budgets and information. Another option for consideration is charging for primary care services provided at government hospitals, which may encourage the use of cheaper lower-level facilities such as *barangay* health stations and health centers. Introduction of cost recovery measures at higher-level facilities can, therefore, be a tool for facilitating rational referral patterns.

eventually become financially autonomous.<sup>16</sup> This will free public resources for primary and preventive care, and hitherto less advantaged public facilities.

### 5. SATISFACTION WITH HEALTH FACILITIES

23. Overall satisfaction or “appreciation” with health facilities is quite high (more than somewhat satisfied),<sup>17</sup> and significantly higher for private facilities than government, with the top three satisfaction ratings going to the three private sector providers – private non-profit clinics/hospitals, private for profit clinics/hospitals and traditional healers. Rural and urban health centers were a distant fourth, followed by government hospitals and finally *barangay* health stations (see Table 5 below).

24. Besides private for-profit clinics/hospitals, traditional healers are noteworthy for receiving uniformly high satisfaction ratings for the services they provided. There are some regional differences, with the households in Balance Luzon being least satisfied with *barangay* health stations; those in Visayas with government hospitals; and Mindanao households with health centers.

**Table 5: Overall Net Satisfaction Rating of Most Frequently Used Health Facility**

| Region        | Barangay Health Station | Health Center | Government Hospital | Private For Profit Clinic/Hospital | Non-Profit Clinic/Hospital | Traditional Healer |
|---------------|-------------------------|---------------|---------------------|------------------------------------|----------------------------|--------------------|
| RP            | 1.14                    | 1.22          | 1.19                | 1.55                               | 1.57                       | 1.55               |
| NCR           | 1.14                    | 1.22          | 1.19                | 1.55                               | 1.57                       | 1.55               |
| Balance Luzon | 0.82                    | 1.32          | 1.30                | 1.46                               | 1.00                       | 1.41               |
| Visayas       | 1.37                    | 1.19          | 0.83                | 1.73                               | 2.00                       | 1.63               |
| Mindanao      | 1.18                    | 1.00          | 1.27                | 1.62                               | 1.83                       | 1.57               |

Very satisfied: 2; Somewhat satisfied: 1; Undecided: 0; Somewhat dissatisfied: -1; Very dissatisfied: -2

25. Data on overall satisfaction ratings of different health facilities by expenditure groups are presented in Table 6 below. Satisfaction ratings varied somewhat with expenditure class, although the top three facilities for each group continued to be private sector providers.<sup>18</sup> The poorest group is somewhat more satisfied with *barangay* health stations than the others. Rural respondents rated government primary facilities lower than urban respondents, perhaps because of better staffing, facilities, equipment and supplies in the urban facilities.

<sup>16</sup> The Report Card findings indicate that a majority of clients, including the poor, are willing to pay additional to public health facilities to solve their dissatisfaction with these facilities.

<sup>17</sup> Net satisfaction scores are computed using the following weights: Very Satisfied – plus 2; Somewhat Satisfied – plus 1; Undecided whether satisfied or not – 0; Somewhat dissatisfied – minus 1; and Very Dissatisfied – minus 2. Thus, the net satisfaction score is a weighted average, which ranges in value from (+)2 to (-)2.

<sup>18</sup> The only exception being the middle-income group which rated government hospitals third highest and ahead of private non-profits

**Table 6: Overall Net Satisfaction Rating of Most Frequently Used Health Facility**

| Poverty Group | Barangay Health Station | Health Center | Government Hospital | Private For Profit Clinic/Hospital | Non-Profit Clinic/Hospital | Traditional Healer |
|---------------|-------------------------|---------------|---------------------|------------------------------------|----------------------------|--------------------|
| RP            | 1.14                    | 1.22          | 1.19                | 1.55                               | 1.57                       | 1.55               |
| Bottom 30%    | 1.24                    | 1.16          | 1.17                | 1.69                               | 1.60                       | 1.52               |
| Middle 30%    | 1.02                    | 1.20          | 1.32                | 1.44                               | 1.14                       | 1.80               |
| Top 40%       | 1.17                    | 1.35          | 1.09                | 1.57                               | 1.82                       | 1.40               |

Very satisfied: 2; Somewhat satisfied: 1; Undecided 0; Somewhat dissatisfied: -1; Very dissatisfied: -2

26. Respondents most frequently using government health facilities were asked to compare government facilities with private facilities on seventeen aspects of the health providers such as treatment received, facilities, waiting time, competence and attitude of health professionals, cost and availability of medicines; and rank them as better, just as good or not as good. The proportion of households falling under each of the three categories (i.e., better, just as good and not as good) is listed under "Government" in Table 7. Similarly, respondents most frequently using private health facilities were asked to compare private facilities with government facilities on the same aspects of the health providers and rank them as better, just as good or not so good. The proportion of households falling under each of the three categories (i.e., better, just as good and not as good) is listed under "Private" in Table 7.

**Table 7: Cross-Comparison of Government and Private Health Facilities<sup>19</sup>**  
(Percentage of households most frequently using the category of facilities)

| Aspects of Service                       | Better     |          | Just as Good |          | Not as Good |          |
|--|------------|----------|--------------|----------|-------------|----------|
|  | Government | Private  | Government   | Private  | Government  | Private  |
|  | <b>1</b>   | <b>2</b> | <b>3</b>     | <b>4</b> | <b>5</b>    | <b>6</b> |
| 1. Consultation/Treatment Received       | 33%        | 72%      | 37%          | 21%      | 31%         | 7%       |
| 2. Medical Facilities                    | 15%        | 73%      | 23%          | 15%      | 35%         | 6%       |
| 3. Non-Medical Facilities                | 16%        | 77%      | 37%          | 18%      | 45%         | 5%       |
| 4. Waiting Time                          | 21%        | 73%      | 40%          | 24%      | 39%         | 3%       |
| 5. Paperwork Requirements                | 18%        | 52%      | 40%          | 30%      | 19%         | 6%       |
| 6. Convenience of Schedule               | 25%        | 63%      | 50%          | 33%      | 24%         | 4%       |
| 7. Attitude of Health Personnel          | 24%        | 64%      | 53%          | 31%      | 24%         | 4%       |
| 8. Number of Health Personnel            | 28%        | 64%      | 43%          | 24%      | 29%         | 11%      |
| 9. Availability of Health Personnel      | 25%        | 68%      | 47%          | 27%      | 28%         | 5%       |
| 10. Competence of Health Personnel       | 22%        | 70%      | 53%          | 26%      | 25%         | 4%       |
| 11. Understanding of your Health Issues  | 22%        | 57%      | 55%          | 39%      | 20%         | 3%       |
| 12. Availability of Medicines & Supplies | 23%        | 73%      | 34%          | 22%      | 43%         | 4%       |
| 13. Quality of Medicines & Supplies      | 20%        | 70%      | 46%          | 26%      | 33%         | 4%       |
| 14. Cost of Medicines & Supplies         | 67%        | 30%      | 21%          | 25%      | 9%          | 45%      |
| 15. Cost of Treatment                    | 76%        | 29%      | 14%          | 21%      | 7%          | 50%      |
| 16. Flexibility of Payment               | 60%        | 34%      | 25%          | 35%      | 8%          | 30%      |
| 17. Convenience of Location              | 56%        | 50%      | 30%          | 39%      | 14%         | 11%      |

27. More than two-thirds of the households that frequently used private health facilities ranked the private facilities to be **better** than government facilities on the first 13 aspects that have a direct impact on the quality of services provided. On the other

<sup>19</sup> Cross-comparison forces respondents to make a critical assessment of the alternatives which are available to them. Respondents who stated that the alternative was not available were not asked this battery of questions.

hand, less than one-third of the households that frequently used government health facilities ranked the government facilities to be **better than** private facilities on the first 13 quality aspects.

28. Convenience of location (aspect 17 in Table 7 above) of government and private facilities was ranked to be approximately the same by the two groups. However, a majority of both groups ranked government facilities to be more advantageous than private facilities on the three cost aspects (aspects 14 to 16: cost of medicines and supplies, cost of treatment, and flexibility of payment).<sup>20</sup>

29. Overall, it is fair to conclude that private facilities are ranked superior on quality aspects, on par with government facilities on convenience of location, and not as good on cost aspects. In other words, the clients indicated that cost is the only categorical advantage of government facilities over private facilities. This is cause for concern both from the perspective of “value for money” for public expenditure on health and the inequitable access to (distribution of) the services of government facilities among Filipinos.

30. Data on client satisfaction with each of the six health facilities on the 17 aspects are also compiled. Differences between the facilities and the advantages and drawbacks of each emerge from these ratings (see Table 8 below).

**Table 8: Net Satisfaction Rating of Specific Aspects of Health Facilities**

| Aspects of Service                       | BHS  | RHU/C | GH   | PPC/H | PNC/H | TH/A                |
|--|------|-------|------|-------|-------|---------------------|
|  | 1    | 2     | 3    | 4     | 5     | 6                   |
| 1. Treatment Received                    | 1.06 | 1.09  | 1.16 | 1.46  | 1.22  | 1.53                |
| 2. Medical Facilities                    | 0.20 | 0.39  | 0.93 | 1.37  | 1.41  | 0.67                |
| 3. Non-Medical Facilities                | 0.57 | 0.73  | 0.63 | 1.31  | 1.35  | 1.11                |
| 4. Waiting Time                          | 0.63 | 0.50  | 0.62 | 1.14  | 1.09  | 1.49                |
| 5. Paperwork Requirements                | 0.83 | 0.78  | 0.92 | 1.23  | 1.00  | -0.33 <sup>21</sup> |
| 6. Convenience of Schedule               | 0.90 | 0.98  | 1.03 | 1.33  | 1.26  | 1.27                |
| 7. Attitude of Personnel                 | 1.05 | 1.10  | 0.99 | 1.48  | 1.50  | 1.50                |
| 8. Number of Personnel                   | 0.90 | 0.90  | 0.98 | 1.38  | 1.26  | 0.96                |
| 9. Availability of Personnel             | 1.00 | 0.86  | 0.99 | 1.39  | 1.30  | 1.47                |
| 10. Competence of Personnel              | 1.02 | 0.96  | 1.07 | 1.50  | 1.43  | 1.50                |
| 11. Understanding of your Health Issues  | 0.88 | 1.09  | 1.06 | 1.41  | 1.30  | 1.24                |
| 12. Availability of Medicines & Supplies | 0.62 | 0.45  | 0.63 | 1.42  | 1.35  | 0.84                |
| 13. Quality of Medicines & Supplies      | 0.83 | 0.73  | 0.85 | 1.48  | 1.35  | 1.13                |
| 14. Cost of Medicines & Supplies         | 0.98 | 0.88  | 0.80 | 0.61  | 0.57  | 1.55                |
| 15. Cost of Treatment                    | 1.21 | 1.20  | 1.17 | 0.77  | 0.48  | 1.59                |
| 16. Flexibility of Payment               | 1.11 | 1.09  | 1.10 | 0.91  | 0.74  | 1.36                |
| 17. Convenience of Location              | 1.41 | 1.46  | 0.85 | 1.08  | 1.04  | 1.60                |

Very satisfied: 2; Somewhat satisfied: 1; Undecided 0; Somewhat dissatisfied: -1; Very dissatisfied: -2

31. A thumbnail sketch of the different facilities drawn from the perspective of the clients reads as follows:

<sup>20</sup> Report Card findings reveal that the median household health expenditures of users of government facilities are only one-fifth of the health expenditures of users of private facilities.

<sup>21</sup> Given the very small number of respondents rating this aspect for traditional healers, the low rating for paperwork requirements should be assessed as applicable to only a handful of traditional healers. In fact, one would expect that there would be minimal paperwork requirements for traditional healers.

- ***Barangay Health Stations:*** The quality of services is low, and diagnosis often poor. Health stations are conveniently located, but schedule is very inconvenient.<sup>22</sup> Medical and other facilities are minimal, medicines and supplies, which are of low quality, are not readily available.<sup>23</sup> However, when open, waiting time is less than at other government facilities (although there is considerable scope for improvement), and personnel are available. Staff are not particularly competent and do not have a good understanding of health issues, or pleasant attitudes. Cost of medicines and treatment is low, and the facility scores high for flexibility of payment.<sup>24</sup> The facility is very popular in Mindanao and Visayas and among the poor, particularly for preventive services such as immunization and also for treating minor ailments.
- ***Rural Health Units/Urban Health Centers:*** Although very conveniently located, these are the least used of the government facilities, and with good reason. Personnel are rarely available<sup>25</sup> and seem to be the least competent among government health workers, although appreciated for their attitude by the clients. Waiting time is the worst of all government facilities and there are rarely any medicines available. There is even less flexibility of payment than in government hospitals. Not surprising then that they are bypassed more frequently than even *barangay* health stations.
- ***Government Hospitals:*** They have the best medical facilities of public health services, the most numerous and the most competent health personnel, but with the worst attitude. They have the best schedule of government facilities, although waiting time can be long. They have the least convenient location (mostly located in Metro Manila and other big cities), but they usually have medicines at reasonable cost. However, government hospitals have least satisfied clients in urban areas, where they are more prevalent.
- ***Private For-Profit Providers:*** They rate extremely high on all quality aspects. Personnel are competent and service-oriented and their numbers and availability are adequate. Quality medicines are available, although they are expensive. Facilities are good and schedules are convenient, although waiting time could be high in some cases. The major issue is cost.
- ***Private Non-Profit Providers:***<sup>26</sup> Services are good to better in all respects than in government facilities. They have the best facilities, both medical and non-medical, and their personnel have the best attitude. However, they account for a very small portion of all health services and are not conveniently located. Most surprising, they

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<sup>22</sup> In fact, most *barangay* health stations operate only for two to three days in a week, often in makeshift facilities, with health personnel visiting from health centers.

<sup>23</sup> Generic drugs and medicines provided by primary facilities are perceived as low quality by clients, compared to the more popular brand names available in the market.

<sup>24</sup> Clients are not supposed to pay for medicines and treatments in public primary facilities. It is only when medicines are not available, which happens frequently, that patients are asked to buy them in the market. In addition, clients are often asked for "donations."

<sup>25</sup> In part, because the same personnel are often also serving *barangay* health stations.

<sup>26</sup> The number of sample households using private non-profit providers is small, and the results on these providers should be treated as indicative only.

cost more than all other types of health facilities, and the rich seem to be most satisfied with their services, while the poor prefer the private for-profit to the non-profit clinics/hospitals.

- **Traditional Healers:** If they could cover the gamut of health problems, and had the necessary facilities, they would be the hands-down favorite.<sup>27</sup> Cost and convenience are the two main attributes appreciated by the clients. Traditional healers were rated higher than even the government facilities on cost. They deliver for the client the limited range of services to the extent that the client has expectations of them.

## 6. HEALTH EXPENDITURES

32. The National Statistical Coordination Board (NSCB) estimated that in 1997, Filipino households and the Government spent about PhP88.4 billion (about US\$2 billion) on healthcare, or about 3.5% of GDP, which is lower than the WHO recommended norm of 5% for middle income countries.<sup>28</sup> Households are the major financiers of healthcare in the Philippines, contributing about 48% of total health expenditures in 1997.<sup>29</sup> The National Government accounts for 21% of total expenditures, while local governments finance 18%. In developed countries, governments typically finance a greater share of the costs (about 75%), while in the least-developed countries, they finance less (as little as 20%). Table 9 provides data from the Report Card survey on health expenditures by households in the Philippines by region and rural/urban residence.

**Table 9: Health Expenditures by Region and Location**  
 (Mean and Median annual expenditures per household)

| Region/Area   | Mean Expenditures (PhP) | Median Expenditures (PhP) |
|---------------|-------------------------|---------------------------|
| RP            | 9,730                   | 1,180                     |
| NCR           | 10,263                  | 2,000                     |
| Balance Luzon | 15,215 <sup>30</sup>    | 1,129                     |
| Visayas       | 4,951                   | 870                       |
| Mindanao      | 5,394                   | 800                       |
| Urban         | 11,437                  | 1,580                     |
| Rural         | 6,903                   | 800                       |

33. The largest number of visits to health facilities, according to the survey, occurred in Mindanao and the Visayas, but NCR dominates median health expenditures. This can be explained, at least in part, by the type, quality and source of the services. Median

<sup>27</sup> Traditional healers often treat sprains and minor accidents, (making and) providing their own health supplies, relying mostly on indigenous materials; whereas the other facilities depend, for the most part, on purchased medicines and supplies, including many procured from abroad.

<sup>28</sup> *Philippines National Health Accounts, 1997*, National Statistical Coordination Board.

<sup>29</sup> Access to health care in the Philippines is inequitable, as the burden of financing still rests largely on individual families.

<sup>30</sup> Mean expenditures in Balance Luzon could have been skewed as a result of a few cases of catastrophic care.

expenditures in NCR are about twice as high as those in Balance Luzon, Visayas and Mindanao. Also, the healthcare expenditure of urban households is, on average, twice as large as that of rural households.

34. In absolute amounts, the poor spend much less on health services than the rich (see Table 10 below). Median expenditures of the bottom 30% are about one-tenth that of the richest 40%. One reason may be that the poor use more of the cheaper government primary health facilities. Unfortunately, what they gain in cost may be lost in the poor quality of services received.<sup>31</sup> However, even the modest health expenditures of the poor absorb a larger share of their household expenditure as compared to that of the rich. Also, the share of health expenditures in total household expenditure of middle-income households was, on average, two-and-a-half times as much as that of the rich; and almost twice as large as that of the poor. Although this may be partly explained by a few outliers (catastrophic care cases), it is necessary to further explore the reasons for such high expenditures on healthcare by the middle-income households.<sup>32</sup>

**Table 10: Health Expenditures by Expenditure Class**  
(Mean and Median annual expenditures per household)

| Poverty Group | Mean Expenditures (PhP) | Median Expenditures (PhP) | Share in Total Household Expenditure * |
|---------------|-------------------------|---------------------------|--|
| Bottom 30%    | 3,082                   | 500                       | 7%                                     |
| Middle 30%    | 11,354                  | 883                       | 13%                                    |
| Top 40%       | 12,899                  | 4,675                     | 5%                                     |

\*Average (mean) household expenditure as a percentage of total (mean) household expenditure.

35. Among the components of health expenditures (see Table 11 below), medicines and supplies accounted for the largest share (49%),<sup>33</sup> followed by hospital stays (33%), consultation/treatment (10%), and laboratory services (7%).

**Table 11: Components of Household Health Expenditures**

| Components             | Mean Expenditure (PhP) | Percentage in Total |
|------------------------|------------------------|---------------------|
| Medicines              | 4,762                  | 49                  |
| Hospital Stay          | 3,193                  | 33                  |
| Consultation/Treatment | 995                    | 10                  |
| Laboratory             | 665                    | 7                   |
| Other                  | 115                    | 1                   |

<sup>31</sup> This may at least in part explain the significantly larger number of visits by the poor to primary health facilities, which may be the result of inadequate diagnosis and treatment of their maladies.

<sup>32</sup> Anecdotal evidence from stakeholder workshops suggest that middle-income households are often forced to spend a disproportionately large share of their expenditure/income on health, education and other basic services, because they are either not eligible to receive (excluded from) subsidized services or are reluctant to seek the subsidized services because of the stigma attached to them. Thus, they are squeezed from both ends of affordability and keeping up appearances.

<sup>33</sup> According to a recent study by the Department of Health the cost of medicines in the Philippines are higher than in other ASEAN countries. The challenge for the Health Sector Reform Agenda is to reduce these costs by either intervening on the supply side (prices, volumes) and/or the demand side (monitoring prescribers/dispensers and educating consumers).

36. Respondents in NCR and Balance Luzon spent more than twice as much on medicines and supplies than did those in Visayas or Mindanao (see Table 12 below). Mean hospital expenditures were even across regions, except for Balance Luzon, which could have been skewed upwards by some outliers.

**Table 12: Health Expenditures by Type of Service**  
(Mean expenditures in PhP per household in the last 12 months)

| Region        | Medicines | Hospital Stay | Consultation/ Treatment | Laboratory Tests/Services | Emergency Transport | Other Services |
|---------------|-----------|---------------|-------------------------|---------------------------|---------------------|----------------|
| RP            | 4,762     | 3,193         | 995                     | 665                       | 126                 | 115            |
| NCR           | 5,213     | 1,670         | 1,797                   | 1,400                     | 35                  | 183            |
| Balance Luzon | 7,618     | 5,805         | 983                     | 739                       | 160                 | 70             |
| Visayas       | 2,435     | 1,666         | 494                     | 367                       | 16                  |                |
| Mindanao      | 2,251     | 1,574         | 956                     | 360                       | 228                 | 253            |

37. Low hospital costs in NCR could be a result of the large number of DOH hospitals in the region. Expenditures on consultations were surprisingly high in Mindanao as compared to those in Visayas. Laboratory expenses were low in Mindanao and Visayas, probably as a result of a lack of sophisticated facilities. Emergency transportation costs are highest in Mindanao suggesting a great distance from facilities.

38. Comparing health expenditures by type of service amongst the different expenditure groups (see Table 13 below) shows that the middle 30% have surprisingly high expenditures for medicine and less than expected for consultation, suggesting that self-care is largely practiced by this group. This group also had the largest hospital and emergency transportation expenditures.

**Table 13: Health Expenditures by Type of Service**  
(Mean expenditures in PhP per household in the last 12 months)

| Poverty Group | Medicines | Hospital Stay | Consultation/ Treatment | Laboratory Tests/ Services | Emergency Transport | Other Services |
|---------------|-----------|---------------|-------------------------|----------------------------|---------------------|----------------|
| Bottom 30%    | 1,398     | 968           | 527                     | 230                        | 8                   | 38             |
| Middle 30%    | 5,839     | 4,608         | 356                     | 411                        | 189                 | 303            |
| Top 40%       | 6,189     | 3,655         | 1,736                   | 1,120                      | 152                 | 185            |

39. In summary, overall expenditure on health care (including that by households and the Government) in the Philippines is lower than desirable. However, Filipino households are funding a disproportionately large share of this expenditure. In particular, public allocations in favor the poor are inadequate. Payments for health care by the poor are almost entirely out-of-pocket as insurance coverage is low overall and negligible outside NCR and Balance Luzon and outside the formal wage sector.<sup>34</sup> This effectively excludes the poor and self-employed from seeking care for major accidents/illnesses (or catastrophic care), or good quality private care in general.

<sup>34</sup> Of the 28 million Filipinos (36% of the population) covered by national health insurance, 92% either work for the formal sector or the government, leaving out most of the self-employed, many of whom head poor households. Only 840,000 indigents are covered by insurance (equal to about 1.2% of the total population). According to the Health Sector Reform Agenda, the Philippines Health Insurance Corporation (PHIC) has failed to cover indigents in poor provinces.

## 7. KEY FINDINGS AND RECOMMENDATIONS

40. The Report Card survey raises the following important questions: To what extent are government health services pro-poor? How best can the government ensure that the poor get adequate health care? The answers to these questions are discussed with reference to access to and quality of government services, the role of the private sector, drugs and medicines and government health expenditures.

### Access and Use

41. Overall use of health facilities by the poor is lowest among the expenditure groups, although the poor are most in need of health care. Having said this, government primary facilities are frequented most often by rural households and the poor, particularly those in Mindanao and Visayas.

42. One-in-five poor households that used private facilities do not have access to any government facility, most likely in the remote and poorer municipalities and in Mindanao. An evaluation of the World Bank funded Philippines Health Development Project showed that the project's greatest benefit was placing public health nurses/midwives in *barangays* that had no medical facilities/practitioners. Giving incentives to weak/poor local governments, private sector providers and non-governmental organizations to cover remote and isolated areas with primary care services would further enhance the access of the poor to these services. And, improvement of infrastructure, such as rural roads, will allow existing primary facilities to be used more intensively, especially by those with difficult physical access.<sup>35</sup>

43. Government hospitals are mostly located in urban areas, where they have the least satisfied clients. For instance, while more than half the total national government budget for hospitals is spent in NCR, clients favored private facilities two-to-one over government hospitals in NCR. The immediate priority with regard to government hospitals may be to improve service quality.<sup>36</sup> According to the clients, areas deserving significant improvement include location,<sup>37</sup> waiting time, skills and attitudes of staff, and medical facilities and equipment. Geographically, government hospitals in Visayas and Mindanao appear to be most disadvantaged.

44. Although the survey did not distinguish between government tertiary and secondary facilities, it is established that district and provincial hospitals have suffered from severe cutbacks in non-personnel expenditures and lack of management autonomy after devolution. Quality upgrading of district and provincial hospitals is also necessary

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<sup>35</sup> Report Card findings reveal that a quarter of the households in the Philippines would have to walk more than one hour to reach the nearest primary facility; 75% of these households choose to use an alternative health facility.

<sup>36</sup> For example, in 1999, PhilHealth evaluated 13,000 facilities as part of its accreditation process, the majority of which were public. Of these, 305 were grossly deficient with the most common problems cited as lack of basic equipment and supplies and rundown facilities.

<sup>37</sup> Report Card findings reveal that more than half the households would have to walk more than one hour to reach the nearest government hospital.

to enable them to receive poorer patients, who may be unloaded by higher level hospitals, as they become financially autonomous along the lines recommended by the HSRA.<sup>38</sup> In order to enable national and regional hospitals to become financially viable, they would have to compete with private facilities. To this end, quality aspects of national and regional hospitals will also require significant improvement so that they can attract patients (those who are insured and/or who can afford out-of-pocket payments), in parallel with their local counterparts.

## Quality

45. The quality of government health services is perhaps the single most pressing issue from the point of view of consumers. The survey clearly established that lower costs (and easier access to some extent) are the only reasons clients continue to use government facilities. In other words, government facilities are competing with private facilities mainly on price, not on quality or satisfaction. Primary facilities, in particular, are frequently bypassed, causing both government hospitals and private clinic/hospitals to provide a large share of primary health services, such as routine check-ups and treatment of minor illnesses, that ought to be handled at the primary facility level. Moreover, because government primary facilities are largely frequented by the poor, improving the quality of services with particular emphasis on those services mostly demanded by them such as maternal and child health services, treatment for communicable diseases, minor illnesses and minor accidents would greatly enhance the pro-poor nature of health services.

46. Health centers, even more than *barangay* health stations, urgently need improvement in facility operational schedules, reduction in waiting time and availability of medicines, supplies, and skilled staff. Improving the services of *barangay* health stations in Balance Luzon and health centers in Mindanao should be given special attention. Training of frontline workers in case management is also desirable. The Department of Health has launched a quality improvement initiative--*Sentrong Sigla* (or Centers of Vitality)--in which 1,009 facilities,<sup>39</sup> that meet certain quality standards, have been certified with the "*Sentrong Sigla*" seal of approval. This is clearly a step in the right direction and the program should be strengthened.<sup>40</sup>

47. Under the *Sentrong Sigla* program, the facilities meeting quality standards are awarded with recognition and additional resources. To date, most of the facilities, which have received the seal of approval seem to be in urban and/or better off areas and municipalities. What remains to be addressed is that those who live in poorer and isolated communities receive less and lower quality health services. A system of targeted

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<sup>38</sup> *Health Sector Reform Agenda*, Philippines, 1999-2004.

<sup>39</sup> Facilities included are government hospitals (national government as well as local government operated) and health centers.

<sup>40</sup> Areas for strengthening the *Sentrong Sigla* include the quality standards used to judge the health providers. For example, the quality standards for hospitals are less developed than those for health centers. In addition, the current set of standards cover only "inputs," while additional standards for assessing "outcomes" and "impacts" remain to be developed.

capital and technical assistance, most likely geographic targeting, is required to upgrade facilities in these excluded communities to *Sentrong Sigla* standards.

48. Improving the quality of services in the primary facilities may attract the poor to use these facilities more frequently, and overall demand will increase. In addition, there is a potential risk of attracting the non-poor (who are hitherto using either government or private secondary and tertiary facilities to obtain the primary services) to these facilities and limit the use of government primary facilities by the poor. This is most likely if the quantity of services offered by government primary facilities does not increase *pari passu*. Thus, improving the quality of services provided by government primary facilities should go hand-in-hand with expansion of the volume of services provided by these facilities in order for the poor to benefit from the actions.

### **The Private Sector**

49. Private health facilities are the preferred option, but are not affordable, especially for the poor. The DOH plan, as part of the HSRA, to increase insurance coverage and social insurance in particular, would increase the service provider options now available to the poor. At least two important issues are relevant in this context: (i) capacity of private health providers to meet significant increase in demand for services; and, (ii) availability of adequate resources for health insurance coverage for the poor, especially for catastrophic care.

50. The DOH is also planning, as part of its health reform agenda, to improve regulation of the private sector. It would need to consider carefully the kind of regulation that would be appropriate in a situation where the regulatory machinery is considered weak and corrupt, and where consumers are satisfied with services provided by the private sector. It is already recognized by the Department, for example, that standards regulation would affect public facilities more than private facilities.

51. Health NGOs/non-profits were highly appreciated in Mindanao and the Visayas and are a potential complement for government service providers. At present, however, their services are more readily available to better off sections in urban areas. Further, respondents are even less satisfied with their costs than with those of private for-profits (perhaps higher expectations are involved) and it is the highest income group that was most satisfied with their services.

52. Traditional healers (and alternative healthcare providers) are an important, convenient and cheap source of some health services especially in Visayas and Mindanao and for the poor. Most of the services provided by traditional healers seem to complement, rather than substitute, those by modern medicine and fill a gap in the spectrum of health services demanded by consumers. It is necessary to recognize the key role of traditional healers in serving the poor and incorporate them explicitly in health

sector plans and programs by providing them appropriate training, information and incentives.<sup>41</sup>

### **Medicines and Medical Supplies**

53. The extent of self treatment, and the high expenditures on drugs and medicines, especially in Balance Luzon and by middle-income households, calls for urgent action to reduce the price of medicines (noted to be significantly higher in the Philippines than in other ASEAN countries) and to improve the rational usage of drugs. The DOH has begun to implement competitive international bidding procedures for procurement supported by the World Bank with impressive results – for example, a 40% reduction in the price of TB drugs. They have also attempted to break drug monopolies by importing medicines from countries such as India, where the same patented drugs are sold for a fraction of the price in the Philippines.<sup>42</sup> It remains to be seen whether the attack on drug prices will be sustained so that it is eventually reflected at the cash register in drug stores. Improving rational use will call for better regulation and training of pharmacists as well as improving access to information and education of consumers,<sup>43</sup> both areas of intervention that have so far received very little attention from the DOH.

### **Health Expenditures**

54. The high share of (health expenditures in total household expenditure, especially of the poor) out of pocket payments in total costs suggest that government health expenditures should focus on the following: (i) increasing the production and consumption (through improved quality) of primary health care (especially public health and family planning) services, and (ii) making health insurance work more efficiently and equitably and in particular, extending insurance coverage to the poor and self-employed. The HSRA recognizes and includes both objectives. These are, however, precisely the areas where the DOH is least equipped to exercise its will, as a result of devolution of primary health care to local governments and the Health Insurance Law, which gives the Philippines Health Insurance Corporation (PHIC) the mandate for managing health insurance.

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<sup>41</sup> Admittedly, the global experience to date with incorporating traditional healers in the delivery of government health services has been mixed, although there have been instructive successes in East Asia. For example, a Ministry of Health malaria detection program in Thailand incorporated traditional healers as volunteers, after appropriate training. In comparison with paid outreach workers, the performance of the traditional healers in case detection was assessed to be superior by an independent WHO evaluation. In addition, the volunteers saved the government considerable expense. See *World Development Report*, 1993, Chapter 5.

<sup>42</sup> An issue for future consideration is whether parallel imported drugs will be subjected to full examination on the basis of regulatory requirements in the Philippines, or they will be licensed automatically on the basis of having fulfilled the regulatory requirements in the country of origin.

<sup>43</sup> The Consumer and Oil Price Watch, a Manila-based NGO, in coordination with the Department of Health, has launched a new initiative to monitor and compare the prices of locally manufactured branded medicines versus generic ones. The objective is to raise public awareness that there are medicines available locally that are of the same quality but more reasonably priced than branded drugs. This information will be available on a website which can be accessed by the public.

55. The feasibility of implementing an expanded health insurance coverage to help the poor and self-employed depends on a number of factors, including the ability of the poor to pay for (affordability of) the insurance. One option is to persuade both the national government and local government units to allocate greater amounts as contributions to health insurance premiums on behalf of the poor as required by the Health Insurance Law. Another option is to significantly increase enrollment of the non-poor and those in the formal sector, and revenues from them, to enable cross-subsidization from the non-poor to poor. Expanding enrollment will have to be preceded by information and marketing campaigns, in part to address the low public perception of the insurance program.<sup>44</sup> In addition, PHIC policies ought to be revised to make them more socially efficient, and tracked to assess their impact on the clients. Making health insurance work for the poor remains a major challenge for the Health Sector Reform Agenda.

## 8. THE GOVERNMENT HEALTH SECTOR REFORM AGENDA<sup>45</sup>

56. The HSRA is a comprehensive and well thought out proposal for fundamental change in the health sector. If successfully implemented, it would improve the quality and affordability of health care for the poor, while also improving the health system's efficiency. Among the specific elements of the HSRA, which are supported by the Report Card findings, that could make the country's health system more pro-poor are:

- Expanding health insurance coverage for the poor under the national health insurance program.<sup>46</sup>
- Improving the quality of health care for the poor.<sup>47</sup>
- Improving the quality and accessibility of preventive care in public primary care facilities.<sup>48</sup>
- Reducing the cost of medicines<sup>49</sup> and expenditures on hospital stays.<sup>50</sup>

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<sup>44</sup> Report card findings reveal that that most Filipino households get information about government health services and programs from television (50%), followed by radio (34%), and friends and relatives (28%). Only 12% of the households source health-related information from newspapers and the print media, although this proportion is higher in NCR. These existing sources of information should be incorporated in the proposed social marketing campaign to increase enrollment.

<sup>45</sup> This section has been prepared by Teresa Ho, with inputs from the Report Card team.

<sup>46</sup> According to the HSRA, this can be achieved by (i) increasing contributions from national and local governments to subsidize insurance premiums for the poor; (ii) expanding membership of the non-poor to allow greater cross-subsidies from the non-poor to the poor; and, (iii) increasing overall benefit levels under the program to reduce out-of-pocket payments from members.

<sup>47</sup> According to the HSRA, this can be achieved by (i) offering technical assistance and financial incentives to local governments to improve public primary and secondary level facilities through the *Sentrong Sigla* program; and, (ii) increasing the poor's access to better quality care in private facilities through the expanded health insurance coverage.

<sup>48</sup> According to the HSRA, this can be achieved through multi-year budgeting of critical inputs for public health programs including immunization, family planning, and TB control.

<sup>49</sup> According to the HSRA, this can be achieved by (i) introducing price-control mechanisms similar to those in practice in other countries; (ii) more vigilant monitoring of pricing practices (and taking appropriate countermeasures such as parallel import of overpriced medicines); and, (iii) improved procurement systems for publicly-procured drugs.

- Reducing the share of government resources going to tertiary- and higher-level hospitals.<sup>51</sup>

57. **Financing the Reforms.** Initial estimates of the investment cost for the HSRA for the five-year period 2000-2004 totaled PhP112 billion (around US\$2 billion) or an average of PhP22 billion per year. This is nearly double the DOH's entire budget in 2000, and is almost certainly unaffordable under the present fiscal crisis. A lack of resources will mean that clear priorities will have to be set among competing reform programs, and it is important that pro-poor objectives receive priority. Specifically, the limited funding should go first to (i) expanding insurance coverage for the poor; and (ii) investing in improved primary care and prevention. Although there will be intense pressure – especially from within the health system -- to channel the limited public resources to hospital reforms, much of the “low-lying fruit” in hospital reforms can in fact be harvested with minimal hospital investments.<sup>52</sup>

58. **Leading the Reforms.** Two changes introduced in the 1990s have significantly diffused DOH's authority within the health sector: devolution and the establishment of the Philippine Health Insurance Corporation (PHIC) as manager of the national health insurance scheme. The DOH, which must now share governance responsibilities with Local Government Units (LGUs) and the PHIC, needs to considerably enhance its ability to lead, support and collaborate with these bodies. The recent re-engineering and decentralization of DOH's central office in Manila, if followed through with investments in its now streamlined and selected staff, would be a critical first step. Even more daunting, governance skills suited to leading and implementing health reforms are needed within the PHIC and the hundreds of LGUs that control increasing shares of health expenditures in the country.

59. **Phasing in the Reforms.** Limitations in both financing and leadership dictate the ways in which the HSRA can become a country-wide reality. While certain key policy changes can and should take place immediately at the national level (in particular, national health insurance and drug sector policy changes), the costliest parts of the reform – investments in physical and human capital – will need to be phased in. The DOH plans to introduce the “complete HSRA package” first in a limited number of “local health zones,” gradually increasing the number of participating health zones over time. This is a reasonable and realistic approach, given the above limitations, and the need to first test the HSRA package on the ground and learn practical lessons before going to full-scale implementation. The manner in which phasing is done – the criteria for selecting

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<sup>50</sup> According to the HSRA, this can be achieved by expanding coverage of outpatient services under the national health insurance program.

<sup>51</sup> According to the HSRA, this can be achieved by granting financial autonomy to these hospitals and requiring them to operate within the limits of their earnings.

<sup>52</sup> This may be achieved through a combination of: (i) astute pricing and provider payment policies under the national health insurance scheme; (ii) highly selective investments in only the most cost-effective and affordable technologies for lower-level hospitals; (iii) financial autonomy for higher-level public hospitals that allows them to keep their earnings, including earnings from national health insurance payments, but requires them, in turn, to rely on these earnings to cover critical capital investments as well as operating costs; and, (iv) extensive investments to improve hospital management skills at all levels.

participating health zones, the extent to which local governments contribute to the transitional costs, the nature of investments made, etc. – will determine whether the HSRA indeed becomes the vehicle that, finally, delivers the quality care that has so far eluded the country's poor.

60. Implementation of HSRA has only begun and it is important that the new Administration maintain the momentum and, more importantly, steers the reforms on a track that continues to favor the poor. This will be particularly challenging given the scarce public resources available to finance the reforms and the limited implementation capacity in the health sector. One of the most important reasons that the new Administration should continue to implement the HSRA, albeit in a more focused and phased manner, is that the client feedback presented in the Report Card clearly validates the core elements of the HSRA. The voices of the users lend authority to the HSRA, and, therefore, provide the new Administration a well-grounded basis for continuing with the pro-poor reform agenda.

# FILIPINO REPORT CARD ON PRO-POOR SERVICES

## CHAPTER III: ELEMENTARY EDUCATION<sup>1</sup>

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### 1. POVERTY AND EDUCATION

1. Elementary school enrollment in the Philippines is almost universal, transitional losses from elementary to secondary schools are quite low, and the combined gross enrollment rate for these two levels, and tertiary education, exceeds that of Malaysia, Hong Kong and even Singapore. These are impressive achievements, and yet a number of studies have highlighted fundamental problems with the education system in the Philippines.<sup>2</sup> Two major concerns are the dropout rate in elementary education and low student achievement. Of every 100 pupils who enroll in Grade 1 in public schools, 33 drop out before reaching grade 6; and a similar percentage of secondary school enrollees drop out before completing four years of high school. Student achievement has been low, particularly in mathematics and science. In the Third International Mathematics and Science Assessment Study, for example, the Philippines ranked close to the bottom of 42 participating countries.<sup>3</sup>

2. Government is the major provider of basic education, with about 90% of school-going children aged 6-12 years old enrolled in public elementary schools, and about 70% of 13-16 year olds in public secondary schools. These numbers could be interpreted as a reflection of both a highly successful effort by the government to provide wide access to education and a vote of confidence from consumers for public education. The Filipino Report Card on Pro-Poor Services tests these assumptions, probing consumer views of both public and private elementary education, comparing aspects such as access, use, quality, costs, and participation through parent teacher's associations.

3. Access and use of education services by the poor is of particular concern in the Philippines since there is a strong link between poverty status and educational outcomes. Filmer and Pritchett,<sup>4</sup> for example, showed that about 72% of the shortfall in universal primary school completion is attributable to the shortfall of the poor. Poverty in the Philippines is concentrated in rural areas, particularly Mindanao, and statistics confirm vast differences between educational attainment in rural and urban areas and between

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<sup>1</sup> This chapter has been prepared by Jayshree Balachander, with inputs from the Report Card team.

<sup>2</sup> Philippines Human Development Network/UNDP, 2000: Philippines Human Development Report, 2000; Republic of the Philippines: Office of the President, 2000: Philippine Agenda for Education Reform: the Presidential Commission on Educational Reform (PCER) Report.

<sup>3</sup> The Third International Mathematics and Science Test was administered in 1995 to 13-year old children in 42 participating countries. The Philippines ranked 39<sup>th</sup> - fourth from the bottom. This dismal performance was mirrored in the 1999 International Mathematics and Science Test. Out of the 38 countries that participated in this exam, the Philippines ranked 37<sup>th</sup> - second from the bottom.

<sup>4</sup> Population and Development Review, 1999: *The Effect of Household Wealth on Educational Attainment: Evidence from 35 Countries*.

Mindanao<sup>5</sup> and the National Capital Region (NCR), with drop out rates, for example, four times higher in the former than in the latter.<sup>6</sup>

## 2. THE SURVEY

4. The education module of the Filipino Report Card on Pro-Poor Services covered the access, use, quality, cost, and participation<sup>7</sup> aspects of public and private elementary schools. There were separate modules for households with at least one child in the 7-12 age group,<sup>8</sup> and for those with all children above the age of 12.<sup>9</sup> The reason for including two separate modules is to enable comparisons between present and past elementary schools.

5. The survey results are analyzed by geographic area,<sup>10</sup> urban and rural residence, and by poverty status of households. The poverty measure classifies households into the bottom 30%, middle 30% and top 40% based on household expenditure, referred to hereafter as the poor, the middle-income, and rich, respectively.

## 3. USE AND ACCESS

6. Consistent with secondary data, elementary school enrollment is almost universal, with more than 90% of children in the age group 7-12 years old enrolled in elementary school. Of those enrolled, the overwhelming majority (88%) are in public schools (see Table 1 below). There are however, significant locational and expenditure group differences in the type (public or private) of school attended by children. Rich, urban households, primarily in NCR, prefer private schools.

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<sup>5</sup> In addition to economic reasons, the on-going conflict and apparent mismatch between traditional Islamic education, favored by parent's in Muslim Mindanao, and formal education, taught in public schools, explains the high drop-out rate and persistent absenteeism in Mindanao.

<sup>6</sup> Government of the Philippines, 2000: *Education for All: Philippines Assessment Report*.

<sup>7</sup> Through parent-teacher associations.

<sup>8</sup> Households with more than one child in the 7-12 years age group were asked to base their answers on the experience of the eldest child. This ensured that the responses were based on the longest experience of the household with elementary school.

<sup>9</sup> Household with more than one child in the over 12 years age group were asked to base their answers on the experience of the youngest child in this age group. This ensured that the responses were based on the most recent experience (and hence, better recall) of the household with elementary school.

<sup>10</sup> Geographical categories included in the survey are aggregate Republic of Philippines (RP), National Capital Region (NCR), rest of Luzon (or Balance Luzon), Visayas and Mindanao.

**Table 1: Enrollment in Present Public and Private Elementary Schools**  
 (Percentage Enrollment by School)

| Region/Area/Group | Public School | Private School |
|-------------------|---------------|----------------|
| RP                | 88            | 12             |
| NCR               | 65            | 35             |
| Balance Luzon     | 91            | 9              |
| Visayas           | 85            | 15             |
| Mindanao          | 95            | 5              |
| Urban             | 80            | 20             |
| Rural             | 97            | 3              |
| Bottom 30%        | 99            | 1              |
| Middle 30%        | 94            | 6              |
| Top 40%           | 76            | 24             |

7. Only 5% of households in Mindanao send their children to private school, whereas 35% of households in NCR do so, followed by Visayas (15%) and Balance Luzon (9%). Of urban households, 20% send children to private schools, while only 3% of rural households do so. About one-fourth of rich households use private schools, but only 1% of the poor households and 6% of middle-income households can afford to do so.<sup>11</sup>

8. Access to both public and private schools has improved over time. In particular, there is a significant reduction over time in the percentage of households reporting that they had chosen a private school mainly because there was no alternative public school available (see Table 2 below).

**Table 2: Lack of Access to Alternative Elementary Schools<sup>12</sup>**

| RP                          | Present | Past |
|-----------------------------|---------|------|
| No Public School Available  | 4%      | 13%  |
| No Private School Available | 33%     | 37%  |

9. But, a significant number of households (33%) using public elementary schools reported that they still do not have physical access to a private school. Of the households frequenting public schools, lack of access to private elementary schools was reported by a much larger share of poor households (42%) than rich (27%), suggesting that private schools are less likely to be situated in areas where the poor live.

<sup>11</sup> The responses of households with children over the age of 12 years reveal almost identical shares, confirming a clear bias of private education for rich, urban households, primarily in the National Capital Region.

<sup>12</sup> Households whose children attending private school were asked, "You said that your child is going to a private school. Is this because there is no alternative public school your child can go to, or is there another reason for going to private school?" Households whose children are attending public schools were asked a similar question.

#### 4. DROP-OUTS

10. While the vast majority of children in the Philippines, including those from poor families, initially access the school system, a substantial proportion drops out prematurely, without having acquired basic literacy and numeracy skills.<sup>13</sup> According to the Report Card, about 10% of school-age children (7 to 12 years old) were not in elementary school in March-April, 2000.<sup>14</sup>

11. About 40% of those not in primary school are in Mindanao (see Table 3 below) compared to 11% in NCR, 14% in Visayas and 33% in Balance Luzon.<sup>15</sup> A higher proportion of boys are not in school, compared to girls.<sup>16</sup> Similarly more rural children are out of school, compared to children in urban areas, although urban households outnumber the rural in the sample by 3 to 2.

**Table 3: Distribution of Children Currently Not in Elementary School**

| Region/Gender/Location | % of Children Not in School |
|------------------------|-----------------------------|
| RP                     | 100                         |
| NCR                    | 11                          |
| Balance Luzon          | 33                          |
| Visayas                | 14                          |
| Mindanao               | 41                          |
| Boys                   | 62                          |
| Girls                  | 38                          |
| Urban                  | 43                          |
| Rural                  | 57                          |

12. Of the children who had dropped out of school before completing grade 6,<sup>17</sup> about 60% dropped out in grades 4 and 5, confirming the high enrollment, late drop out model identified by Filmer and Pritchett.<sup>18</sup> The main reason reported for dropping out of school was illness/physical disability.<sup>19</sup> Economic reasons<sup>20</sup> were the next most important, followed by poor performance.<sup>21</sup> This is consistent with the recommendations made by the respondents for programs likely to be most effective in helping poor families keep

<sup>13</sup> Poverty in education is defined as the failure to get an elementary education (Grades 1-6). The education-poor would include all people of working age who did not complete Grade 6, as well as those who reached Grade 6 but failed the standard elementary examination. *Philippine Human Development Report, 2000*.

<sup>14</sup> According to the 1990 census, about 18% of (1.7 million) elementary school-age children (7-12 years) were out of school.

<sup>15</sup> Compared with its share of households in the overall sample (23%), the proportion of school-age children not in school in Mindanao is large at 41%.

<sup>16</sup> According to the *Philippines Poverty Assessment*, The World Bank, 2000, "there is no evidence of discrimination against girls in the provision of education; if anything, girls appear to receive more schooling than boys, especially in rural areas."

<sup>17</sup> In both the 7-12 and older than 12 cohorts.

<sup>18</sup> Population and Development Review, 1999: *The Effect of Household Wealth on Educational Attainment: Evidence from 35 Countries*.

<sup>19</sup> This finding is new and deserves further exploration by sector specialists.

<sup>20</sup> Expenses are too high or child is needed to help family.

<sup>21</sup> Did not get passing grades.

their children in school: free health care in school, full exemption from miscellaneous fees, and more qualified teachers. There may also be a need to provide scholarships to poor families, specifically targeted at boys in rural areas.<sup>22</sup>

### 5. SATISFACTION WITH ELEMENTARY SCHOOLS

13. Overall appreciation for public and private elementary schools was not significantly different, although client ratings on specific aspects revealed an overwhelming preference for private schools on quality aspects and public schools for cost aspects. There was, however, a significant decline in client satisfaction with private schools over time (see Table 4 below). Possible explanations for this decline are explored later in this section. While client satisfaction with public elementary schools has not changed over time, given the mediocre quality that is a hallmark of public schools in the Philippines, this stagnation is not good news.

**Table 4: Overall Satisfaction (Present and Past) for Public and Private Elementary Schools**

| RP             | Present Rating | Past Rating |
|----------------|----------------|-------------|
| Public School  | 1.49           | 1.50        |
| Private School | 1.51           | 1.71        |

Very satisfied:2; Somewhat satisfied:1; Undecided:0; Somewhat dissatisfied:-1; Very dissatisfied:-2

14. Respondents were asked to rate satisfaction with specific aspects of public elementary schools such as location and schedule; teacher attributes such as mastery over subject matter, attitude, and attendance; and classroom attributes such as class size, facilities and textbooks (see Table 5 below).

**Table 5: Satisfaction with Specific Aspects of Present Public Elementary Schools**

| Aspects | Location | Schedule | Attitude | Attendance | Class Size | Text Books | Facilities | Mastery | Tuition |
|---------|----------|----------|----------|------------|------------|------------|------------|---------|---------|
| RP      | 1.64     | 1.24     | 1.37     | 1.33       | 1.02       | 1.09       | 1.05       | 1.39    | 1.24    |

Very satisfied:2; Somewhat satisfied:1; Undecided:0; Somewhat dissatisfied:-1; Very dissatisfied:-2

15. Clients expressed most satisfaction with convenience of location, perhaps a reflection of the successful implementation of the longstanding “one-barangay, one-school” policy of the government. In contrast, public schools were rated most poorly for classroom attributes such as class size, textbooks and facilities. These attributes result directly from the poor management of public education expenditures by the Department of Education, Culture and Sports (DECS) at the central and regional levels, and by local governments.

16. Class sizes are large, for example, because of poor teacher deployment, and not merely a shortage of teachers. The average student-teacher ratio is 35 students per teacher for elementary schools, but these numbers are deceiving, since they represent only aggregate ratios of the population of students and teachers. They do not represent

<sup>22</sup> *Philippines Poverty Assessment*, The World Bank, 2000.

actual class sizes, which are more reflective of the learning conditions pupils confront. Classes in public schools are, in fact, fairly large to very large, with average class size of 45 in public elementary schools.

17. DECS has a policy of providing free textbooks to all students in elementary school.<sup>23</sup> But these are procured and supplied exclusively by the government (national or local), and cannot be purchased in the open market, even by those who can afford to buy them.<sup>24</sup> Facilities are built by DECS through the Department of Public Works and Highways under the National School Building Program at a higher unit cost than at the local government unit (LGU) level, although the Local Government Code has delegated the function of building and maintaining schools to the LGUs. These three major areas of client dissatisfaction with public elementary schools are discussed in greater detail in Section 8.

18. Satisfaction ratings in the past with different aspects of public schools reveal exactly the same patterns as those described above with present elementary schools. Parents were least satisfied with class size, textbooks and facilities, and highly appreciated the location of schools (see Table 6 below). It is cause for concern that classroom attributes continue, over time, to be the greatest source of dissatisfaction to clients in public elementary schools.

**Table 6: Satisfaction with Specific Aspects of Past Public Elementary Schools**

| Aspects | Location | Schedule | Attitude | Attendance | Class Size | Text Books | Facilities | Mastery | Tuition |
|---------|----------|----------|----------|------------|------------|------------|------------|---------|---------|
| RP      | 1.55     | 1.28     | 1.34     | 1.32       | 0.99       | 1.08       | 1.05       | 1.42    | 1.27    |

Very satisfied:2; Somewhat satisfied:1; Undecided:0; Somewhat dissatisfied:-1; Very dissatisfied:-2

19. Satisfaction with private schools on different aspects was assessed by households whose 7-12 year olds are currently enrolled in private schools (see Table 7 below).<sup>25</sup> Regularity of teachers' attendance elicited the highest rating, followed by convenience of location and availability of textbooks. The lowest satisfaction rating was given to the tuition charged by private schools.

<sup>23</sup> The DECS target, in 1999, was to improve textbook to pupil ratio in elementary schools from 1:6 to 1:3. According to a tracking survey undertaken by the Philippines Governance Forum, a watchdog NGO, the actual textbook to student ratio on the ground was 1:5. *Government Watch, Summary Report, Philippines Governance Forum, June – July, 2000.*

<sup>24</sup> Informed observers note that this limitation is a recipe for corruption, and up to 50 percent of the textbook budget is estimated to be diverted as a result of bribes and non-competitive bidding. Schools regularly complain about shortage of textbooks, and substandard printing materials used in textbooks. *Philippine Daily Inquirer, March, 1999.*

<sup>25</sup> Households whose children attend private elementary schools were asked to rate these schools on the same aspects as public school respondents were asked to rate public schools.

**Table 7: Net Satisfaction with Specific Aspects of Present Private Schools**

| Aspects | Location | Schedule | Attitude | Attendance | Class Size | Text Books | Facilities | Mastery | Tuition |
|---------|----------|----------|----------|------------|------------|------------|------------|---------|---------|
| RP      | 1.45     | 1.38     | 1.26     | 1.60       | 1.36       | 1.43       | 1.13       | 1.28    | 0.66    |

Very satisfied:2; Somewhat satisfied:1; Undecided:0; Somewhat dissatisfied:-1; Very dissatisfied:-2

20. Comparisons of satisfaction ratings for private schools in the past and present show a marked deterioration for tuition,<sup>26</sup> teachers mastery over subject matter, and school facilities (see Table 8 below). In fact, the declining tuition ratings may be explained, in part, by the parent's concern that they are paying more (higher tuition fees)<sup>27</sup> and getting less (poorer quality teaching and run-down facilities) in return. The lower rating in recent years for satisfaction with teacher's mastery over subject matter should be of particular concern to private schools,<sup>28</sup> as this has been their main source of comparative advantage over public schools.

**Table 8: Present and Past Satisfaction with Specific Aspects of Private Elementary Schools**

| Aspects                       | Net Satisfaction Score |      |
|-------------------------------|------------------------|------|
|                               | Present                | Past |
| 1. Location                   | 1.45                   | 1.28 |
| 2. Schedule                   | 1.38                   | 1.33 |
| 3. Attitude                   | 1.26                   | 1.28 |
| 4. Attendance                 | 1.60                   | 1.43 |
| 5. Class Size                 | 1.36                   | 1.28 |
| 6. Textbooks                  | 1.43                   | 1.46 |
| 7. Facilities                 | 1.13                   | 1.43 |
| 8. Mastery                    | 1.28                   | 1.49 |
| 9. Tuition                    | 0.66                   | 0.75 |
| 10. Other Facilities          | 1.21                   | 1.27 |
| 11. Ability of Administrators | 1.38                   | 1.44 |
| 12. Classmates                | 1.21                   | 1.40 |
| 13. Transportation costs      | 1.11                   | 1.13 |

Very satisfied:2; Somewhat satisfied:1; Undecided:0; Somewhat dissatisfied:-1; Very dissatisfied:-2

<sup>26</sup> Anecdotal evidence from the stakeholder workshops indicates that there has been a rapid increase in tuition fees in private schools over the past couple of years. Since tuition fees is the only source of income of private schools, in part, the rapid increase may reflect an effort by private schools to raise resources to retain/hire better teachers and improve facilities, which were identified by clients as major sources of dissatisfaction.

<sup>27</sup> Tuition in private schools was deregulated in 1998 as provided in BP 232, which states that a private school may "determine its own tuition rate and other fee changes," after informing the concerned government regulatory agency its plan to raise fees, but not before consultations with students and faculty. A private school is also required to submit a certificate to the regulatory agency that revenues from the additional fees would be spent according to the following: 70 percent for teachers' pay, 20 percent for the school facilities, and 10 percent as return on investment." *Philippine Daily Inquirer, March, 2001.*

<sup>28</sup> Anecdotal evidence from stakeholder workshops reveals that some of the best private school teachers are leaving to join public schools due to the better salaries and benefits in public schools, which are a result of substantial increases in salaries of public school teachers, at the expense of other education inputs, in each post-Marcos Administration. In addition, if private schools are forced to hire new recruits and replacements from the lower end of a pool of poorly prepared teachers, due to financial constraints, this is a matter of serious concern for them.

21. Ratings were higher over time, on the other hand, for location of school, regular attendance of teachers, class size<sup>29</sup> and schedule. However, there were twice as many declines in rating as opposed to advances, signifying that there has been a major drop in consumer satisfaction with private schools over time.

22. Households who currently send their children to public elementary schools, and who indicated they have access to an alternative private school, were asked to compare fourteen different aspects of the two types of schools (see Table 9 below). Specifically, these households compared their public schools with the alternative private school by ranking the former as better, just as good, or not as good as the latter. The proportion of these households falling under each of the three categories (i.e., better, just as good, and not as good) is listed under the heading “Public” in Table 9.

23. Similarly, households currently sending their children to private elementary schools, and who indicated they have access to an alternative public school, were asked to compare fourteen different aspects of the two types of schools. Specifically, these households compared their private school with the alternative public school by ranking it as better, just as good, or not as good as the public school. The distribution of these households is listed under the heading “Private” in Table 9.

**Table 9: Comparative Ratings of Present Public and Private Elementary Schools**

| Aspects             | Better |         | Just as Good |         | Not as Good |         |
|---------------------|--------|---------|--------------|---------|-------------|---------|
|                     | Public | Private | Public       | Private | Public      | Private |
| 1. Mastery          | 17%    | 93%     | 43%          | 4%      | 38%         | 2%      |
| 2. Schedule         | 23%    | 73%     | 54%          | 24%     | 21%         | 2%      |
| 3. Attitude         | 23%    | 78%     | 54%          | 16%     | 21%         | 4%      |
| 4. Attendance       | 19%    | 73%     | 56%          | 24%     | 22%         | 2%      |
| 5. Ability          | 21%    | 76%     | 54%          | 20%     | 21%         | 4%      |
| 6. Class Size       | 15%    | 84%     | 34%          | 13%     | 50%         | 2%      |
| 7. Textbooks        | 21%    | 91%     | 31%          | 2%      | 46%         | 7%      |
| 8. Facilities       | 14%    | 78%     | 31%          | 13%     | 54%         | 9%      |
| 9. Other Facilities | 14%    | 76%     | 35%          | 18%     | 49%         | 7%      |
| 10. Classmates      | 27%    | 67%     | 54%          | 27%     | 18%         | 7%      |
| 11. Tuition         | 86%    | 29%     | 7%           | 20%     | 7%          | 51%     |
| 12. Uniforms        | 71%    | 31%     | 21%          | 29%     | 7%          | 40%     |
| 13. Transport       | 72%    | 40%     | 21%          | 31%     | 6%          | 29%     |
| 14. Location        | 71%    | 64%     | 18%          | 9%      | 11%         | 27%     |

24. The results show that an overwhelming majority (67% to 93%) of households currently sending their children to private elementary schools ranked the private school to be better than the government alternative on the first ten aspects, which have a direct bearing on the quality of services provided. On the other hand, a much smaller percentage (14% to 27%) of households currently sending children to public schools rated the public school to be better on quality aspects, compared to the private school.

<sup>29</sup> The increase in client appreciation with class size over time may imply (i) number of teachers in private schools is increasing; and/or, (ii) number of students is decreasing. Stakeholder feedback reveals that, at the margin, private schools may be losing both the best teachers, as well as some students. So, the higher client rating with class size may not be a positive development for private schools.

25. Convenience of location (aspect 14 in Table 9 above) received a slightly more favorable ranking for public schools. However, a majority of both groups ranked public schools more advantageous than private schools on the three cost aspects (aspects 11 to 13: cost of tuition and miscellaneous fees, cost of uniforms and school supplies, and cost transportation and allowance).

26. With respect to costs, an overwhelming majority of public school patrons (71% to 86%) thought public schools were better than private schools. In contrast, a smaller percentage (29% to 40%) of households currently sending their children to private schools rated the private school to be better on costs aspects.<sup>30</sup>

27. Overall, it is fair to conclude that private elementary schools are ranked superior on quality aspects,<sup>31</sup> and not as good as public schools on cost aspects. This is cause for concern as it reveals that those who send their children to public elementary schools do so only because they cannot afford the widely preferred private schools. A secondary reason for sending children to public elementary schools may be factors relating to physical access.<sup>32</sup>

## 6. HOUSEHOLD EXPENDITURE ON SCHOOLING

28. Although elementary education in public schools is supposed to be free, families incur considerable costs sending children to public schools. Expenses include tuition and miscellaneous fees, uniforms and school supplies, transportation and food allowance, and costs of textbooks. Table 10 shows the costs incurred for each type of expense by region, location and expenditure group.

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<sup>30</sup> As public schools are not supposed to charge tuition fees, the response of 29% of private school patrons who thought private schools were better on this aspect deserves further explanation. It is possible that the children of some of these respondents were recipients of scholarships in private schools. In addition, these respondents may have built a cost effectiveness measure (cost plus quality) into their response. Finally, it may be an acknowledgement of the reality that parents have to make regular financial contributions (miscellaneous fees) even in public schools. To this end, some parents may prefer to pay higher, but transparent, fees to private schools, as compared to meeting unofficial requests from public schools for contributions on a sustained basis.

<sup>31</sup> The differences in performance between public and private schools are, in part, an outcome of this quality difference. The test scores of public elementary schools were 27 percent lower on average than those of private counterparts in 1997. In addition, the quality gap between elementary public and private education is evident from a comparison of the cohort-survival rates. Among private elementary schools in 1997-98, 87 percent of those who enrolled in grade 1 completed elementary school without being delayed or dropping-out. By contrast, only 67 percent of enrollees in public schools managed to complete the grades on time. See *Philippines Human Development Network/UNDP, 2000: Philippines Human Development Report, 2000*.

<sup>32</sup> Report Card findings reveal that 33% of households using public elementary schools reported that they do not have physical access to an alternative private school. See Section 3 of this chapter.

**Table 10: Annual Per Student Costs for Public Elementary Education (in PhP)**

| Region/Area/Group | Fees | Textbooks | Uniforms | Transport | Total Median | Total Mean |
|-------------------|------|-----------|----------|-----------|--------------|------------|
| RP                | 445  | 38        | 522      | 1,017     | 1,228        | 2,023      |
| NCR               | 353  | 76        | 808      | 2,249     | 2,435        | 3,485      |
| Balance Luzon     | 332  | 62        | 575      | 1,000     | 1,263        | 1,968      |
| Visayas           | 929  | 10        | 371      | 953       | 1,034        | 2,263      |
| Mindanao          | 348  | 11        | 454      | 701       | 1,140        | 1,503      |
| Urban             | 666  | 69        | 612      | 1,410     | 1,660        | 2,767      |
| Rural             | 230  | 9         | 438      | 651       | 1,000        | 1,329      |
| Bottom 30%        | 204  | 7         | 341      | 419       | 715          | 917        |
| Middle 30%        | 325  | 17        | 405      | 794       | 1,541        | 1,200      |
| Top 40%           | 757  | 84        | 785      | 1,706     | 3,331        | 2,065      |

29. Total schooling expenditures are twice as high in the NCR as in Mindanao; in urban areas as compared to rural areas; and for rich households compared to poor households. Moreover, median expenditures are considerably lower than mean expenditures, indicating that the better off households (within each category) are spending considerably more than the average.

30. Transportation costs are the largest expense for all groups, at about half of total costs. Uniforms and school supplies are the second largest expense category (26%), and account for a particularly high proportion of the expenditure of the poor (35%). Expenditures on textbooks are very low (2%),<sup>33</sup> as these are provided free by DECS.

31. Fees which are collected by, or on behalf of the public elementary schools, for example, by PTAs,<sup>34</sup> account for more than 20% of total school expenses. These are particularly high in the Visayas, accounting for nearly half the total expenses, and relatively low in NCR, at only 10% of a household's total costs for sending a child to a public elementary school. In both Mindanao and Balance Luzon, fees account for about 20% of total school expenses, which is close to the national average. While public schools are expected to charge a few mandated fees, such as for matriculation, these are supposed to be exempted from tuition fees. To this end, the relatively high fees component of school expenses, especially in the Visayas, deserves to be probed further.<sup>35</sup>

32. Average private school costs (at PhP20,658 per child per school year) are nearly ten times as high as public school costs (PhP2,023), making them relatively unattractive for most Filipinos, except those whose income is large enough, and/or those who put a high premium on quality of education. In relative terms, private elementary education costs households about 7% of total household expenditures on average per child (see Table 11 below). The ratio is considerably higher for the middle-income group (16%)

<sup>33</sup> Parents expressed low satisfaction with the availability of textbooks in public schools, presumably because DECS prescribed textbooks are not available in book stores and cannot be purchased in the market.

<sup>34</sup> About 50% of PTA members of public elementary schools indicated that these associations were focused on fund-raising activities.

<sup>35</sup> Full exemption from miscellaneous fees was identified by the respondents as the most important mechanism for ensuring that children from poorer families do not drop-out of school. Special dispensation from school fees for the poor, especially for primary and secondary schools, was also identified as a priority by the World Bank's *Philippines Poverty Assessment, 2000*.

than for the rich (6%).<sup>36</sup> In comparison, the cost of public elementary schooling per year per child is about 2% of total household expenditures, and is similar across all expenditure groups.<sup>37</sup>

**Table 11: Share of Per Student Cost of Schooling in Total Household Expenditures**

| Poverty Group | Public |        | Private |        |
|---------------|--------|--------|---------|--------|
|               | Mean   | Median | Mean    | Median |
| RP            | 2%     | 1%     | 7%      | 8%     |
| Bottom 30%    | 2%     | 1%     | *       | *      |
| Middle 30%    | 2%     | 1%     | 16%     | 9%     |
| Top 40%       | 2%     | 1%     | 6%      | 7%     |

\* too few observations

33. Whether in absolute or relative terms, the cost of private elementary education is several times higher than the cost of an elementary education in a public school. Therefore despite recognition of better quality education in private schools, most parents chose to send their children to public schools. Private schools are largely out of the financial reach of poor households<sup>38</sup> and put a considerable burden on middle-income households, who are willing to pay for these services. Unsurprisingly, private elementary schools are mostly patronized by the urban rich, especially in NCR.

## 7. PARENT-TEACHER ASSOCIATIONS

34. Parent-teacher associations (PTAs) are considered an important mechanism in the Philippines for parent participation in education. The survey included a number of questions designed to throw light on the prevalence of PTAs, and the extent of parents' participation and influence in them. The survey confirms that PTAs are indeed widespread, with virtually one in every public elementary school in the country.<sup>39</sup> Prevalence of PTAs has increased over time, with parents of children above 12 years of age reporting PTAs in only about 89% of schools. However, membership in the PTAs remains unchanged at only about two-thirds of all households whose children are enrolled in public elementary school. Table 12 shows the change in participation in PTAs over time by different expenditure groups.

<sup>36</sup> This confirms the Report Card finding in the health sector that sometimes middle-income households spend a disproportionately large share of their expenditure on social services, because they are either excluded from subsidized services, or are reluctant to seek them because of the stigma attached to them.

<sup>37</sup> As mentioned earlier, better-off households appear to be spending more than the average for sending children to public schools. For example, Report Card findings indicate that PTAs may be using an equity criteria in collection of miscellaneous fees, collecting more from those who can afford to pay.

<sup>38</sup> Assuming that the average annual income of a household, with three children of elementary school-age, is PhP60,000, then the cost of sending the three children to a private school exceeds the household income.

<sup>39</sup> Report Card findings reveal that 98% of public elementary schools presently have PTAs.

**Table 12: Public Elementary Schools: Participation in PTAs**

| Poverty Group | Member of PTA |         |
|---------------|---------------|---------|
|               | Past          | Present |
| RP            | 69%           | 68%     |
| Bottom 30%    | 67%           | 77%     |
| Middle 30%    | 65%           | 62%     |
| Top 40%       | 73%           | 69%     |

35. Membership from poor households is surprisingly strong with more than three-fourths of households enrolled in the PTAs. Moreover, participation by this group has increased markedly from the past (from 67% to 77%). Participation by the middle and upper income groups, on the other hand, appears to have declined slightly.

36. About half the public school respondents indicated that their PTAs met regularly, while the other half stated that they met as needed. The percentages were not significantly different in the present than in the past. An overwhelming majority of respondents (87%) who were members said that PTAs in public schools represent their views either very closely or somewhat closely (see Table 13 below). Almost all of the poor households (99%) said that the PTAs closely represented their views. This is a significant improvement from the past, when only 88% of poor households said that the PTAs represented their views. Clearly, the poor are better represented and have deepened their voice in the functioning of PTAs over time. On the other hand, influence of the better-off households in PTAs has not improved over time.

**Table 13: Public Elementary Schools: Extent to which PTAs Represent Views**

| Poverty Group | Very Closely/Somewhat Closely |      | Only Slightly / Not at All |      |
|---------------|-------------------------------|------|----------------------------|------|
|               | Present                       | Past | Present                    | Past |
| RP            | 87%                           | 88%  | 13%                        | 12%  |
| Bottom 30%    | 99%                           | 88%  | 1%                         | 12%  |
| Middle 30%    | 88%                           | 88%  | 12%                        | 12%  |
| Top 40%       | 86%                           | 86%  | 14%                        | 14%  |

37. Respondents considered that the PTA activities were equally focused on education and fund raising activities (see Table 14 below). On the whole, respondents thought that fund raising activities had marginally increased in importance over time, but this perception varied by expenditure group. Interestingly, the responses of poor households and rich households moved in opposite directions, with the former saying that education activities had become more important now than in the past, while the latter shared that fund raising had increased over time. It is possible that PTAs target those who can afford to contribute or raise more (e.g., the rich) for fund-raising.

**Table 14: Public Elementary Schools: Activities of PTAs**

| Poverty Group | Education Activities |      | Fund Raising |      | Others  |      |
|---------------|----------------------|------|--------------|------|---------|------|
|               | Present              | Past | Present      | Past | Present | Past |
| RP            | 51%                  | 52%  | 47%          | 44%  | 2%      | 4%   |
| Bottom 30%    | 60%                  | 56%  | 38%          | 41%  | 2%      | 5%   |
| Middle 30%    | 49%                  | 49%  | 49%          | 45%  | 2%      | 6%   |
| Top 40%       | 46%                  | 51%  | 52%          | 47%  | 2%      | 2%   |

38. PTA members were also asked how much influence the PTA had on the school's academic program (see Table 15 below). About half the respondents felt the PTAs had much influence. Another 40% thought they had some. Only 10% thought they had no influence. Consistent with other responses, the poor felt the degree of influence of PTAs on the school's teaching program was growing, while the rich thought it was diminishing.

**Table 15: Public Elementary Schools: Influence of PTAs on Teaching Programs**

| Poverty Group | Much Influence |      | Some Influence |      | No Influence |      |
|---------------|----------------|------|----------------|------|--------------|------|
|               | Present        | Past | Present        | Past | Present      | Past |
| RP            | 51%            | 49%  | 40%            | 40%  | 9%           | 11%  |
| Bottom 30%    | 63%            | 55%  | 28%            | 37%  | 9%           | 8%   |
| Middle 30%    | 54%            | 46%  | 38%            | 42%  | 9%           | 12%  |
| Top 40%       | 40%            | 47%  | 52%            | 40%  | 8%           | 13%  |

39. PTAs are relatively less prevalent in private schools with only 83% reporting the presence of a PTA, as compared to 98% of all public schools. However there has been a marked improvement in the private schools, up from only two-thirds of all schools in the past reporting a PTA presence. Moreover, a larger percentage of private school parent's (72%) were members of the PTA, compared to public school parents (68%).

40. There is no significant difference in the regularity of PTA meetings between private and public schools, as well as the extent to which PTAs represent the views of the members. A major difference in the public and private school PTAs is in the nature of activities, which are the focus of PTAs. Fund raising is not a major activity of private school PTAs, which is understandable, given that the parents are paying hefty fees, in most instances, in these schools. More than two-thirds of the respondents stated that education was the primary activity of the PTAs in private schools. In comparison, only half of the respondents stated that education was the primary activity of public school PTAs. As with public school parents, a majority of private school respondents felt their PTAs had considerable influence on the teaching programs in schools.

## 8. KEY FINDINGS AND RECOMMENDATIONS

41. The main findings are as follows:

- Access to both public and private schools in the Philippines has improved over time, with access to public schools being very high for all socio-economic groups. As expected, private schools are more likely to be located where the better-off live.

- Elementary school enrollment is almost universal, with an overwhelming majority of students (88%) enrolled in public schools, due to low costs and high physical access.
- Although most children enroll in elementary school, a significant proportion drops out. Most of the drop-outs (about three fourths) belong to poor households, and those located in rural areas and Mindanao. Poor health/disability and economic reasons (school expenses or need for child to work) are the principal reasons for dropping out.
- Satisfaction with public schools overall has remained the same over time. On the other hand, there has been a sharp decline in the level of satisfaction of parents whose children went to private schools. The decline is related to increases in tuition, a perception that teacher's performance has deteriorated, and dissatisfaction with school facilities.
- Public school patrons were most satisfied with location and least satisfied with class size, availability of textbooks and school facilities. There has been no change over time in this regard.
- Private school patrons were most satisfied with the regularity of teachers' attendance, location of school and availability of textbooks. They were least satisfied with the high tuition charged by private schools.
- An overwhelming majority of private school patrons and a significant proportion of public school patrons agreed that private schools were better than public schools on quality aspects. Both rated public schools higher on costs and location.
- Although public education is supposed to be free, households spend about 2% of total household expenditures on each child in a public elementary school. Transportation accounts for about half of these expenses, uniforms for about a quarter, and a fifth is spent on fees. Since public schools do not charge tuition, these costs relate largely to miscellaneous fees, and are especially high in the Visayas.
- Private schools cost about ten times more on average than public schools putting them out of reach of the poor and most middle-income households. Mainly, rich, urban households, primarily in NCR, patronize private schools.
- PTAs are widely prevalent in public schools (98%) and about two-thirds of parents are members. Participation of the poor has improved over time and is currently even higher than average (about three-fourths of poor households are PTA members). The poor feel well represented in PTAs. Public school PTAs are equally concerned with both education and fund raising, and members feel they have considerable influence on the teaching programs.
- Private school PTAs are also widespread (83%) and their numbers have increased significantly from the past. PTAs are mostly concerned with education activities and members feel they have considerable influence on the teaching programs.

42. These findings have the following implications/demand the following response.

### **Drop-out Prevention**

43. The focus on successful completion of elementary primary school by all eligible children is clearly a high priority in the government's fight against poverty. Yet, there is evidence of widening differences in educational quality between the more prosperous and

poorer areas in the Philippines, and an inequitable distribution of essential education inputs among the various regions and between rural and urban areas.<sup>40</sup>

44. The government in recognition of this fact, approved a major donor-financed project, the Third Elementary Education Project (TEEP) in 26 of the poorest and most backward provinces (see Box 1 below). In addition, the "Adopt-A-School" program of DECS has received more than 100 pledges from various corporations and foundations to build classrooms and libraries, sponsor scholars, and repair run-down facilities in disadvantaged locations. However, in the long run, this problem can only be addressed by a coherent DECS strategy for actively targeting resources for the most pressing needs and towards the most excluded areas.

**Box 1: The Third Elementary Education Project**

The core principle (of the project) is to target resources on 26 poor provinces, communities and schools. The project would develop and implement, on a phased basis, locally prepared, customized Divisional Elementary Education Development Plans (DEDPs) in the 26 provinces. With local variations, the DEDPs are expected to (i) improve learning through the provision of textbooks and other instructional materials; (ii) in-service training of teachers and school managers; and (iii) grants from a School Improvement and Innovation Facility to finance these. It is expected to raise completion rates through the provision, rehabilitation and repair of fully equipped small multi-grade schools, community mobilization for the improvement of schools and schooling outcomes, and demand-side interventions.

Source: World Bank, *Third Elementary Education Project: Project Information Document*.

45. Economic reasons such as actual<sup>41</sup> and/or opportunity costs of sending a child to school also have to be addressed. While extremely high from the perspective of a poor client, these costs are relatively modest in the aggregate, and there is certainly a case for implementing a pilot program in the worst affected areas. Some NGOs are already doing this with considerable success by providing scholarships,<sup>42</sup> school feeding programs and in-school health care to poor children.

<sup>40</sup> Republic Act 7880 (Providing for the Fair and Equitable Allocation of DECS Budget for Capital Outlay) provides the following two major criteria for resource allocation: (i) 50% of total capital outlay to be allocated pro-rata according to each legislative district's student-population in relation to the total student-population of the country; and, (ii) 40% of the capital outlay allocated only among those legislative districts with classroom shortages as defined in Section 3(b). While the favoring of districts with big student population is quite understandable, it is hardly equitable. For example, the Act does not consider the children who should be in school, but are not. In fact, the regions with low incidence of poverty are the ones with higher share of student population. With respect to the second criterion, the Act defines classroom shortages as a class size of 45 students to a classroom. Again, a majority of provinces without classroom shortage (on paper, at least) turn out to be those with a high poverty incidence. Thus, taken together, the two criteria of this Act are biased against poor provinces, where the need for education inputs is the greatest. See *Approaches to Targeting the Poor*, Arsenio M. Balisacan, et.al., Final Report prepared for NEDA, 2000.

<sup>41</sup> Respondents, whose children had dropped out, identified high expenses as an important cause. To this end, clients recommended that children of poor families should be given full exemption from miscellaneous fees charged by schools.

<sup>42</sup> For example, the Ayala Foundation has been providing free education to poor students in Tondo and Batangas. In addition, students are provided transportation allowance and two meals a day. The Ayala

46. Disabilities are another important reason keeping children out of school. Children with disabilities are an under-served group in most developing countries, and Philippines is no exception. There are direct economic and social benefits to increasing the school participation of children with disabilities. The government's "Education for All" policy framework states that children in difficult circumstances, such as those with physical disabilities, will be targeted for focused attention. However it is not clear how widespread or effective these efforts have been to date. Orientation or training of teachers and updating the teacher education curriculum are possible interventions in this regard.

### **Better Use of Public Resources**

47. The three main sources of client dissatisfaction with public elementary schools relate to class size, lack of textbooks and poor school facilities. Each of these is discussed below.

48. **Class size:** DECS has a total of about 450,000 staff, mostly teachers. Yet average class size in the Philippines (45) is much higher than the average teacher to student ratio (35), suggesting that a substantial proportion of the teaching force is diverted away from teaching duties to perform clerical or administrative functions. Large disparities in staffing provisions exist among school divisions, possibly a result of the constraints imposed on the reassignment of teachers by the Magna Carta for Public School Teachers. There is widespread and persistent deviation between reported and actual school staffing, so it is impossible to quantify the overall loss in teaching time. Reforming teacher deployment is therefore a high priority for DECS.

49. **Textbooks:** The share of the budget devoted to textbooks has been negligible, estimated at about PhP10 (equivalent to about 20¢ US) per student. This budget buys only half a book whereas the prescribed number of books is about 8 per elementary school student. A 1995 Act deregulated the provision of textbooks transferring responsibility for their production from the government to the private sector. However, the implementation of the Act has been very weak leading to a three-fold increase in costs and resulting in the production of books narrowly targeted at meeting the minimal requirements of the Philippines Elementary Education curriculum prescribed by DECS.

50. Hardly any books were purchased for several years, as there were apparently few local publishers capable of printing large quantities of textbooks,<sup>43</sup> leading to a severe deterioration in student to textbook ratios. To mitigate the crisis, and as a temporary measure, the World Bank is currently financing the purchase of about 50 million textbooks through international competitive bidding. This has resulted in considerable cost savings and in better quality books. However, the books will be available in schools only in the next school year. Currently, large scale and centralized injection of textbooks into the system occurs with minimal feedback from stakeholders. Moreover, there is no

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Foundation plans to set up 100 such CENTEX (Center for Excellence in Public Elementary Education) schools all over the country.

<sup>43</sup> *Government Watch*: Summary Report, Philippines Governance Forum, June – July 2000.

reliable system tracking delivery, use and book life. Further, there is no measurement of educational impact or attention to financial sustainability. This must give way to a gradual decentralization, with mechanisms for feedback. Simultaneously, reliable book tracking should be put in place and the impact of the materials on student achievement and teacher effectiveness should be measured objectively and reliably, with exposure to international best practice and financial sustainability planning. For example, parents who can afford, would probably be willing to pay for books, in order to ensure that these are available to their children. In any event, the problem of not being able to purchase books in the open market when they are not supplied by the government certainly deserves to be addressed.

51. **School Facilities:** The fragmented implementation of the school building and maintenance program, currently carried out by multiple agencies, such as the DPWH (National School Building Program), DECS (special donor-funded projects) and local governments (as mandated in the Local Government Code), has resulted in instances of a single school having three separate classrooms on three separate foundations in three different styles.<sup>44</sup> Under the National School Building Program, the price paid to contractors per classroom is fixed and equal in all parts of the country. As a result, schools in difficult locations are often left incomplete. There is no reliable inventory of school buildings or their condition. A reliable school mapping and inventory system and a coherent policy for the financing and implementation of school construction and maintenance by LGUs should be developed.

52. While current budget appropriations alone may be insufficient to meet DECS needs, what is really at issue is the cost-effectiveness of these expenditures. Private schools in the Philippines are widely considered to be more cost-effective than public schools.<sup>45</sup> In the long run, cost-effectiveness of public schools has to be improved by improving the internal efficiency of the system.

### **Assistance for Private School Participation**

53. The preference for private schools over public was widespread in the households surveyed, but was unaffordable to most households, especially the poor. Social targeting could potentially enable youth from lower income households to attend private schools. Experience from Government Assistance to Students for Private Education (GASTPE), a program designed to help students attend private high schools and colleges can be instructive in this regard. GASTPE consists of two programs – Education Service

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<sup>44</sup> Similarly, a tracking survey undertaken by the Philippines Governance Forum, a watchdog NGO, reported a “completed” school constructed in Leyte with only one wall. It appears that most schools with unfinished buildings tap the PTA for completing the construction. Thus, the parents, including the poor, end up paying for the public sector’s inefficiency. *Government Watch: Summary Report*, Philippines Governance Forum, June – July 2000.

<sup>45</sup> The World Bank’s Education Financing and Social Equity Report (1996) shows that while unit costs are higher in private than in public elementary schools, private schools are more cost-effective as a result of better internal efficiency as measured by repetition, drop out and completion rates and a higher quality of education, as measured by learning achievement.

Contracting (ESC) and Tuition Fee Subsidy (TFS). ESC is designed to enable students to enroll in a private school where no public school exists or where there is excess enrollment in public schools.<sup>46</sup> TFS is designed to help students cover fees charged by private elementary schools. The average ESC subsidy in 1998 was PhP1,700 and the TFS paid a maximum subsidy of PhP290 per grantee. These subsidies are only approximately 10% and 1% of the annual private school cost, rendering them ineffective for students from poor households as the subsidy is too small to make it affordable for them. In addition, recipient private schools face problems of delayed releases of subsidies from the government. Further, a survey of ESC beneficiaries showed that the reported educational attainment of parents was significantly higher than the average for low-income households, which seems at odds with the reported income profile of the beneficiaries. If GASTPE is to benefit the poor, the selection of beneficiaries ought to rely on an effective means-testing mechanism and would require a higher level of subsidization.<sup>47</sup>

### **Arresting Decline Of Private Schools**

54. The sharp deterioration in client satisfaction with private schools suggests that there will be a slowdown in the growth of private school enrollment unless efforts are made by these schools to arrest rapid tuition increases, and invest in teacher training and quality of teaching staff, as well as in physical facilities. The deregulation of fee increases in private schools since 1998 has probably weakened the incentives to ensure cost-effectiveness.

55. The policy of free public secondary education adapted by the government in 1987 led to a significant slowing down in the growth of private secondary schools. If the private sector fails to take necessary action to maintain a significant efficiency and quality advantage over the public sector at elementary level, further flight from the private school system can be anticipated. According to stakeholder feedback, this is already happening in some private schools in NCR. The significant decline in private schools may be bad news for public schools, too, as it puts additional pressure on already strained resources.

### **PTAs**

56. According to the Philippines Human Development Report, 2000, “the most radical and effective reform that can be proposed to break the impasse of basic public education is to empower local communities, and their representatives, so they can claim for themselves the amount and type of education they want, instead of being prescribed from above.” To this end, the best news from the survey is that PTAs are potentially a powerful mechanism for involving the poor in education. They are not only widely

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<sup>46</sup> Enrollment of government-funded poor students in private schools could also decrease the pressure on the government to construct additional school facilities.

<sup>47</sup> The enrollment of government-funded poor students in private schools would also increase the income of these private institutions.

prevalent, but are patronized heavily by poor households, and are seen to be representative of them.

57. PTAs could provide a forum for strengthening parent support to ensure primary school completion and minimize financial burden on poor households. They could potentially become a powerful source of parent education and thereby a means of breaking the vicious cycle of intergenerational consequences of limited or no parental schooling.<sup>48</sup> PTAs could also act as a watchdog for making service delivery more effective.<sup>49</sup> In short, PTAs represent valuable “social capital” in the Philippines, which could contribute to making elementary schools more accountable, responsive and results-oriented.<sup>50</sup>

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<sup>48</sup> Children who drop-out of school tend to be those of poorly educated parents. In 1997, 29 percent of fathers and 28 percent of mothers of drop-outs never completed primary school, while 62 percent of fathers and 63 percent of mothers never finished high school. In addition, 75 percent of the poor lived in households where the head had no more than an elementary education. Taken together, these two facts indicate that children of poorly educated parents are condemned to a life of poverty and inadequate education themselves; a life which they are likely to pass onto their own children. *Philippines Human Development Network/UNDP 2000: Philippines Human Development Report, 2000; Philippines Poverty Assessment, The World Bank, 2000.*

<sup>49</sup> In this role, PTAs could help track whether resources and inputs intended for local schools (teachers, textbooks, school facilities and equipment, etc.) are reaching those they are intended to benefit.

<sup>50</sup> Jimenez, Emmanuel and Yasuyuki Sawasa. 1998. “Do Community-Managed Schools Work? An Evaluation of El Salvador’s Educo Program.” *Impact Evaluation of Education Reforms*, Paper 8. Development Research Group, World Bank, Washington, D.C.; Jimenez, Emmanuel and Vincent Paqueo. 1996. “Do Local Contributions Affect the Efficiency of Public Primary Schools?” *Economics of Education Review* 15(4):377-86.

# FILIPINO REPORT CARD ON PRO-POOR SERVICES

## CHAPTER IV: WATER SUPPLY<sup>1</sup>

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### 1. POVERTY AND POTABLE WATER

1. Ensuring equitable and efficient access to water supply and sanitation services has been a major challenge facing policy makers in the Philippines for several decades. The situation has been aggravated by population migration from rural to urban areas, caused, among others, by the poor searching for income and employment; and through natural increase in the urban poor population. Typically, these households trade-off the prospects of earning a livelihood in the urban informal sector with appalling living conditions in low-income settlements.

2. Access to safe water and sanitation services is particularly a concern in urban areas, because the density of population limits the availability of well water as an alternative in adequate quantity and acceptable quality. The absence of a well-functioning sanitation system pollutes both surface and ground water, and exposes residents (particularly small children) to fecal contamination throughout the neighborhood.<sup>2</sup> As many of the urban poor live in poorly drained slums, flooding during the typhoon season further aggravates public health risks.

3. The situation in rural areas is similar to urban centers, in that existing publicly funded water supply facilities are far fewer than the growing demand. The rural poor often have to depend on alternative untreated sources of water supply, such as springs, rivers and ponds that are away from their homes. Women in particular, spend considerable time and energy fetching water from these sources.

4. Improvements in water supply and sanitation benefit the poor in many ways. They reduce the risks of exposure to various common illnesses, such as gastrointestinal illnesses including diarrhea, cholera, typhoid, and dengue fever; they free up the time of homemakers, most of whom are women, and they reduce child and infant morbidity. However, these improvements can have greatest impact only if the institutional arrangements<sup>3</sup> ensure that the poor receive the intended benefits. In the Philippines, where less than half the population has access to safe water supply, the risks of the non-poor capturing most of these benefits are extremely high.

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<sup>1</sup> This chapter has been prepared by Vijay Jagannathan and Mariles Navarro, with inputs from the Report Card team.

<sup>2</sup> Although reliable data on sanitation coverage is not available, only about half of the urban population is thought to have toilets in their homes, with poorly constructed septic tanks to collect the human waste. The rest (which includes most of the urban poor) rely on communal facilities and watercourses. Only about a tenth of Metro Manila residents are provided with safe sewerage services, with the rest of the human waste generated in Metro Manila and other secondary cities finding its way untreated into rivers, canals, drains or even the underground water aquifer that provides drinking water to the same populations.

<sup>3</sup> See endnote on key water sector institutions.

## Water Service Levels

5. In 1995, the NEDA Board, the highest policy making body of the government, defined three water service levels, in terms of development of sources, distribution systems and management arrangements deemed appropriate to different areas. These are:

- Level I (point source) is a protected well or a developed spring with an outlet but without a distribution system; generally adaptable for rural areas where houses are thinly scattered. These services are mostly managed by community-based organizations, which are also responsible for operation and maintenance.
- Level II (communal faucet system or stand posts) is a system composed of a source, a reservoir, a piped distribution network and communal faucets. These piped systems require more capital investments than level I systems, and more resources for operation and maintenance. They are either maintained by community-based organizations or by staff of the municipality.
- Level III (waterworks system or individual household connections) is a system with a source, a reservoir, a piped distribution network and household taps. These systems require substantial investments, and professional management (as a water utility) in order to provide the designed level of service. Level III systems are managed by (i) autonomous Water Districts established under Presidential Decree No. 198; (ii) private concessionaires or licensees; and, (iii) water departments of cities and municipalities, or Local Government Units (LGUs). Water Districts and private operators meter all connections from the piped network, and charge tariffs that recover the costs of service provision (including amortization of loans). Municipal or LGU-managed systems usually subsidize the services to customers.<sup>4</sup>

## Government Policies for Water Supply

6. In the past three decades, government policies have generally focused on the preventive aspects – on how to safeguard densely populated, low-income urban residents and village communities from major epidemics such as cholera, typhoid, and dengue fever. Water supply and sanitation services were viewed as “basic needs” that should be provided by the State for the poor. The focus on preventive aspects implied that services

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<sup>4</sup> Systems with poor operational performance (which turn out to be unsustainable in the long-term) could occur in all three levels of water supply service, depending on both construction quality and the effectiveness of operations and management (O&M). These issues are particularly relevant for level III systems, which require considerably more O&M, and consequently are sensitive to the type of management. Level III systems require professional management, and so they could, in actual practice, provide unreliable and inadequate water supply whenever management is not handled professionally. *A priori*, a privately managed level III system should be run on commercial principles. The performance of level III systems managed by Water Districts vary significantly depending on the members of their respective boards of directors, who are nominated by the local chief executives. In contrast to privately managed systems and Water Districts, LGU-managed systems are more susceptible to political interference in tariff setting because these systems are under the direct control of mayors.

were provided on the basis of what planners considered to be minimum necessary services.

7. Past Administrations have sought universal access to safe and reliable water as a medium-term goal. This was in keeping with the national thrust of poverty alleviation.<sup>5</sup> This national goal was to be achieved through numerous national investment programs financed by both national and aid (donor) resources.

8. The preoccupation of national planners – with the support of all donors through the *International Drinking Water and Sanitation Decade* program - with extending coverage in the 1970s and 1980s resulted in a bias toward level I and level II systems in areas where full cost recovery was considered difficult to accomplish through the establishment of water utilities. In these systems, the planners decided on technologies and organizational arrangements,<sup>6</sup> including the level of service for the different areas/groups, and cost recovery strategies for the selected service level. For example, in level I service, households and community groups were to be responsible for operation and maintenance (O&M) costs only; for level II, capital costs, in addition to O&M costs, were to be recovered through community groups; and in level III systems, metering and full cost recovery tariffs were encouraged, though not always enforced.<sup>7</sup>

9. The primary criterion for a community to receive level III service was population density. Using this criterion, piped water supply, with a house connection -- which theoretically should provide the most reliable, cost-effective service, not only in terms of convenience but also in terms of safe potable water supply to households -- depended on where a person lived, rather than on what the person wanted and was willing to pay.

10. In 1995, about 63% of the urban population was being served by safe water supply.<sup>8</sup> It was estimated that the investment requirements to increase coverage for the urban population from the 63% in 1995 to 84% by 2000 (or to expand coverage to an additional 20 million Filipinos, which was the target for 2000) was \$2 billion. The Asian Financial Crisis had adversely affected the ability of the national government and donors to provide anywhere near the estimated amount to the sector, and the coverage today is not much higher than that in 1995.

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<sup>5</sup> Also, it is in accord with the need to fulfill international commitments of promoting economic development with improvement in quality of life.

<sup>6</sup> In the 1980s, sector programs funded by donors introduced participatory approaches in the management of water supply systems, although this demand-driven approach needs to be further strengthened and upscaled.

<sup>7</sup> In LGU-managed systems, tariff-setting decisions are based on political considerations, and it is not uncommon for municipalities to subsidize even operational costs from municipal budgets.

<sup>8</sup> In the past, DILG, DPWH, LWUA and DOH used to be all involved in providing coverage figures for water supply and sanitation, in some cases using different definitions for coverage. Upon the devolution of the functions to the LGUs however, the monitoring of water supply and sanitation coverage is in disarray. Although the primary responsibility for monitoring water supply and sanitation coverage rests with DILG, the agency has been overwhelmed by budgetary constraints, as well as transitional problems. Reliable data for rural areas is not available, but the coverage is significantly lower.

11. Further, within this coverage, which falls short of the target for 2000, the access of the poor to safe water supply and sanitation is considered to be woefully inadequate.<sup>9</sup> The Filipino Report Card provides an opportunity to verify the qualitative and quantitative dimensions of how the poor have fared in the access to potable water, based on their own feedback.

## 2. THE SURVEY

12. A total sample of 1,200 households nationwide was surveyed in the Filipino Report Card in March - April 2000. Survey responses were analyzed by geographic area,<sup>10</sup> by rural and urban residence, and by one measure of poverty status of households. This poverty measure is based on household expenditure (expenditure poverty) and classifies households as: poor covering those in the lowest three expenditure deciles (or, bottom 30%); the middle-income households that fall in the fourth to sixth expenditure deciles (or, middle 30%); and, the rich that are placed in the top four expenditure deciles (or, top 40%).

## 3. ACCESS

13. The Report Card results indicate that only about 64% of the population is receiving water supply services from level I, II or III systems (see Table 1 below). About one-third of the population (34%) is reported to be relying on self-provisioning<sup>11</sup> as the main source of their water supply, and a small minority (3%) on vendors. Despite government policies aimed at achieving universal coverage of safe water supply services, the client feedback indicates that about 37% of the population continues to be without formal coverage.

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<sup>9</sup> This is widely accepted within the government, informed circles, and the donor community.

<sup>10</sup> Responses analyzed by geographic area include aggregate Republic of the Philippines (RP), National Capital Region (NCR), rest of Luzon (or Balance Luzon), Visayas and Mindanao.

<sup>11</sup> Self-provisioning may come in the form of own wells with pumps and fully reticulated household systems devised by the rich and point sources such as wells, hand pumps, and rainwater collectors used by the poor.

**Table 1: Coverage of Households by Service Level<sup>12</sup> of Main Source Water Supply Systems (Percentage distribution)**

| Region/Area/Group | Level III | Level II | Level I | Self-provisioning | Others |
|-------------------|-----------|----------|---------|-------------------|--------|
| RP                | 39        | 7        | 18      | 34                | 3      |
| NCR               | 82        | 2        | 0       | 7                 | 9      |
| Balance Luzon     | 27        | 4        | 14      | 54                | 0      |
| Visayas           | 50        | 8        | 26      | 12                | 3      |
| Mindanao          | 23        | 17       | 27      | 31                | 2      |
| Urban             | 56        | 5        | 8       | 28                | 3      |
| Rural             | 14        | 10       | 32      | 42                | 1      |
| Bottom 30%        | 25        | 13       | 31      | 29                | 2      |
| Middle 30%        | 35        | 7        | 15      | 41                | 3      |
| Top 40%           | 53        | 4        | 9       | 32                | 3      |

14. Regional differences are significant (see Table 1 above). NCR has the highest proportion of households (82%) served by level III systems as their main source. However, about 7% of the NCR households rely on self-provisioning and another 9% on vended water (others) as the main source. Self-provisioning is costly (especially in NCR), often undertaken by the non-poor to assure themselves a reliable supply of quality water, while the poor usually are forced to resort to vended water (which is also costly) in the absence of access to alternative sources. Visayas has the next highest coverage of level III systems (at 50%) as their main source of water. It also has the highest coverage (85%) in all three formal (levels III, II and I) systems. This may be partly due to successful advocacy by the leaders from Visayas.<sup>13</sup>

15. Mindanao has the lowest coverage under level III systems (23%) and the highest coverage under level I systems (27%) as main source (see Table 1 above). Also, about a third of the households in Mindanao rely on self-provisioning or vended water (others) as their main source. This is cause for concern due to the high poverty incidence in Mindanao, which probably results in a large number of poor people having to fend for themselves to access drinking water. Balance Luzon has more than half the households (54%) relying on self-provisioning as their main source, with only 27% served by level III systems as main source. This probably reflects the large group of affluent consumers in the region who resort to self-provisioning, which in some cases (as in Cavite province) has led to severe depletion of ground water resources.

16. The aggregate numbers for the Philippines confirm that in terms of improving coverage, government policies of the past three decades have only partially achieved the intended results in terms of coverage of the poor (69% coverage). Analysis of self-provisioning data indicates that the proportion of low-income populations that continues to receive no benefits from public investments is significant (31%). Among expenditure

<sup>12</sup> The Report Card classification according to service levels is as follows: *Level III* consists of private water providers, Water Districts, LGU-managed piped systems and subdivision-managed piped systems; *Level II* consists of public and private communal systems; *Level I* consists of public point sources (well/spring); *Self-provisioning* consist of private wells (shallow/dug/deep wells) and rain water collectors; and *Others* consists of tankered/vended water.

<sup>13</sup> In general, because water and sanitation services are decentralized in the Philippines, all regions lobby for services, giving a lot of discretionary powers to fairly corrupt national agencies to decide who should receive what level of services.

groups, the data indicates a wide disparity between the rich and poor in terms of access to the highest service level (level III service). Access of the poor to level III services is less than one-half of that of the rich. By contrast, the poor are likely to access level I and II systems over three times more often than the rich.

17. The relatively high percentage of households resorting to self-provisioning in the Philippines overall (37%),<sup>14</sup> and their distribution across all expenditure groups,<sup>15</sup> could be explained by two factors (see Table 1 above). First, inadequate water or unavailable supply service from government and private providers could be forcing users to resort to self-provisioning. For example, even in NCR where two private concessionaires<sup>16</sup> are providing services, about 9% of households still resort to purchasing from water vendors. A majority of these households are likely to be poor. In many of the far-flung islands of the Philippine archipelago, accessibility or even availability of water supply services is very low. Second, many of the better-off households, in both urban and rural areas, resort to self-provisioning as a means of providing for themselves a higher level of service than what level III connections currently offer. In addition to households, commercial/industrial establishments invest substantial resources in deep tubewells, electric pumps and overhead storage tanks.

#### **Access to Level III Providers**

18. As indicated in Table 1, only 25% of the poor have access to level III systems as their main source of water; how many of these households are receiving services managed by the private sector, Water Districts and LGUs? The Report Card results indicate that almost half of the level III systems (48%) are managed by LGUs (see Table 2 below).<sup>17</sup> The data also shows that the likelihood of poor households securing access to LGU-managed systems as their main water source (74%) is between five to seven times compared to utilities managed by Water Districts (14%) and private providers (11%). Overall, the results indicate that poor households currently accessing Level III services are mostly served by LGU-managed systems, while the better-off are served mostly by either LGU-managed or private systems.

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<sup>14</sup> Includes both self-provisioning and other columns in Table 1.

<sup>15</sup> The "self-provided" population span the entire range of the expenditure distribution covering 35% of the rich households; 44% of the middle-income households; and 31% of the poor.

<sup>16</sup> Manila Water Company, Inc. (MWCI) and Maynilad Water Services, Inc. (MWSI).

<sup>17</sup> There are only about 300 operational Water Districts and a handful of privately-managed level III systems in more than 1,500 municipalities and cities in the country.

**Table 2: Distribution of Households with Level III Systems as Main Source of Water**  
 (Percentage distribution)

| Area/Group | Water Districts | LGU | Private | Subdivision |
|------------|-----------------|-----|---------|-------------|
| RP         | 20              | 48  | 31      | 1           |
| Urban      | 21              | 42  | 36      | -           |
| Rural      | 9               | 86  | 3       | 2           |
| Bottom 30% | 14              | 74  | 11      | -           |
| Middle 30% | 26              | 51  | 22      | -           |
| Top 40%    | 18              | 37  | 43      | 1           |

19. The survey results also indicate, as shown in Table 2 above, that LGU-managed systems predominate as the main source of level III water supply for households in rural areas (86%). This probably reflects the initiatives taken by the concerned local governments to extend or upgrade services to their communities, or in most cases, convert existing level II systems, provided earlier as grants by the central government, to level III systems without necessarily upgrading the design to accommodate the requirements of a level III service.<sup>18</sup> As these communities were considered commercially “non-viable” for establishing water districts by LWUA, the initiative for investing in a level I, II or III system rested entirely with the LGUs.<sup>19</sup> However, as tariff-setting in these systems is in the hands of locally elected officials, pricing decisions are taken on the basis of political expediency, rather than on economic principles. In many cases tariffs are either not collected at all, or are token contributions by the beneficiaries. Data from the Report Card confirm lower expenditures by households purchasing water from a LGU-managed system, compared to Water Districts and private systems: the average (mean) monthly payments of a poor household are PhP138 in a Water District, PhP117 in a private system, and PhP106 in a LGU-managed system. Consequently, many LGU-managed systems permit any household with access to the system to remain connected at all times.

#### 4. REASONS FOR NOT APPLYING

20. In terms of actual service coverage, as Table 1 indicates, less than two-in-five of the households had access to level III systems (39%) nationwide. A majority of those households without access to level III service have expressed interest in getting the service (64%), but significantly, in both rural and urban areas, have not bothered to apply for a connection (94%).

21. In terms of expenditure groups, the data confirms that the poor tend to be excluded from piped water service coverage. In Table 3 below, the poor have the highest

<sup>18</sup> This is a common practice, especially among low-income class municipalities, which results in very poor service – 30-40 minutes a day of water service, low water pressure, etc.

<sup>19</sup> The ability of a LGU to establish a level III system, as opposed to a level I or level II system, depends on the resource envelope available to the LGU from the national government under the Internal Revenue Allotment, Congressional Development Fund available through the members of Congress representing the area, and local resource mobilization efforts.

proportion of population without access to level III service (75%). Although a majority of the poor indicated an *interest* in getting connected, they have mostly not applied.

22. The situation is somewhat better for middle-income and rich households. Compared to poor households, the non-poor have a smaller proportion that does not have access to a level III system (65% and 47% respectively). However, the proportion of households without level III service who are interested in getting the service, but did not apply, exceeds 90% for all expenditure groups (see Table 3 below).

**Table 3: Distribution of Households Without Level III Water Service**  
 (In percentage)

| Poverty Group | Percentage of Total Households in Category | Interested in Getting Service | Not Interested in Getting Service | Applied for Service <sup>20</sup> | Did Not Apply for Service |
|---------------|--|-------------------------------|-----------------------------------|-----------------------------------|---------------------------|
| Bottom 30%    | 75   | 70                            | 30                                | 3                                 | 97                        |
| Middle 30%    | 65   | 63                            | 37                                | 5                                 | 95                        |
| Top 40%       | 47   | 60                            | 40                                | 9                                 | 91                        |

23. Their main reasons for not applying for a piped (level III) service are: (i) there is no level III service available in the area (60%); (ii) cost of water under level III service may be more expensive than what it currently costs the applicant (57%); and, (iii) households do not know how to apply (38%). While it may be difficult to remedy constraints (i) and (ii) in the short or medium-term, the information gap could be addressed immediately with modest effort.<sup>21</sup>

24. In summary, the Report Card results confirm that while past policies of predetermining levels of service for consumers increased access of the poor to some form of water supply service, they did not lead to universal coverage in rural and urban areas, and more importantly did not reflect consumer preferences adequately.<sup>22</sup> Instead, among the rich and poor alike, water supply services available from formal systems have been inadequate to meet their needs. Although there is widespread interest in getting level III service, the vast majority of households in all expenditure groups have not bothered to apply because provision/expansion of services did not keep pace with consumer demand. As the supply-demand gap has not been bridged, the consumers are forced to devise their own strategies of providing for themselves the water services they need.

<sup>20</sup> Six percent of those who are interested in getting level III service, actually applied for it. The main reasons cited by these respondents for not getting level III service are as follows: (i) households have applied but are still waiting for a response because water utilities (service providers) have been unable to keep pace with demand (45%); (ii) existing houses are not built to allow piped connections (33%); (iii) money has been demanded either to “fix” paperwork or to facilitate processing (21%), and (iv) households are unable to submit documentation required by water utilities (21%).

<sup>21</sup> The Report Card results show that the main sources of information on water service are television, radio and friends and relatives. Perhaps targeted information campaigns using TV and radio could be fruitfully utilized to bridge the information gap on how to access level III services, where appropriate.

<sup>22</sup> The Dublin Declaration of 1994 advocates a move to providing services on the basis of what consumers want and are willing to pay.

## 5. WATER CONSUMPTION

25. A household's consumption of water is often a useful indicator for assessing the overall quality of service. Water-related illnesses in poor households usually arise because the quantity of water consumed is very low (15 to 30 liters per capita per day), and the water has been stored in unclean containers. Piped water supply allows a family access to more water and, more importantly, reduces the risks of contamination through storage for long periods of time. One could assume *a priori* that a household with a level III connection consumes more water than another household whose access is only to a level II or level I system.<sup>23</sup>

26. At the national level, the Report Card results confirm that households connected to a level III service have the highest average monthly consumption of water across service levels (see Table 4 below). The mean and median values of levels II and I systems are one-half or less of level III systems, suggesting a much lower capacity of the former (levels II and I systems) to meet household requirements, as compared to the latter (level III systems). If consumption levels are used as a proxy for service quality, then level III systems are the preferred choice of consumers. Even the poor consume more water from level III systems, compared to any other water source.

**Table 4: Average Household Consumption of Water from Main Source**  
 (In cubic meters per month)

| Area/Group        | Level III | Level II | Level I | Self-provisioning | Others | Total Average |
|-------------------|-----------|----------|---------|-------------------|--------|---------------|
| <b>RP</b>         |           |          |         |                   |        |               |
| Mean              | 22.82     | 8.21     | 8.38    | 10.38             | 7.76   | 14.64         |
| Median            | 12.59     | 6.24     | 6.24    | 7.28              | 6.24   | 8.32          |
| <b>Urban</b>      |           |          |         |                   |        |               |
| Mean              | 20.45     | 8.97     | 8.83    | 10.41             | 8.03   | 15.73         |
| Median            | 13.00     | 6.24     | 6.24    | 7.90              | 6.66   | 10.41         |
| <b>Rural</b>      |           |          |         |                   |        |               |
| Mean              | 37.18     | 7.63     | 8.22    | 10.36             | 8.82   | 13.02         |
| Median            | 12.49     | 6.24     | 6.24    | 6.45              | 6.24   | 6.24          |
| <b>Bottom 30%</b> |           |          |         |                   |        |               |
| Mean              | 13.25     | 6.87     | 7.23    | 8.53              | 7.12   | 9.07          |
| Median            | 10.00     | 6.24     | 6.24    | 6.24              | 3.12   | 6.24          |

27. However, the significant variation between the mean and median average monthly consumption figures within each level (especially within level III systems) indicates that there are differences in quality among the types of management of the systems within each level (see Table 4 above). The lower value of the median (12.6 cubic meters) compared to that of the mean (22.8 cubic meters<sup>24</sup>) for aggregate level III systems

<sup>23</sup> If consumption is actually less from level III systems, compared to level I and II systems, the explanation could be because of one of two factors. First, the price of water is relatively high, and households are forced to economize water usage. Second, the level III service is either so unreliable or so inadequate that consumers have to resort to other sources/service options to meet their needs.

<sup>24</sup> This translates to an average consumption of 114 liters per capita per day, assuming a household size of 5 members. It is significantly lower than the average consumption for the 50 largest water utilities in Asia, which is 157 liters per capita per day. See *Second Water Utilities Data Book*, edited by Arthur C. McIntosh and Cesar E. Yniquez, Asian Development Bank.

suggests that more households experience relatively low quality service than good quality service. The reasons could include (i) the limited number of hours per day of water availability (reported by the survey to be an average of 8.5 hours a day); (ii) low water pressure; and, (iii) poor water quality.

28. Average (mean and median) consumption of rural households is consistently below that of urban households, except under level III systems (see Table 4 above).<sup>25</sup> The average (median) water consumption of rural households<sup>26</sup> is only 30 liters per capita per day. In other words, half the rural households are consuming only 30 liters or less per capita per day, which is unacceptably low.

29. The data on poor households reveals that the median per capita daily water consumption of the poor is barely 30 liters, and similar to that of rural households (see Table 4 above). For the poor buying from vendors (others), the median consumption drops to only 15 liters per capita per day, a figure that is dangerously close to meeting bare survival needs. The data reinforce the argument that inequitable access to water supply affects poor families disproportionately, and consequently increases their vulnerability to water-induced illnesses.

### **Consumption in Level III Systems**

30. At the national level, households under privately-managed systems have a higher average consumption per month, followed closely by level III systems under LGU management (see Table 5 below). This may suggest that private providers, in general, offer better services than LGU-managed systems and Water Districts. Possibly, a more appropriate explanation is that the two private concessionaires in Metro Manila (NCR) are charging tariffs substantially below Water District averages, and therefore, could have encouraged higher consumption.<sup>27</sup> A second factor appears to be the availability of level III service in a particular region. This feature is evident in the Visayas and Mindanao, where LGU-managed level III systems predominate, but with significantly higher water consumption levels due to the low tariffs charged.<sup>28</sup>

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<sup>25</sup> The number of rural households served by level III systems is small, since only 14% of rural households have access to level III systems, mostly LGU-managed systems.

<sup>26</sup> Assuming a household size of five persons and averaged across all systems.

<sup>27</sup> The results show that households paid on average about PhP15.20 per cubic meter of water to Water Districts, around PhP9.60 to privately managed systems, and approximately PhP5.95 to LGU-managed systems.

<sup>28</sup> In Balance Luzon though, while LGU-managed systems are predominant, households under Water Districts have higher household consumption levels than LGU-managed systems. The explanation could be that although the Water Districts are fewer, they offer much better service in terms of quality and affordability.

**Table 5: Average Household Consumption of Water from Main Source Served by Level III Systems**  
(In cubic meters per month)

| Region               | Water District | LGU   | Private | Subdivision |
|----------------------|----------------|-------|---------|-------------|
| <b>RP</b>            |                |       |         |             |
| Mean                 | 16.45          | 22.75 | 27.01   | 17.69       |
| Median               | 12.75          | 12.49 | 18.00   | 18.73       |
| <b>NCR</b>           |                |       |         |             |
| Mean                 |                |       | 27.61   |             |
| Median               |                |       | 19.00   |             |
| <b>Balance Luzon</b> |                |       |         |             |
| Mean                 | 25.65          | 15.42 | 4.48    |             |
| Median               | 18.73          | 12.00 | 4.48    |             |
| <b>Visayas</b>       |                |       |         |             |
| Mean                 | 15.67          | 20.30 | 6.24    | 31.22       |
| Median               | 12.25          | 12.49 | 6.24    | 31.22       |
| <b>Mindanao</b>      |                |       |         |             |
| Mean                 | 11.78          | 43.59 | 28.08   |             |
| Median               | 12.00          | 12.49 | 28.08   |             |

Note: Only a few (in some cases only one) sample households served by private and subdivision systems in Balance Luzon, Visayas and Mindanao.

31. In general, the results suggest that (largely on account of Metro Manila or NCR) private systems provide households with higher consumption levels in urban areas, while LGU-managed systems provide higher consumption levels in rural areas (see Table 6 below). Household consumption levels do not appear sensitive to the expenditure categories, but rather to access to level III systems. Further, on comparing consumption in Water Districts (which charge tariffs on the basis of full cost recovery) and LGU-managed systems (in which tariffs are either very low or non-existent), the survey data indicates that consumption of water supply by poor households is sensitive to the tariff regime.

**Table 6: Average Household Consumption of Water from Main Source Served by Level III Systems**  
(In cubic meters per month)

| Area/Group               | Water District | LGU   | Private | Subdivision |
|--------------------------|----------------|-------|---------|-------------|
| <b>Urban</b>             |                |       |         |             |
| Mean                     | 16.28          | 16.92 | 27.14   | 10.93       |
| Median                   | 13.00          | 11.93 | 18.00   | 10.93       |
| <b>Rural</b>             |                |       |         |             |
| Mean                     | 18.81          | 39.93 | 17.16   | 31.22       |
| Median                   | 7.92           | 12.49 | 17.16   | 31.22       |
| <b>Poor (bottom 30%)</b> |                |       |         |             |
| Mean                     | 8.37           | 13.56 | 17.48   | -           |
| Median                   | 6.00           | 10.00 | 13.64   | -           |

Note: Only a few (in some cases only one) sample households in rural areas are served by private and subdivision systems.

32. In summary, if consumption levels are used as a proxy for service quality, level III systems are the preferred choice of the clients. The evidence indicates that most of the poor, if given the choice, would access level III service, and consume water to the point that they could afford.

## 6. HOUSEHOLD EXPENDITURE ON WATER

33. The previous section noted that water consumption by the poor is unacceptably low. This reinforces the earlier conclusion that past government sectoral policies of directing water supply investments according to population density have not led to the desired outcomes of either extending universal coverage or providing the covered poor with adequate services. This section investigates household expenditure patterns, with a view to understand whether (i) consumption has been affected by cost recovery policies, and (ii) paying for water supply has imposed a financial burden on the poor.

34. The average monthly expenditure on water per household includes the sum of the amounts paid to the main source, plus the cost of water treatment, plus outlays on bottled water purchased (see Table 7 below). The Report Card results show that on the aggregate, vended water (other) and self-provisioning registered the highest average monthly expenditure on water, with the amount paid to main source accounting for the biggest expense item. For households served by the three service level categories (levels III, II or I), the biggest expense item is the cost of bottled water, on which household outlays exceed the amount paid to the main water source (provider/utility).

**Table 7: Average Monthly Expenditure on Water by Service Level**  
(Mean Monthly Expenditure per Household – in PhP)

| Area/Group                  | Level III | Level II | Level I | Self-provisioning | Others |
|-----------------------------|-----------|----------|---------|-------------------|--------|
| <b>RP</b>                   |           |          |         |                   |        |
| a) Paid to Main Source      | 199       | 74       | 110     | 416               | 445    |
| b) Spent on Water Treatment | 90        | 105      | 35      | 102               | 111    |
| c) Spent on Bottled Water   | 222       | 146      | 135     | 83                | 228    |
| Total                       | 511       | 324      | 280     | 601               | 784    |
| <b>Urban</b>                |           |          |         |                   |        |
| a) Paid to Main Source      | 213       | 107      | 175     | 497               | 482    |
| b) Spent on Water Treatment | 84        | 33       | 62      | 153               | 111    |
| c) Spent on Bottled Water   | 244       | 219      | 197     | 86                | 245    |
| Total                       | 541       | 359      | 434     | 736               | 838    |
| <b>Rural</b>                |           |          |         |                   |        |
| a) Paid to Main Source      | 103       | 51       | 66      | 173               | 15     |
| b) Spent on Water Treatment | 268       | 213      | 25      | 34                | -      |
| c) Spent on Bottled Water   | 61        | 18       | 90      | 74                | 80     |
| Total                       | 433       | 281      | 181     | 281               | 95     |
| <b>Bottom 30%</b>           |           |          |         |                   |        |
| a) Paid to Main Source      | 112       | 47       | 35      | 60                | 164    |
| b) Spent on Water Treatment | 47        | 24       | 22      | 54                | 158    |
| c) Spent on Bottled Water   | 37        | 20       | 44      | 32                | 20     |
| Total                       | 197       | 91       | 102     | 146               | 342    |
| <b>Top 40%</b>              |           |          |         |                   |        |
| a) Paid to Main Source      | 233       | 264      | 125     | 563               | 632    |
| b) Spent on Water Treatment | 108       | 400      | 48      | 139               | 88     |
| c) Spent on Bottled Water   | 298       | 338      | 133     | 115               | 306    |
| Total                       | 639       | 1002     | 306     | 818               | 1026   |

35. There are variations between urban and rural areas, and between poor and rich households (see Table 7 above). Rural communities incur fairly substantial expenditures in level III and level II systems, compared to their urban counterparts, because treatment

costs are high. This implies that the quality of water supply in rural areas is considerably worse than in urban centers. When the disaggregation is by expenditure groups, the poor appear to be compromising in terms of low expenditure on water treatment. While they may appear to save a little in terms of water treatment costs, they may lose a lot in terms of health. As the health sector chapter notes, the poor are more likely to suffer from ill health compared to the non-poor. Thus, the poor, either due to ignorance, lack of resources or absence of health communication and education, appear to be trading-off low costs of preventive measures like water treatment for high curative costs required to deal with ill health. This has serious implications for small children, for example, who get exposed to risks of chronic diarrhea. Inadequate sanitation further compounds the problem.

36. The above findings confirm that Filipino households, in general, do not consider that water provided by any of the water supply systems is suitable for drinking without treatment. This is a common phenomenon in many of the ASEAN countries (e.g., Indonesia, Thailand, Vietnam and Cambodia), and reflects the fact that water service providers still have a long way to go in terms of management and organization before the WHO standards on water quality are met. While this should be valid for rural and urban areas equally, it is interesting to note that (i) households in rural areas spend the largest amount in treating water supply from level III systems<sup>29</sup> (on average, more than twice the amount paid to the main source); and; (ii) bottled water consumption is significantly lower in rural areas compared to urban areas. A probable explanation for (i) is that LGU-managed systems in rural areas are poorly run, with leaks in the transmission/distribution network requiring households to spend resources for treatment (usually boiling the water). As far as bottled water is concerned, the purchasing power of consumers in rural areas, and the availability of bottled water,<sup>30</sup> is probably a lot less than in urban areas.

37. For the poor, the data indicate that self-provisioning requires higher monthly expenditure outlays as compared to level II and level I systems (see Table 7 above). It is also interesting to note that the poor spend more on level III than on self-provisioning, and spend the most on vended water. Accessing water from a neighbor's house (a level II system) costs the lowest because it is common that this service is often provided for free, particularly when the household in need is poor.

38. In general, the share of outlays on water in total household expenditure varies between 2% and 9% (see Table 8 below). Self-provisioning and vended water (others) show the highest shares for most categories. On average, poor households spend an equal or higher share of their household expenditure (on smaller quantities of poorer quality water consumed), compared to rich households under all systems, except level II.<sup>31</sup> Poor households relying on vended water (others) as their main source devote 9% of their household expenditure to purchase water, which is the highest share among all categories and sources. This group should receive the first priority in new service provision.

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<sup>29</sup> 86% of the rural household with access level III systems, do so from LGU-managed sources.

<sup>30</sup> Many rural households may not have access to "cheap" bottled water, often sold in large containers or in bulk at refilling stations in urban areas such as Metro Manila.

<sup>31</sup> The exception may be due to the low price paid, or free water, from a neighbor's house.

**Table 8: Share of Expenditure on Water in Total Household Expenditure by Service Level**

| Area/Group | Level III | Level II | Level I | Self-provisioning | Others |
|------------|-----------|----------|---------|-------------------|--------|
| RP         | 3%        | 4%       | 4%      | 6%                | 6%     |
| Urban      | 3%        | 4%       | 4%      | 6%                | 6%     |
| Rural      | 4%        | 5%       | 3%      | 3%                | 2%     |
| Bottom 30% | 5%        | 3%       | 3%      | 4%                | 9%     |
| Top 40%    | 3%        | 6%       | 2%      | 4%                | 5%     |

## 7. SATISFACTION WITH WATER SUPPLY SERVICES

39. This section summarizes the Report Card findings on household satisfaction with water services. The ratings on satisfaction include aspects such as ease of getting connected to a system or ease of use of a public faucet/well, reasonableness of price charged, ease of payment, quality of repair service, quality of water supplied (smell, taste, purity, pressure, danger of drinking without treatment, etc.), dependability of supply, and behavior of providers towards customers.

40. On the aggregate, self-provisioning received the highest overall satisfaction rating as the main water source, and vended water the lowest (see Table 9 below). The overall satisfaction ratings are lowest for all systems/sources in NCR, as compared to other regions. For the poor, self-provisioning registered the highest overall satisfaction rating at 1.63 with other service levels (levels I, II and III) registering almost similar ratings (between 1.50 and 1.54). For the rich, while self-provisioning had the highest rating, other service levels were rated significantly lower in terms of satisfaction. This could be explained, in part, by the higher expectations on quality and reliability of water service by the rich as compared to the poor.<sup>32</sup> The poor and the rich alike expressed lowest satisfaction with vended water (0.86 and -0.07, respectively).

**Table 9: Net Satisfaction with Main Source by Service Level**

| Region/Area/Group | Level III | Level II | Level I | Self-provisioning | Others |
|-------------------|-----------|----------|---------|-------------------|--------|
| RP                | 1.38      | 1.43     | 1.45    | 1.58              | 0.61   |
| NCR               | 1.08      | 1.00     | -       | 1.23              | 0.06   |
| Balance Luzon     | 1.59      | 1.56     | 1.49    | 1.57              | 1.50   |
| Visayas           | 1.35      | 1.53     | 1.55    | 1.70              | 0.88   |
| Mindanao          | 1.65      | 1.42     | 1.33    | 1.64              | 1.60   |
| Urban             | 1.34      | 1.29     | 1.44    | 1.56              | 0.33   |
| Rural             | 1.65      | 1.54     | 1.45    | 1.60              | 1.57   |
| Bottom 30%        | 1.50      | 1.54     | 1.55    | 1.63              | 0.86   |
| Middle 30%        | 1.49      | 1.44     | 1.50    | 1.52              | 1.56   |
| Top 40%           | 1.29      | 1.12     | 1.14    | 1.61              | -0.07  |

Very Satisfied – plus 2; Somewhat Satisfied – plus 1; Undecided whether satisfied or not – 0;  
Somewhat Dissatisfied – minus 1; Very Dissatisfied – minus 2

<sup>32</sup> This implies that the rich have higher expectations on quality and reliability of service than the poor even though the price paid by both is the same to the same utility. For example, the rich have more water-based facilities in their homes, and therefore may get more frustrated when the water pressure is inadequate or the toilet doesn't flush

## 8. KEY FINDINGS AND RECOMMENDATIONS

41. The key findings emerging from the preceding discussion are summarized in the following with some recommendations on potential avenues to address the problems:

- Government policies of extending water supply services on the basis of a three-level classification and cost recovery strategies have resulted in many of the poor accessing level I and level II services of unsatisfactory quality and quantity in both urban and rural areas. Level III systems often received the largest State subsidies (in capital and operational costs), which serve mainly the non-poor. Thus, the inequality in low access of the poor to level III services is compounded by the high subsidy going to the systems and the majority non-poor clients they serve. While the sector strategy emphasizes full cost recovery for new systems, it is equally important to initiate measures to remedy the inequities in existing systems, especially in those offering level III services.
- Where the poor have access to level III systems, their water consumption has been significantly higher than when they access level I and level II services. This highlights the equal importance attached to convenience and service reliability by the poor as by the non-poor, highlighting the importance of developing targeted programs aimed at increasing coverage of level III systems in all communities. In the LGU Urban Water and Sanitation Program (LGUWSP) assisted by the World Bank, house connections are being financed by the loan, so that all households receive an equitable access to the service.
- The demand for water by poor households across the different types of management of level III service is sensitive to the tariffs charged. The highest consumption of water was recorded in LGU-managed water utilities, in which tariffs are low and services of erratic reliability and quality. Experience obtained through LGUWSP and the AusAid-financed Community Water and Sanitation Program in the Visayas highlight the significance of engaging communities in a consultative process to determine the services they want and are willing to pay for. These best practice approaches should be adopted in the existing systems to improve their performance.
- Households in Mindanao are under-served in safe water supply, as in other basic services.<sup>33</sup> Special attention to improve coverage of safe water service in Mindanao is necessary.<sup>34</sup>
- Rural water supply strategy needs to be re-evaluated, so that a demand-focus is introduced. As discussed earlier in the report many low-income rural communities were “assigned” level I and level II systems as a result of the “top down” planning criteria adopted earlier. These policies undoubtedly increased nominal coverage of water supply, but failed to meet the preferences and willingness to pay of

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<sup>33</sup> Mindanao has the lowest coverage under level III systems (23%) and highest coverage under level I systems (27%) as main source. Also, about a third of the households in Mindanao rely on self-provisioning or vended water (others) as their main source.

<sup>34</sup> The situation in rural Visayas is not much better than in Mindanao.

consumers.<sup>35</sup> The Report Card results show that average (median) household consumption of water is only about 30 liters per capita per day under all levels of service, except level III.<sup>36</sup> In addition, rural communities incur substantial expenditures on water treatment, as the quality of their water supply is considerably worse than urban areas. Increased focus on rural water supply both at the policy and program/project levels is called for.

- Although the Philippines is considered to be well endowed in water resources, water consumption is low especially in rural areas and among the poor. Filipino women, as stewards of the household, are most adversely affected by inadequate access to water. For example, the burden on women of such chores as finding and fetching water, laundering, treatment (mostly boiling) of water for drinking, and bathing of children would increase considerably, leaving little time for other productive activities. It impedes the advancement of women both as economic and social agents. Therefore, it is important to consider the gender dimensions of access to safe water in policy and investment programs in addition to other aspects.
- The Report Card results show that the poor are devoting a considerably larger share of their total household expenditure to water, with those dependent on vended water spending as much as 9%. Unsurprisingly, the poor accessing vended water give this water source their lowest satisfaction rating. Enhancing access of the poor to service under level III systems should receive priority, especially of those whose main source is vended water. Wherever house connections are not feasible (e.g., illegal and/or temporary squatter settlements), the level III systems should be encouraged to develop with the communities solutions that are technically feasible and financially sustainable. In this context, the use of direct connection subsidies for poor households is an attractive option worth exploring.
- Self-provisioning is a significant option for all expenditure groups and across urban and rural areas. On the one hand, self-provisioning could provide a good level of service for the rich if adequate investments are made in the water infrastructure in terms of developing the water source for sustainable use, pumping, storage and distribution. On the other hand, self-provisioning could be a wretched last resort for a poor household forced to collecting water from a pond or river, storing in a tin or plastic can, and utilizing this without any treatment. From a welfare point of view the outcomes for the rich and poor are diametrically opposite. Low-income households dependent on self-provisioning as the main source for their water should be given preferential treatment for coverage in future water supply schemes.
- Lower payments by households to LGU-managed water utilities (mostly in rural areas) are offset by substantially higher expenditures on water treatment. These opportunity costs are perhaps not fully understood by the concerned consumers, and

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<sup>35</sup> The Asian Development Bank and World Bank have been supporting projects on rural water supply. However, the main focus was on level III water supply systems in urban areas and extending/improving service in Water Districts and *poblacion* areas of LGUs, respectively.

<sup>36</sup> Only about 14% of rural households have access to level III systems as their main water source (see Table 1). The proportion of rural households covered by level III systems as main source is the lowest among all regions, areas and expenditure groups. It is barely a third of the national average.

even after treatment the exposure to health risks remain serious. Getting bad quality water from a level III system is perhaps a worse option than not receiving water at all. Despite the government investing more than \$100 per household in these systems, respondents report spending substantial amounts on treating the water. LGU-managed systems are the most scandalous in terms of physical and financial leakages, although this is an indictment of all the level III systems in the Philippines.<sup>37</sup>

- For households served by the three service level categories (levels III, II or I), the biggest expense item is the cost of bottled water, on which household expenditures exceed the amount paid to the main water source. While bottled water is supposed to be regulated by the Bureau of Food and Drugs,<sup>38</sup> there are more gaps than regulation in this area. This is due to lack of adequate number of qualified health regulation officers, lack of laboratory facilities for testing, weak health regulatory systems and procedures, and gaps in specific legal mandates.<sup>39</sup> Health regulation in general, and in this case relating to bottled water, needs to be strengthened to safeguard consumers against health hazards. Not only do Filipinos have to live with unsafe water from water utilities, they also have no assurance that the expensive bottled water they consume is of better quality.
- While a majority of the poor would like to access level III services, very few bother to apply for a house connection because of unavailability of the service, particularly in rural areas. This could be a direct consequence of past government policy of pre-determining community eligibility in terms of the three levels of services. Current efforts of the government through IBRD-financed LGUWSP are aimed at changing the strategy to one that is demand-driven.<sup>40</sup>

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<sup>37</sup> The non-revenue water ratios in MWSS and Philippine Water Districts continue to be among the highest in ASEAN countries.

<sup>38</sup> See *Administrative Order No 39, 1996, Department of Health*.

<sup>39</sup> See *Health Sector Reform Agenda, Department of Health, Philippines*.

<sup>40</sup> The three principal tenets of the new approach, being operationalized through LGUWSP are:

***Principle I: Technically Feasible Options and User Choice***

The sustainable management of water supply and sanitation services requires that constructed systems provide potential consumers (poor and non-poor alike) the opportunity to make an informed choice among technically feasible options for the delivery of services. The key element in the procedure to select service options is the value, which users attach to the improvement in service offered by the technical option. For example, in Indonesia, it is required that potential users be given an opportunity to evaluate the service option against the cost of the existing arrangement (e.g. service from water vendors, extraction of ground water, etc.).

Selection of the preferred option in the current decentralized environment also requires the involvement of municipal/district administrations, so that information about the projected costs and expected user payments required for the service improvement is shared and understood by all stakeholders. The result of this process will be an investment program promoting full cost recovery, with users (households) and service providers from the barangay and municipal council levels exercising choice, and paying in full for the services.

***Principle II: Lowest Appropriate Management Level***

In determining the lowest appropriate level for the management of water supply systems, the design of a water supply system must take into account the fact that the cost of a technical option is strongly influenced by the management mode and the scope of the service area. Economies of scale often result in lower costs for services provided to larger populations (both poor and non-poor) and service areas. In practice, therefore, it is useful to investigate in which cases the establishment of a regional service delivery

- The Report Card results indicate that median consumption of water by the poor is barely 30 liters per capita per day, and as low 15 liters per capita per day (for vended water), highlighting the substantial risks faced by them to water-induced illnesses. Access to well-performing level III systems is an obvious answer. However, there could be many situations in which households and even entire communities are too poor to finance a level III system. In these situations the national government needs to develop a strategy of targeting the poor effectively. The LGUWSP is attempting to test out some options in this regard, but the Report Card results suggest that more work is needed in this area.
- Water supply quality and reliability vary considerably from one service provider to another, but all respondents recognize the need to treat water before usage across all types of services. Among expenditure groups, the poor spend the least on treatment, thus exposing families, especially small children, to risks of diseases caused by contaminated water. The best solution may be to increase their access to a larger quantity of water at affordable prices. Improving the access of the poor to services under level III systems is a solution to this problem.
- Consumer dissatisfaction is lowest in the case of self-provisioning because affluent households invest resources in ensuring quality and reliability of their water supply. However, the actions by the rich have led to several cases of adverse environmental impacts because of excessive aquifer draw downs (as in Cavite, Metro Cebu and parts of Metro Manila). Promoting sustainable utilization of water resources through conjunctive use of surface and ground water should be promoted. The regulatory initiatives should go beyond prohibition of further ground water exploitation and promote conjunctive use options.

42. In conclusion, the Report Card results confirm some of the beliefs among the government, informed professionals and donors. They throw light on other issues that need attention. The results call for national policies that provide water supply services on the basis of what clients want and are willing to pay for on the one hand and targeted

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organization would result in lower costs and lower requirements for user payments for the same service level, compared to single community or Level III managed system.

***Principle III: Identifying Feasible Financing Levels and Repayment Options for LGUs***

Any investments in water supply and sanitation taken at the municipal level are likely to result in costs that are large relative to the initial revenue base of the municipality, even after the fiscal transfers through the Internal Revenue Allotments (IRAs) are factored in. At the same time, the expected benefits from the improvement for current and future users will be long lasting, if managed effectively. Financing the improvements from up-front revenues will not generally be possible for municipal governments, which have little experience in financial management much beyond the range of current budgets. Assistance to overcome this deficiency is being provided through two forms of interventions by the national government. First, LGUs are being provided technical assistance by Government Financing Institutions (GFIs) such as the Development Bank of the Philippines (DBP) and Land Bank of the Philippines (LBP) to develop "bankable" projects that rely on the cash flow from customer payments (for services provided) for amortization of debt. In the above context, a long-range financial management model to estimate LGU borrowing capacity to finance improvements safely has been developed, and the national government has encouraged commercial banks to substitute for national sectoral agencies as the conduits for channeling funds to municipal governments interested in water supply and sanitation investments. Second, a government policy framework for providing additional financing for investments targeting the poor and environmentally blighted areas needs to be developed.

interventions to provide services to those that do not have the capacity to pay (e.g., some poor groups) and/or to correct for market failures (e.g., in rural areas). The proposed Water Summit to be organized by NEDA in 2001 could be utilized to engage the various stakeholders<sup>41</sup> in a dialogue on the options (including targeting options) available, and those that would suit the Philippine situation the best.

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<sup>41</sup> For example, national government, LGUs, private and public service providers, civil society and development partners.

### ENDNOTE ON WATER SECTOR INSTITUTIONS

1. It is important to note that unlike in health and education sectors covered in this Report Card, there is no “national” Department for water supply and sanitation as water supply is considered to be a local service and government policies have consistently encouraged decentralization of decision-making to the lowest appropriate level. To date, the roles of national agencies have been limited to financing (e.g., by the Local Water Utilities Authority or LWUA and other government financial institutions or GFIs), provision of technical assistance in construction whenever requested by local government units (e.g., by the Department of Public Works and Highways or DPWH), and capacity-building of local government units (LGUs) in planning, implementation and operation and maintenance (O&M) of community-based water supply systems (by the Department of Interior and Local Government or DILG). Operation and maintenance responsibilities have been with autonomous Water Districts, municipal departments of LGU administrations, and community groups at the barangay level (such as *Barangay* Waterworks and Sanitation Associations or BWSAs).

2. The responsibilities for development of the water supply sector are dispersed among several agencies, both national and local. With the implementation of the Local Government Code of 1991, the local government units (LGUs) have begun to play an increased role in the water supply sector. The functions and responsibilities of the main agencies involved in the Water Supply sector are described briefly in the following:

- (a) **Department of Public Works and Highways (DPWH):** This Government line agency is responsible for setting and updating technical standards for engineering surveys, design, construction and operation and maintenance of level I systems, and in assisting the LGUs upon request/agreement, in the conduct of engineering surveys, preparation of plans, specifications, programs of work and construction management through its District Offices.
- (b) **Metropolitan Waterworks and Sanitation Service (MWSS):** MWSS is a public corporation created in 1971 and is responsible for providing water supply services to the eight cities and nine municipalities comprising Metro Manila and the adjacent urbanized areas in the provinces of Rizal and Cavite. In 1997, the agency has contracted out the delivery of services under concession agreements with two private operators, Manila Water Company, Inc. (MWCI) and Maynilad Water Services, Inc. (MWSI).<sup>42</sup>
- (c) **Local Water Utilities Administration (LWUA):** The agency is a specialized lending institution for the promotion, development, and financing of local water utilities or Water Districts in provincial urban

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<sup>42</sup> Two other water systems, the Subic Bay Water & Sewerage and Clark Water Sewerage, are being managed by private companies as joint ventures with local governments. The analysis and discussion in this chapter is confined to the privately managed systems in Metro Manila (NCR).

centers. LWUA was created in 1973 under the Provincial Water Utilities Act. Executive Order No. 124 issued in 1987 delegated to LWUA the responsibility for water supply in all urban areas outside the jurisdiction of MWSS. The agency is also mandated to provide engineering, management, and institutional assistance to duly formed Water Districts throughout the country.

- (d) **Water Districts (WDs):** WDs are non-profit, quasi-public, independently administered local water utilities created on local initiative for the purpose of developing and operating water supply systems in provincial urban centers. They are created under Presidential Decree No. 198 (which also created LWUA) and number about 560. The WDs develop and operate their systems drawing on their own revenues and loans from LWUA.
- (e) **National Water Resources Board (NWRB):** Formerly called the National Water Resources Council, the agency was created in 1974 and reorganized in 1987. NWRB is a multi-agency regulatory body responsible for regulating the use of water resources in the country through the issuance of water rights, regulation of tariffs of privately run water systems and establishment and management of a user-friendly water resources data management system.<sup>43</sup>
- (f) **Local Government Units (LGUs):** Under the Local Government Code, the LGUs (Provincial and Municipal), together with the beneficiary communities, assume responsibility for construction and financing the operation and maintenance of their respective water supply and sanitation facilities.
- (g) **Department of Interior and Local Government (DILG):** DILG provides general administration and institution building assistance to LGUs, particularly in the establishment and development of *Barangay* Waterworks and Sanitation Associations (BWSAs). In addition, DILG

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<sup>43</sup> The NWRB has not been effective in fulfilling its role due to internal difficulties (e.g., lack of skilled personnel and resources) and external constraints (e.g., controversy surrounding its location and overlapping functions with other agencies). Consequently a Presidential Task Force on Water Resources Development and Management (PTFWRDM) had moved to create an independent authority with sufficient powers and resources that will formulate national policies on water resources management, regulation (quantity, quality, economic and service efficiency), utilization, planning and conservation. However, the proposal encountered several problems as key players in the sector changed with the change in administration(s) and arguments about how best to address the problems continue.

provides overall direction in the implementation of all water supply and sanitation projects at LGU level. DILG is also tasked to formulate, in association with LGUs, provincial water supply and sanitation development plans.

- (h) **Department of Health (DOH):** DOH is mainly responsible for setting and updating standards on water quality testing, treatment and surveillance and sanitary practices, monitoring and evaluation of the health and hygiene education programs implemented by the local health offices, particularly in areas where waterworks systems are expected to be constructed, and in providing technical assistance to the LGUs in the conduct of periodic water quality control and surveillance-related activities. In rural areas, the Rural Health Units (RHUs) are responsible for disinfecting the wells located within their command areas.
- (i) **National Economic and Development Authority (NEDA):** NEDA is the general policy-making body for economic and development planning of the country. NEDA has an Infrastructure Staff, which reviews project proposals and recommends policy directions and guiding principles after consultation with concerned Government agencies and groups. The Infrastructure Staff of NEDA acts as the Secretariat to the Inter-Agency Infrastructure Committee. The NEDA Infrastructure Committee is responsible for formulating the water sector policies, plans, strategies and programs. The members of the Committee include the representatives of all sector agencies (e.g., LWUA, DILG, MWSS, DPWH, and NWRB), other line departments (e.g., DENR and DOH), and oversight agencies (e.g., Department of Finance or DOF and Department of Budget and Management or DBM).

# FILIPINO REPORT CARD ON PRO-POOR SERVICES

## CHAPTER V: HOUSING<sup>1</sup>

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*"One of government's more important 'targeted' programs - public housing - is highly regressive, benefiting mainly non-poor households in urban areas."*  
Philippines Poverty Assessment<sup>2</sup>

### 1. POVERTY AND HOUSING

1. While health and education have gained recognition as social services, which the Government of the Philippines is committed to provide, housing for the poor has not enjoyed the same privileged status. Indeed, housing as an economic and social necessity drew serious attention from the government only when hundreds of blighted shanty colonies sprang up in Metro Manila and larger Philippine cities. Fleeing poverty or civil strife in the countryside, rural migrants invaded vacant urban spaces to establish an abode in the city as a base for their livelihoods and new lifestyles.

2. Compounding the continuing migration has been the sheer natural increase of the urban population, coupled with the inability of the government and the economy in the post-World War II years to keep pace with the growing shelter needs.<sup>3</sup> By the late 1990s, estimates of the housing need – that combine housing backlog and future need - were put at 700,000 units for Metro Manila alone, and three million nationwide. This gap is not only applicable to the poor; a private sector estimate of economic market-based housing need for Metro Manila was 102,000 units in 1997.<sup>4</sup> Increased migrant flows to small and medium-sized cities over the past decade presage similar trends unless local government authorities act decisively to provide secure tenure and/or housing to their urban poor

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<sup>1</sup> This chapter has been prepared by Mary Racelis and housing specialists from the Institute of Philippines Culture (Anna Marie Karaos, Marichi Guevara, Ana Marie Dizon and William Farce), with inputs from the Report Card team.

<sup>2</sup> East Asia and Pacific Region, The World Bank, 2000.

<sup>3</sup> Ton Van Naerssen, Michael Ligthart and Flotilda Zapanta, "Managing Metropolitan Manila," in *The Dynamics of Metropolitan Management in Southeast Asia*, ed. Jurgen Ruland (Singapore: Institute of Southeast Asian Studies, 1996); Ceres Doyo, "Government Housing Strategy Flawed – David," *Philippine Daily Inquirer*, November 14, 1999.

<sup>4</sup> W. Paul Strassman and A. Blunt, "Land Prices and Housing in Manila," *Urban Studies*, Vol. 31, No.2, 1994 cited in Urban Research Consortium (URC), "Metro Manila Urban Poor Housing Study," a paper commissioned by the Overseas Economic Cooperation Fund, Quezon City, 21 February 1997, Ma. Lourdes G. Rebullida, "Changing Dynamics in Urban Poor Housing," in *Housing the Urban Poor: Policies, Approaches, Issues*, ed. Ma. Lourdes G. Rebullida, Dolores Endriga and Geraldine Santos (Quezon City: University of the Philippines Center for Integrative and Development Studies, 1999); Ceres Doyo, "Government Housing Strategy Flawed – David," *Philippine Daily Inquirer*, November 14, 1999.

constituents. Modest pilot efforts at addressing the housing needs of the poor by the government have been evident over the years.<sup>5</sup>

3. So compelling has been the image of the poor-in-the-city, and in many cases, so effective the organized efforts of urban poor groups demanding at least security of tenure, if not actual housing,<sup>6</sup> that government officials have virtually ignored rural housing and focused almost solely on urban shelter needs. The government's efforts have focused over the years on: (i) relocation and resettlement, (ii) sites and services improvement, (iii) production of housing units, and more recently, (iv) housing finance for land tenure, site development, and house improvement.<sup>7</sup> The civil society sector<sup>8</sup> has taken the lead in creative housing alternatives catering to low-income groups, notably through the Community Mortgage Program (CMP). Under the Program, occupants on a particular piece of land are organized to review their housing situation, negotiate the purchase of the property they are occupying, obtain 25-year government financing, and manage household resources to repay their loans.<sup>9</sup>

4. The relative neglect of rural housing and the apparent concentration of housing assistance in highly urbanized areas, particularly Metro Manila, are in part the result of highly centralized housing assistance services delivery. Housing assistance has traditionally been regarded as the responsibility of the national government and local governments, especially in Metro Manila, typically relied on national housing agencies (e.g., the National Housing Authority) to initiate housing programs or address problems related to housing. It was only with the enactment of the *Local Government Code* in 1991 and, more importantly, of the *Urban Development and Housing Act* in 1992 that formal recognition was given to the role of local governments in the provision of housing services. But even with the establishment of a legal framework assigning a greater role and responsibility to local governments for providing housing, the resource allocation and institutional set-up in the housing sector have not been decentralized to enable local governments to take a more active role.

## 2. STRUCTURE OF THE CHAPTER

5. The Filipino Report Card on Pro-Poor Services covers housing assistance services as one of five key sectors. The Housing Sector Chapter is divided into three main parts.

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<sup>5</sup> According to Rebullida, the Community Mortgage Program, which makes available affordable loans to the urban poor, is the pioneering effort of the government at socialized housing. This is an improvement over the earlier solution of providing loans for house and land acquisition, inasmuch as the poor, who have low income, could not avail of them (Rebullida, "Changing Dynamics in Urban Poor Housing").

<sup>6</sup> Cynthia D. Nolasco, "*The Urban Poor and the Philippines: A Situationer*." A paper commissioned by the Office of Netherlands Volunteers, Quezon City, 1990.

<sup>7</sup> Ma. Lourdes G. Rebullida and Dolores Endriga, "Government Responses to the Housing Problem of the Urban Poor," in *Housing the Urban Poor: Policies, Approaches, Issues*, ed. Ma. Lourdes G. Rebullida, Dolores Endriga and Geraldine Santos (Quezon City: University of the Philippines Center for Integrative and Development Studies, 1999).

<sup>8</sup> Non-government organizations (NGOs), people's organizations (POs), cooperatives, and private non-profit groups.

<sup>9</sup> Rebullida, "NGO-PO Approaches to Urban Poor Housing," in *Housing the Urban Poor: Policies, Approaches, Issues*, ed. Ma. Lourdes G. Rebullida, Dolores Endriga and Geraldine Santos.

6. Part One (Section 4) presents an *overview of the current housing situation* from the perspective of ordinary Filipinos, and its distribution across geographic and socio-economic groups. Key issues addressed are identification of groups in need of (improved) housing, their location, their need for security of tenure, and aspects of their housing that need improvement.

7. Part Two (Section 5) focuses on the *reach of government and non-government (including the private sector) housing assistance services*, highlighting critical factors that presently constrain the delivery of, and access to, these services. This section identifies the groups that are under-served as far as housing assistance is concerned and the reasons for the exclusion of these groups.

8. Part Three (Section 6) discusses the *implications* of the key findings of the Report Card survey for the major government housing programs. The discussion focuses on the factors limiting the scope and effectiveness of housing services highlighted in the previous sections and how these issues relate to existing government housing programs. Finally, preliminary *recommendations* for improving housing assistance to the poor and other excluded groups are outlined.

### 3. THE SURVEY

9. The national Report Card survey of 1,200 households was undertaken in March-April 2000 to gather information on the current housing situation and the extent and quality of housing services provision. Questions covered satisfaction with current housing, tenure status, membership in housing associations, access to housing services, characteristics of households that have accessed housing services, factors that enhance or restrict access, and levels of satisfaction with specific aspects of housing services.

10. The survey results are analyzed by geographic area,<sup>10</sup> urban and rural residence, and by two measures of poverty status of households. The first measure classifies households into the bottom 30%, middle 30%, and top 40% based on household expenditures, referred to hereafter as the poor, the middle-income group, and the rich, respectively. The second measure classifies households as housing poor, housing borderline, and housing not-poor, based on self-rating by the respondents on their current housing conditions. In this chapter, most of the analysis will be based on the first measure (expenditure poverty), with occasional reference to the second measure (self-rated housing poverty), where appropriate.

11. The survey results are also tabulated by gender of household head and gender of respondent. In general, gender differences were not significant in the housing module; thus gender, as a category, was not included in the discussion of the findings. However, there were gender differences in house and residential land ownership, satisfaction with current housing, and membership in housing associations. These are presented in Box 1.

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<sup>10</sup> Aggregate Republic of the Philippines (RP), National Capital Region (NCR), rest of Luzon (or Balance Luzon), Visayas, and Mindanao.

### Box 1. Gender Analysis

- Among the six modules covered in the Report Card survey,<sup>11</sup> it was only in the housing module that the proportion of male respondents was greater than that of female respondents (56% vs. 43%).
- **Residential land and house ownership.** The proportion of male-headed households (77%) that own either house and land or house only is about the same as that of female-headed households (76%). The nearly equal distribution in ownership characteristics between female-headed households and male-headed households points to the cultural prescription in Filipino bilateral kinship systems for equal inheritance between women and men.<sup>12</sup> Moreover, when women are (or become) heads of households, they appear to sustain or acquire ownership of house and land or of house only, presumably as part of their economic security strategy.

A higher proportion of female-headed households (61%) own the land on which their house is built, compared to male-headed households (57%). Again, one might speculate that women heading households give greater attention to ensuring residential land ownership, or that a significant proportion may be older widows whose husbands died leaving them the residential land intact.

- **Satisfaction with current housing.** Female-headed households are more satisfied than male-headed households with their current housing.<sup>13</sup> This is probably attributable to the house as a wife's/woman's traditionally assigned domain of responsibility. Any expressed dissatisfaction towards it on her part might be construed as a negative reflection of her own household management abilities. Moreover, since women are generally also tasked with household budgeting, they are more realistic about the problem of stretching the limited funds to meet a wide range of household needs, including further home improvements.
- **Membership in housing associations.** In male-headed households, the net satisfaction scores for current housing are higher for households that are members of housing associations (0.96), than for non-member households (0.90). On the other hand, in female-headed households, the net satisfaction scores for current housing are lower for member households (0.90), than for non-member households (1.13). This pattern is consistent with conventional wisdom that it is the Filipino male who is expected to take a formal leadership role linking the family to the larger community.<sup>14</sup> Perhaps the men take more seriously their involvement in housing associations and the possibilities these offer to improve their current housing situation.

## 4. CLIENT ASSESSMENTS OF CURRENT HOUSING

12. This section presents an overview of the present housing situation in the Philippines based on respondents' assessments<sup>15</sup> and other indicators such as tenure.

### Self-rated Housing Poverty

13. Half the sample households consider themselves to be housing poor<sup>16</sup> (see Table 1 below). Self-identification as housing poor is interpreted to mean that the respondents

<sup>11</sup> Housing, water, rice, education, health and the *Lingap* Program.

<sup>12</sup> Virginia Miralao, 1992. "Female-headed Households in the Philippines." *Philippines Sociological Review*, 40:1-4 (January-December).

<sup>13</sup> The net satisfaction score (NSS) for female-headed households is 1.11. In comparison, the NSS for male-headed households is 0.90.

<sup>14</sup> Mary Hollnsteiner-Racelis. 1981. "The Husband," in *Being Filipino: Writings*, edited by Gilda Cordero-Fernando, Quezon City: GCF Books.

<sup>15</sup> Respondents rating themselves as housing poor (or not) and levels of satisfaction with current housing.

consider their present housing as inadequate or in need of major improvement. An additional 34% consider themselves as borderline housing poor, bringing the proportion of Filipinos who rate their housing poorly to 84%.

**Table 1: Self-rated Housing Poverty  
 (in percentage of respondents)**

| Region/Area   | Self-rated Housing Poor |
|---------------|-------------------------|
| RP            | 50%                     |
| NCR           | 26%                     |
| Balance Luzon | 46%                     |
| Visayas       | 63%                     |
| Mindanao      | 63%                     |
| Urban         | 43%                     |
| Rural         | 62%                     |

14. Of the regions, self-rated housing poverty is highest in Visayas and Mindanao (both at 63%) (see Table 1 above). It is worth noting that these regions have a higher poverty incidence than NCR and Balance Luzon. Specifically, NCR has the smallest proportion of households (26%) that consider themselves poor by housing, followed by Balance Luzon (46%).

15. Among urban households, 43% consider themselves as housing poor whereas 62% of rural households rank themselves as housing poor (see Table 1 above). This means that the level of housing need according to people's own assessments is relatively high overall, and is particularly high among rural households, and those who live in Visayas and Mindanao. It is evident from secondary information that more poor Filipinos live in rural areas, and in Visayas and Mindanao.

### **Satisfaction with Current Housing**

16. The results of the Report Card survey show that satisfaction with current housing in the Philippines is generally low at 0.96 (see Table 2 below), which confirms the above finding that a significant majority of Filipinos rate their housing poorly.

17. Among the four regions, households in Visayas and Mindanao gave the lowest satisfaction ratings for their current housing (0.87 and 0.67, respectively), supporting the above finding that self-rated housing poverty is highest in Visayas and Mindanao (see Table 2 below). These scores are lower than the national satisfaction rating of 0.96. As mentioned, Visayas and Mindanao have higher incidence of poverty compared to NCR and Balance Luzon. This leads one to infer that low satisfaction with current housing may be related to poverty.

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<sup>16</sup> While only 30% of the households are considered expenditure poor, 50% of the households rate themselves as housing poor, indicating many of the households with inadequate housing have incomes above the poverty line. The same point is made in "Raising Living Standards of the Urban Poor," *A Strategy to Fight Poverty: Philippines*, The World Bank, 1996.

**Table 2: Net Satisfaction with Current Housing**

| Region/Area   | Net Satisfaction Score |
|---------------|------------------------|
| RP            | 0.96                   |
| NCR           | 0.99                   |
| Balance Luzon | 1.11                   |
| Visayas       | 0.87                   |
| Mindanao      | 0.67                   |
| Urban         | 0.99                   |
| Rural         | 0.90                   |

Note: Net Satisfaction Score: 2—Very satisfied; 1—Somewhat satisfied; 0—Undecided; -1—Somewhat dissatisfied; -2—Very dissatisfied

18. Urban residents are slightly more satisfied with their housing than rural dwellers (0.99 vs. 0.90, respectively) (see Table 2 above). This also confirms the finding that a larger proportion of rural households rank themselves as housing poor, rather than urban households.

19. The relationship between satisfaction ratings and poverty levels is seen again in the data on expenditure groups (see Table 3 below). The poor show a lower net satisfaction rating than the non-poor, with the poor having the lowest satisfaction score (0.87) of the three expenditure groups. Moreover, combining the net satisfaction score of the poor with that for the middle-income households (0.89) yields a mean score of 0.88, which is markedly lower than the net satisfaction score of the rich (1.08). Clearly, households on the lower rungs of the socio-economic ladder express stronger dissatisfaction with their housing situation, than those on the upper end of the expenditure scale.

**Table 3: Net Satisfaction with Current Housing**

| Poverty Group | Net Satisfaction Score |
|---------------|------------------------|
| RP            | 0.96                   |
| Poor          | 0.87                   |
| Middle-Income | 0.89                   |
| Rich          | 1.08                   |

Note: Net Satisfaction Score: 2--Very satisfied; 1--Somewhat satisfied; 0--Undecided; -1--Somewhat dissatisfied; -2--Very dissatisfied.

20. As mentioned earlier, urban residents are slightly more satisfied with their housing than rural dwellers (0.99 vs. 0.90). However, this trend is not true of poverty groups within urban and rural locations (see Table 4 below). The urban poor appear to be somewhat less satisfied than the rural poor (0.85 vs. 0.89, respectively). Moreover, the net satisfaction scores of the poor and the middle-income households in the urban areas (0.85 and 0.86, respectively) are significantly lower than the net satisfaction score of the urban rich (1.12). This suggests that while urban residents in general may enjoy better housing than rural residents, the urban poor are not necessarily as satisfied in terms of housing as their rural counterparts, and are much less satisfied compared to their wealthier urban neighbors.

**Table 4: Net Satisfaction with Current Housing**

| Area/Group          | Net Satisfaction Score |
|---------------------|------------------------|
| RP                  | 0.96                   |
| NCR-Poor            | 0.64                   |
| Urban-Poor          | 0.85                   |
| Urban-Middle-Income | 0.86                   |
| Urban-Rich          | 1.12                   |
| Rural-Poor          | 0.89                   |

Note: Net Satisfaction Score: 2--Very satisfied; 1--Somewhat satisfied; 0--Undecided; -1--Somewhat dissatisfied; -2--Very dissatisfied.

21. This finding is consistent with the generally recognized fact that the poor in cities typically find housing accommodations in very crowded neighborhoods that do not have water and sanitation facilities. Higher land costs in urban areas have meant that the typical mode of housing among the urban poor involves building one's own house, usually very small, or renting a house or room on land that is occupied illegally, or without the consent of the owner. The insecurity associated with illegal occupancy of the land (termed as "squatting") discourages the urban poor from investing in the improvement of their physical dwelling as the risk of eviction is ever present.<sup>17</sup> Moreover, the high cost of other basic necessities such as food, clothing, and transportation in urban centers compared to rural areas means that a smaller part of the household expenditure of the urban poor is devoted to housing facilities.<sup>18</sup> These factors may, in part, explain the marginally lower quality of housing among the urban poor compared to the rural poor.

22. Among the poor, those residing in NCR exhibit the lowest satisfaction with current housing (see Table 4 above). The poor in NCR have a net satisfaction score of 0.64, which is much lower than the overall average for the urban poor (0.85), as well as the rural poor (0.89). Again, this is consistent with the above-cited observation that quality of housing of the urban poor is greatly constrained by the lack of security of land tenure. For the poor in NCR, this problem is compounded by higher population densities, skyrocketing land costs,<sup>19</sup> and the constant fear of demolition/eviction, especially due to

<sup>17</sup> Denis Murphy and Ted Añana, "Evictions and Fear of Evictions in the Philippines," *Environment and Urbanization*, Vol. 6, No. 1, 1994; Urban Poor Associates (UPA), "Philippine NGO Report on the Implementation of the International Covenant on Economic, Social and Cultural Rights Concerning the Right to Adequate Housing," report submitted to the UN Economic, Social and Cultural Commission, in cooperation with Partnership of Philippine Support Service Agencies (PHILSSA), April 1995.

<sup>18</sup> Urban Research Consortium, 1998. "Metro Manila Urban Poor Housing Study." Paper commissioned by the Overseas Economic Cooperation Fund. Quezon City.

<sup>19</sup> Previous studies on housing indicate that the land market in the Philippines, especially in Metro Manila (Keyes, 1979; Blunt and Strassmann, 1993, 1994; URC, 1998), is one of the most dysfunctional in the world. In fact, this problem has created a gap between available urban housing packages and the limited incomes of even median income families. This results in a situation in which land alone, without a house, tends to exceed the normal affordability standard of two and a half years salary for a family's house and lot. Escalating land prices in Metro Manila and the inflated high demand for urban land may be traced to a number of factors: (1) the traditional view that land is a stable form of investment with higher return than the stock market, and (2) the increased demand for land by the business community and the entry of external capital for business and infrastructure-related development as part of the effects of globalization (Porio, 2000:5).

large infrastructure projects.<sup>20</sup> Perhaps, this explains the percentage shift over the last decade from Metro Manila as a preferred migrant destination to small and medium-sized cities, where a number of urban mayors have taken positive action to upgrade urban poor settlements or re-house residents in not-too-distant resettlement sites.<sup>21</sup>

### Land Tenure

23. While 58% of Filipino households own the land on which their house stands, 78% of households own the house in which they live. Thus, 20% of the families own the house, but the land is either rented or used for free (with or without the consent of the owner).<sup>22</sup> Across all regions and expenditure groups, house ownership is more common than land ownership.

24. Among the regions, Visayas and Mindanao have the largest proportion of households who own the house but not the land on which it is located: 41% and 29%, respectively, compared with 11% of households for Balance Luzon and 2% for NCR (see Table 5 below). This suggests that in Visayas and Mindanao, there is a greater and more urgent need for providing security of land tenure through land ownership. A land distribution program for housing in these regions would have a major positive impact on poverty reduction in these regions, where poverty incidence is high. Moreover, land costs in these regions are relatively lower.

**Table 5: Own House But Not Land**

| Region        | Percentage | Net Satisfaction Score |
|---------------|------------|------------------------|
| RP            | 20         | 0.96                   |
| NCR           | 2          | 1.08                   |
| Balance Luzon | 11         | 1.11                   |
| Visayas       | 41         | 0.87                   |
| Mindanao      | 29         | 0.67                   |

Note: Net Satisfaction Score: 2—Very satisfied; 1—Somewhat satisfied; 0—Undecided; -1—Somewhat dissatisfied; -2—Very dissatisfied

25. Among the regions, Visayas and Mindanao, which have the highest proportion of households owning house but not residential land, also have the lowest satisfaction ratings with current housing, at 0.87 and 0.67, respectively (see Table 5 above). On the other hand, Balance Luzon and NCR, which have a lower proportion of households who own the house but not the land on which it is built, have higher satisfaction ratings at 1.11 and 1.08, respectively. This suggests that a direct relationship exists between land tenure and satisfaction with one's housing: the higher the proportion of households owning the house, but not the land on which it is built, the higher the dissatisfaction with current housing. Thus, land tenure is of critical importance to satisfaction with one's housing.

<sup>20</sup> Urban Research Consortium, 1998. "Metro Manila Urban Poor Housing Study." Paper commissioned by the Overseas Economic Cooperation Fund. Quezon City.

<sup>21</sup> Mary Racelis, "Fighting Urban Poverty in Asian Cities through Effective Partnership," a paper presented at the Asian Mayor's Forum: Fighting Urban Poverty, Shanghai, People's Republic of China, June 26-29, 2000.

<sup>22</sup> This is confirmed by the findings of the 1998 Annual Poverty Indicators Survey. See *Final Report, 1998 Annual Poverty Indicators Survey*, National Statistics Office, Republic of the Philippines.

26. Residential land ownership follows expenditure trends (see Table 6 below). Among the poor households, only 53% own the land on which their house stands, with the proportion going up to 58% for the middle-income group, and further rising to 62% for the rich. On the other hand, house ownership, while higher than land ownership among all groups, appears to exhibit a reverse trend. The proportion of poor households that own their house is higher (at 81%) than corresponding figures for the middle-income households (77%), and the rich households (76%). Evidently, house ownership is a core priority among the poor.

**Table 6: Ownership of Land and House**

| Poverty Group | Own Land<br>(% of HH<br>in group) | Net Satisfaction Score | Own House<br>(% of HH<br>in group) |
|---------------|-----------------------------------|------------------------|------------------------------------|
| RP            | 58                                | 0.96                   | 78                                 |
| Poor          | 53                                | 0.87                   | 81                                 |
| Middle-Income | 58                                | 0.89                   | 77                                 |
| Rich          | 62                                | 1.08                   | 76                                 |

Note: Net Satisfaction Score: 2--Very satisfied; 1--Somewhat satisfied; 0--Undecided; -1--Somewhat dissatisfied; -2--Very dissatisfied.

27. That house ownership is highest among the poor, but residential land ownership is lowest among them, is explained in large part by the high cost of land, especially in cities.<sup>23</sup> Family income in the Philippines has not been increasing adequately to cope with the inflation in land prices, which increased by as much as 25% annually in real terms.<sup>24</sup> The poor simply cannot afford to purchase land in the city. On the other hand, the high incidence of house ownership among the poor reflects the relative ease of constructing a makeshift house on open, unguarded land.<sup>25</sup> Moreover, for those with some disposable income, a small house in the city, which can be improved gradually as the family's economic situation improves, requires much less of an initial financial outlay than purchase of land in the city. This finding further underscores the capacity of the poor to build their own house with minimal financial assistance, mostly from relatives or neighbors.

28. An examination of the net satisfaction scores of the expenditure groups again establishes the direct relationship between land tenure and satisfaction with one's housing (see Table 6 above): the lower the proportion of households owning residential land, the lower the satisfaction rating given to current housing by that poverty group. The poor who have the smallest proportion of households owning land (53%), have the lowest satisfaction rating (0.87). In contrast, the rich who have the largest proportion of

<sup>23</sup> William Keyes, "Economic Development and the Housing Problem," *Philippine Studies*, 27 (1979); Urban Poor Associates; "Philippine NGO Report on the Implementation of the International Covenant on Economic, Social and Cultural Rights Concerning the Right to Adequate Housing," Urban Research Consortium; "Metro Manila Urban Poor Housing Study," Urban Research Consortium; "Study of Land Values in Metro Manila and Their Impact on Housing Programs," unpublished report to the Alger Foundation, Quezon City, 1998.

<sup>24</sup> Anna Marie Karaos, "An Assessment of the Government's Social Housing Program," *ICSI Occasional Paper # 1* (Quezon City: Institute on Church and Social Issues, May 1996).

<sup>25</sup> Mary Hollnsteiner-Racelis, "Becoming an Urbanite," in *The City as a Center of Change in Asia*, ed. by D.J. Dwyer (Hong Kong: Hong Kong University Press, 1972).

households owning land (62%), have the highest satisfaction rating (1.08). This once again confirms the finding that land tenure is a significant determinant of satisfaction with one's housing.

### Box 2. The Community Mortgage Program

The Community Mortgage Program (CMP) is singularly the most responsive government program that addresses the urban poor's need for security of tenure and housing. It is an innovative housing finance program that makes available affordable loans for land acquisition, infrastructure development, and house construction to the urban poor.

The innovative aspect of CMP lies in providing the urban poor with their basic need: access to urban land with security of tenure and without collateral. This is an improvement over the earlier solution of providing loans for house and land acquisition, inasmuch as the poor, who have low income, could not avail of them. Thus, whether on-site or off-site development (voluntary relocation), CMP is a program for legalizing the tenure of squatters.

Urban poor families can avail of financial assistance from CMP after organizing themselves into a community-based organization and registering as a homeowners association. The program requires a "mediator" who functions as the originator of loans and is responsible for making sure that amortization are paid. Both government (National Housing Agency or local government units) and non-government institutions (NGOs, socio-civic organizations, or private banking institutions) can assume this role.

The program integrates the approaches of land acquisition and security of land tenure, slum upgrading, and housing improvement since the loan can be used for any of three purposes: (1) land acquisition, (2) site development, and (3) house improvement. However, **almost all loans are used mainly for land acquisition** since most regularized communities prefer to incrementally build their own housing. The CMP also combines community organizing, community savings mobilization, and people empowerment processes to enable the community to comply with the terms of the loan.

And because of its innovative features, CMP has the highest repayment rate compared with other housing programs of the government. Evaluation studies have found it to be well targeted to the poor. As of April 2000, the Program had already reached 94,000 households in 792 urban and rural low-income communities.

29. In this context, housing programs that focus on security of land tenure rather than on house construction or the provision of built housing would seem most appropriate.<sup>26</sup> This may explain the relative success and effectiveness of national government housing programs such as the CMP and home-lot distribution programs implemented by some local governments (e.g., San Carlos City, Marikina).<sup>27</sup> These programs are specifically designed to enable individual households and/or communities to gain security of tenure

<sup>26</sup> A 1996 World Bank study recommended that "the governments should reconsider spending scarce public resources building houses and subsidizing construction through tax breaks. To improve housing and living conditions of the poor, the government's aim should be to provide security of land tenure and provision of essential services, leaving people to build their own houses." *A Strategy to Fight Poverty: Philippines*, The World Bank, 1996.

<sup>27</sup> For a discussion of local government housing efforts see Anicia C. Sayos, Ross Q. Quisao and Rosario Manasan, "Local Efforts in Housing," *PIDS Discussion Paper Series No. 98-44*, December 1998; and Anna Marie Karaos, "Decentralization, Local Governance and Urban Poverty in Four Philippine Cities." Paper submitted to the World Bank, 2000 (photocopy).

on land (by means of land ownership), while construction of the house is left to the individual families (see Box 2 above).

### Satisfaction with Specific Aspects of Housing

30. Respondents were asked to rank their satisfaction on ten specific characteristics of their housing (see Table 7 below). The aspects of housing with which Filipino households are least satisfied are building materials used in house construction (0.67), physical environment in which the house is located (0.84), size of the house (0.88), and security from weather problems (0.94).

**Table 7: Net Satisfaction with Specific Aspects of Housing**

| Housing Aspects <sup>28</sup>                       | RP   | Urban | Rural |
|---|------|-------|-------|
| Size of house                                       | 0.88 | 0.92  | 0.83  |
| Building materials                                  | 0.67 | 0.71  | 0.62  |
| <i>Location of house relative to the following:</i> |      |       |       |
| Physical environment                                | 0.84 | 0.82  | 0.86  |
| Place of work                                       | 1.03 | 1.14  | 0.88  |
| Public facilities                                   | 1.11 | 1.39  | 0.68  |
| Public services                                     | 1.22 | 1.43  | 0.90  |
| Security from theft                                 | 1.05 | 0.98  | 1.16  |
| Security from weather                               | 0.94 | 0.93  | 0.96  |
| Personal safety                                     | 1.21 | 1.19  | 1.25  |
| Level of privacy                                    | 1.19 | 1.11  | 1.32  |

Note: Net Satisfaction Score: 2--Very satisfied; 1--Somewhat satisfied; 0--Undecided; -1--Somewhat dissatisfied; 2--Very dissatisfied.

31. On the other hand, respondents indicate that they are more satisfied with the location of their house relative to public services (1.22), personal safety (1.21), and level of privacy (1.19) (see Table 7 above).

32. There are prominent urban-rural differences, with urban households more satisfied than rural households in relation to access issues, like location of house relative to place of work (urban: 1.14 vs. rural: 0.88), public facilities (1.39 vs. 0.68), and public services (1.43 vs. 0.90). Rural households show greater satisfaction than urban households on security from theft (1.16 vs. 0.98) and level of privacy (1.32 vs. 1.11) (see Table 7 above). Thus, the positive trade-off seen by rural migrants moving to cities is evident: better access to workplace, public facilities, and public services against the decline in security and privacy. This affirms the experience of urban poor settlers, who for decades have resisted government efforts to resettle them to distant out-of-city resettlement sites where, until very recently, employment and services have been in short supply.

<sup>28</sup> Building materials refer to materials used in building the house such as roof, wall and floor; physical environment to location of house relative to garbage dump, canal, railroad, flood-prone area, or polluting establishments; place of work to location of house relative to place of work or other means of livelihood; public facilities to location of house relative to such facilities as markets, school, health facility, road, etc.; public services to location of house relative to such services as water supply, public transport, electricity, etc.; and security from weather to such phenomena as typhoons, storms, etc.

33. The urban-rural differences are particularly significant among the expenditure poor within these locations, as can be observed in Table 8 below. The urban poor expressed the highest satisfaction on the following aspects of housing: closeness to public services (1.45), closeness to public facilities (1.36), personal safety (1.36), and proximity to place of work (1.22).<sup>29</sup> This suggests that the access factors are highly valued by the urban poor and to a considerable extent enhance the desirability of their current housing.<sup>30</sup>

**Table 8: Net Satisfaction with Specific Aspects of Housing**

| Housing Aspects                                     | RP   | Urban Poor | Rural Poor |
|---|------|------------|------------|
| Size of house                                       | 0.88 | 0.85       | 0.82       |
| Building materials                                  | 0.67 | 0.63       | 0.63       |
| <i>Location of house relative to the following:</i> |      |            |            |
| Physical environment                                | 0.84 | 0.83       | 0.83       |
| Place of work                                       | 1.03 | 1.22       | 0.99       |
| Public facilities                                   | 1.11 | 1.36       | 0.50       |
| Public services                                     | 1.22 | 1.45       | 0.78       |
| Security from theft                                 | 1.05 | 1.05       | 1.11       |
| Security from weather                               | 0.94 | 0.97       | 0.90       |
| Personal safety                                     | 1.21 | 1.36       | 1.29       |
| Level of privacy                                    | 1.19 | 1.16       | 1.29       |

Note: Net Satisfaction Score: 2--Very satisfied; 1--Somewhat satisfied; 0--Undecided; -1--Somewhat dissatisfied; -2--Very dissatisfied.

34. On the other hand, among the rural poor, access factors are rated very low (see Table 8 above). The lowest satisfaction scores are given by the rural poor to the closeness of their house to public facilities (0.50), building materials (0.63), closeness to public services (0.78), while the higher rated factors are personal safety (1.29), level of privacy (1.29) and security from theft (1.11). The low scores given to the access factors only confirm the widely known fact that rural areas receive poor basic services and infrastructure.<sup>31</sup> Aside from improving simply the physical aspects of the house (e.g., size, building materials, and physical environment), a significant improvement in client satisfaction may be achieved by bringing public services, facilities, and jobs to rural households.

<sup>29</sup> It is significant to note that aspects of housing related to access (i.e., closeness to work, public services and public facilities) are generally rated more highly by urban poor respondents than by all respondents as a whole (aggregate RP).

<sup>30</sup> Analysis of early registers in the neighboring *pueblos* of Manila has already established the advantage of urban roots or proximity to urban areas in tapping into work opportunities and important social networks that facilitate access to jobs. To appreciate the early historical patterns of work and migration to the City of Manila, see Daniel F. Doepfers, "Migrants in Urban Labor Markets: The Social Stratification of Tondo and Sampaloc in the 1890s," in *Population and History: The Demographic Origins of the Modern Philippines*, ed. Daniel Doepfers and Peter Xenos (Quezon City: Ateneo de Manila University Press and University of Wisconsin-Madison).

<sup>31</sup> This observation has been articulated as early as the late 1970s in a study by Madeleine A. Sembrano, Sonia Imperial and Nestor S. Felix, "Case Studies on the Improvement of Slums, Squatters and Rural Settlements," a report submitted to the United Nations Centre for Housing, Building and Planning and the Institute of Philippine Culture, Quezon City, 1977.

## 5. CLIENT ASSESSMENTS OF HOUSING SERVICES

35. The first part of this chapter presented an assessment of the housing situation in the Philippines from the perspectives of Filipinos. The next part focuses on the reach of government and non-government housing assistance services, identifying critical factors that presently constrain the delivery of, and access to, these services, as well as the groups that are under-served, and the reasons for their exclusion.

36. Existing housing programs (non-government and government) reach a very small proportion of the population in general, and even a smaller proportion of the poor that are in dire need of housing assistance. Only 118 of the 1,200 sample households, or 10%, have ever applied for or been offered housing assistance. Of the 118 households, 32% did so as a consequence of government relocation decisions (e.g., the land they were occupying was needed for a government project). For only 68% of the 118 households, the decision to seek housing assistance was voluntary.

37. When analyzed according to urban and rural residence, the distribution of housing assistance is very lopsided in favor of urban households (see Table 9 below). Thirteen percent of urban households have applied for housing assistance, as compared to only 4% of rural households. The approval rate of urban applications is also much higher as compared to rural applications. Fifty-nine percent of the urban households who applied for housing assistance had their applications approved, as compared to only 43% of rural households.

**Table 9: Applied for and Approved Housing Assistance**

| Area  | Total Applied/<br>Offered Assistance | Approved Assistance*                               |
|-------|--------------------------------------|--|
|       | % of HH                              | % of HH that Applied or were<br>Offered Assistance |
| RP    | 10                                   | 56   |
| Urban | 13                                   | 59   |
| Rural | 4                                    | 43   |

\*Includes those whose applications were approved by the provider and *accepted* by the beneficiary and those whose applications were approved by the provider but *rejected* by the beneficiary.

38. Further, 95% of the beneficiaries of government housing assistance to date have been urban households, compared to only 5% of the rural residents (see Table 10 below). It is fair to conclude that rural residents are excluded from government housing assistance.

**Table 10: Approved and Accepted Housing Assistance Applications from Government\***

| Area  | % of Total that Accepted Assistance |
|-------|-------------------------------------|
| RP    | 100                                 |
| Urban | 95                                  |
| Rural | 5                                   |

\*Includes only those whose applications were approved by the government source and accepted by the beneficiary.

39. The anti-poor bias in the distribution of housing assistance, especially government housing assistance, is also evident (see Table 11 below). Only 6% of the poor households applied for housing assistance, as compared to 9% of the middle-income group and 14% of the rich. The approval rate of the applications of the non-poor is also much higher than that of the poor. Whereas 48% of the applications of the poor were approved, 53% of the applications of the middle-income households and 60% of the applications of the rich were approved.<sup>32</sup>

**Table 11: Applied for and Approved Housing Assistance**

| Poverty Group | Total Applied/Offered Assistance | Approved Assistance*                            |
|---------------|----------------------------------|---|
|               | % of HH                          | % of HH that Applied or were Offered Assistance |
| RP            | 10                               | 56  |
| Poor          | 6                                | 48  |
| Middle-Income | 9                                | 53  |
| Rich          | 14                               | 60  |

\*Includes those whose applications were approved by the provider and *accepted* by the beneficiary and those whose applications were approved by the provider but *rejected* by the beneficiary.

40. Moreover, only 21% of beneficiaries of government housing assistance have been the poor, as compared to 32% of the middle-income households and 47% of the rich (see Table 12 below). These findings show that a majority of those who benefited from government housing assistance to date are the non-poor.

**Table 12: Approved and Accepted Housing Assistance Applications from Government**

| Poverty Group | % of Total that Accepted Assistance |
|---------------|-------------------------------------|
| RP            | 100                                 |
| Poor          | 21                                  |
| Middle-Income | 32                                  |
| Rich          | 47                                  |

\*Includes only those whose applications were approved by the government source and *accepted* by the beneficiary.

<sup>32</sup> These findings are consistent with concerns expressed in the 1997 Housing Finance Study (Llanto, et. al., 1997) that programs were not adequately targeted to the poor (see in particular Annex B of the study).

41. The Report Card, therefore, indicates that more than four-fifths of government housing assistance is being captured by the better-off. This confirms the conclusions of an independent evaluation of the National Shelter Program that a large percentage of loans made by various housing finance institutions go to middle- and higher-income households and fail to reach the bulk of the intended low-income beneficiaries.<sup>33</sup>

42. In summary, the groups that have sought housing assistance services the most are the non-poor (middle-income plus rich) and urban households. Conversely, those that seem to have least sought housing assistance services are the poor and rural households. A cause for even greater concern is that the groups that have benefited most from government housing assistance services are the wealthy and urban households.<sup>34</sup> The poor and rural households, who are in the greatest need of such assistance, are largely excluded.

### Reasons for Exclusion

43. **Lack of Information.** The Report Card survey is able to pinpoint the reasons why the poor and rural households are least able to access government housing assistance services. The critical factor appears to be lack of information. When asked about the main reasons for not applying for housing assistance, respondents prioritized the following as their top three reasons (see Table 13 below): (i) lack of awareness of government housing schemes (29%); (ii) lack of knowledge on how to get government housing assistance (21%); and, (iii) lack of need for housing assistance (20%).

**Table 13: Reasons for Not Applying for Government Housing Assistance**  
(Percentage of households in group)

| Region/Area/Group | Not Aware of Program | Not Know How to Get Assistance | Not Required Assistance | Expenses High | Not Eligible |
|-------------------|----------------------|--------------------------------|-------------------------|---------------|--------------|
| RP                | 29                   | 21                             | 20                      | 7             | 4            |
| NCR               | 9                    | 20                             | 29                      | 10            | 5            |
| Balance Luzon     | 32                   | 23                             | 20                      | 9             | 3            |
| Visayas           | 37                   | 18                             | 15                      | 5             | 5            |
| Mindanao          | 30                   | 21                             | 20                      | 5             | 4            |
| Urban             | 24                   | 21                             | 22                      | 9             | 4            |
| Rural             | 37                   | 22                             | 18                      | 5             | 4            |
| Poor              | 36                   | 26                             | 14                      | 6             | 5            |
| Middle-Income     | 32                   | 22                             | 19                      | 7             | 3            |
| Rich              | 22                   | 17                             | 27                      | 9             | 4            |

Note: Only those reasons with consistently high scores appear in the table.

<sup>33</sup> Urban Research Consortium, "Study of Land Values in Metro Manila and Their Impact on Housing Programs", Asian Development Bank, *Urban Sector Profile: Philippines* (Manila: ADB, 1999).

<sup>34</sup> According to the *Philippines Poverty Assessment*, "public housing is highly regressive, benefiting mainly non-poor households in urban areas."

44. Among the regions, NCR, at 29%, has the lowest proportion of households that cited lack of awareness<sup>35</sup> as a reason for not applying for housing assistance. On the other hand, more than half the households in Balance Luzon (55%), Visayas (55%), and Mindanao (51%) were not aware of government schemes for housing assistance and/or how to access them (see Table 13 above). Put another way, NCR households are much better informed than those in the other regions about government housing assistance schemes, and how to access them.

45. For rural households, the lack of awareness about government housing programs is also significant, with 59% of the households citing this as the main reason for not applying for assistance, compared to only 45% of the urban households (see Table 13 above).

46. The data on the three expenditure poverty groups (see Table 13 above) reveal that the rich have the lowest proportion (39%) of households who are not aware of such schemes, rising to 55% for the middle-income households, and to 62% for the poor. In other words, the rich have the greatest access to information on government housing assistance schemes, whereas the poor -- who need housing assistance most -- have the least access to such information.

47. In summary, NCR, urban, and non-poor households have better access to information on government housing services. This, in part, explains why most of the housing assistance went to these three groups. It is, however, the non-NCR, rural, and poor households (including within NCR and urban areas), which require this assistance more.<sup>36</sup> These findings point to the need for a systematic information campaign that targets the groups most in need of housing assistance.

### **Eligibility Requirements and Transaction Costs**

48. Other major reasons cited for not applying for housing assistance relate to issues of cost and eligibility (see Table 13 above). Both of these issues are closely tied to the specific nature of the housing assistance. The predominant form of housing assistance available at present is mortgage finance. Because of this, eligibility requirements and procedures tend to follow the standards of formal lending institutions, with their emphasis on proper documentation and income requirements. Often, borrowers are made to go to the lending agencies, many of which have offices only in NCR or in regional urban centers, fill out forms and follow-up their applications. These processes tend to be tedious, time-consuming, and even intimidating to some people, especially the poor. These represent significant transaction costs for the poor, and the involvement and intermediation of NGOs has partly reduced these costs in the case of the CMP. But it is conceivable that most lending programs have become inaccessible to the poor for these reasons, especially in areas where housing NGOs are not present (such as in rural areas).

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<sup>35</sup> The proportions presented here combine lack of awareness of housing programs with lack of knowledge of how to apply for government housing assistance.

<sup>36</sup> The "not required" column in Table 14 clearly demonstrates that a larger proportion of NCR, urban and not-poor households indicated that they did not need housing assistance. This confirms the finding that non-NCR, rural, and poor households are in greater need for housing assistance.

49. As far as eligibility is concerned, lending programs administered by government pension fund institutions such as the Social Security System (SSS), the Government Service Insurance System (GSIS), and the Home Development Mutual Fund (HDMF, or *PAG-IBIG*) require membership in the schemes for at least two years for borrowers to qualify for assistance. Many of the poor, both rural and urban, are not members of these pension funds.<sup>37</sup> Again, this explains the larger percentage of housing applications by, and offers to, the non-poor.

### Membership in Housing Associations

50. Only 5% of the sample households confirmed they are members of housing associations, such as government compulsory saving schemes like social security<sup>38</sup> and *PAG-IBIG* for housing (see Table 14 below). Membership among poor households is even lower at 3%, as compared to 8% for rich households.

Table 14: Membership in Housing Associations

| Poverty Group | Members Percentage | Non-members Percentage |
|---------------|--------------------|------------------------|
| RP            | 5                  | 94                     |
| Poor          | 3                  | 96                     |
| Middle-Income | 3                  | 96                     |
| Rich          | 8                  | 90                     |

Note: "Members" refer to members of housing cooperatives, housing savings schemes and *PAG-IBIG*;  
 "Non-members" are not members of any association.

51. It appears that members of housing associations have a greater tendency to seek housing assistance than non-members (see Table 15 below). Specifically, 36% of those who belonged to housing associations sought housing assistance, as against only 8% of the non-members. Moreover, members of housing associations have a higher rate of successful applications: 32% percent of housing association members who applied for housing assistance accepted the assistance offered, compared to only 22% of the non-members. It appears that housing association members are more likely than non-members to benefit from housing assistance. Since an extremely small minority of poor households (only 3%) are members of housing associations, this limits the poor's access to benefits of membership, including housing assistance. The exclusion of the poor is unfortunate, but not altogether unexpected, as the following discussion will explain.

<sup>37</sup> The Report Card data reveals that only a very small percentage (5%) of the sample households belong to housing associations (including *PAG-IBIG*). See Table 15.

<sup>38</sup> SSS for those in the private sector and GSIS for government employees.

**Table 15: Application for and Acceptance of Housing Assistance**  
 (By membership in housing associations)

| Housing Association | Applied for Housing Assistance | Accepted Housing Assistance                    |
|---------------------|--------------------------------|--|
|                     | % of HH in group               | % of Group that Applied for Housing Assistance |
| Members             | 36                             | 32   |
| Non-members         | 8                              | 22   |

Note: "Members" refer to members of housing cooperatives, housing savings schemes and *PAG-IBIG*; "Non-members" are not members of any association.

52. Considering that *PAG-IBIG* membership is mandatory for those employed in the formal sector and may be voluntarily acquired by informal sector workers, the low level of overall membership cited is cause for concern (see Table 14 above). Difficulties in enforcing *PAG-IBIG* membership may stem from a lack of interest among employed individuals because *PAG-IBIG* appears to duplicate benefits already offered by their social security coverage. In addition, it entails yet another deduction from the already limited paycheck (income) of households. For those paying membership fees but who are unable to afford a housing loan (most likely the lower-income households among the *PAG-IBIG* members), the housing association contributions may well be construed as burdensome rather than beneficial.<sup>39</sup>

53. Since membership in government housing and social security systems involves regular employment, most government housing assistance schemes are limited to households with formal employment. While notable exceptions like the CMP and government resettlement projects may be cited, a large number of families who derive their livelihoods from the informal sector as well as rural producers who have seasonal incomes are, nonetheless, generally excluded from housing assistance. Lacking regular employment or social security coverage, most cannot qualify for government housing assistance (and even less for assistance from the private sector). And, by requiring regular installment repayments of housing assistance loans, government is in effect specifying regular income as an eligibility requirement. In so doing, it filters out a significant segment of the poor from the housing assistance client rosters, many of whom comprise the informal sector and have irregular income.

### Private Sector Participation

54. The Report Card survey shows that the government is the main source of housing assistance in the Philippines (see Table 16 below). Seventy-one percent of the

<sup>39</sup> The way *Pag-IBIG* is designed, contributions are about PhP100 to PhP200, but a housing loan is PhP150,000 plus. Thus, it takes a large number of households' contributions to finance one household's loan. In practice, *Pag-IBIG* has over 300,000 outstanding loans, but has about 4.5 million contributors. Basically, only 8% of members get cheap loans, yet 100% of members must put up with negative real returns on their mandatory savings contributions (Comment by McDonald P. Benjamin, World Bank staff, February 28, 2001).

households who received housing assistance did so from government sources, as compared to only 29% households who did so from non-government sources.<sup>40</sup>

**Table 16: Approved and Accepted Housing Assistance by Source**

| Area   | Government Sources | Non-government Sources |
|--------|--------------------|------------------------|
|        | Percentage         | Percentage             |
| RP     | 71                 | 29                     |
| Urban  | 70                 | 30                     |
| Rural* | 100                | -                      |

\*(N=1)

55. Similarly, 70% of urban households who obtained housing assistance, received this from government sources, as against 30% of urban households who did so from non-government sources. Rural households, on the other hand, barely received housing assistance, whether from government or non-government sources: of the 21 rural households who applied for housing assistance,<sup>41</sup> only one accepted the housing assistance after the application had been approved by the government.

56. The government is also the main source of housing assistance for poor households (see Table 17 below). The data show that all the poor households who obtained housing assistance received this from government. In contrast, the rich have a greater tendency than the other expenditure groups to seek housing assistance from non-government sources: 56% of the rich who accepted housing assistance did so from government sources, whereas 44% obtained it from other sources. A significant majority of middle-income households received housing assistance from government sources.

**Table 17: Approved and Accepted Housing Assistance by Source**

| Poverty Group | Government Sources | Non-government Sources |
|---------------|--------------------|------------------------|
|               | Percentage         | Percentage             |
| RP            | 71                 | 100                    |
| Poor          | 100                | -                      |
| Middle-Income | 86                 | 14                     |
| Rich          | 56                 | 44                     |

57. The above findings reveal that the non-government sector is not able to do a better job than government at reaching households in greater need of housing assistance, such as rural and poor households. This is cause for concern as it was established earlier in the chapter that government housing assistance is biased against poor and rural households.

58. Overall, the private sector seems to be a minor player in housing assistance at this point. The level of assistance private lending institutions provide is very small in relation to their lending capacity, which means that the private sector as a source of housing

<sup>40</sup> Non-government sources include NGOs, cooperatives, banks, private informal money lenders, real estate developers, religious institutions, relatives, etc.

<sup>41</sup> Out of a representative sample of 1,200 households.

assistance is not fully exploited. The limited reach of housing services is, therefore, partly due to the private sector's low level of participation in the housing sector.

59. The lending portfolios of commercial banks in the Philippines normally have only a very small percentage going to housing loans. Private lending institutions have claimed that they are unable to compete with the low interest rates of government home lending programs, which are subsidized.<sup>42</sup> This is one reason, which explains the low level of participation of the private sector in providing housing assistance in the Philippines.

### Comparison of Government and Non-Government Sources

60. According to the client feedback in the Report Card, government housing programs are generally more affordable, whereas non-government sources of housing assistance are more efficient and service oriented. Waiting time to receive assistance figures as a major reason for dissatisfaction with both government and non-government sources of housing assistance<sup>43</sup> (see Table 18 below). For government, this was cited as the main area of dissatisfaction, while it tied for second place (along with expenses involved) regarding dissatisfaction with non-government sources.

**Table 18: Net Satisfaction with Sources of Housing Assistance**

| Aspects of Housing Assistance           | Government Sources Net Satisfaction Score | Aspects of Housing Assistance  | Non-government Sources Net Satisfaction Score |
|---|---|--|---|
| Waiting time to receive assistance      | -0.08                                     | Flexibility to accommodate financial needs                                     | 0.13  |
| Application procedures                  | 0.24                                      | Expenses involved in getting assistance and Waiting time to receive assistance | 0.24<br>0.24                                  |
| Grievance resolution process/mechanisms | 0.35                                      | Clarity of payment terms and Convenience of location                           | 0.29<br>0.29                                  |

Note: Net Satisfaction Score: 2--Very satisfied; 1--Somewhat satisfied; 0--Undecided; -1--Somewhat dissatisfied; -2--Very dissatisfied.

61. Government agencies appear to offer more flexible and less expensive payment terms but exact longer processing and waiting time (see Table 18 above).<sup>44</sup> Moreover, the non-user-friendly application procedures and the grievance resolution mechanisms leave much to be desired. Non-government entities, on the other hand, appear to offer more efficient and rapid processing of applications but make their financial payment packages less flexible and more expensive than government sources. Lower costs, then, constitute the main advantage of government sources, whereas efficient delivery of housing assistance represents the relative strength of non-government sources.

<sup>42</sup> Gilbert Llanto et. al., "A Study of Housing Subsidies in the Philippines." A Report to the Housing and Urban Development Coordinating Council (mimeograph); Ceres P. Doyo, "Government Housing Strategy Flawed – David." *Philippine Daily Inquirer*, November 14, 1999.

<sup>43</sup> Of the 118 households that applied for housing assistance, 30% have pending applications.

<sup>44</sup> Property Barometer in Eduardo A. Morato, Jr., "Strategic Reformulation of the Mass Housing Program: Focus on Housing for the Masses." (mimeograph).

### Satisfaction with Housing Assistance Services

62. Overall client satisfaction with sources of housing assistance (both government and non-government) in the Philippines is very low at 0.53. Compared to the other basic services covered in the Report Card, such as primary education and health, most Filipinos rate the services provided by sources of housing assistance as relatively unsatisfactory.<sup>45</sup>

63. One indicator of the relatively low satisfaction with housing services is the number of approved applications that are eventually rejected by the applicants themselves. The high rate of rejection of approved applications by the applicants is quite striking (see Table 19 below). Of the 118 households that applied for housing assistance, 56% had their applications approved, 17% disapproved, and 30% pending as of the date of the survey. Of those households whose applications were approved, the majority (53%) rejected the housing assistance offered.

**Table 19: Success Rates in Housing Assistance Applications**  
 (Percentage of households in group)

| Area/Group    | Approved and Accepted | Approved and Rejected | Application Pending | Application Not Approved |
|---------------|-----------------------|-----------------------|---------------------|--------------------------|
| RP            | 26                    | 30                    | 30                  | 17                       |
| Urban         | 31                    | 28                    | 27                  | 18                       |
| Rural         | 5                     | 38                    | 43                  | 14                       |
| Poor          | 29                    | 19                    | 29                  | 29                       |
| Middle-Income | 22                    | 31                    | 38                  | 13                       |
| Rich          | 28                    | 32                    | 26                  | 15                       |

64. Considering the high rate of disapproval,<sup>46</sup> the high rate of rejection by clients of the housing assistance offered is doubly worrisome. It means that there is actually a very small proportion, at most only a third of applicants, who actually benefit from housing assistance (i.e., those whose applications are approved by the agency concerned, and who in turn accept the assistance offered). This may imply that not only do the housing programs fail to reach the people in need of housing assistance, but they also apparently fall short of the expectations of the intended beneficiaries, as evidenced by the high rate of rejection of the assistance offered.

65. Several possible explanations can be offered for the high rate of rejection. Although a larger number of the rejected applications were voluntary applications, the

<sup>45</sup> Overall satisfaction with government sources of housing assistance is 0.50, while overall satisfaction with private sources of housing assistance is 0.65. In comparison, overall satisfaction with public elementary schools is 1.49, while overall satisfaction with private elementary schools is 1.51. And, overall satisfaction with public health facilities is 1.18, while overall satisfaction with private health facilities is 1.56.

<sup>46</sup> 17% of the households that applied for housing assistance were disapproved in their application. The proportion of disapproved applications does not vary significantly between urban and rural areas (18% and 14%, respectively). The key difference occurs between the poor and the rich households, with poor households having a disapproval rate that is almost twice as high as that of rich households (29% vs. 15%). This again illustrates an anti-poor bias in sources of housing assistance.

number of applications involving involuntary resettlement was also sizeable (23%). Nevertheless, the high rate of rejection in the voluntary category is the more important finding that needs to be explained. One possible explanation could be that the assistance came too late. In this case, the applicants might have already obtained help from another source. Or, the opportunity to purchase a house plot might have disappeared by the time the application was approved. This is supported by the fact that respondents cited long waiting time to be the primary cause of dissatisfaction with government housing programs, and the second most important cause of dissatisfaction with non-government programs.

66. Rural households exhibit a higher rate of rejection than urban households (38% vs. 28%, respectively). The higher rate of rejection among rural households could be due to additional transaction costs associated with accepting approved housing assistance, such as the difficulty of traveling long distances to urban centers to make monthly payments and additional paperwork. It is conceivable that the anticipated transaction costs, coupled with the late assistance, reduces the attractiveness of the housing assistance being offered to rural clients.

## 6. KEY FINDINGS AND RECOMMENDATIONS

67. **Housing is indispensable to poverty reduction.** The housing situation in the Philippines, as seen from the perspective of ordinary Filipinos, requires significant improvement -- 84% of Filipinos rate their housing poorly. Poor households and households in poorer areas (e.g., Mindanao and rural areas) are consistently and significantly more dissatisfied with their housing than the rich. This indicates that a poverty reduction strategy must necessarily emphasize the improvement of housing.

68. **Targeting.** Data from the Report Card survey reveal that government housing assistance programs are barely reaching the poor. There is an obvious mismatch between the present distribution of housing services, which is biased in favor of non-poor households in NCR and other urban areas, and the distribution of those in urgent need of housing assistance, the large majority of whom are poor households in rural and urban areas.

69. To help ensure that housing assistance is directed to the poor, housing agencies should be encouraged to set targets (e.g., number/proportion of households assisted) for each income group, with the poor having a larger share of such assistance. These targets should be set after thorough consultations within the housing agencies themselves, involving particularly the frontline staffs. The targets should be feasible, and the lending agencies should realize that increasing the targets would mean changes in the way they operate.<sup>47</sup>

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<sup>47</sup> For instance, frontline staffs will very likely need to go out and inform prospective clients of the availability of loans, help them prepare the documents that are necessary, and in general help the applicants get through the bureaucratic maze. This means that the housing agencies should be willing to increase the allocation of funds for frontline staffs.

70. Exclusionary factors result in the neediest groups being the most under-served. Among these factors are: (i) the lack of information on housing assistance programs and how to access them; (ii) the strong emphasis on mortgage finance as the primary form of housing assistance; (iii) a highly centralized service delivery system which increases the transaction costs of assistance; (iv) eligibility requirements that discriminate against the poor and those employed in the informal and rural sectors; and (v) excessively long (waiting) time for processing applications.

71. In giving priority to reaching the poor, the neglect of rural housing must be remedied. A significant proportion (63%) of the housing poor are found in Visayas and Mindanao, where rural areas predominate. Given the gross imbalance between urban and rural areas in the delivery of housing services, there is a need to reconfigure the government's housing program to give it a stronger rural orientation. It is important to ensure that the programs that are being supplied are tailored to the needs of rural communities. For instance, it may be more important to first address the shortcomings in public services/facilities identified in rural areas rather than home construction requirements. Among the strategies could be encouraging housing agencies to work more closely with local governments and congress persons who have access to development funds provided by the internal revenue allotment and the countrywide development fund.<sup>48</sup> Mechanisms for the selection of beneficiaries must be carefully designed to prevent resorting to patronage-based modes of distributing housing assistance.

72. **Primacy of security of land tenure.** The primacy of secured land tenure as a determinant of housing satisfaction is underscored by the survey findings. Inasmuch as a sizeable proportion of the sample households do not own the land on which their house is built, a form of assistance that provides security of tenure on residential land is greatly needed. Government housing assistance programs must therefore make the provision of secure tenure on house plots a major objective.

73. There is a high proportion of households who own their house but not the land on which it is built, many of them in Visayas and Mindanao. This may partly explain why levels of dissatisfaction with current housing are higher for these two regions. House ownership without land ownership is likewise the situation of many urban poor households illegally occupying public and privately owned lands. All this points to the fundamental importance of providing security of land tenure to enhance housing satisfaction.

74. The results indicate that house ownership is highest among the poor, although land ownership is lowest among them, particularly the urban poor. Given the finding that dissatisfaction with current housing is highest among the urban poor, we can safely conclude that dissatisfaction is directly linked to the absence of secure land tenure. As pointed out earlier, this stems most likely from high land prices in cities. The apparent high rate of house ownership among the poor, including the urban poor, is evidence of

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<sup>48</sup> There is a need to upgrade the service delivery capacity of LGUs, particularly in housing. Building this capacity should be a priority of central agencies.

their capacity for self-built housing, even though the quality of the house may leave much to be desired. These facts present two implications for policy. One is that government housing programs would do well to capitalize on the poor's ability to build their housing. Programs need to be redesigned to make it possible for poor people, especially those who cannot afford heavy amortization payments, either to construct their own dwelling structures under the qualified supervision of housing authorities, or to offer their labor as sweat equity.

75. A second policy implication is that if security of tenure is to be provided to as many among the poor as possible, changing existing land policies becomes mandatory. Because housing tenure is closely tied to land tenure, policies and mechanisms are needed that would more effectively regulate land use in order to free up land for housing the poor who normally have no access to the formal land market. This can be done through appropriate zoning ordinances and land tax policies.<sup>49</sup> In the case of cities, local governments are empowered to zone and designate sites for socialized housing under the *Urban Development and Housing Act*. The zoning powers need to be fully utilized by the local governments to expand the supply of cheap land to the urban poor.<sup>50</sup> However, although the cities in the Philippines are empowered to rezone land, few of them actually have the institutional and technical capacities to plan and implement such zoning changes. Far more attention is required to build local government capacity. The Housing and Land Use Regulatory Board must be more active in assisting local governments in this regard.

76. **Community Mortgage Program.** Programs premised on the provision of secured land tenure such as the CMP seem to be on the right track in addressing the priority problems of the poor. However, the CMP suffers from at least two limitations in light of the survey results. First, the program is still very centralized in Metro Manila. This means that even the CMP is not well-equipped to service adequately the urban poor outside Metro Manila (i.e., NCR). Moreover, its operations are limited to urban centers, thereby excluding rural households.

77. The second limitation of the CMP is that its effectiveness is hampered by rising land costs in highly urbanized centers. Programs like the CMP seem to be appropriate and effective in provincial cities and secondary towns where land costs are not so high. Yet the present distribution of CMP projects is concentrated in NCR and Balance Luzon.

78. At present, CMP is the only lending program that the poor are able to access. Funds for the CMP are taken from the national government budget. A major problem experienced by borrowers of CMP is the very long waiting time for projects to be

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<sup>49</sup> These include removal of distortionary tax and subsidy features, legal and regulatory impediments, and upgrading of institutions, such as registries, etc. (see Annex A of the 1997 Housing Finance Study, World Bank).

<sup>50</sup> See Annex A of the 1997 Housing Finance study for recommendations in this area. However, it must be noted that zoning will only go so far. A developer can buy up a lot of land zoned for the poor, not pay the land tax, and hold it for speculative reasons in land banks for several years, taking this land out of the market, so that the cost of land goes up, and the government is forced to convert yet more agricultural land into residential/commercial land to meet demand.

approved. Some projects take as long as two years. Six months to one year seems to be the average waiting time. The CMP's ability to process loans speedily is hampered by organizational problems and the small number of staff processing and attending to CMP loans. Addressing these organizational issues will greatly improve the capacity of the CMP to service more clients.

79. Among all the housing programs, the CMP stands out as the only one where the participation of NGOs is institutionalized. This has vastly contributed to facilitating loan processing and making CMP services more accessible to poor families. But since many poor communities are still unorganized or not reached by NGOs, it may be necessary to devote funds to awareness campaigns and empowering NGOs in rural areas.

80. **Physical Upgrading.** To address the problem of a disproportionately smaller percentage of housing assistance going to poor households, it is important to find a new approach to providing housing assistance, particularly to the poor, who are marginally reached by existing programs. An emphasis on physical upgrading over mortgage assistance might be a more appropriate strategy to reach the large numbers of poor families. A major source of dissatisfaction among both the rural and urban poor is the physical environment in which their house is located. Upgrading programs to improve sanitation and water conditions would go a long way towards improving the health and overall quality of life of the poor. To the extent that respondents have identified poor environmental conditions and insecurity from weather problems as major sources of dissatisfaction also suggests that the improvement of housing facilities can lead to healthier environments, which in turn are likely to bring about improved health outcomes for poor families. In other words, improving the housing conditions of the poor also leads to reduced vulnerabilities. Upgrading may be implemented with or without security of land tenure. Devising community-based savings programs and simple collection schemes, which will enable people to carry out housing transactions in their communities could complement and reinforce an effective community upgrading program.

81. **Subsidy.** The question of subsidy inevitably arises in this context because of the need to make the programs affordable. A determination of what costs must be borne by program beneficiaries and what costs should be shouldered by the public sector is crucial and should be studied and negotiated.

82. Public spending on housing, which historically has averaged at about 0.5% of the total national budget, must be increased. This level is far below the housing expenditure of other middle-income countries. Considering the tight fiscal situation of the Philippines at present, this might not be easy to do in the short-term. Marshaling non-budgetary sources of funds may be necessary. Official development assistance (ODA) could be one such source, although its possible impact on the foreign debt situation must also be carefully taken into account. The use of government-managed pension funds for housing, a strategy which the government has been pursuing, may have to continue. But this has to be accompanied by reforms in the housing finance system that would increase

efficiency and reduce corruption in the utilization of these funds,<sup>51</sup> while encouraging the entry of private funds into housing. There is a need for further exploration on how subsidies could be channeled institutionally, with effective monitoring/tracking to minimize leakages. Interest subsidies on housing loans in the Philippines have been found to be regressive because they tend to be captured by the non-poor. Other forms of subsidy (e.g., capital grants or lump-sum subsidies) have been recommended and could be explored.<sup>52</sup>

83. While the mechanisms for targeting subsidies remain to be worked out, there is consensus in the Philippines that housing subsidies for the poor should be a normal component of a social development policy, similar to subsidized public education and health care. Modern systems in developing countries (e.g., Latin America and South Africa) tend to give a one-time capital subsidy to eligible households. The subsidies are targeted and the poorest get the highest level of subsidy (both in relation to housing and in real terms). Ideally, there are also incentives for savings.<sup>53</sup>

84. **Rental Housing.** Another option that can give the poor housing security at a low cost is rental housing. Since affordability is a major issue in providing housing tenure, finding alternatives to home ownership may be necessary. Rental housing and community upgrading without home ownership offer some approaches that can be explored. Although Report Card findings show that satisfaction with current housing is closely tied to ownership, there are ways of raising satisfaction levels by improving housing quality and security of tenure without conferring outright ownership if the latter is deemed problematic.<sup>54</sup> Unfortunately the Philippines lacks the experience in rental housing from which to derive lessons or reach conclusions on their effectiveness and affordability. The time has come to experiment with this particular housing approach.<sup>55</sup> A separate housing program could be designed for the transient homeless and the extremely poor (e.g., people who rent folding beds on sidewalks, or sleep in open parks) in the form of hostels offering bed and toilet facilities. Housing agencies can work with the Department of Social Welfare and Development to assist this group.

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<sup>51</sup> According to the 1997 World Bank Housing Finance study, it is imperative to deal with the real markets (by improving registries, facilitating conversion, increasing infrastructure investment in key areas to bring down land development multipliers, taxing real estate and penalizing those who take land out of action for speculative purposes, cutting red tape which generates a lot of bribes for local officials, and rationalizing tax incentives for developers). This may be difficult but without it, land prices will continue to be systemically high and the subsidies needed to ensure affordability will be higher.

<sup>52</sup> Refer to 1997 Housing Finance Study, Llanto, et.al., 1997 and Llanto, 1996.

<sup>53</sup> Tannerfeldt, Goran. 1995. "Towards an Urban World: Urbanization and Development Assistance." Stockholm: Swedish International Development Cooperation Agency.

<sup>54</sup> Homeownership has been traditionally acknowledged as part of every Filipino family's dream. However, aside from being inefficient, and unachievable for the poor (given low savings rates), 100% ownership is not essential to achieving 100% adequacy of shelter. The Philippines Constitution calls for adequate shelter for all, not home ownership for all. Perhaps new options in housing are necessary, like a well-functioning rental market, which is considered an important component of any efficient housing market. However, rental markets are severely hampered in the Philippines.

<sup>55</sup> Pagtambayayong Foundation, "Renters in Low-Income Communities in Cebu City," *SELAVIP Newsletter*, October 1999.

85. Considering that utilization of housing services outside the NCR is lower, there is a need to develop housing programs specifically suited to conditions outside the NCR. On the other hand, since programs like the CMP are gradually losing their applicability to the NCR as a result of high land costs, there is a need to develop other programs geared specifically to NCR. This suggests the need for more differentiated programming of housing packages. For instance, CMP might be more aggressively promoted in non-NCR urban centers, whereas the community upgrading approach could be pursued in highly urbanized areas. A differentiated approach becomes even more necessary in designing rural housing programs.

86. To enhance security of tenure without land ownership, there might be a need to enact legislation to introduce a variety of tenurial arrangements (e.g., long-term leases, usufruct contracts) that grant tenurial rights without land ownership.

87. **Relocation.** An important source of satisfaction as far as housing is concerned, particularly for urban dwellers, is access to work, services, and facilities. This finding suggests that, although dissatisfied with the size of their dwelling, the poor environmental conditions, and the quality of building materials, the urban poor greatly value the proximity of their current housing to public services and facilities. In light of this finding, the government strategy of relocating informal settlers, most of whom are either poor or middle-income (bottom 60%) households, appears ill-advised.

88. Admittedly, in some cases resettlement will be inevitable. Where possible, resettlement to near-site, in-city locations should be pursued over distant, out-of-city relocation because the latter takes away the most valued aspects of the poor's current housing as revealed in the survey which are proximity to services, public facilities, places of work and the social capital built up often over decades that helps sustain their survival and promote their advancement.<sup>56</sup> Thus, there is a need to review the heavy emphasis placed on resettlement as the primary strategy for dealing with illegal or informal settlements.

89. Although relocation potentially provides security of tenure, there are important trade-offs involved that make the advantages of secured tenure less attractive to the poor. Experience with resettlement projects has shown that these aspects, in particular, access to employment, are not readily restored in the resettlement sites. For one thing, factors reflecting the urban poor's dissatisfaction, such as the size of the house and the poor quality of building materials, are not necessarily improved. Many resettlement projects are poorly implemented, with house size and quality of building materials not necessarily/significantly better. Further, basic services are not provided promptly, reliably and in sufficient quantity in the resettlement sites. Thus, this housing approach

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<sup>56</sup> Almost every decade since the 1950s has seen the regular turn-out of analysis and studies exhorting government on the failures of distant relocation (e.g., Poethig, 1969; Keyes, 1978; Ruland, 1982; Makil, 1983; Murphy, 1993; Racelis, 1996) due primarily to the absence of basic services, facilities, and resources in these relocation sites. Such services would enable displaced families to regain what they had lost in the process of the transfer (in terms of entitlements, social capital, dismantled social network of contacts for work opportunities) and the emotional "trauma" that accompanies the experience of losing one's home.

does not seem to result in significant improvements in the well-being of the poor, and may in fact make them worse off.

90. Instead of distant relocation, a stronger emphasis on in-city relocation, preferably nearby, or on-site upgrading must be pursued. While this option is normally hampered by skyrocketing land costs in highly urbanized areas, it is extremely practicable and cost effective in secondary cities and urban centers still harboring low-density areas. The National Housing Authority, in cooperation with local governments, could reorient its land-banking and resettlement programs accordingly.

91. Since the poor are most dissatisfied with house size and building materials, it would be instructive to ascertain the level of satisfaction of beneficiaries of government relocation projects. Lot sizes of 30-36 square meters and floor areas of 24-30 square meters are presently the norm. The houses are typically row houses, with concrete walls and galvanized iron roofs. Much of the dissatisfaction comes from the substandard construction.<sup>57</sup>

92. Experience with past relocation projects has shown that there are many hidden costs associated with out-of-city relocation. Besides the loss of livelihood and the inconvenience caused by the limited or missing public services such as water, electricity, schools, transport and health services, distant relocation also deprives poor households of the opportunity to earn additional income. Secondary income earners lose the opportunity to render services to well-to-do clients as, for example, domestic helpers, laundry women, and repair men. Families that previously rented out rooms or bed spaces likewise lose the opportunity to earn additional income.

93. As indicated by the survey results, people's level of satisfaction is very much affected by tenure and ownership. While relocation projects in principle provide security of tenure, in practice the granting of tenure is hampered by beneficiaries' inability to comply with the required payments, unclear policies, poor collection systems, and the presence of free-riding "illegal entrants" who discourage the lawful beneficiaries from paying their amortization or rent.

94. Improvements in the present relocation projects may be achieved by ensuring the adequacy of public facilities and services, particularly transport services, and improving the administration of the projects so that the objective of giving poor families security of housing tenure is achieved.

95. **Mortgage Financing Programs.** The government provides loans to individual borrowers through the Multi-Window Lending program. It is possible that many, if not the majority, of the respondents in the Report Card survey who said they had applied for housing assistance referred to this type of assistance. Interest rates are lower, which is

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<sup>57</sup> The dissatisfaction comes less from these norms than from the final product, which is often unfinished, lacks piping, has 3/8 instead of 5/8 inch metal rods supporting the concrete structure, lacks windows/doors, etc., has gaps between the structure and the ceiling that allow rain to enter, or is built on dangerously steep slopes susceptible to erosion. These properties should not be receiving COCAs (certificates of occupancy) from authorities evaluating the final products.

probably the reason why respondents generally found government housing programs more affordable compared to other sources.

96. Nevertheless, the program tends to cater more to higher-income beneficiaries because eligibility requirements and liberal lending rules allow the non-poor to access the housing assistance funds. The problem is structural. Government-sponsored savings schemes such as the SSS, GSIS, and *Pag-Ibig* funds are the primary sources of financing for the Multi-Window Lending Program. The former (i.e., SSS, GSIS and *Pag-Ibig*) are required by their charters to cater to their members, the large majority of whom are not poor. Therefore, in order to reach the poor, the government should either develop other forms of housing assistance for this particular group (e.g., rental housing) or open a separate lending window with less stringent eligibility requirements at subsidized interest rates.<sup>58</sup>

97. ***Abot-Kaya Pabahay***. This program (initiated during the Aquino Administration) provides interest subsidy to poor families on housing loans during the first five years of the loan amortization period. Although the program helps reduce the monthly amortization payments during the first five years, it is not a widely used program for a number of reasons. First, very few people know of its existence. There is no active information campaign about this particular program. Second, the income ceiling defining eligibility for the program is not aligned with the income eligibility requirements of the lending programs that it is supposed to complement. Therefore, families that would qualify for *Abot-Kaya* may not qualify for the main home lending program (e.g., SSS, GSIS, *Pag-Ibig*), or those who qualify for the main lending program might have incomes above the ceiling allowed by *Abot-Kaya*. There is thus a need to review the program and explore the possibility of using it to subsidize amortization/interest rates of the CMP and relocation housing assistance, programs which specifically cater to the poor. This would ensure better targeting of the *Abot-Kaya* subsidies.

98. **Information Dissemination**. It is evident from the Report Card findings that the lack of information on housing programs, and ways to access these, are major reasons for non-application to government housing programs. There is thus a need to inform and educate the public, particularly the urban and rural poor, on available housing programs. Local governments and the mass media can be tapped toward this end. At the moment, only *PAG-IBIG* advertises its programs on television and radio, but these programs cater only to its members. A wider information campaign must be developed to inform the people on the range of housing services available, while mobilizing local government workers and the mass media. The use of the vernacular is most important.

99. For providers of housing assistance this implies a need to package varied kinds of information that are responsive to basic, detailed, and specialized questions and concerns of clients. This implies disaggregation according to function - whether the need is for simple information, procedural guidance, or more technical (financial, legal, etc.)

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<sup>58</sup> This could be done by reallocating most government resources for the housing needs of the poor, in the form of targeted subsidies, while the non-poor can avail of loans from commercial banks/other non-government sources and pay the market rate of interest.

clarifications. Such information is frequently taken for granted but in reality is not readily available.

100. **Improving Quality of Housing Services.** In addition to carrying out an information drive, there is also a need to improve the quality of service delivery. The responses on satisfaction with government housing services suggest important areas for enhancing the quality of public housing services. These include the waiting time to receive assistance, the complex, and time consuming, application procedures, and the inadequacy of grievance resolution mechanisms. Given these observations, housing agencies, particularly those implementing lending programs like the CMP and Multi-Window Lending Programs, would do well to exert more effort in setting predictable waiting times, streamlining application procedures, and instituting well-understood grievance resolution mechanisms.

101. **Decentralization.** Decentralizing housing services delivery is essential in order to reach the under-served target groups, i.e., rural households and urban poor outside NCR. The Report Card uncovers a heretofore little known facet of the housing situation, namely, the great dissatisfaction of the rural poor with their housing. Greater attention needs to be given to expanding the housing delivery system to cover non-urban areas. However, the present organizational set-up of the housing bureaucracy, which has tied up housing with urban development and has generally not extended its presence to rural areas, is ill-equipped to deal with the rural housing problems. In this regard, decentralization of housing services and the empowerment of local governments through effective training and resource mobilization can be key strategies.

102. Local governments must be encouraged and assisted to undertake land banking and implement lot distribution and community upgrading programs within their areas of responsibility<sup>59</sup> (see Box 3). Although this mandate to local governments is contained in existing laws, particularly the Urban Development and Housing Act,<sup>60</sup> it is rarely put in practice because of the absence of a clear national housing policy that not only emphasizes the role of local governments in the provision of housing but also provides mechanisms for channeling housing funds to them.

103. The establishment of local housing boards to plan and oversee the implementation of local housing programs should be supported. There are, at present, pending bills in the Senate and in the House of Representatives mandating the creation of such bodies. The existence of local housing boards with representation from NGOs, business and local communities will facilitate the meaningful participation of different stakeholders in local policy-making in housing and enable the local government to enlist the support of these stakeholders for resource mobilization.

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<sup>59</sup> Perhaps equally important as land banking is to encourage increased usage of land that has already been taken out of the market due to speculation. A number of LGUs have been practicing land banking as part of their strategy to develop a residential land delivery program in their respective localities by disposing these to qualified and registered urban poor beneficiaries as mandated by the Urban Development and Housing Act (see Dizon, Quijano, Lachica and Leyesa, 2000).

<sup>60</sup> Republic Act 7279.

104. **People's Participation.** Housing agencies in all regions need to understand the principles and procedures of people's participation in the planning, implementation and monitoring of housing solutions. The number of respondents who indicated they belonged to housing and other associations is extremely low. Since such associations tend to be the sources of information and action with regard to service access, this is where non-government organizations and people's organizations can come in to enhance household and community interaction with government or non-government housing providers. Worldwide long-standing evidence indicates that these participatory processes result in communities whose residents are more satisfied because they have a stake and a say in the housing decisions that affect their lives, whether these take the form of on-the-ground dwellings, multi-story apartments, or resettlement sites. As housing decision-making devolves to local governments, the interaction between local officials and their voting constituents is bound to gain new strength in effective governance.

### **Box 3: Local Government Housing Initiatives**

#### **1. Cebu City - Bridge Financing for CMP and GLAD, and City Acquisition of Private Lands (Region 7)**

As early as 1989, the Cebu City (local) government designed a program to assist urban poor homeowners' associations to gain access to land mortgage funds through the CMP. This was to prevent termination of agreements with landowners owing to long waiting periods for processing and release of checks. The city has put up a Php17 million fund for acquisition of land with existing sale contracts between owners and community associations, that have already been filed and are awaiting release of funds under land mortgage loans. Upon release of the funds from the mortgage loans, the funds are assigned to the City by the National Home Mortgage Finance Corporation (NHMFC) to be deposited to a special Trust Fund created to circulate the funds for future projects.

In recent years, separate programs have been created with the establishment of the City Housing Acquisition of Private Lots (CHAPEL) and the City-Owned Lots Rehabilitation and Disposition (CORE) Programs, which give urban poor groups the option to purchase the private or city-government land they occupy. Under the programs, individual members of homeowners' associations can avail of up to Php45,000 in financial assistance for land acquisition from the city government, or up to 90 percent of the appraised value of the land being acquired, whichever is lower. The beneficiaries pay for the private or city land purchase through direct amortization payments to the city government.

#### **2. Marikina City - In-city Relocation of Informal Settlers (NCR)**

In 1993, the city government created the *Marikina* Settlements Office (MSO), tasked with the responsibility of developing new communities for the urban poor and upgrading slum and blighted areas in order to reach its vision of a "Squatter-Free *Marikina*." The objective of the program is to provide the urban poor with security of tenure by giving them affordable house-lots on which they can build their homes. By the end of 1997, on-site upgrading was undertaken in 34 communities in four *barangays*. In 1998, two new sites were added, increasing the total number of resettlement areas to six. Community infrastructure in these areas was also improved with the construction of drainage systems, concrete roads and alleys, and the provision of electricity and water. Infrastructure development was also undertaken in six major resettlement areas. By 1998, some 13,771 families have been awarded house-lots and a total of 106.7 hectares of land had been acquired for distribution to urban beneficiaries.

#### **3. Naga City - Experiments in Land Acquisition and Tri-partite Strategy (Region 5)**

In the late 1980s, through the strong lobbying by the Community Organization of the Philippines Enterprise (COPE), a local NGO, the *Naga* City established the Urban Poor Affairs Office (UPAO) under the Office of the Mayor to lead the implementation of the "*Kaantabay sa Kauswagan*" project. The project's priority concerns were to improve the living conditions of informal residents and to minimize, if not avoid, their eviction as well as the demolition of their shanties. The role of the UPAO was to negotiate and acquire lands for the beneficiaries whether for on-site or off-site settlements, work out a mutually acceptable arrangement between property owners and urban poor occupants under land sharing schemes, and facilitate the exchange of properties (lands) occupied by the urban poor with others of approximately equal value.

The city has coordinated with its NGO partners in identifying CMP projects, determining qualified beneficiaries, organizing communities, and preparing them to mobilize resources to meet their financial obligations. This tri-partite (city-NGO-community) organizational strategy helped the city to minimize administrative bottlenecks in their operation. The city shouldered the financial requirements of its various activities in coordination with the national government, but delegated to people's organizations, NGOs and private business some of the administrative functions vital to the successful implementation of its housing program.

Sources: Data from the LGU Compliance Monitoring Project (UPA and ICSI); Karaos (2000); "Decentralization, Local Governance and Urban Poverty in Four Philippines Cities;" Sayos, Quisao and Manasan (1998), "Local Efforts in Housing Provision."

# FILIPINO REPORT CARD ON PRO-POOR SERVICES

## CHAPTER VI: SUBSIDIZED RICE DISTRIBUTION<sup>1</sup>

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### 1. POVERTY AND FOOD SECURITY

1. Food security is a basic requirement of social harmony, economic growth, and by extension, political stability. Thus, food security has always been prominent in the government's agenda. Recognizing its key role, the Government of the Philippines has announced that it will give priority to this concern.

2. Food security at the household level is also a critical component of poverty reduction, another priority of the Administration. In the Philippines where rice is the main staple food, enhancing access to rice, though hardly sufficient to reduce poverty, will undoubtedly mean much to the poor, especially the food insecure.<sup>2</sup> It will demonstrate that the government is serious about addressing the needs of the poor.

### 2. NFA'S MANDATE

3. The Government of the Philippines has been involved in the rice market to address the broad food security agenda largely for political stability, rather than household level food security to reduce poverty. The National Food Authority (NFA) had been, and is, the government's arm in this regard. The primary mandate of the NFA is rice supply and price stabilization. The NFA is also charged with assisting rice farmers, protecting rice consumers, and promoting the development of the rice trading system. It participates in the market to provide competition and encourage efficiency where there are private traders, and to fill in market gaps, which private traders cannot and are not expected to address.

4. The NFA pursues supply and price stabilization in two ways: (i) ensuring that there is adequate supply of rice with all market participants to meet domestic requirements at all times; and, (ii) maintaining enough supply of rice in government hands to correct immediately any market supply gaps that emerge. To ensure that the supply of rice in the country is adequate to meet domestic requirements, the NFA, assisted by a government inter-agency committee, monitors stocks held by private traders and assesses the need for rice imports.<sup>3</sup> To make sure that there is enough stock in government hands, the NFA maintains a rice buffer stock, equivalent to at least 30 days

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<sup>1</sup> This chapter has been prepared by Ching Dela Peña and Carol V. Figueroa-Geron, with inputs from the Report Card team.

<sup>2</sup> The Social Weather Stations has tracked the incidence of hunger among Filipino households over 1988-2000. The 11 quarterly observations reveal that hunger has been both serious and volatile, with 12.7% of the households experiencing hunger between November, 2000 – December, 2000. A family is considered as experiencing hunger if it does not have anything to eat at least once in the last 3 months.

<sup>3</sup> The NFA holds sole authority to import rice, but usually gets clearance from the President. Presidential clearance is necessary to obtain exemption from import duties.

of national consumption on July 1 of each year, the start of the rice-lean season that lasts for three months. The Authority also maintains emergency reserves, equivalent to at least 15 days consumption, throughout the year.

5. The NFA sources its buffer stocks from its domestic procurement of *palay*<sup>4</sup> from farmers, augmented by imports. The domestic procurement of NFA is meant not only to fill up its emergency and buffer stock requirements but also to protect *palay* producers from low farm-gate prices. The NFA buys *palay* from producers at support prices that ensure profitability in *palay* farming. The procurement operations of NFA are supposed to provide farmers an alternative buyer, which encourages traders to match or exceed the NFA support prices.

6. The NFA sells its rice stocks to accredited retailers, who resell this rice to consumers. The NFA pursues two objectives in selling rice. First, it programs the direction and timing of rice releases to stabilize supplies and prices in the market. Second, it sets the prices of the rice releases at levels that ensure that rice prices to consumers remain affordable. The retail price of NFA rice to consumers is generally set at about PhP4.00 per kilo lower than the prevailing market price for rice. The retailers are allowed a margin of PhP1.00 per kilo on the sale of NFA rice to consumers. There is no quantity limit on the amount of NFA rice that can be bought by a retailer or consumer as long as the NFA rice stocks allow. Thus, NFA rice is subsidized and available to all.

7. Since NFA rice is subsidized, the Estrada Administration used NFA as one of the key agencies in implementing its programs to address poverty. NFA rice and other basic commodities<sup>5</sup> are made available in ERAP (Enhanced Retail Access for the Poor) stores that are expected to provide the poor access to government subsidized consumer goods. The NFA's rice distribution function was also made part of the Estrada Administration's *Lingap Para sa Mahihirap* Program, which seeks to provide comprehensive support to the 100 poorest households in each province and city.<sup>6</sup>

8. The various mandates of the NFA are conflicting and its many tasks to achieve the mandates are intertwined. As several studies have noted, the conflicting mandates and intertwined tasks reduce the NFA's ability to effectively and efficiently achieve its objectives.<sup>7</sup> For example, the NFA is supposed to assist rice farmers by buying *palay* at a "high" support price or above the prevailing market price. To help consumers, it is expected to sell rice at a "low" release price or below the prevailing market price. The twin mandates of helping rice farmers on the one hand, and protecting rice consumers on the other, are conflicting. As a result, NFA operations incur substantial losses.<sup>8</sup>

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<sup>4</sup> *Palay* is the local name for *paddy*, which is unhusked rice.

<sup>5</sup> For example, sugar, cooking oil, milk, coffee, sardines and noodles.

<sup>6</sup> About 3% of NFA's projected rice sales during the year 2000 was included in the *Lingap* Program.

<sup>7</sup> See, for example, AGILE, 2000, "Strategic Reorganization of the National Food Authority for the New Millennium;" Balisacan, et. al., 2000. "Approaches to Targeting the Poor;" Clarete, et. al., 1998, "Philippine Grains Sector Development Program Project."

<sup>8</sup> Buying "high" and selling "low," as well as storing rice longer to release at the proper time meant that NFA had to sell at a substantial loss.

### 3. THE SURVEY

9. The national Report Card survey of 1,200 households was undertaken in March – April 2000 to gather information on rice purchased by Filipino households during the six months preceding the survey. Questions covered awareness about the rice subsidy program, quantity of rice consumed, household expenditures on rice, physical access to stores selling NFA and non-NFA rice, assessments of different characteristics of the two types of rice, suggestions on effective programs to target subsidized rice to poor households, and views on possible corruption in implementing proposed targeting programs. The questionnaire also included a short segment on client awareness, use and satisfaction with the ERAP stores.

10. The survey results are analyzed by geographic area,<sup>9</sup> urban and rural residence, and by poverty status of households based on household expenditure. Households are classified into the bottom 30%, middle 30% and top 40% according to their expenditure level, referred to hereafter as the poor, the middle-income group, and the rich, respectively.

### 4. RICE CONSUMPTION

11. The survey confirms the importance of rice as staple food. Some 83% of survey respondents consumed rice three times a day or more (see Table 1 below), while a majority of the remainder ate rice twice a day. The proportion eating rice thrice or more daily is highest in Mindanao, followed by Visayas and Balance Luzon, and lowest in NCR. The proportion is also significantly higher in rural areas compared to urban areas.

**Table 1: Frequency of Daily Rice Consumption**  
 (Percentage of respondents)

| Region/Area   | Thrice + | Twice | Once | Seldom/Never |
|---------------|----------|-------|------|--------------|
| RP            | 83       | 16    | 1    |              |
| NCR           | 68       | 30    | 1    | 1            |
| Balance Luzon | 78       | 21    | 1    |              |
| Visayas       | 89       | 11    |      |              |
| Mindanao      | 97       | 3     |      |              |
| Urban         | 76       | 22    | 1    |              |
| Rural         | 94       | 6     |      |              |

12. The survey results show that the daily frequency of rice consumption is related to poverty but rice remains a prevalent part of the daily fare, even for the non-poor (see Table 2 below). Classified by expenditure level, 91% of the poor consumed rice three times or more, while about 80% of the middle-income and rich groups did so.

<sup>9</sup> Aggregate Republic of the Philippines (RP), National Capital Region (NCR), rest of Luzon (or Balance Luzon), Visayas, and Mindanao

**Table 2: Frequency of Daily Rice Consumption**  
 (Percentage of respondents)

| Poverty Group | Thrice + | Twice | Once | Seldom/Never |
|---------------|----------|-------|------|--------------|
| Poor          | 91       | 9     | 1    |              |
| Middle-Income | 81       | 18    | 1    |              |
| Rich          | 79       | 20    | 1    |              |

13. The rice consumed by households is largely bought, even in rural areas (see Table 3 below). Some 84% of the respondents mainly bought rice in the market. Only 13% produced the rice they consumed. A few mainly sourced rice from relatives or company (employer) at no cost, or through barter. The proportion of respondents whose main source of rice is the market was highest in NCR and lowest in Balance Luzon. It is higher in urban areas than in rural areas. Since most rice farmers are expected to be in the rural areas, and Balance Luzon is the main rice-producing area of the country, there is lower reliance on rice bought in the market in these locations.

**Table 3: Main Source of Rice Consumed**  
 (Percentage of respondents)

| Region/Area   | Grow Self | Get Free - Family | Get Free - Company | Get with Subsidy | Barter/ Exchange | Buy in Market |
|---------------|-----------|-------------------|--------------------|------------------|------------------|---------------|
| RP            | 13        | 1                 | 1                  | 0                | 1                | 84            |
| NCR           | 1         | 3                 | 1                  |                  |                  | 95            |
| Balance Luzon | 18        | 2                 | 1                  | 1                | 2                | 77            |
| Visayas       | 8         | 0                 | 1                  | 1                | 1                | 89            |
| Mindanao      | 14        | 1                 | 0                  |                  |                  | 85            |
| Urban         | 4         | 2                 | 1                  | 1                | 0                | 93            |
| Rural         | 26        | 1                 | 1                  |                  | 2                | 71            |

14. Only 15% of respondents who most frequently bought rice purchased NFA rice, and the rest most frequently bought non-NFA rice (see Table 4 below). This is consistent with the NFA participation in the market, which was limited to about 18% in 1999 and to between 8% and 15% in previous years. Clearly, government participation in rice trading is not meant to displace private trade. Government sells rice only to stabilize supplies and to encourage lower rice prices. Moreover, government participation in the rice market has been constrained by budget limitations. In general, government subsidies have been curtailed because of the need to trim the budget deficit.

**Table 4: Type of Rice Bought**  
 (Percentage of respondents)

| Poverty Group | NFA | Non-NFA |
|---------------|-----|---------|
| RP            | 15  | 85      |
| Poor          | 27  | 73      |
| Middle-Income | 16  | 84      |
| Rich          | 6   | 94      |

15. Despite the NFA's limited participation in the market, its operations nonetheless appear to have disproportionately benefited the poor (see Table 4 above). More than one

in four (27%) poor households bought mainly NFA rice compared to only 6% of the rich and 16% of the middle-income households.<sup>10</sup> Although the participation of NFA in the rice market is mainly to stabilize supply and prices, some targeting of the subsidized rice to the poor seems to occur.

16. However, there is only marginal difference between the absolute number of poor households who enjoyed the rice subsidy and the absolute number of non-poor households who did so. While 84 of the poor households in the sample availed of NFA rice, 75 of the non-poor (i.e., middle-income plus rich) households also did so (see Table 5 below). Projecting the sample results to the total number of households in the Philippines (estimated at 15 million), the survey findings indicate that about 1.2 million poor and 1.08 million non-poor households accessed NFA rice.

17. Moreover, because the survey indicates that the poor buy less rice per month on average (39 kilos) compared to middle-income (42 kilos) and rich households (48 kilos), it may be concluded that the non-poor effectively enjoy a slightly bigger share of the total rice subsidies. Assuming that each kilogram of NFA rice bought in 1999 includes a subsidy of about Php3.70,<sup>11</sup> the poor households enjoyed an estimated total of Php2,103 million in rice subsidies in that year, while the non-poor captured about Php2,109 million. Thus, slightly more than half the government rice subsidy is accruing to non-poor households.

**Table 5: Estimated Subsidies on NFA Rice**

| Poverty Group | Number of Sample Households | Estimated Total Number of Households (thousands) | Mean Quantity of NFA Rice Bought (kilos per month) | Estimated Subsidies from NFA Rice (million Php/year) |
|---------------|-----------------------------|--|--|--|
| Poor          | 84                          | 1,215  | 39   | 2,103  |
| Middle-Income | 51                          | 720  | 42   | 1,343  |
| Rich          | 24                          | 360  | 48   | 767  |

## 5. HOUSEHOLD EXPENDITURE ON RICE

18. The mean monthly household expenditures on rice are consistently lower among NFA rice buyers compared to non-NFA rice buyers (see Table 6 below). This is true across different regions, urban and rural location, and expenditure groups. But the share of rice in monthly household expenditure is slightly higher at 9% for NFA rice buyers compared to 7% for non-NFA rice buyers. This is explained by the fact that the average total household expenditures are consistently higher among non-NFA rice buyers than NFA rice buyers. This seems to support the earlier finding that some unintended targeting of NFA rice to the poor occurs.

<sup>10</sup> It could be that the better off who buy NFA rice do so for domestic helpers and for pets, or are able to access good quality imported NFA rice when available.

<sup>11</sup> In 1999, the retail price of well-milled NFA rice was Php4.15 per kilo less than the average price of comparable non-NFA rice, while regular-milled NFA rice cost Php3.25 per kilo less than the average price of comparable non-NFA rice.

**Table 6: Mean Household Expenditure on Rice and Share in Total Household Expenditure**

| Region/Area/Group | Mean Monthly Expenditure on Rice (PhP) |         | Mean Monthly Household Expenditure (PhP) |         | Share of Rice in Household Expenditure (%) |         |
|-------------------|--|---------|--|---------|--|---------|
|                   | NFA                                    | Non-NFA | NFA                                      | Non-NFA | NFA  | Non-NFA |
| RP                | 642                                    | 865     | 7,444                                    | 12,441  | 9  | 7       |
| NCR               | 532                                    | 905     | 13,654                                   | 21,836  | 4  | 4       |
| Balance Luzon     | 667                                    | 811     | 8,117                                    | 11,206  | 8  | 7       |
| Visayas           | 561                                    | 841     | 4,036                                    | 11,453  | 14   | 7       |
| Mindanao          | 679                                    | 937     | 4,889                                    | 8,729   | 14   | 11      |
| Urban             | 629                                    | 853     | 9,777                                    | 14,464  | 6  | 6       |
| Rural             | 655                                    | 888     | 5,198                                    | 8,244   | 13   | 11      |
| Poor              | 593                                    | 647     | 3,429                                    | 3,772   | 17   | 17      |
| Middle-Income     | 707                                    | 842     | 7,337                                    | 7,501   | 10   | 11      |
| Rich              | 676                                    | 999     | 21,727                                   | 20,399  | 3  | 5       |

19. As may be expected, the proportion of total household expenditure spent on rice by NFA rice buyers is higher among the poor (17%) as compared to the rich (3%) and middle-income (10%) households. It is also relatively higher in Visayas (14%) and Mindanao (14%) as compared to NCR (4%) and Balance Luzon (8%), and in rural areas (13%) as compared to urban areas (6%). Since the share of expenditure on NFA rice in total household expenditure is high among the poor, and in regions and locations where poverty incidence is most severe, it appears that the size of the rice subsidy at the household level is not large enough to make a significant dent in the poverty status of the households.<sup>12</sup>

20. Indeed, only 35% of NFA rice buyers indicate that the price of NFA rice is cheap, while 23% think it is expensive (see Table 7 below). The proportion of respondents that consider NFA rice to be expensive is relatively high in Mindanao (30%) compared to Balance Luzon (22%), Visayas (20%) and NCR (12%). It is higher in rural areas (27%) compared to urban areas (18%) and among the poor (24%) and rich (25%) as compared to the middle-income (20%) households.

<sup>12</sup> At an average subsidy of PhP3.70 per kilogram, poor households who purchase on average about 39 kilos of NFA rice a month (or 468 kilos a year) in effect get a total rice subsidy of only PhP1,731 (approximately \$35 equivalent) a year. This is about 4% of the (mean) total household expenditure of the poor (amounting to about PhP41,000 pesos per year or PhP3,429 per month). It would be significantly lower (less than 3%), if we consider the official poverty line, which was equivalent to a monthly household expenditure of PhP5,000 in 1997 (the last year for which the estimate is available).

**Table 7: Rating of Price of NFA Rice**  
 (Percentage of respondents)

| Region/Area/Group | Cheap | Moderate | Expensive |
|-------------------|-------|----------|-----------|
| RP                | 35    | 42       | 23        |
| NCR               | 35    | 53       | 12        |
| Balance Luzon     | 33    | 45       | 22        |
| Visayas           | 45    | 35       | 20        |
| Mindanao          | 35    | 35       | 30        |
| Urban             | 32    | 50       | 18        |
| Rural             | 38    | 35       | 27        |
| Poor              | 31    | 45       | 24        |
| Middle-Income     | 41    | 39       | 20        |
| Rich              | 38    | 38       | 25        |

## 6. AWARENESS AND ACCESS

21. About 95% of the respondents were aware that the NFA sold subsidized rice (see Table 8 below). Awareness of subsidized rice was slightly lower in NCR and Mindanao compared to Balance Luzon and Visayas. This indicates that the physical outreach of NFA is relatively less extensive, which is the case in Mindanao, or its share of the rice market is lower, which is the case in NCR.

**Table 8: Awareness that NFA Sells Subsidized Rice**

| Region        | Percentage of Respondents |
|---------------|---------------------------|
| RP            | 95                        |
| NCR           | 92                        |
| Balance Luzon | 96                        |
| Visayas       | 99                        |
| Mindanao      | 93                        |

22. The non-availability of NFA rice appears to push some buyers to patronize non-NFA rice.<sup>13</sup> About 16% of respondents who largely bought non-NFA rice did so because NFA rice was unavailable. The proportion is highest in Mindanao (24%), again indicating that NFA rice is less accessible there.

23. The stores where households most frequently bought rice were usually near the buyer's residence (see Table 9 below) -- less than a 15-minute walk from home for 49% of those who bought NFA rice and for 54% of those who bought non-NFA rice.<sup>14</sup> But a

<sup>13</sup> The survey shows that supply dependability affects the type of rice households buy. The most important reason cited by 11% of respondents for buying NFA rice is that supply is dependable, while 12% bought non-NFA rice for the same reason. Supply dependability emerges as the second most important reason why households buy a certain type of rice.

<sup>14</sup> The survey further shows that convenience of location is also an important consideration in purchasing rice. The most important reason why 5% of respondents bought either NFA rice or non-NFA rice is convenience of location. Location of stores selling rice emerges as the third most important reason (after quality and price) why consumers buy a certain type of rice.

good proportion also bought rice from quite distant outlets. The rice source is more than an hour's walk away for 23% of NFA rice buyers and 19% for non-NFA rice buyers.

**Table 9: Physical Access to Stores Where Households Most Frequently Bought Rice**  
 (Percentage of respondents)

| Region/Area   | Less than 15 minutes walk |         | More than one hour walk |         |
|---------------|---------------------------|---------|-------------------------|---------|
|               | NFA                       | Non-NFA | NFA                     | Non-NFA |
| RP            | 49                        | 54      | 23                      | 19      |
| NCR           | 71                        | 66      | 6                       | 9       |
| Balance Luzon | 47                        | 62      | 16                      | 13      |
| Visayas       | 60                        | 50      | 25                      | 20      |
| Mindanao      | 38                        | 39      | 46                      | 33      |
| Urban         | 68                        | 66      | 6                       | 8       |
| Rural         | 31                        | 30      | 40                      | 41      |

24. Retail rice outlets appear to be physically less accessible in Mindanao, where stores are more than an hour's walk away for 46% of NFA rice buyers and 33% of non-NFA rice buyers (see Table 9 above). Physical access appears to be better in Visayas, much better in Balance Luzon, and best in NCR. Physical access also appears to be much better in urban areas than in rural areas.

## 7. FACTORS INFLUENCING RICE PURCHASES

25. Price and quality are the major determinants of choice of rice purchased. Some 70% bought NFA rice because of lower price and an equal proportion (70%) bought non-NFA rice because of better quality.<sup>15</sup>

26. Since the NFA is engaged in emergency and buffer stocking to iron out seasonal and/or localized supply shortages, it generally stores rice longer than the average rice trader. Storage, if not adequately configured, could take a huge toll on the quality of rice. Moreover, unlike private traders who can finely discriminate prices based on rice quality differences, the NFA generally maintains only two release prices within a very narrow range: one for regular milled rice and one for well milled rice, the latter PhP1.00 per kilo higher than for regular milled rice.<sup>16</sup> The quality of NFA rice stocks is highly variable, since they come from different sources, both from local procurement and imports. A retailer may occasionally get good quality rice from the NFA, if no other stock is available. Normally, the NFA mixes fast moving good quality rice with slow-moving poor quality rice for most of its releases.<sup>17</sup> Any good quality rice that the NFA releases may also be switched and sold as non-NFA rice or mixed with bad quality rice by retailers.

<sup>15</sup> About 70% of the respondents who bought NFA rice cited "price" as the most important reason for buying it. In contrast, 70% of the respondents who bought non-NFA rice cited "quality" as the most important reason for buying it.

<sup>16</sup> In 1999, the NFA adopted a release price for imported special rice that is PhP1.00 per kilo higher than the price for its locally-procured well-milled rice. NFA's release prices in 1999 were PhP14.00 per kilo for regular milled rice, PhP15.00 for well milled rice, and PhP16.00 for imported special rice

<sup>17</sup> Clarete, et. al., 1998, "Philippine Grains Sector Development Program Project."

27. The survey highlights that the quality of NFA rice is generally inferior to non-NFA rice (see Table 10 below). Some 31% of NFA rice buyers rated NFA rice as low in quality. In particular, smell,<sup>18</sup> taste and color are the attributes that are most frequently described as poor for NFA rice. In comparison, very few non-NFA rice buyers rated non-NFA rice as low quality and/or lacking in the other quality attributes.

**Table 10: Rating of Rice**  
 (Percentage of respondents)

| Region/Area/Group | Low in Quality |         | Poor in Taste |         | Poor in Color |         | Poor in Smell |         |
|-------------------|----------------|---------|---------------|---------|---------------|---------|---------------|---------|
|                   | NFA            | Non-NFA | NFA           | Non-NFA | NFA           | Non-NFA | NFA           | Non-NFA |
| RP                | 31             | 3       | 24            | 1       | 22            | 0       | 40            | 4       |
| NCR               | 24             | 2       | 12            | 1       | 35            | 0       | 29            | 3       |
| Balance Luzon     | 28             | 2       | 25            | 1       | 14            | 1       | 35            | 3       |
| Visayas           | 40             | 1       | 15            | 0       | 35            | 0       | 30            | 2       |
| Mindanao          | 38             | 6       | 32            | 1       | 27            | 0       | 62            | 9       |
| Urban             | 29             | 2       | 18            | 0       | 23            | 0       | 35            | 2       |
| Rural             | 33             | 5       | 30            | 2       | 21            | 1       | 46            | 8       |
| Poor              | 36             | 5       | 27            | 1       | 26            | 1       | 48            | 6       |
| Middle-Income     | 29             | 1       | 22            | 0       | 18            | 0       | 31            | 5       |
| Rich              | 21             | 3       | 17            | 1       | 17            | 0       | 33            | 3       |

28. Poor ratings for quality, smell and taste of NFA rice are more prevalent in Mindanao compared to other regions. Poor ratings for quality, taste, color and smell of NFA rice are more prevalent among the poor compared to middle-income and rich households. Those in rural areas more frequently rated quality, taste and smell of NFA rice as poor compared to urban residents, even though urban households more frequently described NFA rice as poor in color. Thus, the poor, rural residents and the people of Mindanao have to tradeoff some important quality attributes for the cheaper NFA rice.

## 8. TARGETING RICE SUBSIDIES TO THE POOR

29. There is majority support for targeting rice subsidies to the poor<sup>19</sup> (see Table 11 below). Some 56% of the respondents believe that poor people should pay a lower price for NFA rice. This belief is prevalent across regions, in urban and rural areas, and across expenditure groups.

<sup>18</sup> The sack-like odor, often associated with NFA rice, can be attributed to the fact that NFA's buffer stock is sometimes stored for longer periods than is ideal.

<sup>19</sup> While there is broad support for targeting rice subsidies to the poor, this does not automatically imply that there is broad support for NFA and its operations.

**Table 11: Client Views on Targeting Subsidized Rice to the Poor**  
 (Percentage of respondents)

| Region/Area/Group | Agree that Poor People Should Pay Lower for NFA Rice |
|-------------------|--|
| RP                | 56   |
| NCR               | 51   |
| Balance Luzon     | 55   |
| Visayas           | 61   |
| Mindanao          | 55   |
| Urban             | 52   |
| Rural             | 61   |
| Poor              | 57   |
| Middle-Income     | 57   |
| Rich              | 53   |

30. Situating retail outlets in poor areas appears to be the most preferred mode for targeting. Thus, about 54% of the respondents believe that the most effective program for targeting subsidized rice to the poor is through special stores selling NFA rice in poor barangays. Again, there is not much difference on this assessment across regions, between urban and rural areas, and across expenditure groups (see Table 12 below).

**Table 12: Client Views on Special Stores to Target Subsidized Rice to Poor**  
 (Percentage of respondents)

| Region/Area/Group | Special Stores in Poor <i>Barangays</i> |
|-------------------|---|
| RP                | 54                                      |
| NCR               | 59                                      |
| Balance Luzon     | 59                                      |
| Visayas           | 48                                      |
| Mindanao          | 47                                      |
| Urban             | 54                                      |
| Rural             | 52                                      |
| Poor              | 53                                      |
| Middle-Income     | 48                                      |
| Rich              | 58                                      |

31. A smaller proportion of the respondents (36%) think that giving poor people identification (ID) cards would be effective for targeting subsidized rice to the poor (see Table 13 below). An equal proportion indicated that it would be implemented with no corruption. About 16% of the respondents think that giving poor people ID cards to obtain subsidized rice would be implemented with much corruption, while 48% think it would be implemented with some corruption. Indeed, corruption would presumably occur in the identification of people entitled to ID cards, in the distribution of ID cards, and even in the sale of the subsidized rice to ID card holders. Moreover, the administrative costs of identifying poor households eligible to the ID card and the controls and monitoring required to stem and prevent corruption would substantially lower the cost effectiveness of this mode of targeting.

**Table 13: Client Views on Giving Poor People ID Cards to Target Subsidized Rice**  
 (Percentage of respondents)

| Region/Area/Group | Giving Poor People ID Cards |
|-------------------|-----------------------------|
| RP                | 36                          |
| NCR               | 28                          |
| Balance Luzon     | 32                          |
| Visayas           | 41                          |
| Mindanao          | 43                          |
| Urban             | 35                          |
| Rural             | 38                          |
| Poor              | 36                          |
| Middle-Income     | 42                          |
| Rich              | 32                          |

32. There is much less support (only 10%) in giving food stamps to poor people to buy subsidized rice (see Table 14 below). The reservations appear to be essentially on the implied limits on the quantity of rice that could be bought, as embodied in the stamps. Moreover, such mode of subsidizing entails more cumbersome and costly administration, especially if the distribution of the stamps would be done recurrently.

**Table 14: Client Views on Food Stamps to Target Subsidized Rice to Poor**  
 (Percentage of respondents)

| Region/Area/Group | Giving Poor People Food Stamps |
|-------------------|--------------------------------|
| RP                | 10                             |
| NCR               | 13                             |
| Balance Luzon     | 9                              |
| Visayas           | 11                             |
| Mindanao          | 10                             |
| Urban             | 11                             |
| Rural             | 9                              |
| Poor              | 11                             |
| Middle-Income     | 10                             |
| Rich              | 10                             |

## 9. ERAP (ENHANCED RETAIL ACCESS FOR POOR) STORES

33. Unlike the regular NFA rice release operations, ERAP outlets<sup>20</sup> are supposed to be located where the poor are, as ERAP stores are intended to provide the poor better access to basic commodities at subsidized prices. It is thus not surprising that awareness of ERAP stores is lower, overall, compared to awareness of NFA rice, which is accessible to all (see Table 15 below). In the aggregate, some 21% of respondents were not aware of *sari-sari* stores, 37% were unaware of rolling stores or *tinda* vans, and 43% were not aware of *Palengke Ng Bayan* outlets. It is very striking that lack of awareness of ERAP stores is consistently, for all outlet types, highest among the poor and lowest among the rich. Similarly, awareness is quite high in NCR (economically better-off

<sup>20</sup> There are three kinds of ERAP outlets: *Palengke ng Bayan* outlets or accredited stalls in public markets, *Sari-Sari* stores or accredited neighborhood convenience stores, and rolling stores which are *tinda* vans (mobile stores) operated by the NFA to sell in designated public places.

region), and extremely low in Mindanao (economically poorest region), especially for rolling stores and *Palengke ng Bayan* outlets.

**Table 15: Non-Awareness of ERAP Stores**  
(Percentage of respondents)

| Region/Area/Group | Sari-Sari Stores | Rolling Stores/ Tinda Vans | Palengke ng Bayan |
|-------------------|------------------|----------------------------|-------------------|
| RP                | 21               | 37                         | 43                |
| NCR               | 8                | 5                          | 14                |
| Balance Luzon     | 20               | 27                         | 33                |
| Visayas           | 20               | 44                         | 49                |
| Mindanao          | 32               | 71                         | 75                |
| Urban             | 16               | 26                         | 33                |
| Rural             | 28               | 54                         | 59                |
| Poor              | 33               | 57                         | 60                |
| Middle-Income     | 20               | 34                         | 42                |
| Rich              | 13               | 25                         | 32                |

34. Some 41% of respondents buy basic commodities, including but not limited to NFA rice, at subsidized prices from *sari-sari* stores, 26% from *tinda* vans and 20% from *Palengke ng Bayan* (see Table 16 below). Mindanao has particularly high patronage, 55% for *sari-sari* stores, notwithstanding that awareness is lowest and number of stores least in the region.<sup>21</sup> This indicates that demand for lower-priced products is strong there, perhaps a reflection of higher poverty incidence in Mindanao. To this end, more ERAP outlets should be located in Mindanao. In contrast, Balance Luzon has the lowest patronage of all types of ERAP stores, despite high awareness and largest number of stores.

**Table 16: Use of ERAP Stores**  
(Percentage of respondents)

| Region/Area/Group | Sari-Sari Stores | Rolling Stores/Tinda Vans | Palengke ng Bayan |
|-------------------|------------------|---------------------------|-------------------|
| RP                | 41               | 26                        | 20                |
| NCR               | 49               | 50                        | 35                |
| Balance Luzon     | 26               | 17                        | 13                |
| Visayas           | 49               | 35                        | 28                |
| Mindanao          | 55               | 19                        | 17                |
| Urban             | 40               | 31                        | 25                |
| Rural             | 41               | 18                        | 14                |
| Poor              | 38               | 18                        | 15                |
| Middle-Income     | 39               | 27                        | 19                |
| Rich              | 44               | 31                        | 25                |

35. It is cause for concern that use of the three ERAP outlets, especially rolling stores and *Palengke ng Bayan*, is consistently highest among the rich and lowest among the poor (see Table 16 above). Use of ERAP *sari-sari* stores is about the same in urban and rural areas, but use of *tinda* vans and *Palengke ng Bayan* is more prevalent in urban areas. Thus, the ERAP stores program seemed to have resulted in perverse outcomes,

<sup>21</sup> Secondary data reveal that Mindanao has the least number of ERAP outlets and Balance Luzon has the highest number. For example, there were 1,165 *Sari-Sari* stores and 335 *Palengke ng Bayan* outlets in Mindanao, at the end of 1999 and 2000, respectively. In contrast, there were 3,431 *Sari-Sari* stores and 637 *Palengke ng Bayan* outlets in Balance Luzon.

with a better access in urban areas (which already enjoy good access to basic commodities) than rural areas, and a larger proportion of the non-poor patronizing them as compared the poor.

## 10. KEY FINDINGS AND RECOMMENDATIONS

36. Client awareness that NFA sells subsidized rice is high. Yet, only 15% of respondents bought NFA rice and the rest patronized non-NFA rice. Price is the major reason for buying NFA rice, while quality is the major consideration for buying non-NFA rice. Indeed, a fair proportion of NFA rice buyers describe it as low in quality and poor in taste, smell and color. Clearly, NFA rice buyers have to trade-off quality for cheaper price.

37. Despite the NFA's limited participation in the market, it nonetheless appears to have reached the poor more, with some 27% of the poor buying NFA rice compared to 16% of the middle-income and 6% of the rich households. Targeting of the poor apparently occurs because the poor quality of NFA rice does not attract the more affluent. The better-off can afford to put a premium on quality in purchasing decisions, while the subsidized price attracts the poor whose buying decisions put much weight on price/affordability.

38. The low quality of NFA rice, which resulted in some targeting to the poor, is not intentional on NFA's part. Low quality results because the NFA stores the rice longer than the average rice trader. Also, the quality of NFA rice stocks is not consistent, as these come from various sources. Moreover, the NFA's limitations on release prices encourage mixing good quality stocks with poor quality stocks to hasten the disposal of the poor quality stocks.

39. Mindanao appears especially disadvantaged in relation to NFA rice. Of the four regions, Mindanao has the highest proportion of households without access to NFA rice -- 24% of respondents in the region bought non-NFA rice because NFA rice was unavailable. To compound the problem, physical access to the outlets, especially for NFA rice buyers, appears to be more difficult in Mindanao compared to other regions. The disadvantage is apparent even on ERAP stores, which are supposed to be located in areas where the poor live. The region has the least number and lowest awareness of ERAP stores.

40. A higher proportion of NFA customers in Mindanao describe the rice as poor in quality, taste and smell, compared to the rest of the Philippines. Client satisfaction with quality of rice is especially low in Mindanao and lowest among all regions. Mindanao lags behind Luzon and Visayas in most socio-economic indicators. A major reason given for Mindanao's pronounced under-development is inadequate physical and social infrastructure, which deserves considerable improvement.<sup>22</sup> This appears to hamper

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<sup>22</sup> For example, on average, there is only 34.54 meters of paved road per square kilometer of land in Mindanao, which is well below the national average. In addition the maintenance of existing road infrastructure has not been a priority in road development programs in Mindanao, leading to its rapid

customers' access to NFA rice in Mindanao. NFA should look more closely at its Mindanao operations, with special focus on making rice more available, accessible and affordable.<sup>23</sup>

41. Because the NFA rice release operations are geared towards price and supply stabilization rather than poverty eradication, the non-poor also have access to the subsidized rice. Some 6% of rich and 16% of middle-income respondents availed of NFA rice. The non-poor effectively enjoy a slightly bigger share of total subsidies granted through the sale of NFA rice, since the rich and middle-income households, taken together, outnumber the poor households, and since the rich and the middle class buy more rice each month than the poor. Their access to the rice subsidy can only be assessed as a misallocation of limited resources of a government concerned both with trimming the budget deficit and improving services for the poor. Indeed, previous studies have noted that a general food price subsidy is costly and does little for poverty reduction, with a higher proportion of benefits going to the non-poor.<sup>24</sup> To this end, the government should consider targeting subsidized rice to the poor, rather than providing a general rice subsidy.

42. Targeting rice subsidies has been on the government agenda for the past few years. The Report Card results indicate broad support for targeting rice subsidies to the poor. They also point out that the amount of subsidies currently provided through NFA rice is not enough to make a significant difference for the poor, considering both costs (e.g., poor quality and uncertain supply/availability) and benefits (cheaper price). Despite access to cheaper NFA stocks, expenditure on rice absorbs 17% of total household expenditure of the poor. Some 24% of the poor buying NFA rice rate the price of NFA rice to be expensive.

43. Situating NFA rice outlets in poor areas appears to be the most preferred mode for targeting.<sup>25</sup> The Report Card survey results on ERAP stores, which were supposedly location targeted, are however not encouraging. Awareness and use of these outlets are higher among the rich and lowest among the poor. Clearly, the unqualified access to ERAP stores is an issue, especially since the basic commodities sold in ERAP outlets are subsidized by the government. As a first step, more ERAP stores should be located in poorer areas, especially in Mindanao, to enable disadvantaged residents to avail of the low-priced basic commodities offered.

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deterioration. The low road density in Mindanao, particularly the paved type, and its poor maintenance, have a negative impact on the marketing of agricultural and other commodities including basic necessities and other consumer goods. See *Draft Mindanao Sustained Peace and Development Framework Plan*, National Economic and Development Authority, 2000.

<sup>23</sup> Because of NFA's present policy of prescribing a uniform mark-up (PhP1.00 per kilo across all areas), retailers that sell in far-flung areas and incur higher transportation costs end up with a lower net profit. This situation discourages retailers from selling in far-flung and infrastructure-deficient areas. It may be worthwhile for NFA to consider adjusting mark-ups (perhaps through a transportation subsidy) to ensure that these areas are covered by NFA rice.

<sup>24</sup> See, for example, Balisacan, 1994, "Targeting Subsidies to the Poor: The Case of Food Subsidies."

<sup>25</sup> This recommendation is also supported by the *Philippines Poverty Assessment*, The World Bank, 2000.

## 11. TARGETED LOW-PRICED RICE DISTRIBUTION PILOT PROGRAM

44. The Report Card survey results confirm the desirability of targeting NFA rice subsidies to the poor. The challenge is how to accomplish this in the most cost-effective manner. The survey findings show that self-targeting, or configuring the subsidy such that the non-poor elect not to avail, could work. This conclusion is supported by the greater availment by the poor of NFA rice, which is lower in quality. But subsidizing mainly low quality goods may be unacceptable public policy for some, as it may appear to imply that it is alright for the poor to have access only to low quality goods. Moreover, doing so may have negative effects on people's perception of government resolve to help the poor. Nonetheless, as pointed out by Balisacan,<sup>26</sup> low quality rice need not necessarily be inferior on other counts, such as nutritional value. Balisacan further points out that a number of countries have successfully implemented such a scheme of self-targeting food subsidies, for example, sorghum flour in Bangladesh; dark and coarse wheat flour in Egypt; coarse wheat flour in Morocco; and yellow maize in Mozambique.

45. Among the various options for targeting subsidized rice to the poor, the respondents preferred geographic targeting. The NFA recently launched a pilot program to test the implementation of a targeted low-priced rice distribution program (see Box 1 below). The scheme basically uses geographic targeting but further limits the target beneficiaries and the quantity of rice they could buy through the use of passbooks. It is likely that a combination of geographic targeting with issuance of passbooks (a form of ID cards) may reduce leakages significantly, as compared to either program alone. Geographic targeting would focus on areas with concentrations of poor (or where the non-poor are likely to be a minority), thereby reducing leakages to the non-poor. Issuance of ID cards to the targeted poor in these areas is less likely to be subject to inclusion of the non-poor, as the majority poor are likely to be more vigilant and may have the political clout to enforce stricter targeting. Also, the hesitation on the part of a poor household to accept an ID card due to the perception of a stigma attached to being labeled as "poor" is likely to be less, as a large majority of their neighbors will also be issued the passbooks.

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<sup>26</sup> Balisacan, et. al., 2000, "Approaches to Targeting the Poor."

**Box 1: NFA's Targeted Low-Priced Rice Distribution Pilot Program**

**Objective:** Ensure the availability and accessibility of low-priced and good quality NFA rice to families below the food threshold.

**Program Beneficiaries:** Families below the food threshold to be chosen from poorest barangays in the 5<sup>th</sup> and 6<sup>th</sup> class municipalities in provinces listed under the Comprehensive Integrated Delivery of Social Services (CIDSS) Program of the Department of Social Welfare and Development (DSWD) and from relocation areas, fishing villages and depressed areas in Metro Manila, Metro Cebu and Metro Davao. Selection of family beneficiaries shall be done jointly by the NFA, the DSWD and the Local Government Units (LGUs).

**Rice Outlets:** Existing ERAP and NFA outlets in targeted areas; in the absence of such, DSWD and LGUs may recommend the designation of an outlet.

**Entitlement:** Each beneficiary family shall be entitled to a rice allocation of 2 kilograms (kg) per person, per week of regular milled rice, 25% broken, at the price of PhP14.00 per kg.

**Controls:** Each beneficiary family can purchase at any one time a maximum of 14 kg or its allocation for one week; unavailed allocations are forfeited after one week; beneficiary families each have a passbook, issued and pre-numbered by the NFA Central Office, on which all purchases are recorded; outlets have ledgers, with control numbers from the concerned NFA provincial office, on which all purchases by beneficiary families are recorded.

46. A key Report Card survey finding is that the amount of subsidy on NFA rice is modest. However, the price at which rice is offered under the NFA's Targeted Low-Priced Rice Distribution Pilot Program is not different from the price at and subsidies with which NFA rice is currently being sold in its regular outlets. Presumably, the NFA will adjust its regular prices and reduce subsidies for the generally accessible stocks, with the full implementation of the targeted program. The savings expected from adjusting prices for the generally accessible rice should be redirected to increasing coverage and subsidies to the poor.<sup>27</sup> It is recommended that the pilot program should offer a higher subsidy to make it different from the generally accessible program and thus improve its impact on the poor beneficiaries.

47. The pilot program limits the entitlement of subsidized rice allocation per person per week. However, the respondents in the Report Card survey were least supportive of food stamps, presumably due to the implied limits on the quantity of rice that can be bought by a family. To this end, the government may wish to review the entitlement level, following the pilot phase.

48. In relation to the targeted program, the NFA should take steps to substantially differentiate prices between different qualities of rice sold to eliminate the need for mixing stocks of varying quality and to improve the consistency between quality and price charged. It is noted that the stocks to be offered under the targeted program is ordinary rice, 25% broken. There should be further minimum specifications with respect to other important characteristics, such as milling quality, smell and color of the rice, so that the clients are assured of reasonable quality. This would in part address the survey findings concerning the higher dissatisfaction of the poor with the quality, smell, taste and color of NFA rice.

<sup>27</sup> To this end, a more in-depth review of the subsidy level is proposed after the completion of the pilot program. It is recognized that this review will have to be comprehensive, and undertaken in the broader context of the overall government subsidies to, and resources for, the poor.

49. Finally, LGUs should probably be given a bigger responsibility for this program. LGUs should have primary responsibility for targeting areas/sites; screening, selecting and enlisting beneficiaries; and monitoring implementation. The LGUs are not only better positioned to perform these tasks, but they also have more direct responsibility for and accountability to their poor constituents.<sup>28</sup> At the same time, the LGUs should be asked to contribute to the cost, so that they share in the concern for cost-efficiency. Moreover, non-government organizations and people's organizations should also be asked to share in the monitoring of program implementation.<sup>29</sup>

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<sup>28</sup> The Report Card Findings reveal that the closer the level of government to the public, the more likely it is that the constituents, especially the poor, know their representatives and the less the perception of (and scope for) corruption in delivery of government programs at the grassroots. See Chapter VII on the *Lingap Para sa Mahihirap* Program.

<sup>29</sup> NGOs and POs have experience in undertaking independent monitoring of public service delivery. This type of civil society monitoring could significantly increase the credibility of the review process.

**FILIPINO REPORT CARD ON PRO-POOR SERVICES**  
**CHAPTER VII: LINGAP PARA SA MAHIHIRAP PROGRAM**  
**(Caring for the Poor Program)<sup>1</sup>**

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"As a result of the *Lingap* Program, a new class of poor is emerging --  
*the political poor* -- who are chosen by the political establishment."

Feedback from Stakeholder Workshop on Filipino Report Card, May 2000

**1. POVERTY ALLEVIATION FUNDS<sup>2</sup>**

1. Poverty reduction has been recognized by all post-Marcos Administrations as a moral obligation, social concern, national security imperative, economic necessity, and political priority in the Philippines. Over the past fifteen years, a number of pro-poor programs with either an exclusive focus, or with special components, on poverty reduction have been implemented by the government. The first serious, comprehensive and targeted government effort on poverty reduction in the post-Marcos era began with the approval of the Poverty Alleviation Fund (PAF-1) for PhP4 billion in 1996.<sup>3</sup>
2. The Fund was intended to support poverty reduction programs in the poorer fifth- and sixth-class municipalities in 20 priority provinces<sup>4</sup> and Mindanao, with particular focus on the Autonomous Region of Muslim Mindanao (ARMM).<sup>5</sup> The Fund (PAF-1) provided support for livelihoods,<sup>6</sup> family health and nutrition, and educational assistance.<sup>7</sup>
3. While PAF-1 was a good start, poverty incidence was only one of several factors that guided the allocation of funds, and, as a result, some of the poorer regions received lower than expected allocations. The activities implemented often reflected the concerns and priorities of the National Government Agencies (NGAs) and the goods and services delivered by the Agencies did not seem to have matched the felt-needs and priorities of

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<sup>1</sup> This chapter has been prepared by Musunuru Rao and Joven Balbosa, with inputs from the Report Card team.

<sup>2</sup> The presentation in this section draws heavily on the paper by Balisacan, et. al., *Approaches to Targeting the Poor*, Final Report to NEDA in Support of the UNDP-Assisted Project on Strengthening Institutional Mechanisms for Convergence of Poverty Alleviation Efforts, Manila, March 10, 2000.

<sup>3</sup> It could be argued that the creation of the *Tulong sa Tao Program* in 1987 was the first serious government effort on poverty alleviation in the post-Marcos era. Although the program was targeted to low-income groups, inclusion/exclusion criteria were not enumerated, and therefore, there was no effort to screen prospective beneficiaries.

<sup>4</sup> Identified based on poverty incidence determined using income/expenditure levels and social indicators.

<sup>5</sup> The relationship between the economic level of municipalities/provinces and poverty incidence is at best tenuous. See *Philippines Poverty Assessment*, The World Bank, 2000.

<sup>6</sup> For example, direct assistance to farmers, rehabilitation of irrigation systems and assistance to undocumented overseas contract workers.

<sup>7</sup> In the form of scholarships, hiring of teachers and purchase of school equipment such as desks.

the target clientele.<sup>8</sup> Delays in preparation and issuance of Fund Guidelines and release of funds resulted in the deferral of program implementation by one cycle in some cases.<sup>9</sup> Disbursements from the Fund were slow. There was no systematic monitoring of whether, or to what extent, the goods and services financed by the Fund reached the targeted poor, or an evaluation of their impacts.

4. A second Poverty Alleviation Fund (PAF-2) for PhP2 billion was approved in 1997. Like PAF-1, PAF-2 promoted an area-based (geographic targeting) approach for pulling together all the poverty alleviation efforts to meet the six most basic minimum needs (MBNs) of the people.<sup>10</sup> The six basic minimum needs identified were housing and resettlement, water and sanitation, health and nutrition, basic education, childcare and livelihood opportunities.

5. Unlike PAF-1, which covered only 20 priority provinces, PAF-2 funds were distributed to all fifth- and sixth-class municipalities all over the country and cities, other than Manila. The funds allocation was based on the number of fifth and sixth-class municipalities per province.<sup>11</sup> As in PAF-1, poverty incidence was a consideration in the allocation of funds under PAF-2. However, the actual allocation among provinces did not seem to have reflected the poverty focus.

6. Municipal Technical Working Groups (MTWGs) were organized in each recipient municipality to vet and approve projects. However, political interference from the mayors of the municipalities often overrode the decisions of the MTWGs. Also, civil society participation, in the form of representation from basic sectors in the decision-making processes, and in implementation and monitoring of projects, was missing as the basic sectors were not fully organized and prepared to take on the roles visualized in PAF-2. The Fund lacked a formal monitoring system, and, consequently, like PAF-1, assessment of the extent to which the goods and services under PAF-2 reached the target poor, and their impact, is lacking.

7. A third Poverty Alleviation Fund (PAF-3) was approved in 1998 for PhP2.5 billion. It was intended to ameliorate the adverse impacts of the *El Niño* and *La Niña*

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<sup>8</sup> For example, the scholarship assistance was biased towards higher education and to medicine and post-graduate courses in science, education and engineering, which may have included few students from poor families.

<sup>9</sup> For example, one school-year for the Department of Education, Culture and Sports and one crop-season to one year for the Department of Agriculture.

<sup>10</sup> The MBN approach utilizes some 33 socioeconomic indicators focussing on three major areas of family wellbeing: (i) survival, (ii) security, and (iii) enabling services. The survival indicators include food and nutrition, health, water and sanitation and clothing; the security indicators cover shelter (housing), peace and order/public safety, income and employment; and the enabling services encompass such areas as basic education and literacy, people's participation in community development and political processes (e.g., voting in elections), and family care/psychological needs (e.g., child labor, domestic violence and child care).

<sup>11</sup> Poverty incidence in fifth- and sixth-class municipalities would have been a more appropriate choice for funds allocation. However, this was not feasible due to lack of data on poverty incidence at the municipality level. In fact, municipalities do not seem to update even such basic statistics as population within the municipality.

weather phenomena as well as the Asian Financial Crisis. The focus of the Fund was on helping farmers and fisherfolk affected by the weather phenomena, indigenous peoples and the urban poor. Release of monies from the Fund was delayed significantly and its implementation was hamstrung by cash-flow problems (brought about by the Financial Crisis). Some of the administrative requirements for indigenous people's groups to be eligible to receive assistance proved to be too stringent.<sup>12</sup> The urban poor component comprising socialized housing encountered delays in land acquisition by the National Housing Authority. As a result, overall implementation of the Fund seemed to have been delayed by as much as a year or more. Again, there was no systematic assessment of the extent to which the goods and services provided by the Fund reached the target clientele and their impact.

## 2. *LINGAP PARA SA MAHIHIRAP*<sup>13</sup> PROGRAM

8. The poverty reduction approach of the Estrada Administration (under the *Lingap Para sa Mahihirap* Program) should be reviewed in the context of the previous efforts described above. The approach was to help the poorest of the poor first, by bringing down the number of poor households from 31.8% in 1997 to about 20% by 2004.<sup>14</sup> This means a reduction of about 12 percentage points during the normal six-year term of the Administration, or an average of 2 percentage points per year.<sup>15</sup> In absolute terms, the Program aims to reduce the number of poor families from 4.8 million in 1997 to 3.4 million by 2004; or the number of poor Filipinos from 24 million in 1997 to 17 million by 2004. In other words, the Program aims to help each year, on average, about two million poor Filipinos (or about 400,000 families) to graduate out of poverty.

9. The *Lingap Para sa Mahihirap* was launched as the flagship Program of the Estrada Administration to reduce poverty. Initially, about 16,100 poorest families (100 poorest families in each of the 78 Provinces and 83 cities<sup>16</sup>) were identified by the Local Government Units (LGUs), using the MBN approach. Government help under the Program is to be channeled to the poor families in the form of a package of assistance on (i) food, nutrition and medical assistance, (ii) price support for rice and corn, (iii) protective services for children and youth, (iv) rural waterworks, (v) socialized housing, and (vi) livelihood development.<sup>17</sup>

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<sup>12</sup> For example, registration with concerned government agencies, comprehensive consultations with the community on work and financial plans, etc.

<sup>13</sup> This Tagalog term translates approximately to "caring for the poor" or "taking care of the poor."

<sup>14</sup> This target has been subsequently adjusted by the National Anti-Poverty Commission to make it consistent with the Medium-Term Philippine Development Plan, 1999-2004. The revised target is to bring down the poverty incidence from 31.8% to 25-28% by 2004.

<sup>15</sup> This would require (roughly) a GDP growth rate of 7.5% per annum, allowing for a population growth rate of about 2.5% per annum and a poverty reduction to GDP elasticity of 0.4.

<sup>16</sup> The 78 provinces and 83 cities in the country are divided into 1,525 municipalities. The municipalities are classified into six categories based on population, income and access. The municipalities, in turn, are divided into *barangays*.

<sup>17</sup> Please see Box 1 for subcomponents under the six components of the Program.

10. The National Anti-Poverty Commission (NAPC) was given the responsibility to exercise policy oversight and monitoring functions over the Program, while delivery of goods and services will be through existing line Departments and Agencies of the Government, LGUs, and civil society organizations.<sup>18</sup> A Project Advisory Board (PAB) was also created in each *Lingap* Implementing Agency with representation from at least three Basic Sectors of NAPC<sup>19</sup> and concerned Committees of the House of Representatives and the Senate. The PABs formulated the agency guidelines for program implementation.<sup>20</sup> A Project Advisory Committee was created at the national level to advise on the overall Program.<sup>21</sup>

### 3. FUNDING

11. The 1999 General Appropriations Act allocated Php2.5 billion to the *Lingap Para sa Mahihirap* Fund to be used exclusively to satisfy the minimum basic needs of poor communities and disadvantaged sectors through the various programs (to be) implemented by the government agencies.<sup>22</sup> Distribution of the resources by agency and component of the Program is provided in Box 1. According to one account, only about 32% of the Php2.5 billion is under the control of the National Government Agencies, with the balance (68%) to be allocated by members of Congress (House and Senate).<sup>23</sup> This effectively vests control on allocation of the lion's share of the funds based on political (patronage) considerations, with poverty reduction being one element of the

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<sup>18</sup> See Executive Order No. 92, dated April 12, 1999. The main government agencies tasked with delivery of the services to poor families (or implementation of the Program) include the Department of Health (DOH), National Food Authority (NFA), Department of Social Welfare and Development (DSWD), Local Water Utilities Authority (LWUA), National Housing Authority (NHA), and Cooperative Development Authority (CDA) [see Box 1]. The Department of Interior and Local Government (DILG) is involved both in the NAPC and the various coordination committees of the *Lingap* Program.

<sup>19</sup> The 14 basic sectors of NAPC are (i) artisanal fisher folk, (ii) children, (iii) cooperatives, (iv) farmers and landless rural workers, (v) indigenous peoples, (vi) non-government organizations, (vii) persons with disabilities, (viii) senior citizens, (ix) urban poor, (x) victims of disasters and calamities, (xi) workers in the informal sector, (xii) workers in the formal sector and migrant workers, (xiii) women, and (xiv) youth and students.

<sup>20</sup> The *Lingap Para sa Mahihirap* Implementing Guidelines were signed on 12 August 1999 and published in local newspapers on 25 September 1999.

<sup>21</sup> The Committee comprised NAPC Vice-Chairperson for Government Sector (Committee Chair), Secretary of Budget and Management (Co-Chair), NAPC Vice-Chairperson for Basic Sector (Committee - Vice-Chair), Heads of the National Government Agencies implementing the *Lingap* Program, and National Presidents of the Leagues of Provinces, Cities, Municipalities and *Barangays*.

<sup>22</sup> If all the approved funds were to be earmarked to help only the 16,100 poorest families initially identified, it would work out to more than Php150,000 per family, after allowing for administrative costs. This is about 250% of the Php60,000 annual income required for a family to be at the poverty line. If the Program funds were distributed to all the targeted 400,000 poor families per year, each family should receive, on average, about Php6,000 or about 10% of the annual income required for a family to be at the poverty line.

<sup>23</sup> Balisacan, et. al., *Approaches to Targeting the Poor*, Final Report to NEDA in Support of the UNDP-Assisted Project on Strengthening Institutional Mechanisms for Convergence of Poverty Alleviation Efforts, 10 March 2000.

latter. Unfortunately, the *Lingap* Program appears to be very much in the mold of the preceding three poverty alleviation funds (PAFs) set up by the government since 1996.<sup>24</sup>

| <b>Box 1: LINGAP PARA SA MAHIHIRAP</b>                 |       |              |
|--|-------|--------------|
| <b>Fund Allocation in 1999 National Budget</b>         |       |              |
| <b>(in millions of PhP)</b>                            |       |              |
| <b>A. DEPARTMENT OF HEALTH</b>                         |       |              |
| <b>Food, Nutrition and Medical Assistance</b>          |       |              |
| 1. Medical Insurance Fund                              | 10    |              |
| 2. Sustansiya para sa masa (Nutritional supplements)   | 143   |              |
| 3. Garantisadong Pambata (Early childhood care)        | 70    |              |
| 4. Medical Assistance Fund                             | 133.5 |              |
| 5. Assistance to RHUs and BHSs                         | 133.5 |              |
| 6. Administrative cost                                 | 10    |              |
| <b>SUBTOTAL</b>  |       | <b>500</b>   |
| <b>B. NATIONAL FOOD AUTHORITY</b>                      |       |              |
| <b>Price Support for Rice and Corn</b>                 |       |              |
| 1. Erap Sari-Sari Store                                | 90    |              |
| 2. Emergency Relief Operation                          | 80    |              |
| 3. Rice/Corn Subsidy Program                           | 90    |              |
| 4. Farmers Alleviation program                         | 120   |              |
| 5. Administrative cost                                 | 20    |              |
| <b>SUBTOTAL</b>  |       | <b>400</b>   |
| <b>C. DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT</b> |       |              |
| <b>Protective Services for Children and Youth</b>      |       |              |
| 1. Protective services for Children and Youth          | 285   |              |
| 2. Administrative cost                                 | 15    |              |
| <b>SUBTOTAL</b>  |       | <b>300</b>   |
| <b>D. LOCAL WATER UTILITIES AUTHORITY</b>              |       |              |
| <b>Rural Waterworks Systems</b>                        |       |              |
| 1. Shallow or deep well/communal faucet                | 288   |              |
| 2. Administrative cost                                 | 12    |              |
| <b>SUBTOTAL</b>  |       | <b>300</b>   |
| <b>E. NATIONAL HOUSING AUTHORITY</b>                   |       |              |
| <b>Socialized Housing</b>                              |       |              |
| 1. Housing to be identified by LGUs                    | 149   |              |
| 2. Housing to be identified by Legislators             | 326   |              |
| 3. Administrative cost                                 | 25    |              |
| <b>SUBTOTAL</b>  |       | <b>500</b>   |
| <b>F. COOPERATIVE DEVELOPMENT AUTHORITY</b>            |       |              |
| <b>Livelihood Development</b>                          |       |              |
| 1. Livelihood Programs through Legislators             | 269   |              |
| 2. Livelihood Programs through Cooperatives            | 206   |              |
| 3. Administrative cost                                 | 25    |              |
| <b>SUBTOTAL</b>  |       | <b>500</b>   |
| <b>TOTAL</b>   |       | <b>2,500</b> |

<sup>24</sup> Political support for appropriating funds for poverty alleviation seems to be tied with legislators' control over these funds, which may lead to "pork-barreling" projects that may have minimal relationship to poverty reduction. This makes any meaningful targeting of the poor virtually impossible.

#### 4. PROGRESS TO DATE

12. As was the case with previous Poverty Alleviation Funds (PAFs), the release of funds for the *Lingap* Program encountered substantial delays, which resulted in the carryover of budget allocation from the 1999 to the year 2000 national budget. The first tranche of the fund (about 30%) was released in August and September 1999, and the succeeding funds were released during May – July, 2000. As of July 25, 2000, the six national government agencies implementing the *Lingap* Program had disbursed PhP1.02 billion or 48 percent of the total PhP2.13 billion released by the Department of Budget and Management (DBM). As of September 2000, NAPC reported fund utilization of 71%, or PhP1.5 billion, from the notice of cash allocation releases of DBM amounting to PhP2.12 billion.<sup>25</sup> The entire fund allocated (PhP2.5 billion) was expected to be utilized by the end of 2000. No new/additional funds were allocated to the *Lingap* Program in the 2000 Budget appropriations.

13. Implementation on the ground also encountered some problems causing delays. First, it was only in late 1999 when the responsible agencies started briefing their field staff on the *Lingap* Program. Second, multi-agency coordination, particularly in the identification of the 100 poorest families took some time, with initial beneficiary list of DSWD (the agency tasked to identify the families using the MBN approach) having to go through the scrutiny of *barangay* officials up to the Local Government executives, and in some cases to their respective Congressional representatives.<sup>26</sup> Third, the preparation of inter-agency memoranda of agreement and other forms of documentation/reports further absorbed the time of field workers which otherwise could have been productively spent in addressing the development needs of the targeted poor families. And finally, bidding rules and complex procurement requirements of necessary equipment to upgrade day care centers, purchase of textbooks, among others, caused delays in the implementation of the *Lingap* Program.

14. It is necessary to take note of the above facts and place in proper perspective the experience of respondents with the *Lingap* Program when the Filipino Report Card survey was implemented. Only a portion (between 30%-50%) of the Program may have been on the ground in a substantial way when the survey was conducted. As a result, it is possible that the respondents' awareness of the *Lingap* Program may be due, in part, to media exposure, interactions with their elected representatives, and initial outreach activities by the concerned Agencies, and based on limited actual implementation experience in their community.

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<sup>25</sup> Source: NAPC Quarterly report on the *Lingap Para sa Mahihirap* Program.

<sup>26</sup> The Department of Interior and Local Government was tasked to coordinate the selection, listing and validation of the 100 poorest families in every province and city.

## 5. THE SURVEY

15. The Filipino Report Card survey, conducted during March 26 - April 17, 2000, sought information on awareness and access of Filipino households to the *Lingap Para sa Mahihirap* Program. The survey responses are analyzed for aggregate Republic of Philippines (RP), by region,<sup>27</sup> rural and urban residence, and one measure of poverty status of the households. This poverty measure is based on household expenditure (expenditure poverty) in three categories – the poor covering those in the lowest three expenditure deciles (or, bottom 30%), the middle-income households that fall in the fourth to sixth expenditure deciles (or, middle 30%), and the rich that are placed in the top four expenditure deciles (or, top 40%). An overview of the survey results is presented in the following sections.

## 6. AWARENESS

16. Less than two-in-three (or 63% of) respondents indicated that they heard about the *Lingap* Program (see Table 1 below).<sup>28</sup> The proportion is marginally higher in NCR (68%) and Balance Luzon (67%), and in urban areas (70%). However, it is lower in Visayas (62%) and Mindanao (56%), and in rural areas (53%). Thus, awareness about the Program is significantly lower in Mindanao and rural areas, where poverty incidence is higher.

**Table 1: Awareness about the *Lingap* Program**

| Region/Area   | Awareness (know before) <sup>1</sup> |         | Total No. of Households |
|---------------|--------------------------------------|---------|-------------------------|
|               | No. of Households                    | Percent |                         |
| RP            | 761                                  | 63      | 1200                    |
| NCR           | 118                                  | 68      | 174                     |
| Balance Luzon | 337                                  | 67      | 505                     |
| Visayas       | 150                                  | 62      | 243                     |
| Mindanao      | 156                                  | 56      | 278                     |
| Urban         | 504                                  | 70      | 719                     |
| Rural         | 257                                  | 53      | 481                     |

<sup>1</sup> Respondent knew of the Program before the interviewer mentioned it.

17. Awareness about the Program is lowest among the poor (57%) followed by middle-income (63%) and rich (69%), under the expenditure poverty classification (see Table 2 below). This is particularly disturbing as the Program is intended to serve at least the poor, if not the poorest of the poor.

<sup>27</sup> These are National Capital Region (or NCR), rest of Luzon excluding NCR (or Balance Luzon), Visayas and Mindanao.

<sup>28</sup> The respondents were asked about awareness of the entire *Lingap* Program rather than awareness of the six components like ERAP *sari-sari* stores, communal faucets, etc. It is possible that awareness of the individual components may be higher, compared to the overall Program since these components are visible at the community level. For example, when respondents were asked about awareness of ERAP *sari-sari* stores in the NFA rice module of the Filipino Report Card, three-in-four Filipinos responded positively. Awareness about ERAP *sari-sari* stores was lowest among the poor (67%) and highest among the rich (87%).

**Table 2: Awareness about the *Lingap* Program**

| Expenditure Group | Awareness (know before) <sup>1</sup> |         | Total No. of Households |
|-------------------|--------------------------------------|---------|-------------------------|
|                   | No. of Households                    | Percent |                         |
| Poor              | 204                                  | 57      | 360                     |
| Middle-Income     | 226                                  | 63      | 360                     |
| Rich              | 331                                  | 69      | 480                     |

<sup>1</sup> Respondent knew of the Program before the interviewer mentioned it.

## 7. INCLUSION OF NON-POOR *BARANGAYS*

18. Between one-in-five and one-in-four sample households (23%) indicated that their *barangays* was listed for coverage under the Program (see Table 3 below). The proportion is somewhat higher than the national average in Visayas and Mindanao (at 26% each). Thus, the deficiency in awareness in Visayas and Mindanao seemed to be partially offset by a higher proportion of sample households indicating that their *barangay* has been listed for coverage under the Program. This is a positive trend. The proportion of households indicating that their *barangay* is listed for coverage is lowest in rural areas (20%). Thus, the rural households seem to be doubly handicapped, first in terms of low awareness, and, next in a lower proportion indicating that their *barangay* is listed for coverage under the Program.

**Table 3: Eligibility of *Barangays* for Coverage Under the *Lingap* Program**

| Region/Area   | Own <i>Barangays</i> Listed |         | Total No. of Households |
|---------------|-----------------------------|---------|-------------------------|
|               | No. of Households           | Percent |                         |
| RP            | 270                         | 23      | 1200                    |
| NCR           | 37                          | 21      | 174                     |
| Balance Luzon | 99                          | 20      | 505                     |
| Visayas       | 63                          | 26      | 243                     |
| Mindanao      | 71                          | 26      | 278                     |
| Urban         | 173                         | 24      | 719                     |
| Rural         | 97                          | 20      | 481                     |

19. The proportion of households indicating that their own *barangay* is listed for coverage under the *Lingap* Program is almost the same (ranging between 22% and 23%) for the poor, middle-income and rich households (see Table 4 below). The number of poor households who indicated that their *barangay* was included for coverage under the Program is less than half of that of the non-poor – middle-income plus rich households. These results do not indicate a pro-poor bias. In fact, a non-poor tilt in terms of the *barangays* listed for coverage under the Program is evident.

**Table 4: Eligibility of *Barangays* for Coverage Under the *Lingap* Program**

| Expenditure Group | Own <i>Barangays</i> Listed |         | Total No. of Households |
|-------------------|-----------------------------|---------|-------------------------|
|                   | No. of Households           | Percent |                         |
| Poor              | 80                          | 22      | 360                     |
| Middle-Income     | 84                          | 23      | 360                     |
| Rich              | 106                         | 22      | 480                     |

## 8. INCLUSION OF NON-POOR HOUSEHOLDS

20. Less than one-in-seven sample households indicated that they were listed to be eligible to receive benefits under the Program (see Table 5 below). The proportions for households in Visayas and Mindanao are marginally higher than in NCR and Balance Luzon. This is a positive trend given that poverty incidence in the former is higher than in the latter regions.

**Table 5: Eligibility of Households for Coverage Under the *Lingap* Program**

| Region/Area   | Own Family Listed |         | Total No. of Households |
|---------------|-------------------|---------|-------------------------|
|               | No. of Households | Percent |                         |
| RP            | 172               | 14      | 1200                    |
| NCR           | 23                | 13      | 174                     |
| Balance Luzon | 67                | 13      | 505                     |
| Visayas       | 40                | 16      | 243                     |
| Mindanao      | 42                | 15      | 278                     |
| Urban         | 101               | 14      | 719                     |
| Rural         | 71                | 15      | 481                     |

21. Among the expenditure groups, about an equal proportion (16%) of the poor and middle-income households indicated that they were listed to be eligible to receive benefits under the Program (see Table 6 below). This demonstrates ineffective targeting to the poor. Further, about 10% of the rich households indicated that they were listed to receive benefits under the *Lingap* Program that is designed to help the poorest of the poor. To make matters worse, the non-poor (middle-income plus rich) households listed to be eligible to receive benefits outnumber the poor by almost two-to-one.

22. In fact, the non-poor may emerge as the primary beneficiaries of this poverty reduction Program if the observed trend continues.<sup>29</sup> This confirms the general perception that hitherto, the Program has not been successful in targeting the poor. One of the reasons may have to do with the intervention of Congressional and other political leaders in the selection of the 100 poorest families and in the distribution of resources/benefits under the Program. It is necessary to analyze in more detail the reasons for this dismal targeting of the Program.

<sup>29</sup> Projecting these results to the *Lingap* Program as a whole leads to the conclusion that about 265,000 of the 400,000 households to be covered under the Program each year are likely to be non-poor, while only 135,000 may be poor.

**Table 6: Eligibility of Households for Coverage Under the *Lingap* Program**

| Expenditure Group | Own Family Listed |         | Total No. of Households |
|-------------------|-------------------|---------|-------------------------|
|                   | No. of Households | Percent |                         |
| Poor              | 58                | 16      | 360                     |
| Middle-Income     | 59                | 16      | 360                     |
| Rich              | 55                | 11      | 480                     |

## 9. ROLE OF ELECTED REPRESENTATIVES

23. The role of people's representatives and other political leaders in the implementation of the *Lingap* Program is prominent. This is most vividly demonstrated by the way in which the members of the Congress and Senate retained control over the distribution of the lion's share of the *Lingap* funds. The legislators are represented on the Program Advisory Boards in each of the National Government Agencies implementing the *Lingap* Program. In fact, the funds under the control of each of the legislators can be released to the beneficiaries only upon the certification by the legislator that the beneficiaries are his/her constituents.

24. Although the role of the *Barangay* Captain in implementation of the Program is not specifically mentioned either in the Program overview or the sector guidelines, the national president of the *Liga ng Mga Barangays* (League of *Barangays*) is a member of the Program Advisory Committee of the *Lingap* Program. It is also important to recognize the key role of the *Barangay* Captain in the economic, social and political life at the grassroots level. The *Barangay* Captain is an elected official that is closest to the people on the ground. Often, the legislators depend on the *Barangay* Captains from the same party for political support at the grassroots. In turn, the *Barangay* Captain could solicit and obtain resources for his/her *barangay*. Thus, the *Barangay* Captain often plays an important role in the identification of the target households and in channeling the program benefits. This is evident under the *Lingap* Program where the initial list of the 100 poorest families prepared by DSWD (the agency tasked to identify the families using MBN approach) had to go through the "scrutiny of *barangay* officials up to the Local Government executives, and in some cases to their respective congressional representatives." Further, some of the interventions under the *Lingap* Program envisage the maintenance and operation of the completed facilities by the *barangays* (e.g., rural water supply), which in turn put the *Barangay* Captain at the center.

25. Keeping the above in view, the respondents were asked whether they knew (i) a Congressman or Senator; and, (ii) a *Barangay* Captain, who will recommend their household to be included under the *Lingap* Program. As a follow-up, the respondents were asked whether a recommendation from these elected representatives would involve a bribe. The concept of a bribe in this context encompasses more than giving money and includes gifts, services, future political support and other means of returning the favor.

26. Almost one-in-four households (23%) indicated that they know a Congressman/Senator who will recommend their household to be included under the *Lingap* Program (see Table 7 below). The proportion of households knowing a Congressman/Senator is significantly higher in Mindanao (28%), which may be

beneficial in remedying the awareness aspects. The results indicate that rural households have less access to members of Congress than their urban counterparts. This may further disadvantage the potential of the former to be included under the Program.

**Table 7: Recommendation from Members of Congress/Senate**

| Region/Area               | Know Member of Congress/Senator | Know Member of Congress/Senate Who Will Recommend With |                       | Total No. of Households |
|---------------------------|---------------------------------|--|-----------------------|-------------------------|
|                           |                                 | No Bribe   | Bribe                 |                         |
| RP (No. of HH)            | 278                             | 221  | 55 <sup>1</sup> (20%) | 1200                    |
| Percent                   | 23                              | 18   | 5                     |                         |
| NCR (No. of HH)           | 44                              | 29   | 14 <sup>2</sup> (32%) | 174                     |
| Percent                   | 25                              | 17   | 8                     |                         |
| Balance Luzon (No. of HH) | 112                             | 92   | 19 (17%)              | 505                     |
| Percent                   | 22                              | 18   | 4                     |                         |
| Visayas (No. of HH)       | 44                              | 40   | 4 (9%)                | 243                     |
| Percent                   | 18                              | 16   | 2                     |                         |
| Mindanao (No. of HH)      | 78                              | 60   | 18 (23%)              | 278                     |
| Percent                   | 28                              | 22   | 6                     |                         |
| Urban (No. of HH)         | 172                             | 136  | 35 (20%)              | 719                     |
| Percent                   | 24                              | 19   | 5                     |                         |
| Rural (No. of HH)         | 106                             | 85   | 20 (19%)              | 481                     |
| Percent                   | 22                              | 18   | 4                     |                         |

<sup>1</sup> Two respondents either did not know or refused to answer this question.

<sup>2</sup> One respondent either did not know or refused to answer this question.

Note: Percentages in parentheses are computed using the number of households that know member of Congress/Senate.

27. Of the households that know a Congressman/Senator who will recommend their family to be included under the *Lingap* Program, the majority indicated that such a recommendation could be obtained with no bribe (see Table 7 above). However, about one-in-five (20%) thought that such a recommendation might require a bribe. The proportion is highest for NCR (32%) and lowest for Visayas (9%). About equal proportions (19% and 20% respectively) of rural and urban households felt that obtaining the recommendation would involve a bribe.<sup>30</sup>

28. The proportion of households knowing a Congressman/Senator that would recommend a family to be included under the *Lingap* Program is positively correlated with the expenditure status of the households (see Table 8 below). Thus, the proportion of poor households that know a Congressman/Senator is lowest (19%), followed by middle-income households (23%), with the highest proportion (27%) among the rich. This appears to put the poor at a disadvantage as compared to the non-poor (middle-income and rich) in getting a recommendation to have their household included under the Program.

<sup>30</sup> It is important to place these findings in perspective by looking at the proportion of households in the total number of sample households in each of the categories indicating that a bribe would be required to obtain a recommendation. This proportion is small ranging from a low of 2% in Visayas to a high of 8% in NCR.

**Table 8: Recommendation from Members of Congress/Senate**

| Expenditure Group         | Know Member of Congress/Senate | Know Member of Congress/Senate Who Will Recommend With |                       | Total No. of Households |
|---------------------------|--------------------------------|--|-----------------------|-------------------------|
|                           |                                | No Bribe   | Bribe                 |                         |
| Poor - No. of HH          | 67                             | 55   | 11 <sup>1</sup> (16%) | 360                     |
| Percent                   | 19                             | 15   | 3                     |                         |
| Middle-Income - No. of HH | 81                             | 68   | 13 (16%)              | 360                     |
| Percent                   | 23                             | 19   | 4                     |                         |
| Rich - No. of HH          | 130                            | 98   | 31 <sup>1</sup> (24%) | 480                     |
| Percent                   | 27                             | 20   | 6                     |                         |

<sup>1</sup> One respondent either did not know or refused to answer this question.

<sup>2</sup> Two respondents either did not know or refused to answer this question.

Note: Percentages in parentheses are computed using the number of households that know Member of Congress/Senate.

29. A majority of households in all expenditure groups indicated that the recommendation from a Congressman/Senator (for them to be included under the *Lingap* Program) could be obtained with no bribe (see Table 8 above). However, 16% each of the poor and middle-income households said that it would involve a bribe. The proportion is higher (24%) for the rich households.<sup>31</sup> It will be instructive to explore why a larger proportion of the non-poor think that obtaining a recommendation would involve a bribe. Perhaps, the politicians expect a bribe from those who could afford to give.

30. More than two-in-three households (68%) responded that they know the *Barangay* Captain who will recommend their household to be included under the *Lingap* Program (see Table 9 below). The proportion is highest (77%) for the sample households in Mindanao, followed by Balance Luzon (71%). The proportion is relatively low in Visayas (63%) and lowest for those in NCR (51%). The proportion of rural households indicating that they know the *Barangay* Captain who will recommend (75%) is significantly higher than that for urban households (63%). The reasons for the regional and rural-urban differences in the proportion may be worth exploring.

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<sup>31</sup> The proportion of households in the total number of households in each of the poverty categories indicating that a bribe would be required to obtain a recommendation, also confirms this trend, even though the proportions are much smaller.

**Table 9: Recommendation from *Barangay* Captain**

| Region/Area               | Know <i>Barangay</i> Captain | Know <i>Barangay</i> Captain Who Will Recommend With |                       | Total No. of Households |
|---------------------------|------------------------------|--|-----------------------|-------------------------|
|                           |                              | No Bribe   | Bribe                 |                         |
| RP (No. of HH)            | 817                          | 732  | 84 <sup>1</sup> (10%) | 1200                    |
| Percent                   | 68                           | 61   | 7                     |                         |
| NCR (No. of HH)           | 89                           | 74   | 15 (17%)              | 174                     |
| Percent                   | 51                           | 43   | 9                     |                         |
| Balance Luzon (No. of HH) | 360                          | 331  | 28 <sup>1</sup> (8%)  | 505                     |
| Percent                   | 71                           | 66   | 6                     |                         |
| Visayas (No. of HH)       | 154                          | 139  | 15 (10%)              | 243                     |
| Percent                   | 63                           | 57   | 6                     |                         |
| Mindanao (No. of HH)      | 214                          | 188  | 26 (12%)              | 278                     |
| Percent                   | 77                           | 68   | 9                     |                         |
| Urban (No. of HH)         | 455                          | 403  | 51 <sup>1</sup> (11%) | 719                     |
| Percent                   | 63                           | 56   | 7                     |                         |
| Rural (No. of HH)         | 362                          | 329  | 33 (9%)               | 481                     |
| Percent                   | 75                           | 68   | 7                     |                         |

<sup>1</sup> One respondent either did not know or refused to answer this question.

Note: Percentages in parentheses are computed using the number of households that know *Barangay* Captain.

31. Of the households that know the *Barangay* Captain who will recommend their household to be included under the *Lingap* Program, one-in-ten (10%) indicated that such a recommendation might involve a bribe. The proportion is highest in NCR (17%), followed by Mindanao (12%), and Visayas (10%), with Balance Luzon at the low end (8%). A slightly higher proportion (11%) of urban households indicated the need for a bribe as compared to their rural counterparts (9%).<sup>32</sup>

32. Almost three-in-four (or 73% of) poor households indicated that they know the *Barangay* Captain who would recommend their households to be included under the *Lingap* Program. This compares with just under two-in-three rich households (65%), with the proportion for middle-income households (68%) falling in between. It is worth exploring why a larger proportion of the poor know the *Barangay* Captain as compared to the non-poor. A partial explanation may be that a *Barangay* Captain is expected to know and solve the neighborhood problems, which mostly involve the poorer members of the *barangay*.

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<sup>32</sup> Placing these findings in the overall perspective of the sample and the population it represents, the proportion of households in the total number of sample households in each of the categories indicating that a bribe would be required to obtain a recommendation is 7%, varying from a low of 6% in Balance Luzon and Visayas to a high of 9% in NCR and Mindanao.

**Table 10: Recommendation from *Barangay* Captain**

| Expenditure Group         | Know <i>Barangay</i> Captain | Know <i>Barangay</i> Captain Who Will Recommend With |                       | Total No. of Households |
|---------------------------|------------------------------|--|-----------------------|-------------------------|
|                           |                              | No Bribe   | Bribe                 |                         |
| Poor - No. of HH          | 261                          | 233  | 28 (11%)              | 360                     |
| Percent                   | 73                           | 65   | 8                     |                         |
| Middle-Income - No. of HH | 245                          | 224  | 21 (9%)               | 360                     |
| Percent                   | 68                           | 62   | 6                     |                         |
| Rich - No. of HH          | 311                          | 275  | 35 <sup>1</sup> (11%) | 480                     |
| Percent                   | 65                           | 57   | 7                     |                         |

<sup>1</sup> One respondent either did not know or refused to answer this question.

Note: Percentages in parentheses are computed using the number of households that know *Barangay* Captain.

33. Overall, the experience with the *Lingap* Program to date indicates considerable problems in targeting the goods and services to the poor, let alone the poorest among them. In fact, the bulk of the benefits from the Program seem to be captured by the non-poor. The mechanisms for selection of families for inclusion under the Program appear to facilitate leakage of the benefits to non-target clientele. Thus, the *Lingap* Program suffers from many of the same problems that plagued the earlier Poverty Alleviation Funds (PAFs) in the Philippines. It should, therefore, not be surprising that a majority of Filipinos predicted that this Program will have little or no impact on poverty reduction.<sup>33</sup>

## 10. KEY FINDINGS AND RECOMMENDATIONS<sup>34</sup>

34. Awareness about the *Lingap Para sa Mahihirap* Program among all households is impressive given its short history. However, awareness among the poor and rural households is lagging which is a cause for concern. Eligibility for coverage seems to be interpreted generously allowing for inclusion of a large number of the better-off *barangays* and non-poor households. The Report Card survey results show that the number of non-poor households indicating that their *barangays* are listed as eligible to receive benefits under the Program is more than twice as large as that of the poor. Further, the non-poor households listed as eligible to receive benefits under the Program outnumber the poor by a margin of almost two-to-one. This is a disappointing start, as clearly there is inappropriate targeting taking place in the Program.

35. Active involvement of the political establishment in the identification of target beneficiaries and in the control and allocation of funds seems to compound the problem of inclusion of the non-poor. The poor seem to be put in double jeopardy because they often do not know the political leaders that would recommend their family to be included

<sup>33</sup> According to a September-October, 1999 SWS national survey, 51% of Filipinos believe that the *Lingap* Program will have no impact and 9% believe that it will make things worse. Only 39% of Filipinos believe that this Program will make things better.

<sup>34</sup> The systemic problems of delays in release of funds and bureaucratic weaknesses in the Philippines are well known. Resolution of these problems is critical for the success of all development programs, and especially poverty reduction programs. However, these are not covered in the following discussion, as a more comprehensive approach that is beyond the scope of this chapter is required to address the systemic problems.

under the Program<sup>35</sup> and/or have the ability to pay a "bribe" to get such a recommendation. Again, the non-poor households seem to enjoy an unfair advantage in obtaining recommendations from political leaders for inclusion under the Program.

36. A key survey finding is that the more local the level of government, the less the perception of corruption among the governed.<sup>36</sup> The proportion of households (among those who know their political representatives) who thought that a bribe would be required to get a recommendation from a Congressman/Senator is more than double that for a *Barangay* Captain (20% vs. 10%).

37. The relatively higher degree of corruption perceived by sample households in NCR, both at the *Barangay* Captain and Congressman/Senator levels, is cause for concern. This is particularly important for the large number of urban poor in NCR who need access to the Program goods and services. The Program seems to be working somewhat better in Visayas with the highest proportions of both *barangays* and households listed for coverage. In addition, Visayas has the lowest levels of perceived corruption (need for bribe) at the local (*Barangay* Captain) and higher (Congressman or Senator) levels. It is worthwhile to explore the reasons and draw out the major strengths in Visayas that may be considered for replication in other regions.

38. The *Lingap Para sa Mahihirap* Program requires a thorough assessment and overhaul before additional funds are appropriated and released. The following recommendations highlight some of the steps to be taken to reform the Program and make it better targeted and more responsive to the needs of poor Filipinos.

39. One of the key findings of the Report Card Survey is the relatively low awareness of the *Lingap* Program among the households in Mindanao and rural areas, and among the poor. These are the very households, which the Program is intended to help. Thus, improving the awareness of the Program among the target groups is a high priority. The Report Card survey results show that TV and radio are the two most popular formal sources of information to clients (including the poor) on government programs, matching or exceeding friends and relatives (informal sources) in importance.<sup>37</sup> The *Lingap* Program should mount a concerted information campaign on the Program covering such aspects as Program benefits, eligibility criteria and how clients could access the Program.

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<sup>35</sup> The poor are clearly at a disadvantage in terms of knowing their Congressman/Senators, who control more than two-thirds of the *Lingap* Program funds.

<sup>36</sup> This is confirmed by the findings from previous surveys by the Social Weather Stations. See Manila Standard, October 26, 2000.

<sup>37</sup> On average, about 47% of all households indicated TV as the most popular formal source of information on government services in the five sectors (elementary education, health, potable water, housing and subsidized rice) covered in the Report Card survey, followed by radio (32%), with newspapers and magazines as a distant third (13%). The corresponding proportions for poor households are: TV - 40%, radio - 32% and newspapers and magazines (8%). Friends and relatives are the most important informal source of information to the clients in general (35%) and the poor in particular (39%).

40. Another key finding of the Report Card Survey is that the closer the level of government to the grassroots, the more likely the constituents, particularly the poor, know their representatives and the less the perception of (and scope for) corruption in the delivery of government programs at the local level. Therefore, decentralization and localization of beneficiary identification and resource allocation under the *Lingap* Program, with the involvement of LGUs and *Barangay* Captains should be adopted. This would also facilitate better tailoring of the Program components to the needs and priorities of the client groups, as the people's representatives at the grassroots are likely to be better informed about local conditions. Further, increased involvement of civil society organizations would complement and strengthen this process,<sup>38</sup> by enhancing transparency of operations and better accountability to clients.

41. There is merit in reducing the number of activities under the Program from more than a dozen at present to a limited few, say, four to six that are of the highest priority to the poor and are distinct from the regular (ongoing) programs and activities of the implementing NGAs.<sup>39</sup> The activities selected should be amenable to narrow targeting. It is futile to try to enforce strict targeting of programs to poor households that have a broader community focus and are often of the same nature as other regular government (supported) programs.<sup>40</sup>

42. Involvement of the political establishment in the selection of beneficiaries, and in the control and allocation of Program funds may compound the problem of targeting, especially in light of the traditional patronage and reciprocity systems prevailing in the Philippines. At the same time, it is recognized that political commitment to, and legislative support for, poverty reduction are intertwined with control over the resources for poverty alleviation by members of Congress and Senate. As a result, political patronage considerations seem to have an overriding influence on the allocation of resources among different groups. This raises a fundamental dilemma in targeting the limited resources to the poor versus Congressional control over resources. The challenge is to reduce and eventually eliminate political intervention in the allocation of poverty reduction funds without losing the legislators' support for appropriation of these funds.

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<sup>38</sup> Strengthening the involvement of civil society organizations not only in Project Advisory Boards and coordination bodies, but also as active partners in the implementation of the *Lingap* Program would be beneficial in many ways. The civil society organizations are often more knowledgeable about who the poor are, where they are located and what their constraints and priorities are, because they have been working with these groups in the field. Thus, the benefits of increased involvement of civil society organizations include better identification of the target beneficiaries and improved ability to reach them, more effective delivery of goods and services, strengthening capacity of recipient/beneficiary groups and individuals, enhanced transparency of the operations, and better accountability to the clients. They should be working side-by-side with the local government officials, including the *Barangay* Captains.

<sup>39</sup> For example, the components on water supply, housing, and livelihood programs are similar (parallel) to other ongoing programs implemented by the NGAs.

<sup>40</sup> According to the Philippines Poverty Assessment, this broad focus has resulted in a Program that may be too dispersed as an area program but too expensive as a means-tested program for targeting. See *Philippines Poverty Assessment*, The World Bank, 2000.

43. Rule-based targeting criteria with little room for discretion and strict enforcement of the application of the criteria may reduce major leakages. However, the capacity of NGAs to implement such targeting is weak and needs to be strengthened in the medium-term. In the meantime, geographic targeting may be a viable option, albeit with increased attention to the concentrations of the poor and the intensity of their poverty. An example of a possible targeting mechanism is the operation of special stores selling subsidized basic commodities in poor areas.

44. Monitoring should be recognized as an important management tool to identify problems and constraints facing Program implementation and should be the basis for prompt corrective actions to resolve problems and maintain the pace and course of implementation of the Program. While periodic reports by the implementing NGAs are useful, they often tend to measure the inputs (goods and services provided, disbursements, etc.) and/or broad outcome indicators (such as literacy and mortality rates) after a considerable time has elapsed. It is important to obtain feedback from the ultimate clients, the poor, on such aspects as suitability of the interventions, access, use, satisfaction, leakages and complaints at different stages of implementation of the Program. Civil society organizations would be invaluable partners in bringing forth such information in a timely manner, especially at the micro-level. In addition, Program-wide client feedback should be captured through such instruments as the Report Card.<sup>41</sup> As the utilization of the allocated Php2.5 billion for the *Lingap* Program are expected to have been completed only by the end of 2000, the next round of the Report Card Survey should incorporate a module to capture the client feedback on the Program. The client feedback should be an important input to the in-depth assessment of the *Lingap* Program, before continuation and/or further expansion of the Program is considered.<sup>42</sup>

45. Periodic auditing of the results of the Program should be undertaken by independent agencies such as the Commission on Audit (COA) and credible NGOs. The audit findings should be made public and should be taken into account in the design of future interventions on poverty reduction.

46. The *Lingap Para sa Mahihirap* Program has the right intentions and appears to be achieving at least some success in the Visayas. The challenge is to reform and overhaul the Program incorporating the lessons. The poor in the Philippines should be getting a bigger share, if not all, of the benefits from the poverty reduction programs. If the *Lingap* Program cannot be overhauled along the lines suggested above, then the government should seriously consider discontinuing it.

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<sup>41</sup> The Report Card findings presented in this paper are based on the results from the initial (partial) implementation of the *Lingap* Program.

<sup>42</sup> In the medium-term, the impact of the Program may be assessed through changes in MBN indicators in the *barangays*, municipalities, provinces and regions.

## FILIPINO REPORT CARD ON PRO-POOR SERVICES

### CHAPTER VIII: INSTITUTIONALIZATION OF THE REPORT CARD

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#### 1. WHY INSTITUTIONALIZE THE REPORT CARD?

1. The Filipino Report Card on Pro-Poor Services assesses the performance of selected government services based on client experience. These services are basic health, elementary education, housing, potable water, and food distribution. The Report Card results throw light on the constraints that the Filipinos face in accessing public services, their views about the quality and adequacy of services, and the responsiveness of government officials. They provide valuable insights on the priorities and problems faced by the clients and how the various services may be better tailored to the needs of Filipinos, in particular, the poor.

2. It is expected that the service providers<sup>1</sup> would take the Report Card findings into consideration in adjusting their programs to improve service delivery.<sup>2</sup> However, many past assessments did not have a lasting impact on service delivery because they were often one-shot exercises with no effective means to follow through. It is necessary to implement the Report Card surveys periodically in order to assess the improvements in service delivery from a bottom-up perspective. The incentive to respond with concrete improvements would be greater, if service providers know they will be tracked again. Thus, the Report Card mechanism should be institutionalized as an ongoing process to be repeated periodically (say, at 12 to 18-month intervals).

3. Such a regular mechanism is timely, as enhanced accountability of the State to the people (clients) has become an important area of development focus in the past decade. Various initiatives have been underway on such related aspects as corruption<sup>3</sup> and civil service reform.<sup>4</sup> Further, the vital role of a socially responsible private sector and a vibrant civil society in enhancing good governance and reducing poverty is being increasingly recognized.<sup>5</sup> In the aftermath of the non-violent People Power II revolution, there is general consensus in the Philippines that citizens must continue to monitor the government to ensure improved performance and greater accountability.

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<sup>1</sup> Including government agencies, private sector and civil society organizations.

<sup>2</sup> A number of information, dissemination and advocacy actions are proposed to facilitate response from service providers. These are presented in Chapter I.

<sup>3</sup> For example, see World Bank, East Asia and Pacific Region, Philippine Country Management Team, *Combating Corruption in the Philippines*, Manila, May 2000.

<sup>4</sup> In the past decade, civil service reform has been an important development initiative, often supported by bilateral and multilateral aid agencies, including the World Bank.

<sup>5</sup> Promoting good governance and poverty reduction are important objectives of the World Bank's Country Assistance Strategy for the Philippines.

## 2. GLOBAL EXPERIENCE WITH REPORT CARDS

4. While citizen report cards are new to most governments and their agencies, these are now being used as one way to assess the performance of public agencies in the delivery of services in Canada, Denmark, Ghana, India, Sweden, Ukraine, the United Kingdom, and the United States. It is instructive to review the institutional arrangements for report cards in these countries in exploring options for institutionalizing the Report Card in the Philippines.

5. The institutional arrangements for the report cards range from independent non-government policy research institutions, central statistical agencies of government,<sup>6</sup> government service provider agencies, and federal coordinating agencies. Three main types (models) of institutional arrangements for the report cards are discussed briefly below.

### Model 1. Report Card by Civil Society Organization

6. Under this model, the initiative for preparing the report cards comes from a civil society organization – often a policy research and advocacy institute. A primary example of this is the Public Affairs Centre (the Centre) in Bangalore, Karnataka State, India. Aware of the anecdotal evidence on client dissatisfaction with municipal services in Bangalore City and the inability of individual citizens to influence the performance of public service providers, the Centre initiated the preparation of a report card on public services “as a means to help civil society address issues of service quality and accountability, with the power of information.”<sup>7</sup> The report card was expected to stimulate collective action by citizens on their dissatisfaction with the services provided by public agencies. Also, it was to provide an opportunity for reform-minded leaders of public agencies to design corrective actions and bring in strategic reorientation.

7. The initial report card surveys undertaken by the Centre were funded largely out of grants from local and external sources.<sup>8</sup> The first report card was prepared in 1993 and the results were presented to citizens, service providers, city administrators, print and audio-visual media, and professional groups. The response from a large majority of the stakeholders was positive, although a couple of service providers were defensive. Recognizing the value of the feedback from the first report card, the city fathers from Ahmedabad (Gujarat State), Bangalore, and Pune (Maharashtra State) commissioned the Centre to undertake/repeat the report card on client satisfaction with municipal services in their cities.

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<sup>6</sup> See, for example, Government Statistician, Ghana Statistical Service, *Using Core Welfare Indicators Survey for Poverty Monitoring in Ghana - Some Selected Results from the 1997 Ghana Core Welfare Indicators Survey*, Accra, 1997.

<sup>7</sup> Gopakumar, K., *Millennial Survey of Public Services in Karnataka: Citizens' Feedback on the State of the STATE*, Public Affairs Centre, Bangalore, Karnataka State, India, February 2000.

<sup>8</sup> For example, the Ford Foundation.

8. Based on the successful outcomes of these efforts, the Chief Minister of Karnataka State requested the Centre to prepare a report card on essential public services<sup>9</sup> in the State. The Centre undertook the *Millennial Survey of Public Services in Karnataka* in 2000. The survey had two significant components: (i) citizen feedback on the qualitative and quantitative dimensions of the selected public services; and, (ii) independent assessment of the facilities/services by the survey personnel. The citizen feedback generated a comprehensive picture on the various dimensions of public service delivery and some broad indicators on fundamental development rights and entitlements. The independent observations were useful for triangulating (user/client, observer/enumerator and service provider) the survey findings. Once again, the results were well received by all stakeholders and follow-up actions to improve service delivery are under way with support from the highest levels of government in Karnataka.

9. The work by the Public Affairs Centre is truly exceptional and is largely the result of the vision and dynamism of its Chairman. The strength of this model is that it is independent of the government/public service providers and interest groups. The entity undertaking the preparation of the report cards is a non-profit and professionally competent organization, which is well recognized both within the country and outside. Its credibility with government and the public is high. The report card findings are taken seriously by all parties, although some public service providers may not act on them. This is a testimony to the stature of the Chairman, and as a result of his remarkable work, the Government of India has asked the Centre to conduct a millennial report card on public services for the entire country.

10. The limitations of this model relate to the difficulties in replicating the unique situation. Not many civil society organizations are likely to have the technical capacity and willingness to undertake/sustain such an exercise. In the absence of a well-respected champion behind the report card, the government service providers and coordinating agencies may resist the findings and/or undermine them. As the exercise relies on external funding, its long-term sustainability (i.e., repetition of the report card surveys) is uncertain.

## **Model 2. Report Card by Government Service Provider Agency**

11. This model is characterized by a government service provider agency initiating the preparation of the report card, with the actual survey and draft report preparation often contracted out to a commercial organization. The draft report is vetted by the agency, finalized and sometimes disseminated to the public. The focus of the report card may be confined to a single program (service) or a facet relevant to a program administered by the agency.

12. Examples of countries using this model include Canada and the United Kingdom (UK). Thus, in Canada, federal government departments and some provincial government departments have been active in facilitating the preparation and

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<sup>9</sup> The services included safe (drinking) water, education, health services, public distribution system for food and other basic commodities (fair price shops), and road transport (including bus service).

dissemination of report cards on the services they provide.<sup>10</sup> In the United Kingdom, the Social Research Branch of the Department of Social Security has been involved in preparing and disseminating report cards on different programs administered by the Department for more than a decade.<sup>11</sup> The results of the report card surveys are often fed back into the public expenditure allocation processes in the form of either voluntary or mandated reporting requirements to legislatures.

13. A major strength of this model is the ownership of the exercise by the public agency. Preparation of the report card by a private firm brings some degree of independence to the exercise. The preliminary results are available to the agency and its views and feedback would have been included in the final report. The same factors may become weaknesses in the model when viewed from a different perspective. As the report card preparation is sponsored, and its implementation overseen by the service provider, the public at large, government coordinating agencies and legislators may question the independence and objectivity of the findings. In addition, the information collected is usually tailored to meet the requirements of the public agency, and is not packaged for the consumption of, and advocacy by most citizen groups.

### **Model 3. Report Card by Government Oversight (Coordinating) Agency**

14. Typical arrangements under this model involve a government coordinating agency engaging an independent civil society organization to design and prepare the report card in consultation with (but independent of) the public service provider agencies. The experience in the United States of America is instructive in this context. The *Government Performance and Results Act of 1993* requires the executive branch of the federal government to report to Congress (legislative branch) on the performance of various government agencies and the results achieved. To comply with the provisions of the Act, the President of the United States issued an order setting customer service standards and directed that the standard of quality for government services match that of business. Since then, all federal government agencies have been preparing annual performance plans. The General Accounting Office (GAO), a Congressional watchdog agency of the government, has been reviewing the plans, suggesting improvements and providing Congress with assessments during the latter's review of federal agency budget submissions.<sup>12</sup> However, an independent monitoring of the results (e.g., improvements in service delivery) on implementation of the plans was missing.

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<sup>10</sup> For example, see COMPAS, *Income Security Programs Client Service Study: Report to Human Resources Development Canada*, August 1988.

<sup>11</sup> The Department of Social Security lists several research reports that are based on customer satisfaction surveys. They include: (i) the Benefits Agency National Customer Survey, 1991; (ii) Customer Perceptions of Resettlement Units, 1992 and Resettlement Agency Customer Satisfaction Survey, 1994; (iii) Child Support Unit National Client Surveys, annual, 1992 to 1995, and Customer View on Service Delivery in the Child Support Agency, 1998; (iv) Contributions Agency Customer Satisfaction Survey, annual 1992 to 1994; and (v) War Pensions Agency Customer Satisfaction Survey, 1994. See *Department of Social Security, Research Reports*, 15 February 2000.

<sup>12</sup> United States General Accounting Office, Report to Congressional Requesters, "*Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans*," (GAO/GGD/AIMD-99-215), July 1999.

15. To fill this gap, the General Services Administration (GSA), a government coordination agency, was instructed to devise a mechanism for assessing performance of the federal agencies. The American Customer Satisfaction Index (ACSI) developed jointly by the University of Michigan Business School, American Society for Quality (a professional society), and Arthur Andersen (a private consulting firm), was selected by an inter-agency board as the tool for assessing the performance of the federal agencies.<sup>13</sup> Under the sponsorship of the President's Management Council, the GSA engaged the consortium<sup>14</sup> to undertake the *1999 Customer Satisfaction Survey of Federal Agencies in the United States*. The Survey covered 30 customer segments (identified in consultation with the agencies) of 29 federal agencies, which included most of the high impact agencies that dealt with 90% of the federal government's customers. The results of the Survey were presented to Congress. Thus, a link between agency performance, as measured by a report card based on client satisfaction, and the budget allocations to the agencies has been established.

16. Among the three models discussed above, this third model is the most comprehensive both in terms of product and process. A mandate for undertaking the report card was established through legislation and resources were allocated for this purpose. An independent and credible consortium of institutions was recruited to prepare the report card. A well-established methodology was used to assess the performance. The consultation process with public service providers was appropriate, but not dominant. Most important, the report card findings (results) were fed back not only to the service providing agencies and the public but also into the budget allocation process of the Congress.

### 3. INSTITUTIONALIZING THE REPORT CARD IN THE PHILIPPINES

17. The rationale for institutionalizing the Filipino Report Card is provided in the first section (Section 1) of this chapter. The discussion on the three types of institutional arrangements in use in different countries in the preceding section (Section 2) indicates that the third model is the most desirable one to consider for adoption in the Philippines, with appropriate modifications. The first round of the Filipino Report Card incorporated many of the desirable attributes of the third model.<sup>15</sup>

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<sup>13</sup> The ACSI was developed by the independent consortium in 1994 as an economic indicator of satisfaction with quality, and has since been used for assessing client satisfaction with the services provided by major private companies.

<sup>14</sup> The consortium comprises the University of Michigan Business School, American Society for Quality and Arthur Andersen.

<sup>15</sup> For example, obtaining client feedback on public services, which is at the core of the Filipino Report Card, has strong support from the highest levels of the Government of the Philippines. The SWS, an independent and credible institution with a good reputation, was engaged to undertake the design and execution of the Report Card survey instrument. A consultative/participatory process is adopted in designing the survey, involving a wide spectrum of stakeholders including government service providers. Service provision by public agencies was assessed using the private sector as a benchmark. The Report Card findings are (proposed to be) shared with the service providing agencies and the public, as well as fed into the budget allocation process through the DBM.

18. Institutionalizing the Report Card tool in a government oversight agency that feeds the results directly into the public expenditure allocation process is highly advantageous as it ties the budget allocations not only to past performance, but also to the constraints that remain to be tackled for improving future performance. Thus, the "power of the purse" could be used to correct deficiencies, ameliorate constraints and improve performance. This should prove to be an effective means for improving the delivery of public services and enhancing the accountability of public agencies. It also provides an opportunity for citizens to get involved in the process of allocating public resources to address their basic needs. This is particularly beneficial to the poor, given their relatively weak voice as users and purchasers of public services.

19. In recent years, the Department of Budget and Management (DBM) has initiated a program on development of performance-based indicators for public agencies to assess their effectiveness, and guide future budget allocations. Three key areas proposed for measurement of results and performance are: (i) outputs, (ii) processes, and (iii) client satisfaction. To this end, the DBM has expressed a strong interest in institutionalizing the Report Card, piloted jointly by the SWS and the World Bank, as a way of obtaining regular user feedback on key public services.<sup>16</sup> It is expected that the incentive for service providers to respond to client feedback will be enhanced if they know that they will be monitored regularly by the DBM, using the Report Card instrument as one of the three key mechanisms to assess performance and allocate resources.

20. The government's new initiative on performance-based budgeting provides an opportunity to channel user feedback into decisions relating to public spending. The DBM can increase public accountability by seeking client feedback on major programs and expenditures of government agencies and by using the results as an input into the budget allocation process. It would be a strong complement to (and a valuable cross-check on) the agency reports on outputs/results as well as those on processes. It would create a comprehensive performance monitoring system by augmenting the DBM's ongoing output and process monitoring efforts with client feedback.

21. The idea of institutionalizing the Report Card in the DBM to assess users' satisfaction with public services on a regular basis is compelling. Both the DBM and the Bank agree that instead of reinventing the wheel, the Report Card tool, which has recently been tested in the context of five public services in the Philippines, can be applied, with appropriate modifications, to cover a broader range of public services and agencies that are engaged in service delivery to Filipinos, including specific target groups such as the poor. Preliminary discussions indicate implicit support for this approach from NEDA.

22. Implementation of the Report Card survey, analysis and report preparation could be contracted out by DBM to a credible and independent civil society organization with

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<sup>16</sup> The Report Card was piloted in close collaboration with NEDA, which has taken the leadership in coordinating the inputs from government service providers. Also, NEDA sponsored and chaired the consultation workshops in June 2000 and provided feedback on the draft Report Card findings.

substantial expertise and experience in such activities.<sup>17</sup> An advisory panel comprising representatives of service providers,<sup>18</sup> other key government agencies,<sup>19</sup> private sector,<sup>20</sup> the Congress, civil society organizations, including sectoral (interest) groups and prominent experts, should be convened to advise and guide the Report Card exercise and its integration with the budgetary processes. It may be worth exploring the feasibility of utilizing the multi-stakeholder advisory panel on the budget set up by the government in mid-2000 for this purpose, with appropriate augmentation of its membership.<sup>21</sup> Involving the representatives of service providers from the private sector and civil society in the advisory panel would help bring their perspectives to bear on the Report Card and budget exercises. Also, it would strengthen the complementarity between different service providers, minimize duplication, and enhance the effectiveness of all service providers. It may prove to be a pragmatic means for the government to influence service providers in the private and civil society sectors, without resorting to additional heavy-handed regulatory mechanisms.

23. The DBM has agreed to build and expand on the pilot Report Card exercise for institutionalization of client feedback on key public services. It plans to engage a qualified civil society organization to design and implement the second round of the Report Card.<sup>22</sup> There are a number of reputed local agencies in the Philippines, which are experienced in conducting client feedback surveys, and the DBM will outsource this activity based on a transparent selection process. The selection of a credible and qualified civil society organization to monitor performance of public agencies will enhance the independence and integrity of the findings, and strengthen civil society-government partnership. Development partners will assist the DBM in institutionalizing, through the expanded Budget Dialogue Group. Their participation in selecting the indicators for monitoring performance and analyzing the data will increase the usefulness of the Report Card.

#### 4. IMPROVING THE REPORT CARD

24. Continued assessments of the concepts and measures used in the pilot Report Card should be undertaken to further improve the tool leading to progressively better measurement of client satisfaction in the coming years. For example, the sampling frame and phrasing of some questions will require refinement during the next round. Further, the Report Card coverage should be expanded gradually to encompass a larger array of public services. Eventually, the customer services provided by all government agencies should be covered, along the lines of the US model (Model 3) described in Section 2 of this chapter.

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<sup>17</sup> A number of independent organizations competent to undertake the survey exist in the Philippines. They include the Social Weather Stations, Development Academy of the Philippines, and Pulse Asia.

<sup>18</sup> From government, private sector and civil society organizations.

<sup>19</sup> For example, NEDA and NAPC.

<sup>20</sup> For example, Chambers of Commerce and Business Clubs.

<sup>21</sup> The advisory panel on the budget is the Budget Dialogue Group. It is expected that membership in the core group will be expanded by increasing civil society participation. In addition, multi-stakeholder working groups will be set up to support the core group.

<sup>22</sup> This work will be initiated in the third quarter of 2001 by the DBM.

### **Focusing on Key Performance Indicators**

25. The first (pilot) round of the Report Card spread the net wide and tried to cover as many facets of service delivery as possible within the budget. Based on the lessons learned, it is recommended that the scope of future Report Cards be limited to a few principal performance indicators. Ideally, the performance indicators selected under the Report Card should have a significant overlap with those (to be) used by the DBM in monitoring outputs and processes. This would facilitate the triangulation of the results obtained from the three perspectives (i.e., outputs, processes and client feedback) and provide a comprehensive picture of the performance.

### **Revising the Questionnaire**

26. The need for revision of the questionnaire is another important lesson emerging from the first round of the Report Card. First, there are some overlaps in the survey questions that should be minimized and eliminated. Second, some of the questions need to be modified to bring greater clarity. Third, other questions should be eliminated as they do not seem to elicit useful/important findings.<sup>23</sup> Fourth, the questionnaire should be augmented in some areas and the process of selection of households modified to cover those poor groups that have been left out in the first round.<sup>24</sup> Finally, the main focus of the questionnaire should be tailored to the selected principal performance indicators that are common with those used for monitoring outputs and processes by the DBM.

### **Improving Cost-Effectiveness**

27. Revision and refinement of the questionnaire should bring about considerable savings as the cost of the survey depends critically on the number of questions. This should make it more cost-effective and sustainable. Also, limiting the scope to a few principal and common performance indicators should focus the attention of citizens, the public service providers and key policy makers and result in concrete actions. Above all, it should further focus the attention on improved service delivery to the poor.<sup>25</sup>

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<sup>23</sup> For example, some of the questions on quality in the subsidized (NFA) rice module seem to overlap. Some questions in the housing module may require greater clarity. The sets of questions on corruption – giving bribes (return of favors), reporting and satisfaction with follow-up actions – in the five sector modules did not bring forth significant findings and could be revised/eliminated in subsequent rounds.

<sup>24</sup> For example, the design of the housing module and the selection of households from among permanent structures seemed to have resulted in under-representation of the informal settler population including squatters in the sample. Similarly, access to health insurance by difference groups could be better covered in the health module. To this end, the questionnaire and the household selection process will be modified/adjusted for the next round.

<sup>25</sup> The budget deficit in the Philippines is projected to be as high as PhP200 billion. Thus, limited resources allocated for basic services should be used judiciously. In particular, this means ensuring that scarce public resources are directed towards providing for the priority needs of the poor.

# **FILIPINO REPORT CARD ON PRO-POOR SERVICES**

## **Appendix 1. SAMPLE DESIGN AND METHODOLOGY**

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### **1. INTRODUCTION**

1. The Filipino Report Card on Pro-Poor Services is based on a survey of a representative sample of 1,200 households in the Philippines implemented by the Social Weather Stations (SWS). The household (family) serves as the unit of analysis because it is the basic unit of focus of most development interventions by the government, private sector and civil society organizations. It is the intended recipient of pro-poor public services covered in the survey. It is the household that makes decisions, often collectively by its members, to access public and/or private services, weighing the benefits and costs (both monetary and non-monetary) accompanying each.

2. The respondents to the survey are household heads and/or co-decision makers. Since the questionnaire consisting of seven separate modules was rather lengthy, each household had the option to have up to two respondents, so as to ease the response effort on each. The choice of who would respond to a specific module was left up to the household head, in consultation with the co-decision maker.

### **2. SAMPLE SIZE**

3. The survey had 1,200 household interviews, the maximum feasible under the budget. A sample size of about 1,000 is standard in similar social surveys and opinion polls in a number of countries (e.g., the EuroBarometer surveys - see Annex A). Over the past 15 years, the sample size of 1,200 has been used regularly by the SWS in national surveys for quarterly Social Weather Reports, which monitored the Philippine economic, social and political conditions, and captured public opinion and assessments on contemporary issues (see Annex B). The success of the SWS surveys in making electoral predictions, which were virtually the same as the full election counts, demonstrated the confidence in the survey predictions. Also, it satisfies the global litmus test of sampling quality and survey methodology.

### **3. GEOGRAPHIC DISTRIBUTION OF THE SAMPLE**

4. The survey covered the entire country divided into four major areas (regions) – the National Capital Region (NCR), the Island of Luzon excluding NCR (or Balance Luzon), Visayas and Mindanao. The sample of 1,200 households is allocated among the four areas in proportion to the estimated number of households (in the year 2000) in each study area. The latter was obtained by dividing the latest-available<sup>1</sup> population estimates

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<sup>1</sup> Fieldwork of the NSO 2000 census had not yet begun at the time of sample design and allocation.

of the National Statistical Organization (NSO) for 2000 by the average household size per the NSO 1995 census (refer to Annex C for detailed computations).<sup>2</sup>

5. A multi-stage probability sampling, which is standard in similar surveys in both developed and some developing countries, was used in the selection of sample spots. The allocation of sample units at each stage is given in Table 1.

**Table 1: Sample Allocation**

| Region        | Sample Provinces | Sample Municipalities | Sample Spots    | Sample Households |
|---------------|------------------|-----------------------|-----------------|-------------------|
| NCR           | --               | 17                    | 35 <sup>3</sup> | 174               |
| Balance Luzon | 10               | 15                    | 101             | 505               |
| Visayas       | 5                | 15                    | 49 <sup>4</sup> | 243               |
| Mindanao      | 5                | 15                    | 56 <sup>4</sup> | 278               |
| <b>Total</b>  | <b>20</b>        | <b>62</b>             | <b>613</b>      | <b>1200</b>       |

6. The sample selection process followed in each of the four major regions is described in the following:

#### **National Capital Region (NCR)**

7. **NCR Stage 1. Selection of Sample Precincts.** For NCR's first stage, 35 precincts were distributed among the 17 NCR cities and municipalities in such a way that each city/municipality was assigned a number of precincts that was roughly proportional to its population size. An additional provision was that each municipality must receive at least one precinct. Precincts were then selected at random from within each municipality with probability proportional to population size.

8. **NCR Stage 2. Selection of Sample Households.** In each sample precinct, interval sampling is used to draw 5 sample households. A starting street corner is drawn at random on the precinct map. The first sample household is randomly selected as the household nearest to the starting street corner. Subsequent sample households were chosen using a fixed interval of 6 households in between the sampled ones; i.e., every 7th household was sampled. For each sample household, the household head/decision-maker was asked questions pertaining to the household. In the event that there is a co-decision-maker in the household, then that person was asked questions pertaining to certain aspects of the entire household.

<sup>2</sup> Further disaggregation of the four areas (e.g., into provinces) may considerably reduce the number of sample households per disaggregated unit (province) given the overall sample size of 1,200

<sup>3</sup> Five respondents were interviewed per spot in 34 spots yielding 170 respondents, and only four respondents were interviewed in the next spot to get the total of 174 respondents. The spot with four (4) respondents was selected at random.

<sup>4</sup> Only three respondents were interviewed in one of the spots, which was selected at random.

## **Balance Luzon, Visayas and Mindanao**

9. **Stage 1. Selection of Sample Provinces.** For the other three regions, the provinces serve as the first stage unit. The provinces were selected from each study area with probability proportional to population size, and without replacement in all but one case.<sup>5</sup> The number of provinces in each of the three areas was: Balance Luzon - 10 provinces, Visayas - 5 provinces, and Mindanao - 5 provinces.

10. **Stage 2. Selection of Sample Municipalities.** Within each of the three study areas, 15 municipalities were distributed among the sample provinces, with each sample province assigned a number of municipalities roughly proportional to its population size. However, it was stipulated that each sample province must receive at least one municipality. Sample municipalities were then selected from within each sample province with probability proportional to population size, without replacement, albeit with three exceptions.<sup>6</sup>

11. **Stage 3. Selection of Sample Spots.** Once the sample municipalities have been selected, the sample spots were distributed among the sample municipalities with the number of spots roughly proportional to the population in the municipalities. In addition, it was stipulated that each sample municipality must receive at least one spot. If, according to NSO classification, the selected sample municipality/city was 100% urban in 1990 (latest census available), then the sample precincts were drawn systematically from this municipality/city. For rural municipalities, sample barangays within each sample municipality were selected with equal probabilities.

12. In an effort to update the urban-rural classification of barangays, the survey adopted a classification scheme slightly different from the official NSO definition. The interviewers were instructed to ascertain the urban status of a barangay based on (the existence of) the following criteria:

- A. street patterns, i.e. network of streets in either parallel or perpendicular orientation;
- B. at least six commercial, manufacturing, recreational and/or personal services establishments;

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<sup>5</sup> One of the provinces sampled for Mindanao — Lanao del Sur — was assessed to be a security risk at the time of the fieldwork and was replaced by Maguindanao (refer to Annex D for the list of sample provinces, municipalities/cities, and barangays). Selection of the replacement province followed the procedure identified in Stage 1 above. This is consistent with the practice in the quarterly surveys of the SWS, when some provinces in Mindanao had to be replaced for security reasons.

<sup>6</sup> In the survey, three municipalities were replaced due to security reasons. The first one was Poona Piagapo, a municipality in Lanao del Norte in Mindanao. The other two — Madamba and Taraca — were replaced because Lanao del Sur province, a security risk, was replaced in the selection of provinces in Mindanao (see Stage 1 above on selection of provinces). Replacement of municipalities followed the same procedure used as in selecting municipalities in Stage 2 above.

- C. one or more of the following:
- Town or Barangay hall  
Church or Chapel
  - Public Plaza or Park  
Cemetery
  - Market Place
  - Public building like school, hospital, health center or library.

13. If the barangay had at least two of the categories (met at least two of the criteria) listed under A, B or C, then it was classified as urban. Otherwise, the barangay was categorized as rural.<sup>7</sup>

14. **Stage 4. Selection of Sample Households.** In the fourth stage, households were established by systematic sampling within each sample spot. In urban sample spots (precincts), a random corner was identified on the precinct map; a random start was generated; and an interval of seven households was applied. In ascertained urban barangays without precinct maps, the designated starting point was a school, the barangay captain's house, a church or chapel, or a barangay or municipal hall. This was the same as that used in the sample rural barangays. The sampling interval for urban barangays was seven (i.e., every seventh household from the starting point), while for rural barangays it was two.

15. **Stage 5. Selection of Sample Respondents.** In the fifth and final stage of conducting household interviews, the household head decided on which household member would be the respondent for each module.

16. If it was not feasible to contact a selected sample household in the first attempt, it was visited a second time. If the respondents in the household remained unavailable even after a second attempt, another household with the same characteristics (in terms of gender of household head, age group, and socio-economic class) as the original household was (identified and) substituted. The substituted household was drawn from other households that were outside the covered intervals in the sample barangay or precinct.

17. A list of the sample provinces, cities/municipalities, and barangays / spots is provided in Annex D.

#### 4. QUESTIONNAIRE

18. Prior to questionnaire design, workshops were organized at which service providers from both public and private sectors described the central elements of their

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<sup>7</sup> In the survey, five barangays were replaced because the municipality they belong to was also replaced (see Stage 2 above on sampling of municipalities). Replacement of barangays followed the same procedure as that used originally in selecting barangays.

programs, and shared areas where client feedback would assist them in improving performance.

19. A questionnaire with seven (7) modules was used in the survey. Five of the modules focused on pro-poor public services in the five areas of (i) health care, (ii) elementary education, (iii) safe water, (iv) housing, and (v) subsidized rice marketed by the National Food Authority. These constitute five of the six areas covered by the government's *Lingap Para Sa Mahihirap* (Care for the Poor) Program.<sup>8</sup> The sixth module obtained data on the demographic and socio-economic characteristics of the households, while the seventh elicited information on household expenditures by incorporating a battery of questions from the *Annual Poverty Indicators Survey (APIS)*.<sup>9</sup>

20. The questionnaire covered, among others, the aspects of client awareness, access, and use of pro-poor services provided by the government, private sector and others; total household expenditures and expenditures on the services; satisfaction overall and with specific features of the services; and client suggestions on public programs that may better able to deliver the services to the poor. Also, a short series of questions on client awareness, use and satisfaction with the *Lingap Para sa Mahihirap* flagship poverty alleviation program of the Estrada Administration was included at the request of the government.

21. The questions on awareness ascertained client knowledge about government programs in the five sectors and the *Lingap* Program. They also collected information on the sources of information for the clients on public programs. The access questions focused on ease of access physically (e.g., within a 15-minute walk from home) and other dimensions such as waiting time and availability of personnel and supplies at the service facilities. The queries on use covered multiple uses of different service facilities, as well as main facility used by the household. In addition, non-users were asked their reasons for opting out. The expenditure module (from the APIS) captured the total household expenditure, while the questions in the sector modules collected both quantities consumed and expenditures incurred on various items in the sector.

22. Client assessment of satisfaction was ascertained for the service in each sector overall by category/subcategory of service provider (e.g., public, private and other<sup>10</sup>) as well as other key classification of service providers,<sup>11</sup> and by their specific characteristics such as physical access, adequacy of facilities and equipment, availability of supplies, costs/fees/prices charged, and competence, availability and attitude of personnel. The responses on satisfaction were captured on a structured scale ranging from very satisfied,

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<sup>8</sup> Livelihood development through micro credit is the sixth area covered under the *Lingap Para sa Mahihirap* Program.

<sup>9</sup> A unique feature of the Filipino Report Card is that it includes the expenditure module from the APIS. This help to link together the quantitative poverty information from the expenditure module of the APIS with client feedback on pro-poor services.

<sup>10</sup> For example, traditional healer in the health module.

<sup>11</sup> For example, level I, II and III systems in the case of the drinking water module; and primary, secondary and tertiary facilities in the case of the health module.

somewhat satisfied, undecided whether satisfied or not, somewhat dissatisfied, and very dissatisfied.

23. It is common practice in such surveys to capture responses on a structured scale to facilitate compilation of overall scores by category/sub-category and by characteristic. Two types of aggregation are used by the SWS in past surveys. The first is a net satisfaction percentage arrived at by subtracting the percentage of households that are somewhat dissatisfied and very dissatisfied from that of households that are somewhat satisfied and very satisfied. The net satisfaction percentage ranges from minus 100% (all households either somewhat dissatisfied or very dissatisfied) to plus 100% (all households either somewhat satisfied or very satisfied). The second is a weighted index, with the responses weighted as follows: very satisfied – weight of 5, somewhat satisfied – weight of 4, undecided whether satisfied or not – weight of 3, somewhat dissatisfied – weight of 2, and very dissatisfied – weight of 1. The value of the index ranges from 1 (all households very dissatisfied), a middle value of 3,<sup>12</sup> to 5 (all households very satisfied).

24. The advantage of the net satisfaction percentage is that it is simple. But, by assigning equal weights, it fails to distinguish between the degrees of satisfaction/dissatisfaction. On the other hand, the weighting adopted in the second scale does distinguish the variations in the degree of satisfaction and dissatisfaction. However, the weighting scheme mentioned above biases the value of the index towards the high end of the range and thus is likely to present a more favorable picture. In order to minimize the biases, the Report Card modified the weights used in aggregating the responses into net satisfaction scores along the following lines: very satisfied accorded a weight of plus two (2), somewhat satisfied plus one (1), undecided zero (0), somewhat dissatisfied minus one (-1), and very dissatisfied minus two (-2). The value of the resulting net satisfaction score ranges from a high of plus two (2), or all households very satisfied; a median of zero (0);<sup>13</sup> to a low of minus two (-2), or all households very dissatisfied.

25. To elicit client suggestions on programs that could better serve (deliver the services to) the poor, the questions included those with structured responses on programs that were either being implemented<sup>14</sup> or under consideration/discussion at the time,<sup>15</sup> as well as open-ended ones, which relied entirely on client suggestions. In a few cases, they included follow-up queries on whether the suggested programs could be implemented with much, some or no corruption.

26. The first drafts of the survey questionnaire went through several iterations following consultations with World Bank staff and in-country experts, including those from the civil society. The primary questionnaire was originally drafted in both Tagalog (the definitive language) and English. The questionnaire was translated into the regional languages - Cebuano, Ilonggo, Ilocano, and Bikol - by one group of translators, and then

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<sup>12</sup> An index value of 3 could be generated by multiple combinations.

<sup>13</sup> A net satisfaction score of zero could emerge from several combinations.

<sup>14</sup> For example, the Health Sector Reform Agenda of the Department of Health.

<sup>15</sup> For example, the proposed Low-Priced Rice Distribution Pilot Program of the National Food Authority.

retranslated back to Tagalog by a second group, to ensure that the primary messages were conveyed accurately in the non-Tagalog versions.

## 5. SURVEY EXECUTION

### Training of Enumerators

27. Training of the survey personnel was conducted in three central locations: Manila, Iloilo City and Cebu City. The personnel that would cover NCR and Balance Luzon were trained in Manila. The training in Iloilo City covered the survey personnel assigned to Ilonggo-speaking regions, while that in Cebu City covered the personnel allocated to cover Cebuano-speaking areas, including Central and Eastern Visayas and Mindanao. The minimum training time for group supervisors and interviewers was one week. The training activities mainly consisted of: (i) one or two days of classroom instruction on the basics of the project; (ii) mock interviews with co-workers to familiarize with the flow of interviewing and questionnaire format; and, (iii) practice interviews with a supervisor in attendance, until the interviewers could be left on their own.<sup>16</sup>

### Recruitment of Personnel

28. The SWS has been conducting national surveys for almost 15 years and had trained interviewers all over the country. Most of the enumerators for this survey were drawn from this pool of experienced interviewers. A few interviewers were newly hired and underwent a thorough training program and supervision before they were allowed to proceed on their own.

### Fieldwork Dates

29. Field canvassing of the survey was carried out from March 26 to April 17, 2000. The fieldwork dates for each of the major areas are as follows:

|                          |                           |
|--------------------------|---------------------------|
| National Capital Region: | March 26 - April 3, 2000  |
| Balance Luzon:           | April 2 - 15, 2000        |
| Visayas:                 | March 31 - April 15, 2000 |
| Mindanao:                | April 2 - 17, 2000        |

### Monitoring and Supervision

30. Supervisors reporting to the Field Manager (a regular staff of SWS) of the survey monitored the conduct of the fieldwork (interviews) full-time. They observed

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<sup>16</sup> All the interviewers were women, which is also the case in virtually all the surveys conducted by the SWS.

interviewers at work,<sup>17</sup> followed-up on their activities, and made surprise checks on the field interviewers. They also ensured that field logistics were in order.

31. The fieldwork guidelines called for spot-checking at three stages. The first one took place after about 30% of the interviews were completed. The second spot-checking was conducted after 60% completion, and the third was undertaken immediately after completing the canvassing of 90% of the households.

32. During spot-checking, at least 20% of the unsupervised interviews were re-interviewed/back-checked. If serious errors persisted after the 20% spot-checking, the original interview results were discarded and the respondents were re-interviewed. An error was considered serious if dishonesty in recording was apparent or if there was a serious misinterpretation of the scope and objectives of the study questionnaire that led to the compilation of wrong information. Re-interviews were done in a few cases of misinterpretation of the questionnaire. No cases of dishonesty in recording were encountered.

33. If the responses to some questions were found to be incomplete or found to be logically inconsistent, the interviewer was required to return to the respondent and obtain responses to the said questions and complete a corrected record.

### **Field Editing**

34. After each interview, the interviewer was required to go over the recorded responses and check for consistency. All accomplished interview schedules were submitted to the assigned group supervisor who, in turn, scrutinized and edited the interview records.

### **Data Coding and Processing**

35. An officer at the SWS headquarters in Manila conducted a final consistency check on all interview records (sheets). Interview sheets were edited/checked twice by other officers (editors) before the data were encoded and recorded on diskettes. A data entry computer program verified and checked the consistency of the encoded data before the preliminary data tables were generated. Information on households generated from the preliminary tables and subsequent analyses are discussed in the next section.

## **6. HOUSEHOLD CHARACTERISTICS**

36. The characteristics included household composition (number and gender of household members), gender, age, civil status, educational attainment and occupation of household head, and membership in associations. In addition, information was obtained on use of facilities/services and appliances possessed by the household. The gender of respondents for each of the questionnaire modules was also recorded.

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<sup>17</sup> More than 10% of the interviewers were observed in action by the supervisors.

37. The households in the sample had on average 4.8 members and 49.6% of these were male.<sup>18</sup> Regional variations are modest except in the case of Mindanao, where the household size is somewhat larger (5.3 members) with males forming the majority (50.6%). About three-in-one (74%) sample households were headed by men, with NCR having the lowest proportion (68%) and Mindanao the highest (79%). In other words, more than one-in-four sample households were headed by females. The pattern of variation across the four regions is similar to that observed in the 1998 *APIS*. However, the proportion of male-headed households in the 1998 *APIS* is higher (84%), which may be in part due to the differences in the rural-urban distribution of the sample households in the two surveys.

38. The vast majority of household heads (97%) were over 25 years old, with 16% in the age group of 25 to 34 years, 21% each in the succeeding three ten-year categories, and 18% aged 55 years or more. Less than three-in-four (72%) household heads were married, 18% widowed, 5% single/never married, 3% divorced and 2% living in as married. The proportion of households headed by single/never-married persons in NCR (10%) is twice as large as the national average while it is the lowest in Mindanao (1%). Also, the proportion of households headed by divorcees is highest (7%) in NCR. The pattern in NCR may be explained (at least in part) by the wider economic opportunities available in the region as compared to others and weaker social and religious pressures. The opposite may be true in Mindanao.

39. Less than one-in-five household heads (19%) had some elementary education; an equal proportion completed elementary; 13% had some high school education; 18% had completed high school; 9% had some college education; and 12% completed college. The educational attainment of household heads in NCR is skewed to the upper end as compared to that in other regions. The proportions in the Report Card differ from those in the 1998 *APIS* and the differences could be explained by the different timings of the surveys and urban-rural distribution of sample households in the two surveys.

40. Almost half the household heads characterized their occupation as hired workers (46%), with about a quarter each as self-employed without any employees (27%) or employer in family operated farm or business (25%). The proportion of hired workers in the Report Card is identical to that in the 1998 *APIS*. However, the proportion of self-employed without any employee in the 1998 *APIS* is much higher than that in the Report Card (43% vs. 27%). This may be due to differences in the questions on occupation, timing and composition of samples in the two surveys.

41. In regard to membership in organizations, about one-in-five households indicated to be members of church or other religious organizations (21%) and two-in-three were not members of any organization. Membership in religious organizations is the highest in Mindanao (37%) and lowest in Visayas (13%). Data from sector modules confirm that on average, the proportion of household membership in voluntary associations (other than religious organizations) was around 10%.

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<sup>18</sup> The average household size in the 1998 *Annual Poverty Indicators Survey* was 5.0 and 50.7% of these were male. See NSO 1998 *Annual Poverty Indicators Survey*.

42. About 90% of the sample households used electricity. The proportion is highest in NCR and lower in Visayas and Mindanao (83% each). The proportion of households owning radio/audio cassette averaged at 90%, television 75%, gas stove 63%, refrigerator/freezer 49% and washing machine 29%. Regional differences are significant with the proportion of households in Mindanao owning gas stove, refrigerator/freezer and washing machine averaging at less than half that in NCR.

43. The main formal sources of information on government programs were TV (47%) followed by radio (32%) with newspapers and other print media coming as a distant third (13%). Friends and relatives were the dominant informal source of information on the programs, often exceeding radio in importance (35% vs. 32%). However, TV continued to be watched by two-in-three respondents and was ranked as the single most important source of information on government programs.

44. Although the majority of households (74%) were headed by males, the majority of respondents (between 52% and 80%) were females in six of the seven modules. This demonstrates the central role of Filipino women in household management and decision-making. The lone exception was housing where 56% of the respondents were male.

## 7. URBAN – RURAL DISTRIBUTION OF HOUSEHOLDS

45. About 60% of the sample households were located in areas that were classified as urban based on objective criteria developed by the SWS. This compares with an almost equal distribution of sample households in urban and rural areas in the *1998 APIS*, which largely relied on the classification in the 1990 Census. Some of the differences between the urban-rural distributions of households in the two samples may be due to different criteria used in classifying urban areas and the rest due to sample composition or sampling.<sup>19</sup>

46. Differences in urban-rural distribution of households are significant. As expected, 100% of sample households in NCR were classified as urban, which was also the case in the *1998 APIS*. Rural households dominated the sample in Mindanao in both the Report Card (60%) and the *1998 APIS* (65%). The major discrepancy in household distribution between the two surveys was in Visayas (66% urban in Report Card vs. 37% urban in *1998 APIS*). This may be largely due to differences in the selection of households in the two samples.

## 8. POVERTY CLASSIFICATIONS

47. Data tabulations were undertaken using two poverty classifications in the Report Card.<sup>20</sup> The first is based on self-classification/rating of the status of the households as

<sup>19</sup> The effect of the discrepancy in the urban and rural distribution of households in the sample was tested by comparing the Report Card results with those obtained by attaching the 1998 APIS urban-rural weights. In the large majority of cases, the differences between the weighted and unweighted results were not significant.

<sup>20</sup> A third poverty classification of households into A, B, C, D, and E based on the enumerator's observation and assessment of the housing and living conditions of the households is used by the SWS [A -

poor, borderline and not-poor by the respondents. This is a bottom-up assessment of the status of the household by the respondent(s) in the household.<sup>21</sup> Their ratings incorporate not only income/expenditure but also myriad other socioeconomic factors that influence the welfare of the household. The self-rated poverty (SRP) concept has been in use by the SWS for the past 15 years in its quarterly surveys. It was found to be a valuable independent instrument to capture people's assessment of their own status/well-being.

48. About 60% of the sample households rated themselves to be SRP poor, 28% as SRP borderline and 12% as not-poor.<sup>22</sup> Regional differences are significant with NCR having the lowest proportion of SRP poor (40%) and the highest proportions of borderline (35%) and not poor (25%). About 70% of the households in Visayas and 69% in Mindanao ranked themselves to be SRP poor. The proportion of not-poor households is lowest in Mindanao (3%) with that in Visayas at 8%. The proportion of SRP poor was marginally higher among male-headed households as compared to that for female-headed households (61% vs. 57%). Urban households had a lower proportion of SRP poor compared to their rural counterparts (53% vs. 71%). The poverty incidence trends are consistent with official poverty estimates based on household expenditure, although the SRP proportions are almost twice as large as official estimates.

49. The second poverty classification is based on household expenditure.<sup>23</sup> Households with expenditures in the bottom three expenditure deciles (bottom 30%) were classified as poor; those with expenditures in the fourth to sixth deciles (middle 30%) were classified as middle-income; and those with expenditures falling in the top four expenditure deciles (top 40%) were classified as rich.<sup>24</sup> Two factors influenced the poverty classification based on expenditures along the above lines. First, the incidence of (expenditure) poverty in the Philippines was about 30% according to official estimates.<sup>25</sup> So, households with expenditures falling in the bottom 30% should cover virtually all, if not all, the households that are below the official poverty line and are therefore considered to be expenditure poor by official definition. Second, the median self-rated

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the rich, B - the upper-class, C - the middle-class, D - the mass-class, and E - the very poor]. This has been a particularly useful instrument for market research and targeting of goods and services, indigenous to the Philippines business community. This ABCDE poverty classification was also included in the survey questionnaire.

<sup>21</sup> It is worth reiterating that the poor know their situation best – they are considered the experts on poverty by many non-economist social scientists.

<sup>22</sup> The proportion of households rating themselves to be poor (self-rated poverty) fluctuated around 60% between February 1998 and April 2000 (range of 57% to 65%). It showed a decline in the following three quarters (range of 54% to 57%).

<sup>23</sup> Some characterize the expenditure poverty classification to be a top-down and partial approach to measuring poverty as the parameters are limited in coverage, mainly money-metric, and determined by outside national and international experts, based on their criteria.

<sup>24</sup> An alternative labeling of the groups was suggested by the SWS: households in the bottom three expenditure deciles (or bottom 30%) to be labeled very poor, in middle 30% as somewhat poor, and those in top 40% middle-income and rich. This would conform more closely to the SWS self-rated poverty classifications. A further variation may also be considered: bottom 30% - poor, middle 30% - low-income, and top 40% - middle-income and rich.

<sup>25</sup> Estimates of poverty incidence in the *Philippines Poverty Assessment* are lower at around 25%. Informal discussions with the NSO indicated that poverty incidence may have likely gone up.

poverty threshold of the SRP poor was virtually the same as the official poverty line,<sup>26</sup> based on household expenditure from 1985 to 1997.<sup>27</sup> Thus, the expenditure poor (bottom 30%) should overlap with the bottom half of the SRP poor.<sup>28</sup> In fact, more than 80% of the expenditure poor households covered in the Report Card survey do overlap with the bottom half of the SRP poor households. Further, the expenditure poor and middle-income households (with expenditures falling in the bottom six expenditure deciles or bottom 60%) should overlap with the self-rated poor as the latter also account for 60% of the households.

50. Thus, self-rated poverty and expenditure poverty appear to be directly, and closely, inter-related. To this end, the expenditure poverty classification is adopted in the Report Card as the primary poverty classification.<sup>29</sup> This is considered appropriate in this first pilot phase of the Report Card with refinements to follow in subsequent rounds.<sup>30</sup>

## 9. DATA ANALYSES

51. Preliminary results based on initial tabulations were presented to representatives of service providers and other stakeholders in Manila, Clark and Cebu in four workshops during June 2000. The workshop participants confirmed the validity of many of the results and suggested a number of areas for further analysis. Detailed analyses of the survey responses are carried out taking into account the suggestions of the stakeholder representatives. The responses are analyzed by geographic area (aggregate RP, NCR, Balance Luzon, Visayas and Mindanao), urban/rural location, and one measure of poverty status of the household – based on the expenditure poverty classification described in the preceding sections. The results are discussed in the text Chapters II to VII.

52. It is recognized that no single sample of 1200 households, no matter how carefully selected, can fully represent a population as large and diverse as that of the Philippines. Nevertheless, the Report Card does provide a snapshot of the views of a wide spectrum of Filipinos on pro-poor services they are receiving, based on their experience. The client assessments have been collected by means of sound and well-tested survey techniques. The results are subjected to rigorous standard error analysis, which shows that most of the findings included in the sector and program chapters are significant.<sup>31</sup>

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<sup>26</sup> Defined by the National Statistical Coordination Board.

<sup>27</sup> 1985 is the first year for which the SWS data are available and 1997 is the last year for which official poverty line data are available.

<sup>28</sup> The SRP poor account for 60% of the households.

<sup>29</sup> To facilitate comparison and cross-checking for consistency between the results under the two poverty classifications.

<sup>30</sup> For example, the expenditure poverty classification could be refined by using regional/provincial poverty lines.

<sup>31</sup> The major sector tables with the standard errors can be obtained from the Report Card team by interested readers.

**Annex A. Sample Sizes in EuroBarometer Surveys, 1997**

| Country          | Survey Organization          | Sample Size | Fieldwork Dates | Population Aged 15+<br>(in ' 000) |
|------------------|------------------------------|-------------|-----------------|-----------------------------------|
| Belgium          | INRA Belgium                 | 1,041       | 20/10 - 03/11   | 8,356                             |
| Denmark          | GFK Danmark                  | 1,000       | 15/10 - 11/11   | 4,087                             |
| Germany (E)*     | INRA Deutschland             | 1,036       | 12/10 - 04/11   | 13,608                            |
| Germany (W)*     | INRA Deutschland             | 1,026       | 12/10 - 04/11   | 52,083                            |
| Greece           | KEME                         | 1,012       | 13/10 - 12/11   | 7,474                             |
| Spain            | INRA España                  | 1,000       | 22/10 - 03/11   | 28,075                            |
| France           | TMO Consultants              | 1,005       | 20/10 - 03/11   | 43,590                            |
| Ireland          | LANSDOWNE Market<br>Research | 1,002       | 20/10 - 12/11   | 2,549                             |
| Italy            | PRAGMA                       | 1,011       | 20/10 - 31/10   | 44,495                            |
| Luxembourg       | ILReS                        | 620         | 14/10 - 10/11   | 372                               |
| Netherlands      | NIPO                         | 1,003       | 17/10 - 15/11   | 11,232                            |
| Austria          | SPECTRA                      | 1,023       | 17/10 - 03/11   | 6,004                             |
| Portugal         | METRIS                       | 1,000       | 18/10 - 05/11   | 7,338                             |
| Finland          | MARK Development<br>Center   | 1,032       | 20/10 - 11/11   | 4,017                             |
| Sweden           | TEMO                         | 1,000       | 20/10 - 16/11   | 7,808                             |
| Great Britain    | INRA UK                      | 1,064       | 13/10 - 10/11   | 44,225                            |
| Northern Ireland | ULSTER Marketing<br>Surveys  | 311         | 23/10 - 10/11   | 1,159                             |

\* In Germany, the EuroBarometer surveys prior to unification pertained only to the Western portion. After unification, a number of German surveys, including EuroBarometer, have taken separate samples for the Western and Eastern portions, so as to continue the time series of the Western section, while allowing for aggregation to the unified national level.

Source: EuroBarometer

**Annex B. Sample Sizes in Past SWS Surveys**

| Year | Project No. | Date     | Location | Respondents | Sample Size |
|------|-------------|----------|----------|-------------|-------------|
| 1984 | 4-84        | Apr 1984 | RP       | Adults      | 2,000       |
| 1985 | 6-85        | Jul 1985 | RP       | Adults      | 2,000       |
|      | 9-85        | Sep 1985 | RP       | Adults      | 8,163       |
| 1986 | 5-86        | May 1986 | RP       | Adults      | 2,000       |
|      | 10-86       | Oct 1986 | RP       | Adults      | 1,200       |
| 1987 | 3-87        | Mar 1987 | RP       | Adults      | 1,200       |
|      | 9-87        | Sep 1987 | GMA      | Adults      | 500         |
|      | 10-87       | Oct 1987 | RP       | Adults      | 1,200       |
| 1988 | 3-88        | Mar 1988 | GMA      | Adults      | 300         |
|      | 9-88        | Sep 1988 | RP       | Adults      | 1,200       |
| 1989 | 2-89        | Feb 1989 | RP       | Adults      | 1,200       |
|      | 6-89        | Jul 1989 | GMA      | Adults      | 300         |
|      | 9-89        | Sep 1989 | RP       | Adults      | 1,200       |
|      | 12-89       | Dec 1989 | GMA      | Adults      | 500         |
| 1990 | 4-90        | Apr 1990 | RP       | Adults      | 1,200       |
|      | 8-90        | Aug 1990 | GMA      | Adults      | 300         |
|      | 11-90       | Nov 1990 | RP       | Adults      | 1,200       |
| 1991 | 3-91        | Mar 1991 | GMA      | Adults      | 300         |
|      | 7-91        | Jul 1991 | RP       | Adults-1    | 1,200       |
|      | 7-91        | Jul 1991 | RP       | Adults-2    | 1,200       |
|      | 9-91        | Sep 1991 | GMA      | Adults      | 300         |
|      | 11-91       | Nov 1991 | RP       | Adults-1    | 1,200       |
|      | 11-91       | Nov 1991 | RP       | Adults-2    | 1,200       |
| 1992 | 2-92        | Feb 1992 | RP       | Adults      | 1,200       |
|      | 4-92        | Apr 1992 | RP       | Adults      | 1,200       |
|      | 5-92        | May 1992 | RP       | Adults      | 1,200       |
|      | 9-92        | Sep 1992 | RP       | Adults      | 1,200       |
|      | 12-92       | Dec 1992 | RP       | Adults-1    | 1,200       |
|      | 12-92       | Dec 1992 | RP       | Adults-2    | 1,200       |
| 1993 | 4-93        | Apr 1993 | RP       | Adults-1    | 1,200       |
|      | 4-93        | Apr 1993 | RP       | Adults-2    | 1,200       |
|      | 7-93        | Jul 1993 | RP       | Adults      | 1,200       |
|      | 9-93        | Sep 1993 | RP       | Adults      | 1,200       |
|      | 12-93       | Dec 1993 | RP       | Adults-1    | 1,200       |
|      | 12-93       | Dec 1993 | RP       | Adults-1    | 1,200       |
| 1994 | 4-94        | Apr 1994 | RP       | Adults      | 1,260       |
|      | 8-94        | Aug 1994 | RP       | Adults      | 1,260       |
|      | 11-94       | Nov 1994 | RP       | Adults-1    | 1,200       |
|      | 11-94       | Nov 1994 | RP       | Adults-2    | 1,200       |
|      | 12-94       | Dec 1994 | RP       | Adults-1    | 1,200       |
|      | 12-94       | Dec 1994 | RP       | Adults-2    | 1,200       |

**Annex B. Sample Sizes in Past SWS Surveys (contd)**

| Year        | Project No.       | Date                    | Location | Respondents | Sample Size |
|-------------|-------------------|-------------------------|----------|-------------|-------------|
| 1995        | 95-I (FEB)        | Mar-Apr 95              | RP       | Adults-1    | 1,200       |
|             | 95-I (FEB)        | Mar-Apr 95              | RP       | Adults-2    | 1,200       |
|             | 95-II (JUN)       | Jun 1995                | RP       | Adults-1    | 1,200       |
|             | 95-II (JUN)       | Jun 1995                | RP       | Adults-2    | 1,200       |
|             | 95-III (OCT)      | Oct 1995                | RP       | Adults-1    | 1,200       |
|             | 95-III (OCT)      | Oct 1995                | RP       | Adults-2    | 1,200       |
|             | 95-IV (DEC)       | Dec 1995                | RP       | Adults-1    | 1,200       |
|             | 95-IV (DEC)       | Dec 1995                | RP       | Adults-2    | 1,200       |
| 1996        | 96-I (APR)        | April 1996              | RP       | Adults-1    | 1,200       |
|             | 96-I (APR)        | April 1996              | RP       | Adults-2    | 1,200       |
|             | 96-II (JUN)       | June 1996               | RP       | Adults-1    | 1,200       |
|             | 96-II (JUN)       | June 1996               | RP       | Adults-2    | 1,200       |
|             | 96-III (SEP)      | Sept 1996               | RP       | Adults-1    | 1,200       |
|             | 96-III (SEP)      | Sept 1996               | RP       | Adults-2    | 1,200       |
|             | 96-III (SEP)      | Sept 1996               | RP       | Adults-3    | 1,200       |
|             | 96-IV (DEC)       | Dec 1996                | RP       | Adults-1    | 1,200       |
| 96-IV (DEC) | Dec 1996          | RP                      | Adults-2 | 1,200       |             |
| 1997        | 97-I (APR)        | Mar-Apr 1997            | RP       | Adults-1    | 1,200       |
|             | 97-I (APR)        | Mar-Apr 1997            | RP       | Adults-2    | 1,200       |
|             | 97-II (JUN)       | Jun-Jul 1997            | RP       | Adults-1    | 1,200       |
|             | 97-II (JUN)       | Jun-Jul 1997            | RP       | Adults-2    | 1,200       |
|             | 97-III (SEP)      | Aug25-Sep18 '97         | RP       | Adults-1    | 1,500       |
|             | 97-III (SEP)      | Aug25-Sep18 '97         | RP       | Adults-2    | 1,200       |
|             | 97-III (SEP)      | Aug25-Sep18 '97         | RP       | Adults-3    | 1,200       |
|             | 97-IV (DEC)       | Nov 21-Dec 19 '97       | RP       | Adults-1    | 1,500       |
|             | 97-IV (DEC)       | Nov 21-Dec 19 '97       | RP       | Adults-2    | 1,200       |
| 97-IV (DEC) | Nov 21-Dec 19 '97 | RP                      | Adults-3 | 1200        |             |
| 1998        | 98-I (Feb)        | Feb-Mar, 1998           | RP       | Adults-1    | 1500        |
|             | 98-I (Feb)        | Feb-Mar, 1998           | RP       | Adults-2    | 1200        |
|             | 98-I (Feb)        | Feb-Mar, 1998           | RP       | Adults-3    | 1200        |
|             | 98-II             | Apr 8,12-16, 1998       | RP       | Adults-1    | 1500        |
|             | 98-II             | June 27 - July 14, 1998 | RP       | Adults-2    | 1200        |
|             | 98-II             | June 27 - July 14, 1998 | RP       | Adults-3    | 1200        |
|             | 98-III            | Sep 11-26, 1998         | RP       | Adults-1    | 1200        |
|             | 98-III            | Sep 16-26, 1998         | RP       | Adults-2    | 1200        |
|             | 98-IV             | Oct 25-Nov 14, 1998     | RP       | Adults-1    | 1200        |
|             | 98-IV             | Nov 5-Nov 13, 1998      | RP       | Adults-2    | 1200        |
| 1999        | 99-I              | Mar 1-19, 1999          | RP       | Adults-1    | 1200        |
|             | 99-II             | Jun 2-16, 1999          | RP       | Adults-1    | 1200        |
|             | 99-III            | Sep 25-Oct 11, 1999     | RP       | Adults-1    | 1200        |
|             | 99-III            | Sep 25-Oct 11, 1999     | RP       | Adults-2    | 1200        |
|             | 99-IV             | Nov 27-Dec 15, 1999     | RP       | Adults-1    | 1200        |
|             | 99-IV             | Nov 27-Dec 15, 1999     | RP       | Adults-2    | 1200        |
| 2000        | 2000-I            | Mar 4-22, 2000          | RP       | Adults-1    | 1200        |
|             | 2000-I            | Mar 4-22, 2000          | RP       | Adults-2    | 1200        |

RP - Republic of the Philippines

GMA - Greater Manila Area

**Annex C. Geographic Distribution of Sample Households**

| Item  | RP         | NCR        | Balance Luzon | Visayas    | Mindanao   |
|---|------------|------------|---------------|------------|------------|
| 1995 Population (NSO)                               | 68,431,213 | 9,411,697  | 28,734,885    | 14,119,660 | 16,164,971 |
| 1995 Household Number (NSO)                         | 13,508,055 | 1,985,299  | 5,667,626     | 2,760,829  | 3,094,301  |
| 1995 Average Household Size (NSO)                   | 5.07       | 4.74       | 5.07          | 5.11       | 5.22       |
| 2000 Population (NSO estimate)                      | 76,348,149 | 10,387,991 | 32,141,622    | 15,619,118 | 18,199,418 |
| Estimated Number of Households in 2000 <sup>1</sup> | 15,071,749 | 2,191,238  | 6,339,566     | 3,054,019  | 3,483,735  |
| Proportion of Households <sup>2</sup>               | 100.00%    | 14.54%     | 42.06%        | 20.26%     | 23.11%     |
| Distribution of Sample Households <sup>3</sup>      | 1,200      | 174        | 505           | 243        | 277        |

Note: The number of households in 2000 is derived by dividing the estimated population in 2000 by the average household size in 1995. The proportion of households in each area (e.g., NCR) is derived by dividing the number of households in 2000 in the area by the total number of households in 2000. Distribution of sample households by area was determined by multiplying the total number of sample households (1,200) by the proportion of households in each area.

**Annex D. Distribution of Sample Provinces, Cities/Municipalities and Precincts/Barangays**

| <b>NATIONAL CAPITAL REGION (17 Cities/Municipalities, 35 Spots, and 174 respondents)</b>                               |   |   |   |
|--|---|---|---|
| <b>City/ Municipality</b>  | <b>No. of Sample Precincts (all urban)/Spots</b>  | <b>Interviewed 5 respondents in each spot</b>                                       |   |
| 1. MANILA  | 4   | Interviewed 4 respondents only in one of the spots to get total of 174 respondents. |   |
| 2. CITY OF MANDALUYONG   | 1   |   |   |
| 3. MARIKINA  | 2   |   |   |
| 4. CITY OF PASIG   | 2   |   |   |
| 5. QUEZON CITY   | 5   |   |   |
| 6. SAN JUAN  | 1   |   |   |
| 7. KALOOKAN CITY   | 3   |   |   |
| 8. MALABON   | 1   |   |   |
| 9. NAVOTAS   | 1   |   |   |
| 10. VALENZUELA   | 2   |   |   |
| 11. LAS PIÑAS  | 2   |   |   |
| 12. CITY OF MAKATI   | 2   |   |   |
| 13. CITY OF MUNTINLUPA   | 2   |   |   |
| 14. PARAÑAQUE  | 2   |   |   |
| 15. PASAY CITY   | 2   |   |   |
| 16. PATEROS  | 1   |   |   |
| 17. TAGIG  | 2   |   |   |
| <b>BALANCE LUZON (10 Provinces, 15 Cities or Municipalities, 101 Precincts/Barangays (Spots), and 505 Respondents)</b> |   |   |   |
| <b>Province/City/Municipality</b>  | <b>Barangay/Spot</b>  | <b>1990 NSO Locale</b>  | <b>Interviewed 5 respondents in each spot</b> |
| <b>ILOCOS NORTE Province</b><br>MARCOS (2)   | Escoda<br>Tabucbuc (Ragas)  | RURAL<br>RURAL  |   |
| <b>PANGASINAN Province</b><br>CALASIAO (8)   | 8 Precincts   | URBAN   |   |
| TAYUG (4)  | Carriedo<br>Legaspi<br>Libertad<br>Zamora   | RURAL<br>RURAL<br>RURAL<br>RURAL  |   |
| <b>CAGAYAN Province</b><br>BUGUEY (4)  | Balza<br>Centro (Pob.)<br>Centro West<br>Remebella  | RURAL<br>URBAN<br>RURAL<br>RURAL  |   |
| <b>BATAAN Province</b><br>ORANI (6)  | Masantol<br>Centro I (Pob.)<br>Sibul<br>Tapulao<br>Tenejero (Pob.)<br>Apollo  | URBAN<br>URBAN<br>RURAL<br>RURAL<br>URBAN<br>URBAN                                  |   |
| <b>NUEVA ECIJA Province</b><br>CABANATUAN CITY (22)  | Bagong Sikat<br>Bitas<br>Bonifacio District (Pob.)<br>Campo Tinio<br>Kapitan Pepe (Pob.)<br>Cinco-Cinco<br>City Supermarket (Pob.)<br>Cruz Roja | RURAL<br>URBAN<br>URBAN<br>RURAL<br>URBAN<br>RURAL<br>URBAN<br>RURAL                |   |

| Province/City/Municipality                  | Barangay/Spot               | 1990 NSO Locale | Interviewed 5 respondents in each spot |
|---|-----------------------------|-----------------|--|
| SAN ANTONIO (7)                             | Dimasalang (Pob.)           | URBAN           |  |
|   | Isla (Pob.)                 | URBAN           |  |
|   | M. S. Garcia                | URBAN           |  |
|   | Pagas                       | RURAL           |  |
|   | Pamaldan                    | RURAL           |  |
|   | Pula                        | RURAL           |  |
|   | San Isidro                  | RURAL           |  |
|   | Santa Arcadia               | RURAL           |  |
|   | Vijandre District (Pob.)    | URBAN           |  |
|   | Villa Ofelia-Caridad        | URBAN           |  |
|   | Aduas Sur                   | URBAN           |  |
|   | Sumacab Este                | RURAL           |  |
|   | Sumacab South               | NONE            |  |
| Santo Niño                                  | NONE                        |                 |  |
| TARLAC Province<br>SAN MANUEL (3)           | Cama Juan                   | RURAL           |  |
|   | Julo                        | RURAL           |  |
|   | Panabingan                  | RURAL           |  |
|   | Papaya                      | RURAL           |  |
|   | Poblacion                   | URBAN           |  |
|   | San Mariano                 | RURAL           |  |
| BATANGAS Province<br>LEMERY (7)             | Santa Barbara               | RURAL           |  |
|   | Legaspi                     | RURAL           |  |
|   | San Miguel                  | URBAN           |  |
|   | San Vicente                 | RURAL           |  |
|   | Ayao-iyao                   | RURAL           |  |
|   | Bukal                       | RURAL           |  |
|   | Mahayahay                   | RURAL           |  |
| Matingain II                                | RURAL                       |                 |  |
| LIAN (5)                                    | Tubuan                      | RURAL           |  |
|   | Wawa Ilaya                  | URBAN           |  |
|   | Sinisian West               | RURAL           |  |
|   | Balibago                    | RURAL           |  |
|   | Bungahan                    | RURAL           |  |
| LAGUNA Province<br>BAY (5)                  | Luyahan                     | RURAL           |  |
|   | Barangay 3 (Pob.)           | URBAN           |  |
|   | Barangay 4 (Pob.)           | URBAN           |  |
|   | Masaya                      | RURAL           |  |
|   | Santo Domingo               | RURAL           |  |
|   | Tagumpay                    | RURAL           |  |
| BINAN (17)                                  | San Agustin (Pob.)          | URBAN           |  |
|   | San Nicolas (Pob.)          | URBAN           |  |
| ALBAY Province<br>SANTO DOMINGO (LIBOG) (4) | 17 Precincts                | URBAN           |  |
|   | Santo Domingo Pob. (Bgy. 4) | URBAN           |  |
|   | San Pedro Pob. (Bgy. 5)     | URBAN           |  |
|   | San Rafael Pob. (Bgy. 7)    | URBAN           |  |
| TIWI (5)                                    | San Andres                  | RURAL           |  |
|   | Belen (Malabog)             | RURAL           |  |

| Province/City/Municipality   | Barangay/Spot                                       | 1990 NSO<br>Locale                   | Interviewed 5 respondents in each spot  |
|--|---|--------------------------------------|---|
|  | Coro-coro<br>Dap-dap                                | RURAL<br>RURAL                       |   |
| <b>CATANDUANES Province</b><br>BAGAMANOC (2)   | Joroan<br>Putsan<br><br>Bugao<br>Salvacion (Panuto) | RURAL<br>RURAL<br><br>RURAL<br>RURAL |   |
| <b>VISAYAS (5 Provinces, 15 Cities or Municipalities, 49 Precincts/Barangays (Spots), and 243 Respondents)</b> |   |                                      |   |
| <b>NEGROS OCCIDENTAL Province</b><br>BACOLOD CITY (Capital)  | 9 Precincts   | URBAN                                |   |
| HIMAMAYLAN   | Cabadiangan<br>Libacao                              | RURAL<br>RURAL                       |   |
| LA CARLOTA CITY  | Consuelo<br>Barangay III (Pob.)                     | URBAN<br>URBAN                       |   |
| SAN CARLOS CITY  | Buluangan<br>Guadalupe<br>Barangay V (Pob.)         | RURAL<br>URBAN<br>URBAN              |   |
| <b>BOHOL Province</b><br>BALILIHAN   | Maslog  | RURAL                                |   |
| PANGLAO  | Doljo   | URBAN                                |   |
| <b>CEBU Province</b><br>BORBON   | Bingay<br>Don Gregorio Antigua<br>(Taytayan)        | RURAL<br>RURAL                       |   |
| CEBU CITY (Capital)  | 14 Precincts  | URBAN                                |   |
| SAMBOAN  | San Sebastian                                       | RURAL                                |   |
| TOLEDO CITY  | Cabitoonan<br>Poog<br>Sam-ang<br>Talavera           | RURAL<br>RURAL<br>RURAL<br>RURAL     |   |
| TUBURAN  | Siotes<br>Barangay III (Pob.)                       | RURAL<br>URBAN                       |   |
| <b>NEGROS ORIENTAL Province</b><br>CANLAON CITY  | Bayog<br>Malaiba                                    | RURAL<br>RURAL                       |   |
| GUIHULNGAN   | Banwaque<br>Humayhumay<br>Kagawasan                 | RURAL<br>RURAL<br>RURAL              | Interviewed 3 respondents only in this spot to make up total of 243 respondents |
| <b>SOUTHERN LEYTE Province</b><br>MACROHON<br>MALITBOG   | Santa Cruz (Pob.)<br>San Roque                      | URBAN<br>RURAL                       |   |

| Province/City/Municipality   | Barangay/Spot   | 1990 NSO<br>Locale  | Interviewed 5 respondents in each spot |
|--|---|---|--|
| <b>MINDANAO (5 Provinces, 15 Cities/Municipalities, 56 Precincts/Barangays (Spots), and 278 Respondents)</b> |   |   |  |
| <b>BUKIDNON Province</b>   |   |   |  |
| BAUNGON  | Mabunga<br>Nicdao   | RURAL<br>URBAN  |  |
| KADINGILAN   | Husayan<br>Kibalagon  | RURAL<br>RURAL  |  |
| MALAYBALAY (Capital)   | Cabangahan<br>Imbayao<br>Barangay 9 (Pob.)<br>Barangay 11 (Pob.)<br>Simaya  | RURAL<br>RURAL<br>URBAN<br>URBAN<br>RURAL   |  |
| QUEZON   | Cebole<br>Magsaysay<br>Mibantang<br>Poblacion (Kiokong)   | RURAL<br>RURAL<br>RURAL<br>URBAN  |  |
| <b>SOUTH COTABATO Province</b>   |   |   |  |
| GENERAL SANTOS CITY (DADIANGAS)  | Conel<br>Dadiangas East (Pob.)<br>Katangawan<br>San Isidro (Lagao 2nd)<br>Tambler<br>Apopong<br>Siguel<br>Batomelong<br>Dadiangas North<br>Dadiangas South<br>Fatima<br>Olympog | URBAN<br>URBAN<br>RURAL<br>URBAN<br>URBAN<br>RURAL<br>RURAL<br>None<br>URBAN<br>URBAN<br>None<br>None |  |
| KORONADAL (Capital)  | Mabini<br>Mambucal<br>San Isidro<br>Santo Niño (Bo. 2)<br>Zone III (Pob.)   | RURAL<br>RURAL<br>RURAL<br>URBAN<br>URBAN   |  |
| NORALA   | Kibid<br>San Miguel   | RURAL<br>RURAL  |  |
| SANTO NIÑO   | Ambalgan<br>Manuel Roxas  | RURAL<br>RURAL  |  |
| <b>LANAO DEL NORTE Province</b>  |   |   |  |
| ILIGAN CITY  | Dalipuga<br>Hinaplanon<br>Santa Filomena<br>Bagong Silang<br>Dulag<br>San Miguel<br>Tibanga<br>Panoroganan<br>San Roque<br>Villa Verde  | RURAL<br>RURAL<br>RURAL<br>RURAL<br>RURAL<br>URBAN<br>RURAL<br>None<br>None<br>None                   |  |

| Province/City/Municipality   | Barangay/Spot                              | 1990 NSO<br>Locale      | Interviewed 5 respondents in each spot                                 |
|--|--|-------------------------|--|
| <b>POONA PIAGAPO</b> ( <i>MUNICIPALITY NOT PENETRABLE</i> )                  | Madamba<br>Tagoranao                       | RURAL<br>RURAL          | Interview 3 respondents only to make up the total of 278 respondents   |
| TUBOD (Capital)  | Patudan<br>Taguranao                       | RURAL<br>RURAL          |  |
| <b>LANAO DEL SUR Province</b> ( <i>PROVINCE NOT PENETRABLE</i> )             |  |                         |  |
| MADAMBA  |  | URBAN                   |  |
| TARAKA   | Datu Ma-as<br>Lumbac Bagoaingud            | URBAN<br>RURAL          |  |
| <b>TAWI-TAWI Province</b>  |  |                         |  |
| BONGAO (Capital)   | Bongao Poblacion<br>Ungus-ungus<br>Pag-asa | URBAN<br>RURAL<br>RURAL |  |
| SITANGKAI  | Datu Amilhamja Jaafar<br>Sheik Makdum      | URBAN<br>RURAL          |  |
| <b>REPLACEMENT SPOTS IN MINDANAO</b>   |  |                         |  |
| <b>LANAO DEL NORTE Province</b>  |  |                         |  |
| <b>BAROY</b> ( <i>REPLACEMENT FOR POONA PIAGAPO</i> )                        |  |                         | Interviewed 3 respondents only to make up the total of 278 respondents |
|  | Andil<br>Libertad                          | RURAL<br>RURAL          |  |
| <b>MAGUINDANAO Province</b> ( <i>REPLACEMENT FOR LANA DEL SUR Province</i> ) |  |                         |  |
| BULUAN   | Kayaga                                     | RURAL                   |  |
| PAGALUNGAN   | Dunguan<br>Kudal                           | RURAL<br>RURAL          |  |

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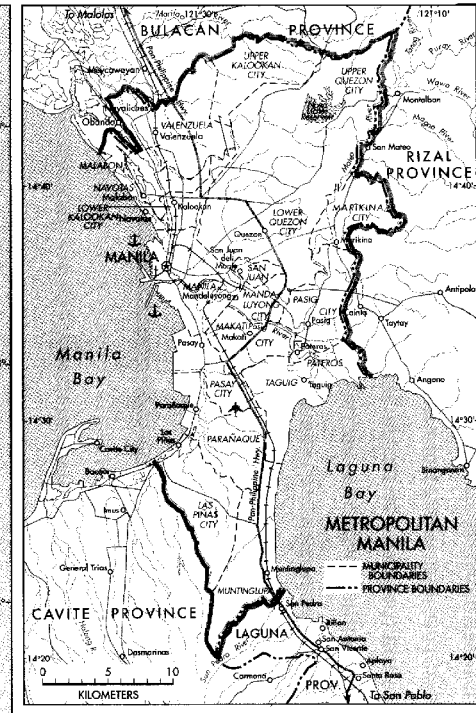
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# PHILIPPINES

- PAN-PHILIPPINE HIGHWAY
- OTHER MAIN ROADS
- FERRIES
- INTERNATIONAL AIRPORTS
- MAJOR PORTS
- RIVERS
- PROVINCE CAPITALS
- REGION CAPITALS
- PROVINCE BOUNDARIES
- REGION BOUNDARIES

## Regions and Provinces

- I Ilocandia**
  - 1. Ilocos Norte
  - 2. Ilocos Sur
  - 3. La Union
  - 4. Pangasinan
- CAR Cordillera Administrative Region**
  - 5. Abra
  - 6. Benguet
  - 7. Baguio
  - 8. Ifugao
  - 9. Kalinga
  - 10. Mountain Province
- II Cagayan Valley**
  - 11. Isabela
  - 12. Cagayan
  - 13. Tuguegarao
  - 14. Nueva Vizcaya
  - 15. Quirino
- III Central Luzon**
  - 16. Bulacan
  - 17. Bataan
  - 18. Nueva Ecija
  - 19. Pampanga
  - 20. Tarlac
  - 21. Zambales
- IV Southern Tagalog**
  - 22. Aurora
  - 23. Batangas
  - 24. Cavite
  - 25. Laguna
  - 26. Marikina
  - 27. Mindoro Occidental
  - 28. Mindoro Oriental
  - 29. Palawan
  - 30. Quezon
  - 31. Rizal
  - 32. Romblon
- V Bicolandia**
  - 33. Albay
  - 34. Camarines Norte
  - 35. Camarines Sur
  - 36. Catanduanes
  - 37. Masbate
  - 38. Sorsogon
- VI Western Visayas**
  - 39. Aklan
  - 40. Antique
  - 41. Capiz
  - 42. Cebu
  - 43. Iloilo
  - 44. Negros Occidental
- VII Central Visayas**
  - 45. Bohol
  - 46. Cebu
  - 47. Negros Oriental
  - 48. Siquijor
- VIII Eastern Visayas**
  - 49. Biliran
  - 50. Eastern Samar
  - 51. Leyte
  - 52. Northern Samar
  - 53. Western Samar
  - 54. Southern Leyte
- IX Western Mindanao**
  - 55. Basilan
  - 56. Zamboanga del Norte
  - 57. Zamboanga del Sur
- X Northern Mindanao**
  - 58. Bukidnon
  - 59. Compostela
  - 60. Misamis Occidental
  - 61. Misamis Oriental
- XI Southern Mindanao**
  - 62. Davao
  - 63. Davao del Sur
  - 64. Davao Oriental
  - 65. Sarangani
  - 66. South Cotabato
  - 67. Sultan Kudarat
  - 68. Compostela Valley
- XII Central Mindanao**
  - 69. Iloilo del Norte
  - 70. North Cotabato
- XIII Caraga**
  - 71. Agusan del Norte
  - 72. Agusan del Sur
  - 73. Surigao del Norte
  - 74. Surigao del Sur
- ARMM Autonomous Region of Muslim Mindanao**
  - 75. Lanao del Sur
  - 76. Maguindanao
  - 77. Sulu
  - 78. Tawi-Tawi



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