

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Philippines	Project Title:	Competitive and Inclusive Agriculture Development Program
Lending/Financing Modality:	Policy-Based Lending	Department/ Division:	Southeast Asia Department/Environment, Natural Resources, and Agriculture Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY	
Poverty targeting: general intervention	
<b>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy</b>	
<p>The policy-based loan (PBL) is aligned with the Philippine Development Plan, 2017–2022<sup>a</sup> and the Asian Development Bank (ADB) country partnership strategy for the Philippines, 2018–2023,<sup>b</sup> which emphasizes inclusive growth and local economic development. The Philippine Development Plan identified the agriculture sector as instrumental in reducing poverty, particularly in rural areas. The program is also aligned with the operational priorities in ADB's Strategy 2030. The PBL will contribute to the country's targets of sustained high growth and reduction in rural poverty incidence. At the macro level, ensuring the policies in the PBL would ascertain low and stable food inflation rates. At the sector level, the PBL will improve agriculture productivity and competitiveness that in turn will contribute to gross domestic product growth. The PBL promotes the economic and social inclusion of farmers, one of the major poor groups in the country, through improved agricultural trade policy reforms, enhanced public services, and increased protection of rural families.</p>	
<b>B. Results from the Poverty and Social Analysis during PPTA or Due Diligence</b>	
<p>1. <b>Key poverty and social issues.</b> While the national poverty rate fell from 23.3% in 2015 to 16.6% in 2018, challenges remain. Poverty among farmers remained at 31.6% in 2018.<sup>1</sup> Hence, farm income increase is critical for reducing poverty. Employment in agriculture and rural labor markets is mostly informal and prone to periodic income losses caused by natural calamities or disease outbreaks. As part of economic structural transformation, there has been a noticeable reduction in agricultural employment and a rise in nonagricultural sectors toward low-quality work in services and industry. Farm households also tend to have limited access to health services and education.</p> <p>2. <b>Beneficiaries.</b> The expected beneficiaries comprise two groups: (i) virtually every Filipino family will benefit from lower rice prices because of the rice trade liberalization and improved governance of rice buffer stock during emergencies caused by natural calamities and disease outbreaks, and (ii) farmers and rural population in general will benefit from various policy and institutional reforms and effective planning of flood risk management and irrigation development. Particularly, rice farmers will benefit from the Rice Competitive Enhancement Fund (RCEF), a key provision of the RTL, with a P10 billion annual appropriation for six years beginning 2019. The RCEF is financing the following programs: (i) rice farm machineries and equipment; (ii) rice seed development, propagation, and promotion; (iii) expanded rice credit assistance; and (iv) rice extension services. Smallholder rice farmers, including female farmers, affected by low farmgate prices from rice trade liberalization will benefit from the following: (i) unconditional cash transfer programs worth ₱3.0 billion for each 2019 and 2020; and (ii) zero-interest loans worth ₱2.5 billion under the Expanded Survival and Recovery Program for Rice Farmers [SURE Aid, which is one of Survival and Recovery (SURE) assistance programs]. In addition, social protection programs will also benefit them as well as other poor households. There will also be broader spillover benefits given the agro-food sectors' linkages to industry (e.g. food manufacturing) and services sectors.</p> <p>3. <b>Impact channels.</b> The impact channels are (i) agricultural modernization and sector diversification; (ii) increased economic opportunities in the agriculture sector, especially for small farmers and poor rural households; and (iii) continued social protection for poor households, including farmers. The RTL has already reduced the domestic rice price by over 20%, which will substantially reduce food expenses of Filipino families, particularly poor households where rice is the largest expenditure item in the food basket. On the other hand, the RTL will reduce farmgate rice prices, which lower rice farmers' earnings. The government will provide the above-mentioned special financial assistance to mitigate negative impacts on smallholder rice farmers.</p> <p>4. <b>Other social and poverty issues.</b> Strengthening social welfare programs to protect the poor and vulnerable from economic shocks and other crises remains a challenge. The COVID-19 pandemic has a significant adverse impact on poverty because of (i) loss of incomes and livelihood, especially for informal sector workers; (ii) disruption of trade and markets affecting small-scale entrepreneurs and food producers, including farmers; (iii) immense increase in personal debt; and (iv) illnesses or deaths of primary income earners in families. Using the 2018 Family Income and Expenditure Survey of the Philippine Statistics Authority, ADB estimates that without substantial fiscal support, the national poverty rate could increase from 16.6% of the population in 2018 to 20.7% in 2020—equivalent to 5.5 million</p>	

<sup>1</sup> Philippine Statistics Authority. <http://www.psa.gov.ph/content/farmers-fisherfolks-individuals-residing-rural-areas-and-children-posted-highest-poverty>

more Filipinos falling into poverty as a result of the COVID-19 pandemic. This represents a 31.3% increase in the total number of poor in the Philippines and threatens to reverse the country's recent gains in poverty reduction. Assuming economic growth returns to its long-term trend of about 6% in 2021, poverty incidence is expected to decrease to 20.2% by the end of 2021, still higher than in 2018, showing the long-term effects of the pandemic. Even with significant fiscal support, including social amelioration for vulnerable households, the poverty rate is still estimated to increase.

5. **Design features.** The program comprises three reform areas: (i) agricultural trade policy and regulatory framework, (ii) public services and finance to the agriculture sector, and (iii) social protection to rural families.

### C. Poverty Impact Analysis for Policy-Based Lending

1. **Impact channels of the policy reforms.** The primary and immediate impact channel of the RTL, the most significant policy reform in the program, is reduced domestic rice prices. The RTL has pushed down domestic prices of rice by as much as 22% in 2019, containing food inflation and benefiting consumers. The impact to urban and rural poor consumers is expected to be substantial as rice is the largest expenditure item in their food basket. Rice trade liberalization, however, has also pushed down farmgate prices, affecting small rice farmers. To mitigate the impact, the PBL will provide (i) RCEF-funded technical and financial support to rice farmers in 57 rice-competitive provinces and (ii) financial assistance to small farmers nationwide (i.e., unconditional cash transfers and SURE Aid). In addition, labor and capital are expected to move out of rice farming in uncompetitive areas, where it becomes less profitable, and shift to non-rice farming and off- and nonfarm income opportunities.

2. **Impacts of policy reforms on vulnerable groups.** The majority of the poor and vulnerable will benefit from low rice prices and improved nutrition through more food consumption. While rice farmers will hurt from reduced farmgate prices, the impact will be mitigated by financial assistance in the short-term and RCEF-funded support programs over the medium-term.

3. **Systemic changes expected from policy reforms.** The program supports the government's efforts to build on gains from several agricultural programs, including institutional reforms, with far-reaching implications on reducing poverty and improving food security.

## II. PARTICIPATION AND EMPOWERING THE POOR

1. **Participatory approaches and project activities.** As this is a policy-based lending program to support key government policy actions, stakeholder participation activities were done for government's policy actions rather than for the program itself. The government organized a series of multi-stakeholder consultations on the RTL. ADB has provided small-scale technical assistance to the government to communicate RTL and other issues to stakeholders. The government has been swiftly implementing targeted assistance programs to affected small rice farmers.

2. **Civil society organizations.** The government has included civil society organizations (CSOs) in stakeholder consultations for key policy and institutional reforms.

3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA):

☒ (L) Information gathering and sharing    ☐ (NA) Consultation    ☐ (NA) Collaboration    ☐ (NA) Partnership

4. **Participation plan.** ☐ Yes ☒ No

Though CSOs were not particularly engaged in the program, the government included CSOs in its stakeholder consultations for key policy and institutional reforms covered by the program. Representatives of rice farmers, many of whom are poor, were engaged in stakeholder consultations related to the RTL. The government reflected its interests in various financial and technical support programs in the RTL's implementing rules and regulations.

## III. GENDER AND DEVELOPMENT

Gender mainstreaming category: some gender elements

**A. Key issues.** Filipino women make key contributions to agriculture, yet statistics do not take into account their unpaid labor, care roles and contribution. Deficient measurement of women's participation in these sectors greatly disadvantages them, and data indicate that women receive less access to irrigation (36%), seeds (29%), training (26%), extension services (23%), fertilizer and seeds subsidy (21%), and calamity assistance (20%) than male counterparts.<sup>c</sup> It is estimated that if female farmers were given the same level of support as their male counterparts, food production by women could increase by 25% and total national food production by 1.5%–3.0%.<sup>d</sup> While women workers are documented as comprising one-fourth of agricultural employment, this may not be an accurate reflection of their participation as their agricultural labor is often seen in the context of providing assistance to the male agricultural workers in the family. Women are not recorded in the government registries as fishers or farmers in their own right. Their "invisibility" has significant implications when it comes to land ownership where women have received significantly fewer land ownership rights. The dearth of sex-disaggregated data and lack of gender analysis in planning, policy making, and execution, hamper the effective implementation of agricultural policies and programs.

**B. Key actions.** Under subprogram 1, the program will promote (i) the incorporation of gender equality in water resources planning, policy formulation, and management by the Department of Water Resources (which is being proposed by the government) through consultations with all stakeholders, including women, the elderly, and people with disabilities; (ii) the inclusion of gender analyses in the National Irrigation Master Plan and the flood risk management master plans (FRMMPs); (iii) the collection of sex-disaggregated data for the Registry System for Basic Sectors in Agriculture; and (iv) the provision of interest-free loans to smallholder rice farmers, of which about 45% are

female, under SURE Aid. Subprogram 2 will promote (i) the compliance of the Department of Water Resources' operation with the government's gender and development framework, as well as with Philippine Commission on Women Memorandum Circular 2018-04 on guidelines for development of gender and development agenda; (ii) the integration of gender considerations in the preparation and implementation of forthcoming investment projects under the National Irrigation Master Plan and FRMMPs; (iii) the continuous updating of the Registry System for Basic Sectors in Agriculture with sex-disaggregated data included in regular reporting; (iv) the inclusion of gender analyses in FRMMPs for other priority principal river basins; (v) the inclusion of gender impact assessment in the evaluation of the RCEF programs; (v) the targeting of female rice farmer beneficiaries of SURE assistance programs; (vi) at least 30% participation by female family members in the pilot provincial agricultural and fisheries extension system; and (vii) the commencement of planning for a nutritional program for poor pregnant women as part of the government's zero-hunger agenda.

☐ Gender action plan    ☒ Other actions or measures    ☐ No action or measure

#### IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

### A. Involuntary Resettlement

**Safeguard Category:** ☐ A ☐ B ☒ C ☐ FI

1. **Key impacts.** No impacts.
2. **Strategy to address the impacts.** Not applicable.
3. **Plan or other Actions.**

- ☐ Resettlement plan  
☐ Resettlement framework  
☐ Environmental and social management system arrangement
- ☒ Social impact matrix (combined with environment impact matrix)

## B. Indigenous Peoples

**Safeguard Category:** ☐ A ☐ B ☒ C ☐ FI

1. **Key impacts.** No impacts.  
Is broad community support triggered? ☐ Yes ☒ No

2. **Strategy to address the impacts.** Not applicable.

3. Plan or other actions.
- |   |  |
|---|--|
| <input type="checkbox"/> Indigenous peoples plan                                | <input checked="" type="checkbox"/> Social impact matrix (combined with environment impact matrix) |
| <input type="checkbox"/> Indigenous peoples planning framework                  |  |
| <input type="checkbox"/> Environmental and social management system arrangement |  |

## V. ADDRESSING OTHER SOCIAL RISKS

### A. Risks in the Labor Market

1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L).

☒ (L) unemployment ☒ (L) underemployment ☒ (L) retrenchment ☒ (L) core labor standards

- 2. Labor market impact.** Rice farmers who are capable of neither continuing rice production nor switching to other agricultural activities will join the labor market for nonagricultural jobs.

### B. Affordability

No issues.

### C. Communicable Diseases and Other Social Risks

1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):

☐ (NA) Communicable diseases    ☐ (NA) Human trafficking    ☐ (NA) Others (please specify)

2. **Risks to people in project area.** Not applicable.

## VI. MONITORING AND EVALUATION

1. **Targets and indicators.** The main indicator related to poverty reduction and inclusive social development is as follows: poverty incidence reduced to 18.0% in 2023 from 20.7% as in April 2020. This will be measured by the Philippine Statistics Authority.
2. **Required human resources.** Not applicable (only limited staff time as indicators were selected from those periodically updated and published on the Philippine Statistics Authority website).
3. **Information in the project administration manual.** Not applicable.
4. **Monitoring tools.** Official government statistics available on the Philippine Statistics Authority website.

<sup>a</sup> Government of the Philippines, National Economic and Development Authority. 2017. [\*Philippine Development Plan, 2017–2022\*](#). Manila.

<sup>b</sup> ADB. 2018. *Country Partnership Strategy: Philippines, 2018–2023—High and Inclusive Growth*. Manila.

c Food and Agriculture Organization of the United Nations. 2018. [\*Empowering Rural Women, Powering Agriculture\*](#). Rome.

<sup>d</sup> Corral, V. and Pambansang Kilusan ng mga Samahang Magsasaka (PAKISAMA). 2015. [Women's Land Rights, Gender-Responsive Policies and the World Bank \(Philippines\)](#). Washington D.C.

Source: ADB.