Updated draft report

Near-poor households in the Philippines and the role of social protection

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Abbreviations

4Ps	Pantawid Pamilyang Pilipino Program
ADB	Asian Development Bank
AKAP	Ayuda sa Kapos ang Kita
APIS	Annual Poverty Indicators Survey
CBMS	Community-Based Monitoring System
CSG	Child Support Grant (*Thailand*)
CSPP	Contribution Subsidy Provider Program
DBM	Department of Budget and Management
DALY	Disability-Adjusted Life Year
DOLE	Department of Labor and Employment
DSWD	Department of Social Welfare and Development
ECT	Emergency Cash Transfer
EF	Employment Facilitation
EPRI	Economic Policy Research Institute
FAO	Food and Agriculture Organization of the United Nations
FIES	Food Income and Expenditure Survey
GDP	Gross Domestic Product
IMF	International Monetary Fund
KII	Key Informant Interview
LFS	Labor Force Survey
MDP	Multidimensional Poverty
NEDA	National Economic and Development Authority
NHTS-PR	National Household Targeting System for Poverty Reduction
NPL	National Poverty Line
OCW	Overseas Contract Workers
PDP	Philippine Development Plan
PIDS	Philippine Institute for Development Studies
PMT	Proxy Means Test
PSA	Philippine Statistics Authority
RA	Republic Act
SAP	Social Amelioration Program
SLP	Sustainable Livelihood Program
SPF	Social Protection Floor
SSS	Social Security System
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund

Executive summary

Background

Many Filipino households have incomes above the poverty threshold and are therefore officially non-poor. Yet, many of these households find themselves in a delicate and precarious situation, lacking a substantial safety net. The fragility of their circumstances becomes evident when faced with economic downturns, health crises, environmental hazards, and other unexpected shocks. Still, the Philippines' Enhanced Social Protection Operational Framework and Social Protection Floor stipulate the progressive realisation of the basic social protection guarantees, providing everyone guaranteed access to a menu of social protection programmes during various life-cycle shocks and risks. In line with the desire to gradually expand social protection, there is thus a need to better understand the feasibility of gradually expanding social protection to near-poor households, as a first step towards gradual universality of social protection programming.

The Philippines' Department of Social Welfare and Development has requested technical support from UNICEF Philippines in recommending an updated near-poor definition for the country and developing effective social protection policy solutions to better the situation for near-poor households in the country. Commissioned by UNICEF and funded by the Australian Government, the Economic Policy Research Institute conducted this study on near-poor households in the Philippines to improve the adequacy of social protection programmes and support the implementation of the Social Protection Plan and Social Protection Floor in the country.

Purpose and objectives

The purpose of this study is to contribute to the ongoing efforts towards achieving universal social protection in the Philippines. It aims to address knowledge gaps related to near-poor households and provide valuable insights to inform the expansion of the 4Ps to include the near-poor. Additionally, it seeks to inform social protection strategies for different income segments, with a particular focus on the most vulnerable children and adolescents, considering the challenges posed by climatic risks and other shocks. The primary objective was to conduct a thorough analysis of the vulnerabilities faced by near-poor households and offer policy-makers evidence-based recommendations that will aid in the design of a targeted social protection strategy specifically tailored for the needs of the near-poor.

Methodology

The study draws on a mixed methods approach, combining primary and secondary data sources through qualitative and quantitative data collection and analysis methods. As part of the qualitative data collection and analysis, a structured desk review was conducted to review information from secondary data and primary data was gathered through key informant interviews (KIIs) with relevant stakeholders in the Philippines. This qualitative data was then used to inform the quantitative analysis part of the analysis, for which a STATA and Excel model was developed, drawing on existing household-level data, macro-level socio-economic and demographic data, and data on government revenue/expenditure. The quantitative analysis contains four sub-analyses: 1) an analysis of socio-economic characteristics of vulnerable households, 2) an analysis to update the near-poor threshold, 3) simulations of various social protection programme options for near-poor households and the costs thereof, and 4) an analysis of the potential impacts of social protection options on the well-being of near-poor households.

Existing research on the near-poor

Research on the near-poor does not define the near-poor consistently. Mollie Orshansky, architect of the modern-day poverty measure, defines the near-poor as those individuals living between 100 and 133 percent of the official poverty threshold. She describes them as a "highly vulnerable population", a "sizable group in the population living always in the margin – wavering between dire poverty and a level only slightly higher but never really free from the threat of deprivation". As such, the near-poor concept is primarily based on a household's vulnerability to falling into poverty. Hence, while the near-poor are households with per capita income above the official poverty threshold at a given year, they are at high risk of subsequently falling into poverty. Metaphorically, these are households that precariously live at a knife-edge with little or no buffer against the economic effects of idiosyncratic and covariate shocks.

A study by Paqueo et al. in 2014 highlighted the high prevalence of near-poor households in the Philippines, who face a high risk of falling below the poverty threshold. The study showed that households living 28 per cent above the total poverty threshold faced a risk of at least 50 per cent of becoming poor in the future. Even those living 37 per cent above the poverty threshold still faced a substantial risk of subsequent poverty. The study also revealed that over a third of all Filipino households are cyclical or transient poor, meaning that they move in and out of poverty.

In terms of a typical lifecycle, near-poor newborns are more likely to be born in rural areas and in larger households. When they grow up, they are less likely than their middle-class peers to complete secondary education or higher education, and less likely to find formal employment. They also build up fewer assets, such as livestock, and have poorer access to resources, such as electricity, market access and high-quality infrastructure. Moreover, vulnerability among the near-poor in the face of shocks, of which disasters, health shocks, and crime and conflict stand out in the context of the Philippines. Indeed, households in areas particularly exposed to typhoons and conflict were found to be much more vulnerable than other households.

Updating the Philippine's near-poor definition and threshold

Based on an analysis of household's vulnerability to poverty, this study proposes an updated threshold for near-poverty in the Philippines. Using the merged Family Income and Expenditure Survey and Labour Force Survey for 2018 and 2021, predictions of poverty were made, using a probit and the log-linear model. The models identified a group of households that are likely to fall into poverty based on their socio-economic characteristics. Subsequently, the adapted "knife's edge rule" was applied, separating the vulnerable group according to their predicted likelihood of falling into poverty. The 50 per cent of the non-poor but vulnerable population closest to the poverty line were considered near-poor since they are living on a metaphorical knife's edge.

Separating the vulnerable group into the 50 per cent that has per capita income closest to the poverty line from the 50 per cent with higher incomes results in a near-poverty threshold of 1.23 times the national poverty line (NPL).

The updated threshold is in line with recommendations to gradually expand the near-poverty threshold as well as international definitions of near-poverty. International near-poor lines are typically set somewhere between 1.2 and 1.5 times the NPL, although some studies set the threshold as high as 2 times the NPL. At the same time, a 1.23 NPL threshold still allows sufficient room for policy makers to gradually expand the definition of near-poverty either by adding more, well-validated models to the panel or by using a different division rule.

Using the updated near-poor threshold of 1.23 times the national poverty line, the near-poverty line was calculated at PHP 39,839 per capita/year, or PHP 199,197 for a household of five for 2024. Based on this near-poverty line, the near-poverty rate, i.e., the share of the total population living in poverty, is 10.6 per cent in 2024. This means that in 2024, 12.3 million Filipinos were estimated to live in near-poverty, equalling 2.6 million households in near-poverty. It was estimated that approximately 5.5 million children live in these near-poor households.

Inclusion of near-poor in social protection programming

Social protection plays a vital role in the Government's efforts to reduce poverty in the Philippines and protect households from income insecurity. The Government of the Philippines has set an ambitious target to reduce the country's poverty incidence from 21.6 percent in 2015 to 9 percent by 2028. The implementation of social protection programmes is a key strategy of the Government to combat poverty and enhance the socioeconomic resilience of individuals, families, and communities, promote human capital development, and break the cycle of intergenerational poverty. As also stressed in the Philippine Development Plan 2023-28, the implementation of a strengthened and integrated social protection system will help poor and vulnerable households to better manage life cycle risks and shocks and support a transformation towards a "prosperous, inclusive, and resilient society." To guide these efforts in a coordinated, effective, and sustainable manner, the Government of the Philippines has adopted the Enhanced Social Protection Operational Framework in 2019 and the Social Protection Plan 2023-2028. The Social Protection Plan also speaks to the potential of expanding social protection to near-poor households.

In the past, social protection programming for near-poor households has faced several challenges. Firstly, near-poor households are oftentimes defined as a second priority group – after poor households – and in light of pre-defined beneficiary targets, near-poor households oftentimes do not make it into the actual beneficiary group. Secondly, the identification of near-poor households constitutes a challenge, just like the identification of poor households. The household data in the Listahanan – which is used for the PMT – is from 2021 and does not account for the poverty dynamics that especially households close to the poverty line experience. Lastly, the definition of near-poverty used for the programming is from 2014 and has not been revisited and updated since, potentially hampering the effectiveness of social protection programming.

This study proposes six social protection programme expansions to near-poor households. Along the risk categories included in the Enhanced Operational Social Protection Framework and the PDP 2023-2028 – individual and lifecycle risks, economic risks and environmental, natural and human-induced risks – six social protection programmes for expansion were selected and their cost implications and potential impacts were modelled over the next five years. The programmes are the 4Ps, Social Pension, SSS unemployment insurance, Sustainable Livelihood Programme-Employment Facilitation track, Ayuda sa Kapos ang Kita, and Emergency Cash Transfer.

A costing of the six programme expansions to near-poor households reveals the financial viability and sustainability of each option. Moreover, a modelling of each options' impacts on households near-poverty status shows that social protection programming for near-poor households can be an effective tool to lift households out of their near-poor status. An expansion of the 4Ps to near-poor households has the highest near-poverty reduction effects, with the potential to lift 5.4 per cent out of near-poverty in 2024. Similarly, all other programme options contribute to a near-poor rate reduction, albeit at lower levels. An expansion of the social pension was estimated to reduce the near-poor rate to 9.3 per cent in 2024, while the continuation of the AKAP programme was estimated to reduce the near-poor rate to 9.1 per cent. The smallest near-poor rate reductions were recorded for the SLP-EF track expansion, unemployment insurance provided under the SSS subsidy and the ECT expansion. The SLP-EF expansion and the ECT expansion each achieve a near-poverty reduction effect of 0.2 percentage points, and the SSS subsidy of 0.03 percentage points. Similar poverty reductions were found for the other years of the modelling period.

Additionally, secondary impacts within the near-poor beneficiary households across the domains of health, nutrition, and productivity were modelled and monetised. The modelling suggests that beyond the near-poverty reduction effects, all six expansion options also achieve secondary impacts. The 4Ps, AKAP, and social pension at achieve gains from secondary impacts equalling 0.3, 0.2 and 0.1 per cent of GDP, respectively. The gains are lowest for the SLP-EF expansion, ECT expansion and unemployment benefit, at 0.01 per cent. The differences in the primary and secondary impacts are largely driven by the diverging target group sizes of the expansion options and the different benefit levels.

Conclusions

Near-poor households are a heterogenous group, facing different needs and risks across their lifecycle. Still, evidence suggests several common characteristics among near-poor households: they are more likely to live in rural areas and larger households with many dependents, are less likely to complete secondary education or higher education and are less likely to find formal employment. They also build up fewer assets, such as livestock, and have poorer access to resources, such as electricity, market access and high-quality infrastructure. Addressing these multifaceted risks requires tailored solutions to the living circumstances in order to adequately support near-poor households. Thus, there is no one-size-fits-all approach.

An expansion of social protection programming to near-poor households is an effective tool to reduce vulnerability to poverty by lifting households out of their near-poor status. Additionally, social protection programming can achieve relevant secondary impacts within the near-poor beneficiary households across the domains of health, nutrition, and productivity. Hence, every peso invested in social protection for near-poor households also creates valuable returns over the long-term – not only for the beneficiaries themselves, but for the surrounding communities and country as a whole. The costing of the various policy options also suggests the financial viability and sustainability of expanding social protection programmes to the near-poor.

Ultimately, social protection for near-poor households is a crucial component of a comprehensive strategy to address the nuanced challenges faced by individuals living on the cusp of poverty. Unlike traditional poverty alleviation measures that may focus solely on those households and individuals below the poverty line, social protection policies for near-poor households must recognize the vulnerability and instability inherent in their economic circumstances. By tailoring social protection programmes to the needs of near-poor households, the Government of the Philippines can bridge the gap between official poverty statistics and the lived experiences of those grappling with financial uncertainty, fostering a more inclusive approach to social protection.

Recommendations

Adopt the updated near-poor definition and threshold of 1.23 times the national poverty line and reflect it in programme guidelines and eligibility criteria of social protection programmes.

Periodically revisit the near-poor definition and threshold. Poverty is a very dynamic concept, and reassessing the near-poor definition and threshold helps to ensure its accuracy and relevance.

Strengthen data systems to identify (near-)poor households. Keeping a database up-to-date can be challenging and time-consuming, therefore, it is recommended to adopt a more dynamic approach to data collection and updating, and also rely on on-demand registration as an effective way to ensure households are accurately represented.

Focus on the expansion of multiple social protection programmes to near-poor households. Various forms of social protection programming – social insurance, social assistance, safety nets, as well as labour market interventions – shall be gradually expanded to include near-poor households, accounting for the various needs that households might face.

Enhance complementarity among social protection programmes in the country by fostering synergies and collaboration among various social protection initiatives. Thereby, a more comprehensive and responsive social protection system can be created.

Further strengthen the linkages between social protection and social services such as healthcare, education, and care. To achieve these linkages, particularly at community level, case management must be further strengthened and coordination among frontline service providers increased.

Enhance monitoring and evaluation of social protection for evidence-based policy making. Understanding programmes' impact on poverty and near-poverty statistics will help to make more informed policy decisions and programme design improvements.

1. Background and rationale

Many Filipino households have incomes above the poverty threshold and are therefore officially considered non-poor. Yet, many of these households find themselves in a delicate and precarious situation, lacking a substantial safety net. The fragility of their circumstances becomes evident when faced with economic downturns, health crises, environmental hazards, and other unexpected shocks. The COVID-19 pandemic as well as rapidly worsening climate change indicators and their impact on the frequency and severity of natural disasters, have shown an increased vulnerability to falling into poverty of all households living on low-incomes to shocks, including households living on incomes just above the poverty line.

However, these "near-poor" households are often excluded by design from countries' social assistance programmes, also to some extent in the Philippines. This leaves these households especially vulnerable to falling into poverty in today's changed society. Still, the recently adopted Enhanced Social Protection Operational Framework and Social Protection Floor in the country stipulate the progressive realisation of the basic social protection guarantees, providing everyone guaranteed access to a menu of social protection programmes during various life-cycle shocks and risks. In line with the desire to gradually expand social protection, there is thus a need to better understand the feasibility of gradually expanding social protection to near-poor households, as a first step towards gradual universality of social protection programming. The Philippines' Department of Social Welfare and Development (DSWD) has therefore requested technical support from UNICEF Philippines in recommending an updated near-poor definition for the country and developing effective social protection policy solutions to better the situation for near-poor households in the country.

Commissioned by UNICEF and funded by the Australian Government, the Economic Policy Research Institute (EPRI) conducted this study on near-poor households in the Philippines to improve the adequacy of social protection programmes and support the implementation of the Social Protection Plan and Social Protection Floor (SPF) in the country. The study aims to provide an updated socio-economic profile of near-poor households and recommend and updated threshold for near-poverty in the Philippines. Moreover, it seeks to offer costed social protection policy options to expand programming to near-poor households. Additionally, the study simulates the potential impacts of expanding social protection programming on near-poor households' income and well-being.

2. Purpose, objectives, scope

2.1. Purpose

The purpose of this study research is to contribute to the ongoing efforts towards achieving universal social protection in the Philippines. It aims to address knowledge gaps related to near-poor households and provide valuable insights to inform the expansion of the 4Ps to include the near-poor. Additionally, the study seeks to inform social protection strategies for different income segments, including near-poor households, with a particular focus on the most vulnerable children and adolescents.

2.2. Objectives

The primary objective of the research was to conduct a thorough analysis of the vulnerabilities faced by near-poor households. By doing so, it seeks to offer policy-makers evidence-based recommendations that aid in the design of a targeted social protection strategy specifically tailored for the needs of the near-poor. Specifically, the study has the following objectives:

1. Analyse the social-economic characteristics and vulnerabilities of near-poor households.
2. Recommend or update the threshold/definition for the near-poor households.
3. Conduct a review of potential programmes for expansion that would address the social protection needs of near-poor households.
4. Simulate the potential impacts of different social protection programmes on the well-being of the near-poor and their cost implications.
5. Estimate the resources to be allocated for the potential social protection programme/strategy for the near-poor segment.
6. Provide recommendations on establishing a social protection strategy for the near-poor.

2.3. Scope

The research on near-poor included an analysis of existing micro- and macro-data sets to define an updated near-poor poverty threshold and understand the socio-economic characteristics of the near-poor households in the Philippines. Moreover, the costs and potential impacts of expansions of social protection programmes to near-poor households were estimated with the help of ex-ante modelling, in order to identify and recommend policy options to address the social, economic, and environmental vulnerabilities of near-poor households. The quantitative analysis is representative of the whole country and was informed by, and complemented with, primary, qualitative data collection at national level.

3. Methodology

The research on near-poor draws on a mixed methods approach, combining primary and secondary data sources through qualitative and quantitative data collection and analysis methods. As part of the qualitative data collection and analysis, a structured desk review was conducted to review information from secondary data and primary data was gathered through key informant interviews (KIIs) with relevant stakeholders in the Philippines. This qualitative data was then used to inform the quantitative analysis part of the analysis, for which a STATA and Excel model was developed, drawing on existing household-level data, macro-level socio-economic and demographic data, and data on government revenue/expenditure.

3.1. Qualitative analysis

Structured desk research

Firstly, EPRI conducted a comprehensive, structured review of available secondary data and information. The review included relevant documents and studies related to poverty and near-poverty, as well as the relevance of social protection in addressing it. Among others, the review included Paqueo et al.'s *Analysis of the Near-Poor Challenge and Strategy Development Ideas* (2014) and more recent research on poverty, vulnerability and low-income households, such as *Profile and Determinants of the Middle-Income Class in the Philippines* (2018) and *Poverty, the Middle Class, and Income Distribution amid COVID-19* (2020) conducted by Albert et al. Furthermore, relevant policy documents, frameworks, and plans, such as the *Philippine Development Plan (PDP) 2023-28*, the *Social Protection Plan 2023-2028,* the *Philippine Social Protection Operational Framework and Strategy* (2019), and available documentation on the *Social Protection Floor*, were reviewed. Next to relevant documentation from the Philippines, regional and global research on examples of near-poor definitions and inclusion of near-poor households in social protection programming was reviewed to inform the methodology on setting the near-poor threshold and the modelling of potential social protection programme options.

Key informant interviews

In addition to the literature review, key informant interviews with relevant stakeholders were conducted. These KIIs helped to create a more in-depth understanding of the relevance of updating the near-poor definition and threshold in the country – particularly in light of efforts to strengthen and integrate the social protection system – and provided details on already existing research on near-poor. Moreover, these interviews provided insights into practical considerations that must be considered when expanding social protection to near-poor households. Key informants were chosen through an expert sampling technique – a type of purposive sampling that selects individuals with expertise on the subject matter – and in close coordination with UNICEF and DSWD. In total, 29 key informants from governmental departments and agencies and partners (***Table 1***) were consulted.

Table 1. *List of key informant interview participants*

Department, agency	Number of consulted key informants
Government	
Department of Social Welfare (DSWD)	5
National Economic and Development Authority (NEDA)	3
Department of Budget and Management (DBM)	1
Department of Labor and Employment (DOLE)	3
Philippine Statistics Authority (PSA)	2
Philippine Institute for Development Studies (PIDS)	1
Philippines Social Security System (SSS)	1
Researchers	2
Multilateral and bilateral partners	
United Nations Children's Fund (UNICEF)	3

Food and Agriculture Organization of the United Nations (FAO)	3
United Nations Development Programme (UNDP)	1
Asian Development Bank (ADB)	3
Department of Foreign Affairs and Trade (DFAT)	1
Total number of key informants	**29**

3.2. Quantitative analysis

The findings from the qualitative analysis informed the quantitative analysis, which was conducted in R, Stata and Excel and contains five sub-analyses: 1) an analysis of socio-economic characteristics of vulnerable households, 2) an analysis to update the near-poor threshold, 3) a baseline analysis of near-poverty and inequality, 4) simulations of various social protection programme options for near-poor households and the costs thereof, and 5) an analysis of the potential impacts of social protection options on the well-being of near-poor households.

Socio-economic characteristics of vulnerable households: Firstly, an analysis of the socio-economic characteristics of households was conducted according to income deciles. Descriptive statistics were calculated to summarize socio-economic key variables, such as mean income, mean expenditures, average household size, asset ownership, employment status and education attainment of household head, per income decile. This descriptive analysis creates average profiles of households per income decile. Particular focus was placed on households in the second and third decile, as near-poor households live in these deciles, based on the official PSA poverty line of 2021. Subsequently, vulnerability to poverty was calculated with the help of regression analyses, wherein a probit and a log-linear model were used to better capture the intrinsic complexity of vulnerability. The performance of the models was evaluated on external test data.

Updating of near-poor threshold: Combined, these models were used to predict the share of the population to be vulnerable but non-poor, which was subsequently divided into the near-poor closest to the national poverty line and those that are further from living in poverty. This “knife’s edge” approach, which is grounded in empirical literature on near-poverty in the Philippines, assumes that the fifty per cent of the vulnerable closest to the poverty line are also most likely to fall into poverty and can thus be considered near-poor.[1] The per capita income level that yields this knife’s edge split of the vulnerable population was then defined as the near-poor threshold. The knife’s edge rule has the important advantage that it yields a threshold that neatly and reasonably divides the near-poor from the non-poor among the vulnerable population, making it both very practical and intuitive.

Near-poverty and inequality analysis: Using the updated near-poor threshold, near-poverty and inequality statistics were calculated for 2024 and forecasted until 2028. The figures constitute the

[1] Note that this interpretation of near-poverty is in the spirit of Paqueo et al.’s definition but adapted to fit cross-sectional rather than time-series data. Paqueo et al. identified the near-poor as the 50 per cent of the population that is most likely to fall into poverty in the future, based on time-series data.

baseline against which effects of social protection expansions for near-poor households were assessed.

Identification and costing of social protection programming options: In a next step, several social protection programme options for the expansion to near-poor households were modelled. The programmes were identified with the help of the insights from key informant interviews and the literature review of near-poor programming in other countries. The identified programmatic options were modelled and costed based on defined target groups and benefit levels. The identification of these options was based on inputs gathered during the key informant interviews, as well as on the findings from the desk research on international best practices in near-poor social protection policymaking. The programmatic options and their costs were modelled over the period of 2024-28, in line with the end of the current Social Protection Plan, PDP, as well as the term of the current administration and its plan to bring down the country's poverty rate to 9 per cent by the end of the term.[2]

Modelling of potential impacts: Subsequently, the potential impacts of the identified social protection policy options were modelled. First, the primary impact on household's income and subsequently near-poverty status were modelled, to understand in how far the expansion of social protection programmes can lift households out of their near-poor status and make them less vulnerable to falling into poverty. Then, secondary impacts on the well-being of households and individuals therein were modelled, including impacts in the areas of health, education, and nutrition, as well as spill-over effects on local economies.

Data sources: The analysis largely draws on existing household-level data sets, including the Food, Income and Expenditure Surveys (FIES) of 2018 and 2021, and the Annual Poverty Indicators Survey (APIS) and the Labour Force Survey (LFS) for the same years. The merged FIES and LFS data allowed for a detailed breakdown of poverty and near-poverty, and other income aggregates across various correlates. In addition, macro-level data, such as population data, socio-economic data and data on government budgets was used and retrieved from PSA, DBM, the International Monetary Fund (IMF) and the United Nations Department of Economic and Social Affairs (UNDESA) Population Division.

4. Existing research on the near-poor

4.1. Defining the near-poor

Research on the near-poor does not define the near-poor consistently. For example, Short and Smeeding consider those with modest incomes living between 100 to 200 per cent of the national poverty line as near-poor,[3] whereas Ben-Shalom, Moffitt, and Scholz define the near-poor as those

[2] (Office of the President of the Philippines, 2023)
[3] (Short & Smeeding, 2012)

living between 100 and 150 per cent of the poverty line.[4] Mollie Orshansky, architect of the modern-day poverty measure, defines the near-poor as those individuals living between 100 and 133 percent of the official poverty threshold.[5] She describes them as a "highly vulnerable population", a "sizable group in the population living always in the margin – wavering between dire poverty and a level only slightly higher but never really free from the threat of deprivation". According to Orshansky, they include low-income households that are "vulnerable to the stress of economic instability caused by jobs loss, ill heath, and fluctuations in housing, food and transportation costs".

Box 1. Definition of near-poverty in Indonesia

The poverty line in Indonesia is defined by Indonesia's national statistics office as the amount of money required to obtain 2,100 calories per day, along with a small amount for other basic non-food items. There are 67 poverty lines in Indonesia, one for each of the urban and rural areas of the provinces outside of Jakarta; the national poverty line is calculated as the weighted average of the 67 local poverty lines. Near-poor is defined as 1.2 times the poverty line, i.e., near-poor households are defined as households that fall between the poverty line and 20th percentile of the consumption distribution above the poverty line.[6]

The near-poor concept is primarily based on a household's vulnerability to falling into poverty, defined as "the propensity to suffer a significant welfare shock, bringing the household below a socially defined minimum level"; wherein propensity to suffer a significant shock" is measured as the probability of being poor next period or at some point over the next few years.[7] Hence, while the near-poor are households with per capita income above the official poverty threshold at a given year, they are at high risk of subsequently falling into poverty. Metaphorically, these are households that precariously live at a knife-edge with little or no buffer against the economic effects of idiosyncratic and covariate shocks.[8]

Near-poor households who cycle back and forth between poverty and non-poverty have been labelled cyclical or transient poor. This sets them apart from persistently poor households that consistently experience poverty and persistently non-poor households that consistently avoid it. The cyclical or transient nature of households' economic status implies a fluctuating pattern, wherein these households may intermittently find themselves grappling with financial hardship, only to experience periods of relative stability. Studies have shown that people indeed move into and out of poverty and therefore there is a need to understand the dynamics of transient poverty for developing relevant policies that address the unique challenges faced by these households and break the cycle of vulnerability they encounter.

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[4] (Ben-Shalom, Moffitt, & Scholz, 2011)
[5] (Hokayem & Heggeness, 2014)
[6] (World Bank, 2019)
[7] (Haughton & Khandker, 2009)
[8] (Paqueo, Orbeta, Cortes, & Cruz, 2014)

Box 2. Multidimensional poverty lines for poor and near-poor households in Viet Nam

Viet Nam has embraced the approach of multidimensional poverty (MDP) measurement and has used it for strategic planning since 2015, when Decision 59/2015/QD-TTg "*On the issuance of the multi-dimensional poverty line for the period 2016-2020*" was officially adopted by the Government of Viet Nam and with it a multi-dimensional approach to measure poverty for the first time. This was a significant step in Viet Nam's transition from an income-based approach towards a multidimensional approach to measuring poverty in the country. The Decision stipulates that the per capita poverty line was set at VND 700,000 per month in rural areas and VND 900,000 per month in urban areas. Regulations also set the per capita near-poor thresholds at VND 1,000,000 and VND 1,300,000 per month in rural and urban areas, respectively. Based on the Decision, a household is defined as poor if it meets one of the following criteria: 1) has a per capita income below the income poverty line, or 2) has a per capita income between the poverty line and the near-poverty line and is deprived in <u>at least</u> 3 out of 10 indicators used to measure access to basic social services across five dimensions (healthcare; education; housing; clean water and sanitation; and information). Households whose income falls between the income poverty and near-poverty lines and are deprived in <u>less than</u> 3 out of 10 indicators are considered near-poor.[9]

Beginning 2021, the Government of Viet Nam issued Decree 07/2021/ND-CP stipulating the updated multidimensional poverty line. The Decree stipulates that from 2021 the per capita poverty line is set at VND 1,500,000 per month in rural areas and VND 2,000,000 per month in urban areas. A household is defined as poor if it has a per capita income below the income poverty line and is deprived in <u>at least</u> 3 out of 10 indicators used to measure the extent of lack of access to 5 basic social services. A household is defined as near-poor if it has an <u>average per capita income</u> of VND 1,500,000 per month in rural areas and VND 2,000,000 per month in urban areas and is deprived in <u>less than</u> 3 indicators. The new multidimensional poverty lines that are in use since 2022, mark an important qualitative change in the measurement, monitoring, and implementation of poverty reduction policies and solutions. Because of this change, the poverty lines have been raised to the minimum standard of living for the first time. According to an assessment by MOLISA, the income criterion corresponds to the minimum standard of living in rural areas (up 114.2 per cent from the previous line at VND 700,000 person/month), and urban areas (up 122.2 per cent from the previous line at VND 900,000 person/month).[10]

4.2. Near-poor definition in the Philippines

Many Filipino households have incomes above the poverty threshold and are therefore officially considered non-poor. Yet, many of these households find themselves in a delicate and precarious situation, lacking a substantial safety net. The fragility of their circumstances becomes evident when faced with economic downturns, health crises, environmental hazards, and other unexpected shocks.[11] As pointed out by Paqueo et al., this vulnerability places them on a metaphorical knife-edge, navigating a constant struggle to secure their financial stability.

The study by Paqueo et al. also highlighted the high prevalence of near-poor households in the Philippines, who face a high risk of falling below the poverty threshold. The study showed that

[9] (Ministry of Labor, Invalids and Social Affairs, Committee for Ethnic Affairs, General Statistics Office, UNDP, 2022)
[10] (Ministry of Labor, Invalids and Social Affairs, 2020)
[11] (Paqueo, Orbeta, Cortes, & Cruz, 2014)

households living 28 per cent above the total poverty threshold faced a risk of at least 50 per cent of becoming poor in the future. Even those living 37 per cent above the poverty threshold still faced a substantial risk of subsequent poverty. The study also revealed that over a third of all Filipino households are cyclical or transient poor, meaning that they move in and out of poverty.[12]

Following this study, the Philippines adopted the *Joint Resolution on Adopting a DSWD Policy on Near Poor Income Threshold* in 2015. The resolution recognises the need for a more nuanced understanding of economic vulnerability and the challenges faced by households teetering on the brink of poverty. The resolution adopts a near-poor threshold of 10 per cent above the total poverty threshold.[13] By recognizing the concept of a near-poor income threshold, the resolution also reflects a commitment to addressing the unique needs of those households that may not officially fall below the poverty line but still grapple with the challenges associated with financial insecurity. It underscores the importance of adopting a more inclusive and dynamic approach to poverty alleviation, ensuring that the national social protection system and its programmes cater to the diverse economic landscapes within the country.

While the resolution has been adopted in 2015, it has yet to inform evidenced-based policy making and social protection programming. Major development plans and strategies, such as the *Philippine Development Plan 2023-2028*[14] and the *Philippine Social Protection Operational Framework and Strategy,*[15] do not include a definition of the near-poor. Likewise, the *2021 Full Year Official Poverty Statistics of the Philippines*[16] makes no mention of households with incomes just above the poverty line. In line with the *Magna Carta for the Poor*[17] and *Republic Act No. 8425*,[18] these strategic documents and poverty statistics refer to disadvantaged and marginalised groups, defined by the basic sectors.[19] And while a strong association between the basic sectors and near-poor can be expected, near-poor specifically are not referred to.

4.3. Socio-economic characteristics of near-poor households

In the past, efforts to characterize the near-poor in the Philippines have yielded more or less consistent results, albeit with somewhat varying definitions of near-poverty. In terms of a typical lifecycle, near-poor newborns are more likely to be born in rural areas and in larger households

[12] (Ibid.)
[13] (Human Development and Poverty Reduction Cabinet Cluster & NEDA-SDC, 2015)
[14] (Republic of the Philippines, 2023)
[15] (Department of Social Welfare and Development, NEDA-SDC-Subcommittee on Social Protection, 2019)
[16] (Philippine Statistics Authority, 2022)
[17] (Republic of the Philippines, 2018)
[18] (Republic of the Philippines, 1997)
[19] Basic sectors are defined as the disadvantaged sectors of Philippine society, namely: farmer-peasant, artisanal fisherfolk, workers in the formal sector and migrant workers, workers in the informal sector, indigenous peoples and cultural communities, women, differently-abled persons, senior citizens, victims of calamities and disasters, youth and students, children, and urban poor.

with many dependents.[20] When they grow up, they are less likely than their middle-class peers to complete secondary education or higher education, and less likely to find formal employment.[21] They also build up fewer assets, such as livestock, and have poorer access to resources, such as electricity, market access and high-quality infrastructure.[22]

Existing research also suggests that near-poor is also a demographic that is strongly associated with both upward and downward mobility. Three quarters of near-poor Filipino households, as defined by living between 100-200 per cent of the poverty line are highly (26 per cent) or relatively (49 per cent) vulnerable to falling into poverty.[23] Vulnerability is higher among near-poor households in rural areas (69 per cent) than in urban areas (40 per cent), and especially high in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) (83 per cent). Vulnerability rates are highest for fisherfolk, farmers, and children, and lowest for senior citizens and city dwellers. Highly vulnerable families tend to be larger and with a higher dependency rate.

Several studies have therefore looked into the factors that determine resilience or vulnerability among the near-poor in the face of shocks, of which disasters, health shocks, and crime and conflict stand out in the context of the Philippines. Indeed, households in areas particularly exposed to typhoons and conflict were found to be much more vulnerable than other households.[24] Besides higher performance on the characteristics of the near-poor identified previously, such as educational attainment and assets, social networks and diversification of income sources, including migration and receipt of remittances, were found to be important predictors of resilience, or vulnerability in the absence thereof.[25] Households headed by a woman or an older head of households were also found to be more resilient.[26] Assistance, in form of cash transfers or remittances, was found to strengthen resilience for both poor and near-poor households.

Box 3. Effects of COVID-19 on near-poor households in the Philippines

The COVID-19 pandemic had profound and widespread effects on near-poor households in the Philippines. One of the most significant impacts has been the economic fallout, as lockdowns and restrictions resulted in widespread job losses, reduced working hours, and business closures. Many near-poor families, often engaged in informal and precarious work, experienced a sudden and severe decline in income, pushing them further toward the brink of poverty. The Philippine Statistics Authority estimated that 2.3 million persons fell into poverty in 2021, compared to pre-pandemic levels in 2018, increasing the national poverty rate from 16.7 per cent to 18.1 per cent. Limited access to social safety nets exacerbated the challenges, as the sudden loss of income left households living just above the poverty line struggling to meet basic needs, including food, healthcare, and education. Hence, the

[20] (Albert, Santos, & Vizmanos, Poverty, the Middle Class, and Income Distribution amid COVID-19, 2020)
[21] (Department of Social Welfare and Development, NEDA-SDC-Subcommittee on Social Protection, 2019)
[22] (Mina & Imai, 2017)
[23] (Albert & Vizmanos, 2020)
[24] (Skoufias, Kawasoe, Strobl, & Acosta, 2020)
[25] (Diwakar, 2018)
[26] (Diwakar, Albert, Vizamos, & Shepherd, 2019)

increased vulnerability to the virus, coupled with the economic strain, has created a health and economic crisis for many of the near-poor households.

5. Updating the Philippine's near-poor definition and threshold

The first part of the quantitative analysis conducted for this study sought to determine an updated near-poverty threshold for the Philippines, while building on the broader picture of the near-poor households that emerges from the existing research discussed above. The following subsection first validates the key socio-economic characteristics that were suggested by existing literature. It then explores the interrelationships between vulnerability and its constituents in more depth using a variety of vulnerability models. An assessment of the performance of the individual vulnerability modes then suggests a more comprehensive approach to model vulnerability, which in fact leads to an updated definition of vulnerability and suggests useful criteria to identify the near-poor. The subsection mainly relies on the merged data from the 2021 LFS and FIES surveys, while the robustness and performance of the final model are validated on data from the 2018 surveys. This approach provides reasonable timeliness of the findings while ensuring robustness of the methodology across time. If a model trained in the aftermath of the vast shocks of 2019-2021 still performs sufficiently outside of the context of these shocks, it can indeed be assumed to be a reasonably future-proof methodology.

5.1. Updated analysis of socio-economic characteristics of near-poor households

Firstly, socio-economic descriptions of households and their household heads were created by income decile (*Table 2*). The grey segment on top provides the per capita income summary of each decile, and the segments below identify key segments by broad categories: household characteristics in orange, assets and other financial characteristics of the household in green, characteristics of the head of household in yellow and employment of the head of household in blue. Together, these indicators cover most of the socio-economic characteristics suggested by the literature as well as most of the fourteen disadvantaged groups of Philippine society that were identified in Republic Act no. 8425.[27] Note that the 2021 National Poverty Line was defined as PHP 28,871 per capita per year, which applies to all of the first decile and some of the second decile.[28] Indeed, the PSA estimated that 13.2 per cent of households, i.e. the first decile and a third of the second decile, were living in poverty in 2021.

The figures in the table corroborate many of the characteristics of the near-poor suggested by the literature. Among household characteristics (orange), for example, households in the second and third decile are clearly distinct from those in the first and forth segment with regard to their household size, dependency ratio, and share of household members working as Overseas Contract

[27] (Republic of the Philippines, 1997)
[28] (Philippine Statistics Authority, 2022)

Workers (OCW). One can also observe the expected pattern for the urban/rural divide, age (richer households tend to have older heads of households), the rate at which the head of household has completed post-secondary education, house ownership, food, health, and housing expenditure (share of total expenditure), assets,[29] residence type,[30] the wage share of income (a proxy of formality), employment status, and various employment sectors. The rate of employment in agriculture (which here includes forestry workers and fishermen) and the self-employment rate drop especially sharp when moving up to higher income deciles.

The relationships observed in the table are less clear-cut for several other characteristics. Counterintuitively, richer households are more likely to be headed by a woman, for example. Meanwhile, richer households have more diversified income sources and work fewer hours than poorer households, but the relationship for either of these characteristics is hardly observable between the first six quintiles. These somewhat counterintuitive findings suggest that there can be confounding factors that distort relationships, which is unsurprising given the complexity of the underlying relationships. To predict whether a household is poor or vulnerable, it is in fact not very helpful to know whether the head of household is a woman, disabled, or a widow unless those hidden factors are accounted for.

[29] The first Principal Component (PC1) is a summary statistic that captures the most relevant information across all fourteen different types of assets listed in the household survey. Higher scores on the first Principal Component of assets indicate higher overall assets.

[30] The Principal Component (PC1) for residence type summarize information regarding construction material, electricity and water connection and the type of toilet. Higher scores on the first Principal Component indicate a higher quality residence.

Table 2. Socio-economic characteristics by household income decile

Income decile	1	2	3	4	5	6	7	8	9	10
Per capita income (low)	5,409	25,919	33,793	41,093	49,248	58,939	71,027	87,469	113,434	165,200
Per capita income (high)	25,919	33,793	41,092	49,247	58,939	71,025	87,467	113,430	165,200	9,691,285
Per capita income (mean)	20,255	29,931	37,357	45,062	53,918	64,686	78,739	99,238	135,598	288,953
Household size	5.9	5.1	4.7	4.4	4.1	4.0	3.8	3.6	3.4	3.0
Dependency ratio	1.1	0.9	0.8	0.7	0.6	0.5	0.5	0.5	0.4	0.4
Share of OCW	0.3%	0.6%	0.7%	0.9%	1.1%	1.4%	1.8%	2.0%	2.3%	2.6%
Urban	23.6%	30.2%	36.3%	42.2%	47.5%	53.7%	58.8%	62.4%	66.4%	70.2%
Food expenditure	61.2%	57.6%	55.1%	52.8%	50.4%	48.2%	45.5%	42.5%	38.5%	31.2%
Health expenditure	1.6%	1.9%	2.1%	2.2%	2.4%	2.6%	2.8%	3.1%	3.4%	4.1%
Housing expenditure	16.1%	18.1%	19.6%	21.1%	22.5%	23.9%	25.4%	26.3%	27.2%	28.1%
House owner	60.3%	64.2%	66.1%	68.0%	70.2%	72.1%	73.6%	75.6%	76.4%	80.2%
Assets (PC1)	-1.5	-1.1	-0.8	-0.6	-0.3	0.0	0.3	0.8	1.4	2.6
Residence (PC1)	-0.2	-0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Wages share of income	37.5%	42.1%	44.2%	45.6%	46.7%	48.4%	49.0%	49.6%	51.3%	50.2%
Income diversification	42.7%	42.2%	42.5%	42.8%	43.0%	43.9%	45.0%	46.0%	47.6%	51.5%
Average age	47.9	49.4	50.1	50.9	51.8	52.3	53.0	53.3	53.2	53.3
Post-secondary education	5.5%	8.7%	11.9%	14.3%	17.6%	22.7%	28.3%	36.9%	49.3%	71.6%
Female	15.3%	18.1%	19.8%	22.2%	24.5%	25.8%	29.0%	30.7%	32.6%	35.9%
Job	82.9%	81.2%	79.0%	77.8%	75.6%	74.4%	71.3%	70.3%	69.2%	69.3%
Weekly work hours	30.7	31.2	31.2	31.4	31.2	31.2	30.3	30.4	30.2	30.0
Agriculture	37.0%	28.5%	23.9%	20.4%	17.6%	14.4%	11.8%	10.8%	8.5%	6.3%
Private household	1.5%	1.7%	1.9%	1.9%	1.9%	1.9%	1.9%	1.7%	1.3%	0.9%
Private establishment	32.4%	35.1%	36.6%	35.9%	35.5%	36.0%	33.8%	31.2%	29.5%	26.7%
Government	3.1%	3.8%	3.8%	4.9%	5.1%	5.8%	6.7%	8.8%	12.1%	19.2%
Self employed	41.9%	37.0%	33.1%	31.5%	29.4%	26.9%	25.1%	24.3%	21.8%	16.3%
Employer	4.0%	3.6%	3.5%	3.3%	3.5%	3.5%	3.4%	4.1%	4.2%	6.1%
Family business	0.3%	0.3%	0.5%	0.5%	0.5%	0.6%	0.7%	0.6%	0.8%	0.6%

Note: All values are averages unless specified otherwise.

Source: FIES 2021 and LFS 2021, author's calculations.

5.2. Vulnerability to poverty analysis

The correlations in *Table 2* do not give any clue as to what would define terms such as vulnerability or even near-poverty, which are different from any particular level of per capita income. A more comprehensive and robust model of poverty and vulnerability in the Philippines needs to account for such confounding factors and different interpretations of vulnerability.

Table 3 below presents the results of variations of the following model:

$Vulnerability_i = f(Household\ characteristics_i)$,

where vulnerability is defined as a per capita income below the poverty line (model 1), or log income per capita (model 2). The vector of household characteristics on the right-hand side of the equation encompasses all characteristics discussed before, as well as provincial dummies to account for regional variation. The models are estimated using weighted probit regressions for the first model and a weighted log-linear ordinary least-squares regression for the second model.

The regressions confirm many of the findings from the descriptive analysis of socio-economic characteristics. Indeed, the coefficients for most variables have the expected sign, are by and large consistent between the different models, and are found to be significant, reaffirming the importance of many of the 14 basic sectors of poverty and vulnerability and the socio-economic characteristics suggested by the literature. A few coefficients stand, however. The size of the effect of the share of OCW workers in a household is particularly large, compared to other variables. Increasing the share of OCW workers by 10 per cent significantly reduces the expected probability of the household experiencing poverty.[31] Similarly, the share of food and housing expenditure are very strongly related with poverty and vulnerability between models, even after accounting for many correlated factors. This suggests that the cost of food and housing are strongly related to vulnerability, and that those types of expenditures are important predictors for vulnerability.

Table 3. *Vulnerability regression results*

	Dependent variable:	
	Poverty	log (income per capita)
	probit	*OLS*
	(-1)	(-2)
Family size	0.349***	-0.145***
Dependency	0.250***	-0.095***
OCW share	-1.788***	0.410***
Urban	-0.292***	0.088***
Age	-0.011***	0.004***

[31] Interpretation of the coefficients of probit models is less straightforward than of the coefficients of log-linear models. Note also that the coefficients cannot easily be compared between explanatory variables since they are denominated in different units (a higher coefficient for variable A than variable B does not necessarily mean A has a stronger effect unless they are denominated in the same unit).

Post-secondary educ.	-0.258***	0.150***
Female	-0.063***	0.028***
Food expenditure	2.722***	-1.481***
Health expenditure	-1.273***	0.107***
Housing expenditure	2.031***	-0.883***
House owner	-0.074***	0.042***
Assets (PC1)	-0.373***	0.129***
Assets (PC2)	0.071***	0.014***
Assets (PC3)	0.065***	-0.028***
Residence (PC1)	-0.009***	0.002
Residence (PC2)	0.038***	-0.020***
Residence (PC3)	0.007***	0.002*
Job	-0.071***	-0.077***
Income diversification	-0.393***	0.342***
Wage share	-0.824***	0.299***
Work hours	-0.005***	0.001***
Sector: Agriculture	0.189***	-0.048***
Sector: Private household	0.197***	0.015
Sector: Private est.	0.184***	0.040**
Sector: Government	0.228***	0.139***
Sector: Self-employed	-0.009	0.105***
Sector: Employer	-0.089***	0.216***
Sector: Family business	-0.296***	0.158***
Constant	-3.249***	11.774***
Observations	124,906	124,906
Adjusted R^2		0.714
Note:		*p<0.1; **p<0.05; ***p<0.01

Source: authors' calculations based on the FIES 2021

The regressions also help to dispel the uncertainty on income diversification observed in *Table 2.* Confirming the findings of Diwakar (2018), income diversification is indeed found to improve household per capita incomes and reduce poverty. Moreover, agricultural sector workers (farmers, rural workers, and fisherfolk) and workers in the informal sector, as proxied by the wage share of income, are significantly more likely to be vulnerable than their counterparts.

The performance of the models on external data was assessed to validate the findings, determine robustness, and decide which model best captures vulnerability. First, the performance of both models is evaluated on randomly selected test data from the same 2021 surveys, which has been excluded from the data on which the models were trained.[32] While all models are found to have relatively high *accuracy* (their overall performance on the test data) and *sensitivity* in terms of their ability to exclude the non-vulnerable, they are lacking in *sensitivity* in terms of correctly predicting the share of the truly vulnerable.[33] This means that the models make few mistakes in general and among the non-poor but are not particularly good at recognizing actual poverty. This is similar to a medical evaluation that is good at ruling out the risk of disease based on easily observable characteristics (say diagnosing the risk of Alzheimer's disease based on age, lifestyle and family history), but falls short at recognizing actual cases of the disease.

This distinction is visualized in the Venn diagram which shows the overlap between the truly poor and predictions of poverty using the probit and the log-linear model (Error! Reference source not found.**)**. The diagram confirms that the models are relatively consistent in their predictions, since the shares of the overlapping areas are much larger than those of the mutually exclusive areas. Moreover, both models are able to correctly predict most of the non-poor (specificity). Eighty per cent of the population is accurately predicted to be non-poor, while just over four per cent is predicted to be poor by at least one model even though according to the data they are not. The models correctly predict only a bit over half of the actual poor (sensitivity), which is visualized by the sum of the shaded areas between poverty predictions and the actual poor.

Error! Reference source not found.The visualization however suggests an approach to model vulnerability more inclusively, which is to combine the predictions of different models into a blended model where a household is classified as vulnerable if at least one vulnerability model results in a positive prediction. Indeed, the performance of such a combined model improves the overall sensitivity, without markedly deteriorating overall accuracy and specificity (that is, the ability to identify the non-poor). In fact, the remaining insensitivity of the blended model can even be interpreted as a strength in light of the overarching objective of identifying those who are most vulnerable even though they are currently not living below the poverty line. The 4.2 per cent of households that are non-poor but predicted to be vulnerable by at least one model (0.5 per cent by the probit model, 0.9 per cent by the log-linear model and 2.7 by both models, as can be seen in **Error! Reference source not found.**) can in this sense be interpreted as *potentially near-poor*. Based on their socio-economic characteristics, they are very similar to poor households even though their per capita income is above the national poverty line.

5.3. Defining a near-poor threshold

Subsequently, the adapted "knife's edge rule" was applied, separating the vulnerable group according to their predicted likelihood of falling into poverty. As explained in section 3.2, the 50 per cent of the non-poor but vulnerable population closest to the poverty line can be considered near-

[32] The train and test sample were respectively 80 and 20 per cent of the entire dataset.
[33] This trade-off between accuracy and sensitivity is common across all predictive models and does not need to be considered problematic, as long as the performance is aligned with the intended results.

poor, since they are living on a metaphorical knife's edge. Separating the vulnerable group into the 50 per cent that has per capita income closest to the poverty line from the 50 per cent with higher incomes results in a split at per capita income of PHP 35,537 in 2021. This income is **1.23 times the national poverty line** (NPL) of 2021. Hence, a near-poverty threshold of 1.23 times the NPL is proposed as an updated threshold. Adopting this NPL would classify nearly ten per cent of households in the sample as near-poor.

This threshold is in line with Paqueo et al.'s recommendation to gradually expand the near-poverty threshold as well as international definitions of near-poverty. As reported above, international near-poor lines are typically set somewhere between 1.2 and 1.5 times the NPL, although some studies set the threshold as high as 2 times the NPL. At the same time, a 1.23 NPL threshold still allows sufficient room for policy makers to gradually expand the definition of near-poverty either by adding more, well-validated models to the panel or by using a different division rule. For example, setting the knife's edge rule at a considerably more generous 80/20 split of the predicted vulnerable population (which would only rule out the twenty per cent most unlikely candidates), would result in a near-poor threshold of 1.48 times the NPL, encompassing 20 per cent of Filipino households.

This threshold can be validated by evaluating the plausibility of the near-poor classification using older data from the 2018 FIES and LFS surveys, which were conducted before the shocks of 2019-2021. Indeed, the same explanatory variables were more or less equally relevant in 2018 and performance of similar models trained on 2018 data was comparable. As the 2018 surveys contained a richer set of variables, including indicators of disability and hunger, expanded models were also tested. These expanded models resulted in only marginal differences.

Another way to validate the findings is by recursively visualizing the distinction between the poor, the near-poor and the non-poor for various key characteristics of these groups. *Figure 1*, for example, highlights the differences between the food expenditure of the poor, the near-poor, and other parts of society. The distinction between the poor and the non-poor is very clear, with the poor spending a markedly higher proportion of their total expenditure on food. Moreover, the near-poor are generally only a bit less vulnerable to food shocks than the poor, according to the figure. The same, expected distinctions can be identified for other socio-economic characteristics.

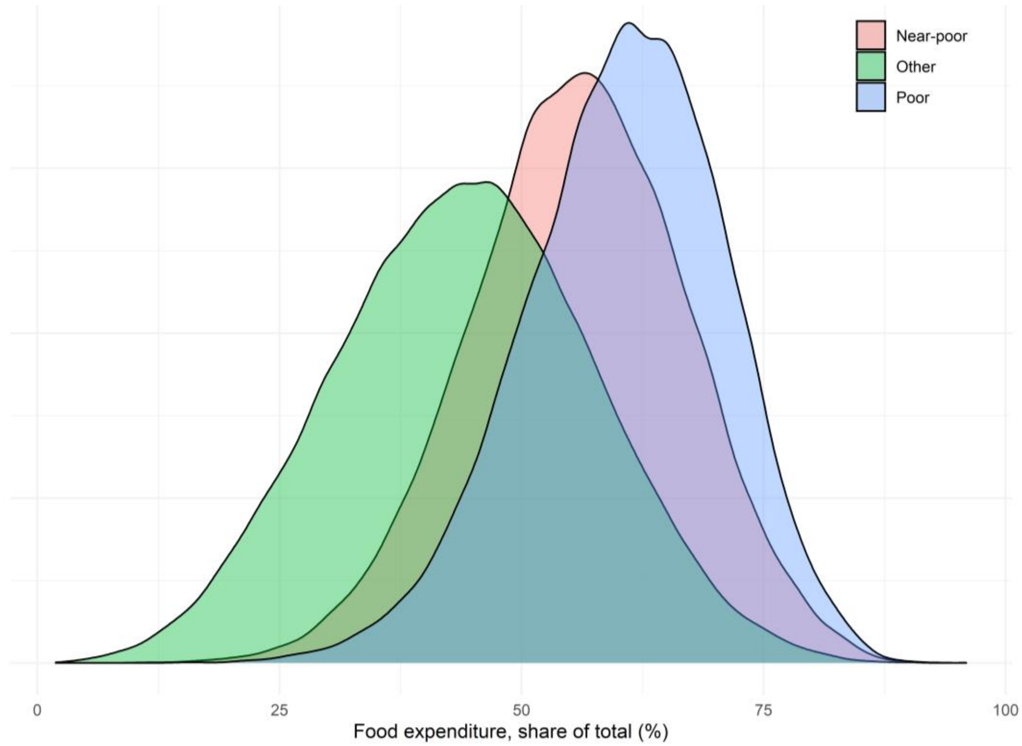


Figure 1. *Distribution of food expenditure rate*

The above analysis has helped to determine the socio-economic characteristics of the near-poor and proposed a method for comprehensive identification of the vulnerable population as well as a resulting near-poverty threshold of 1.23 times the NPL. The methodology is grounded in the findings from relevant literature and builds on existing methods for poverty and near-poverty identification, while updating the approach to account for limitations of data and individual models and better capture the complexity of vulnerability and (near-)poverty.

Box 4. Limitations and further expansions of the analysis

The above analysis has found reasonably robust predictors of near-poverty, with a resulting method of vulnerability identification according to a combined model and a plausible near-poverty cut-off as a factor of the National Poverty Line. However, it is important to recognize the limitations of the current approach in order to improve the results over time.

First, due to the limitations of the available data the models were unable to capture some basic sectors and potentially important dimensions suggested by the literature. Among the basic sectors, indigenous people and cultural communities, victims of disasters and calamities, and to a lesser extent migrant workers and youth and students, were not captured by the models. Among dimensions suggested by the literature, the strength of social networks and access to resources such as infrastructure and financial services were also not captured by the current models. It is recommended that future extensions of the near-poverty identification methodology explore ways to better capture such dimensions, for example through novel (quantitative or qualitative) data sources.

Second, the performance of the combined model, particularly in terms of sensitivity, can still be improved by strengthening and expanding the set of models that are included in the panel. The current panel relies exclusively on probit and linear models of poverty, which results in largely overlapping predictions. Future extension of the methodology could explore other dimensions of multi-dimensional poverty as dependent variables, in the spirit of the MDP approach in Viet Nam (***Box 2***). Other non-linear modelling approaches, such as random forests and deep learning, should also be explored to better capture the complexity of the relationships between vulnerability of the near-poor and their socio-economic characteristics. Data permitting, such models should also account for the important time dimensions of vulnerability and its constituents.

Finally, and most importantly, it is critical that the results are regularly evaluated against independent benchmarks, such as qualitative assessments. No model is perfect, and inclusion and exclusion errors are bound to persist, regardless of improvements in the data availability and the cleverness of methodological refinements. Reliable and inclusive checks and balances, such as grievance redress mechanisms and independent evaluation, can help to spot and remedy inbuilt biases and point the way to further improvements. At the same time, the approach needs to remain consistent with the Philippines' development objectives and political and practical considerations. This can set the foundation for robust, impactful, and truly inclusive social protection programming.

5.4. Further considerations on updating and operationalising the threshold

Poverty is a dynamic concept and as such, the poverty and near-poverty lines need to be re-assessed and updated periodically. As a country develops, updating the near-poverty line becomes increasingly crucial for accurately assessing the socio-economic landscape and effectively addressing the needs of vulnerable populations. The near-poverty line serves as a threshold for individuals and families who hover just above the poverty line but still face significant financial strain and insecurity. As economies grow and standards of living improve, the cost of basic necessities, such as housing, healthcare, and education, tends to rise. Consequently, periodic updates to the near-poverty line are essential to reflect these changing economic realities and ensure that social protection programming remains responsive to the needs of those on the brink of financial hardship. Additionally, adjusting the poverty and near-poverty lines enables the Government to fine-tune its poverty alleviation strategies – such as the protection of income security across population groups, stipulated by the SPF – and allocate resources more efficiently.

Furthermore, once the Philippines completes its multidimensional poverty index, the latter could be integrated into the official definitions of poverty, as well as near-poverty, along the lines of Viet Nam. Integrating the MPI into the definition of near-poverty offers a more comprehensive understanding of deprivation beyond income alone. It also acknowledges that (near-)poverty manifests itself in various dimensions beyond just monetary poverty. By including access to education, healthcare, housing, and living standards, the MPI can provide a more nuanced assessment of deprivations and provide a better grasp on standard of living conditions. Therefore, updating the (near-)poverty line with the MPI offers the opportunity to capture the challenges that (near-)poor households face more comprehensively, in turn ensuring that social protection programmes are tailored to address the complex needs of vulnerable populations, specifically near-poor households, more comprehensively.

Finally, several practical considerations must be considered, when applying the near-poverty threshold in policy making. The applications of the (near-)poverty line draws on socio-economic household data. In the past, the *Listahanan* has been used for the identification of (near-)poor households, which was set to be replaced by the community-based monitoring system (CBMS) in 2024. However, at the time of the study, data collection for the CBMS was still ongoing. Regardless of which database is used for the identification of poor and near-poor households, it is vital for the data to be up-to-date. Households' socio-economic circumstances change – be it due to illness, unemployment, or the exposure to environmental risks like natural disasters. Especially households living close to the poverty line, i.e., near-poor households, move in and out of poverty depending on changing living circumstances.

As such, there is a need for a database to be responsive to these changes and adequately reflect updated household information to ensure households benefit from support they are entitled to, should they fall into poverty or near-poverty. Keeping a database up-to-date can be challenging and time-consuming, therefore adopting a dynamic approach to data updates and relying on on-demand registration could be an effective way to ensure households are accurately represented. On-demand registration and data updates allow individuals and households to proactively apply for inclusion in the registry and updating of their data whenever they perceive themselves to be in need of assistance or believe they meet the criteria for (near-)poverty. This approach empowers households to self-identify and seek support, reducing barriers to entry and access and addressing potential gaps in coverage. In this regard, the transition to the CBMS could provide an opportunity to the local government units (LGUs) to update the registry on a more regular basis by also accommodating walk-in or on-demand registrations.

6. Near-poverty and inequality analysis using the updated threshold

Using the updated near-poor threshold of 1.23 times the national poverty line, the near-poverty line was estimated for the modelling period (*Table 4*). For 2024, the near-poverty line was calculated at PHP 39,839 per capita/year, or PHP 199,197 for a household of five, gradually increasing to PHP 46,396 per capita/year until 2028. The national poverty line was projected on the basis of historic poverty lines in the Philippines and their growth over time. The near-poor line was set at the proposed threshold of 1.23 times the national poverty line throughout the modelling period.

Table 4. *Yearly projected national poverty line and near-poverty line, 2024-28*

	2024	2026	2028
Per capita			
Projected national poverty line	PHP 32,366	PHP 34,928	PHP 37,693
Projected near-poverty line	PHP 39,839	PHP 42,993	PHP 46,396
Per household (5 members)			
Projected national poverty line	PHP 161,830	PHP 174,640	PHP 188,465
Projected near-poverty line	PHP 199,197	PHP 214,965	PHP 231,981

Source: authors' calculations based on the FIES 2021

Based on these near-poverty lines, the number of near-poor persons and the near-poverty rate were calculated for the modelling period (*Table 5*). The near-poverty rate, i.e., the share of the total population living in poverty, was projected to decrease over the modelling period, from 10.6 per cent in 2024 to 8.8 per cent in 2028. Accordingly, the number of persons living in near-poverty were projected to decline, too. In 2024, 12.3 million Filipinos were estimated to live in near-poverty, decreasing to 10.9 million in 2028. This equals 2.6 million households in near-poverty in 2024, decreasing to 2.3 million households in 2028. It was estimated that approximately 5.5 million children live in these near-poor households. The overall projected decrease in near-poverty is based on the assumption that the Government of the Philippine's would continue its efforts to foster economic growth and inclusion, as stipulated in various strategic documents and plans.

Table 5. *Projected near-poverty statistics, 2024-28*

	2024	2026	2028
Near-poverty rate (%)	10.6%	9.9%	8.8%
Number of near-poor persons	12,344,066	11,892,852	10,888,990
Number of near-poor households	2,607,494	2,539,885	2,305,224
Number of children in near-poor HH	5,489,848	5,529,871	5,439,793

Source: authors' calculations based on the FIES 2021

Below, *Figure 2* presents a regional disaggregation of near-poverty in the Philippines in 2024, with the absolute number of near-poor persons per region illustrated on the left and the regional near-poverty rates on the right. In 2024, the highest number of near-poor persons was estimated to live in Calabarzon, with 1.4 million persons, followed by the Western Visayas with 1.1 million and Central Visayas with 1 million (left map). The regions with the lowest number of near-poor persons are Cordillera Administrative Region (191,152 persons), Caraga (405,879 persons) and MIMAROPA (478,507 persons). In terms on near-poverty rates, i.e., the number of near-poor persons as share of the total regional population, the highest near-poverty rates for 2024 were projected for BARMM at 20 per cent, the Bicol Region and Eastern Visayas (both 15 per cent). This means that a fifth of the population in BARMM was estimated to live in near-poverty in 2024. The lowest near-poverty rates were projected for the National Capital Region (3 per cent), Calabarzon and Central Luzon (both 8 per cent). Further disaggregating near-poor households according to their place of residence reveals that the majority of near-poor households live in rural areas (62 per cent) and the remaining share (38 per cent) in urban areas.

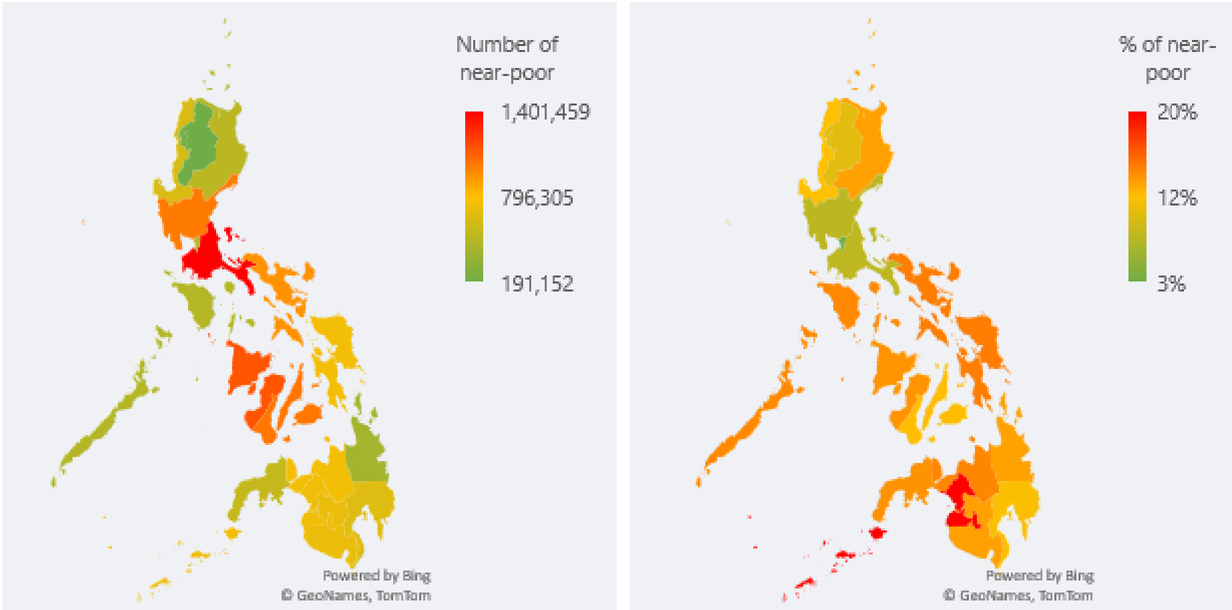


Figure 2. *Regional near-poverty in absolute numbers and as share of the population, 2024*
Source: authors' calculations based on the FIES 2021

A disaggregation according to income deciles reveals that all near-poor persons live in households in the second and third income deciles. In 2024, for example, 1.8 million near-poor persons (15 per cent) were estimated to be part of households in the second income decile and 10.5 million of the third income decile (85 per cent). The average income of near-poor persons is PHP 36,103 per capita/year in 2024, which falls in between the average per capita incomes of both deciles: PHP 29,878 per capita/year in the second decile and PHP 37,856 per capita/year in the third decile.

The GINI coefficient, which represents income inequality by measuring the statistical dispersion of income, was forecasted at 0.41 for the modelling period of 2024-28. This forecast is in line with the official GINI coefficient calculated by PSA based on the FIES 2021.[34] Furthermore, household income shares per decile were calculated to better understand the distribution of total household income across the population. As illustrated in ***Figure 3*** below, households in the lowest decile hold 2.5 per cent of total household income in the Philippines. Households in the second and third quintiles – where near-poor households find themselves – hold 3.7 and 4.6 per cent of total household income, respectively. In contrast, households in the top decile hold 32.8 per cent of total household income, i.e., about three times more than the combined income of the lowest three deciles.

[34] (Philippine Statistics Authority, 2022)

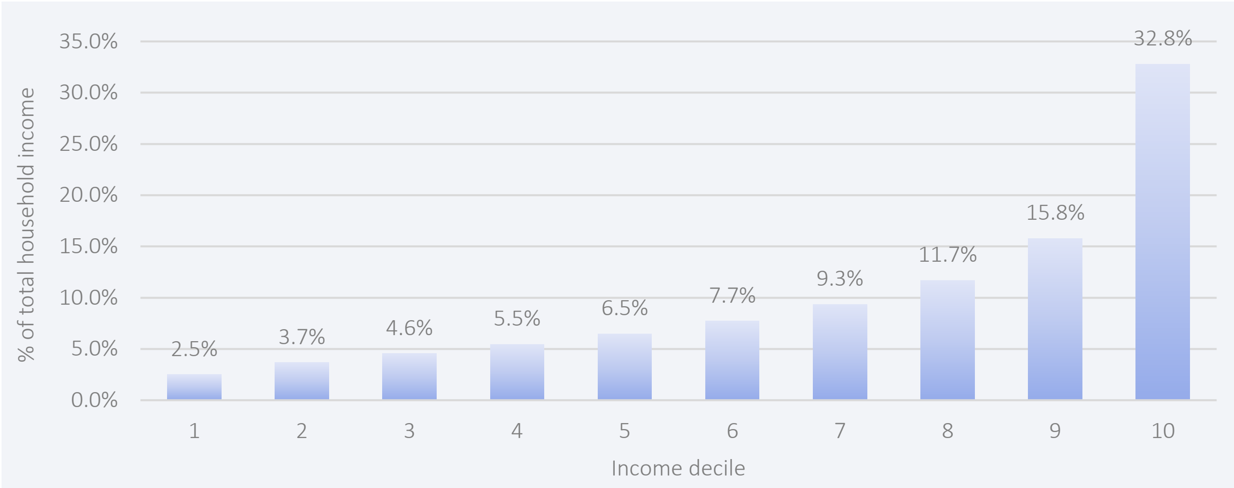


Figure 3. *Distribution of household income across deciles, in % of total household income*
Source: authors' calculations based on the FIES 2021

7. Inclusion of near-poor in social protection programming

7.1. Social protection in the Philippines

Social protection plays a vital role in the Government's efforts to reduce poverty in the Philippines and protect households from income insecurity. The Government of the Philippines has set an ambitious target to reduce the country's poverty incidence from 21.6 percent in 2015 to 9 percent by 2028, as part of its long-term development vision called *Ambisyon Natin 2040*.[35] The implementation of social protection programmes is a key strategy of the Government to combat poverty and enhance the socioeconomic resilience of individuals, families, and communities, promote human capital development, and break the cycle of intergenerational poverty. As also stressed in the *Philippine Development Plan 2023-28,* the implementation of a strengthened and integrated social protection system will help poor and vulnerable households to better manage life cycle risks and shocks and support a transformation towards a "prosperous, inclusive, and resilient society."[36] Establishing a standard menu of rationalised programmes for the social protection floor guarantees as one of its major strategies.

To guide these efforts in a coordinated, effective, and sustainable manner, the Government of the Philippines has adopted the *Enhanced Social Protection Operational Framework* in 2019. The framework envisions the social protection system to achieve the core objective of a better quality of life for the people of the Philippines by reducing poverty, inequality and vulnerability, and by including and enhancing the social status and rights of the marginalized (***Figure 4***). To achieve these objectives, various risks and vulnerabilities that Filipino household face must be addressed, among others through social protection programming, The framework divides social protection

[35] (National Economic and Development Authority, 2016)
[36] (Republic of the Philippines, 2023)

into the four components of social insurance, social safety nets, labour market interventions and social assistance. Next to identifying priority target areas and sectors, the framework also envisions the progressive realisation of universal coverage for basic social protection guarantees outlined in the recently adopted *Social Protection Floor*.[37]

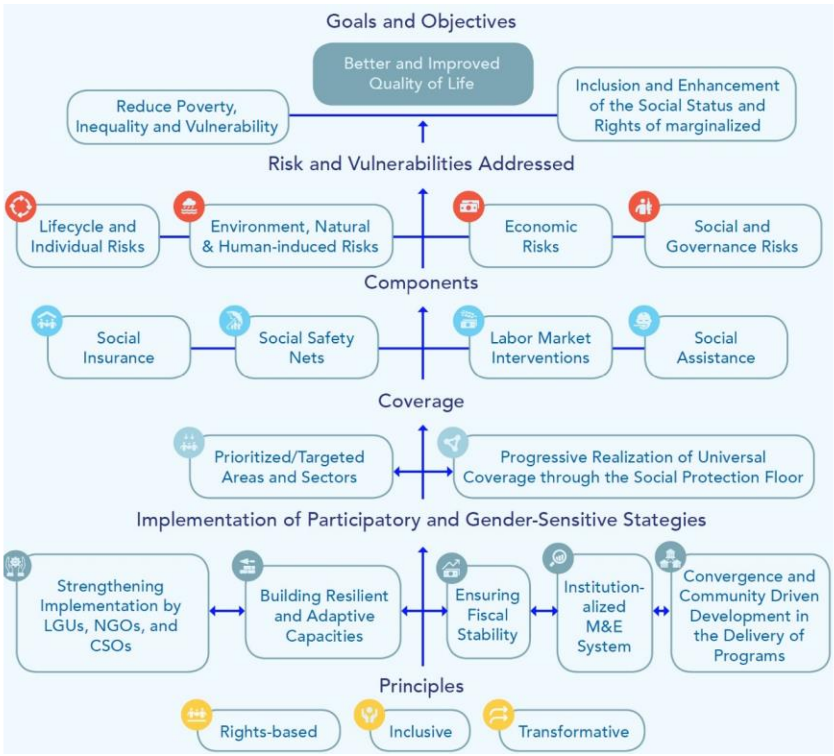


Figure 4. *Enhanced Social Protection Operational Framework of the Philippines*[38]

In line with this framework, DSWD has developed the Social Protection Plan 2023-2028. In line with the PDP 2023-28, the social protection plan acknowledges the need to rationalise and modernise existing programmes and strengthen delivery processes to move towards a more integrated social protection system for the Philippines. The first strategic focus of the plan is to implement the basic social protection guarantees outlined in the Social Protection Floor (SPF), thereby fully addressing the key life-cycle risks and vulnerabilities that Filipino households encounter. The second strategic focus is the implementation of the *Roadmap for Adaptive and Shock Responsive Social Protection*,[39] ensuing that social protection programmes cover affected households before and during crises, while building resilience. The third strategic focus of the plan is to enhance the social protection system with an integrated legal framework for better programme coordination, to rationalise programming and reduce fragmentation and to modernise and digitise delivery,

[37] (Department of Labor and Employment, 2023)
[38] (Department of Social Welfare and Development, 2022)
[39] (Department of Social Welfare and Development, 2021)

through harmonized and dynamic social registries, a unified beneficiaries list, and digital payment platform.[40]

Hence, the Social Protection Plan recognises the increased role of social protection in a volatile and uncertain world and seeks to draw on learnings from the Philippines' long experience in the delivery of social protection, as well as the recent learnings from the COVID-19 pandemic. The latter has shown that it is critical to have well-established social protection policies, programmes, and systems upon which emergency operations can be built. The pandemic also made a strong case for the inclusion of near-poor households in social protection programming, as it has exposed the vulnerabilities of the near-poor population, highlighting their susceptibility to economic shocks and uncertainties.

7.2. Expansion of social protection to near-poor

The Social Protection Plan addresses this coverage gap and speaks to the potential of expanding social protection to near-poor households. While social protection in the Philippines has been largely poverty-targeted – mostly relying on the *Listahanan* database, also known as the National Household Targeting System for Poverty Reduction (NHTS-PR) – the recently adopted Enhanced Social Protection Operational Framework and Social Protection Floor stipulate the progressive realisation of the basic social protection guarantees, providing everyone guaranteed access to a menu of social protection programmes during various life-cycle shocks and risks. In line with the desire to gradually expand social protection, there is thus a need to better understand the feasibility of gradually expanding social protection to near poor households, as a first step towards gradual universality of social protection programming.

In recent years, some efforts have already been made by the Government of the Philippines to gradually expand social protection coverage to the near-poor. Most notably, the 4Ps law was expanded in 2019 to include near-poor households, beyond its original focus on poor households with children. The government defines the near-poor population as those living between 100 and 110 per cent of the poverty threshold. Also, under the Sponsored Program of PhilHealth near-poor households – next to poor households – are eligible for sponsored health insurance coverage.[41] Furthermore, recognizing the impact that the pandemic had on near-poor households, the Government's COVID-19 response *Social Amelioration Program* (SAP) not only targeted poor households that already benefitted from social assistance, but also targeted workers of the informal economy and other vulnerable groups, including indigent senior citizens, persons with disabilities, pregnant and lactating women, solo parents, overseas workers in distress, indigenous peoples, homeless, and other vulnerable population.[42] Lastly, while this study was ongoing, the

[40] (Department of Social Welfare and Development, 2023)
[41] (Querri, et al., 2018)
[42] (Asian Development Bank, 2020)

Government of the Philippines announced the delivery of one-time cash assistance to near-poor households, as part of its national budget allocations for 2024.[43] At the time of writing, information on the exact programme design and delivery was not available yet.

However, social protection programming for near-poor households faces several challenges. Firstly, near-poor households are oftentimes defined as a second priority group – after poor households – and in light of pre-defined beneficiary targets, near-poor households oftentimes do not make it into the actual beneficiary group. This is the case for the 4Ps, for example. Secondly, the identification of near-poor households constitutes a challenge, just like the identification of poor households. While the DSWD identifies poor and near-poor households for the 4Ps and the PhilHealth Sponsored Program based on a proxy means test (PMT), the household data in the Listahanan – which is used for the PMT – is from 2021 and does not account for the poverty dynamics that especially households close to the poverty line experience. Moreover, local government units (LGUs) can issue their own 'certificate of indigency' to residents who claim to live in (near-)poverty and enrol them in the PhilHealth Sponsored Program. There is, however, no standardised procedure to determine who is and who is not eligible for the certificate of indigency, nor to validate these claims.[44] Lastly, the definition of near-poverty used for the programming is from 2014 and has not been revisited and updated since, potentially hampering the responsiveness and effectiveness of social protection programming.

To further expand social protection coverage to near-poor households one must better understand the needs of these households and the potential of social protection programmes in addressing these**.** Furthermore, the proposed, updated definition and threshold of near-poverty must be adopted to guide policymaking and estimates on the potential beneficiary numbers of near-poor households. Likewise, the associated costs of social protection expansion, and potential impacts on the well-being of the near-poor households are needed for an evidence-based approach to inclusion of near-poor households in the Philippines social protection system. In the following section, options for the inclusion of near-poor households in social protection, as well as associated costs and potential impacts, are presented.

7.3. Options for inclusion of near-poor households in social protection

The analysis of socio-economic characteristics of near-poor households reveals that near-poor households are a homogenous group. While the term near-poor encompasses individuals and families hovering on the edge of poverty, often facing precarious financial situations that place them in close proximity to the poverty threshold, a closer examination of their socio-economic attributes exposes significant variations within this demographic. Factors such as education levels, employment status, geographical location, and access to social services contribute to the heterogeneity observed among the near-poor. Recognising this diversity is essential for

[43] (House of Representatives, 2023)
[44] (Querri, et al., 2018)

formulating targeted and effective policies that address the specific challenges faced by different subgroups within the near-poor population and uplifting these households on the brink of poverty, fostering a more inclusive and equitable society.

Therefore, as part of the analysis for the inclusion of near-poor households in the Philippines' social protection system, several options of social protection programme expansions were modelled, tailored to the various risks that near-poor households face. To guide the analysis, three of the risk categories included in the *Enhanced Operational Social Protection Framework* and the *PDP 2023-2028* were used: individual and lifecycle risks, economic risks and environmental, natural and human-induced risks. Below, ***Table 6*** provides and overview of these risks, associated household vulnerabilities and examples of social protection measures that could be used to address these risks. Moreover, the last column lists the options of social protection programme expansion to near-poor households in the Philippines that were modelled to address the particular risks.

Table 6. *Overview of risks and social protection policy responses*

Risks	Examples	Example of social protection measures	Programmes modelled
Individual and lifecycle risks	Hunger, malnutrition, injury, disease, disability, old-age, death	Social security coverage, health insurance, social assistance for disabled, (social) pension	4Ps expansion
			Social pension expansion
Economic risks	End of livelihood source, unemployment, low and irregular income, price instability, economic crisis	Active labour market policies, unemployment insurance, social assistance for low income, emergency employment	Unemployment benefit under SSS
			Sustainable Livelihood Program-Employment Facilitation track (SLP-EF) expansion
			Ayuda sa Kapos ang Kita (AKAP) continuation
Environmental, natural, human-induced risks	Drought, flood, storm, earthquake, volcano eruption, pandemic, etc.	Anticipatory/Emergency cash transfers, parametric insurance	Emergency cash transfer (ECT) expansion

7.3.1. Addressing individual and lifecycle risks

Near-poor households in the Philippines are confronted with a myriad of individual and lifecycle risks that amplify the complexities of their financial circumstances. As suggested by the analysis of their socio-economic characteristics, at the individual level, factors such as health issues, job instability, and educational disparities pose significant challenges. Health-related emergencies can quickly deplete limited resources, pushing near-poor families into deeper financial distress. Educational disparities contribute to limited opportunities for career advancement, perpetuating a cycle of economic instability. Additionally, lifecycle risks, such as the costs associated with raising children, illness and disability, and retirement planning, compound the financial pressures faced by near-poor households.

Box 5. Social assistance for poor and near-poor households in Thailand

In Thailand, the Child Support Grant (CSG) as well as the State Welfare Card (SWC) programme target poor and near-poor households. The CSG defines households whose average per capita income is less than THB 36,000 (USD 1,152) per year as poor, while near-poor households are defined as those having an average per capita income of less than TBH 100,000 (USD 3,200) per year. The same near-poor definition applies to the SWC programme; however, poor households are defined as households with an average per capita income below TBH 30,000 (USD 960) per year.

Child support grant: The CSG is a non-contributory, non-conditional targeted cash transfer to caregivers of children between ages 0-6 years from poor and near-poor households. Families receive a monthly income support of TBH 600 (USD 18) until the child reaches the age of 6 years. The primary objectives of the CSG are to support families to meet the basic needs of the poor and vulnerable Thai children; promote access to key services to foster health development and help children achieve their full potential; and break the intergenerational transmission of poverty. The CSG initially started out as a cash transfer programme for children aged 0-1 years from poor households, however, in light of the positive impacts of the grant and Thailand's progressive realisation of the right to universal social protection for children, the CSG was gradually expanded to cover a wider age range and since 2019, also cover children from near-poor households. As such, the example of the CSP in Thailand shows how social protection programmes can gradually be expanded from poor to near-poor households in a bid to progressively realise universal social protection coverage.[45]

State Welfare Card: The SWC programme was launched in 2016, and in 2019 provided cash and credits to 14.6 million poor and near-poor citizens in working age. Each month, the government transfers between TBH 200-300 (USD 6-9) via the beneficiaries' cards, with the exact figure depending on the annual income of the cardholder. Those who have incomes between TBH 30,000-100,000 per year receive TBH 200 per month, while those with incomes below TBH 30,000 per year receive TBH 300 per month and might also be eligible for other social protection programmes. For instance, elderly SWC holders with an income under TBH 30,000 per year are eligible for a top-up cash assistance of TBH 100 per month, whereas those with incomes between TBH 30,001 and 100,000 per year receive TBH 50 per month. Hence, the SWC programme is an example of how one programme can tailor to different income groups by differentiating the benefit levels and by creating eligibility for additional programme support.[46]

4Ps expansion

The Pantawid Pamilyang Pilipino Program (4Ps) is the Government's flagship social protection programme, providing conditional cash transfers to poor and near-poor households with children. The 4Ps has two types of cash grants: a health grant of PHP 750 per household every month, and an education grant of PHP 300-700 per child in the household, depending on the school level, every month for ten months. Thereby the programme seeks to support poor and near-poor families to respond to their immediate needs, while improving health, nutrition, and education

[45] (UNICEF, 2020)
[46] (World Bank, 2022)

outcomes of children in these families.[47] Eligible households were originally selected through the proxy means test (PMT) of the National Household Targeting System for Poverty Reduction (NHTS-PR), which was recently replaced by the Community-Based Monitoring System (CBMS) adopted under the Republic Act (RA) 11315 enacted in April 2019.[48] In 2024, the 4Ps will cover around 4.4 million households.

The operations manual specifies that the 4Ps targets poor and near-poor households. Specifically, households in poor areas, with an income equal to, below, or just within 10 per cent above the provincial poverty threshold (i.e., near-poor), and with members aged 0-18 years or at least one pregnant member, are eligible.[49] However, as the targeting process ranks poor and near-poor households according to their proxy means test (PMT) score by municipality and then matches the ranked list to the computed municipal targets, near-poor households often do not make the cut.

This study modelled the costs of expanding the 4Ps to near-poor households at a national scale, using the newly proposed near-poor threshold of 1.23 per cent above the poverty line. Providing the 4Ps – and more generally social assistance – to near-poor households, yields multifaceted benefits. It could contribute to addressing the lifecycle risks that especially children and pregnant women in near-poor households face, such as hunger, malnutrition, or lack of access to health and education services. Expanding 4Ps to near-poor households with children offers the chance to lift the 5.5 million children currently considered near-poor out of near-poverty. Moreover, progressively expanding the coverage of 4Ps can serve as a step forward to ensuring basic income security for children, as prioritized in the SPF.

Eligibility criteria	Near-poor households with children aged 0-18 years and/or pregnant woman
Benefit level	PHP 750 per month plus PHP 300-700 per child for ten months

The modelling results show that an expansion of the 4Ps to near-poor households would cover 2.1 million households in 2024, slightly decreasing to 2 million households by 2028 (*Table 7*). Within these households, the programme would reach roughly 6.5 million children aged 0-18 years and pregnant women. The slight decrease in the number of beneficiary households over the modelling period can be explained by the underlying assumption that the Philippines will continue its path of poverty and near-poverty reduction recorded pre-COVID-19. Furthermore, demographic trends suggest a decrease in the share of children within the overall population, thereby reducing the target group of the 4Ps programme over time.

The costs of expanding the 4Ps to near-poor households slightly increase from PHP 50.5 billion to 54.4 billion over the 5-year modelling period. The cost increase is driven by the assumption that benefit amounts are adjusted to inflation on a yearly basis, to ensure that the transfer value is not

[47] (Official Gazette, n.d.)
[48] (Congress of the Philippines, 2019)
[49] (Department of Social Welfare and Development, 2021)

eroded. The cost projections also entail estimates of administrative costs to deliver the 4Ps benefit to near-poor households, most of which would still need to be linked to the electronic payment mechanism of the 4Ps. Expressed as share of GDP and government expenditure, the costs of the 4Ps expansion gradually decrease. This suggests that the forecasted GDP and government expenditure grow faster than the programme costs, meaning that that programme gets more and more affordable over the coming years.

Table 7. *Cost estimates of the 4Ps for near-poor households*

	2024	2026	2028
Near-poor households covered	2,192,314	2,153,653	1,996,640
Number of children in near-poor households	5,489,848	5,529,871	5,439,793
Costs in PHP	50,482,668,799	53,365,408,424	54,372,149,963
Costs as % of GDP	0.19%	0.17%	0.15%
Costs as % of expenditure	0.76%	0.69%	0.60%

Source: authors' calculations based on the FIES 2021

Social pension expansion

In 2010, the DSWD introduced the Social Pension for Indigent Senior Citizens to extend additional financial assistance to poor elderly Filipinos and fulfil the objectives of Republic Act No. 9994 or the "Expanded Senior Citizens Act of 2010." According to DSWD's Administrative Order 15, the pension has the objective to improve the living conditions of eligible indigent senior citizens. Specifically, this entails 1) to augment capacity of indigent senior citizens to meet their daily subsistence and medical requirements; 2) to reduce incidence of hunger among indigent senior citizens; and 3) to protect indigent senior citizens from neglect, abuse or deprivation.[50] Since the launch of the social pension, beneficiaries receive PHP 500 on a monthly basis. In July 2022, Republic Act 11916 lapsed into law, stipulating an increase of the pensions amount to PHP 1,000. Starting February 2024, senior citizens will receive the increased amount of PHP 1,000.[51]

As of beginning 2024, roughly 4.1 million indigent senior citizens receive the social pension. Based on Administrative Order 15 "indigent senior citizens" are eligible for the pension. They are Filipinos aged at least 60 years old who are frail, sickly, or with disability and without pension or permanent source of income or regular support from his/her relatives to meet his/her basic needs.[52] And while the social pension has helped to close coverage gaps in the Philippines' pension system – with 42 per cent of senior citizens receiving a social pension and only 24 per cent of senior citizens covered by contributory pensions – 34 per cent, or 3 million senior citizens, remain without a pension.[53] The means-tested nature of the social pension excludes, by design, a large proportion of vulnerable older people whose incomes are too meagre to contribute to social security earlier

[50] (Department of Social Welfare and Development, 2010)
[51] (Department of Budget and Management, 2023)
[52] (Velarde & Albert, 2018)
[53] (HelpAge International & Coalition of Services of the Elderly, 2017); (Department of Labor and Employment, 2023)

in their lives, but who fail to meet the eligibility criteria for the social pension, i.e., many of them being near-poor.

Thus, an expansion of the social pension to near-poor senior citizens was modelled as part of this study. Expanding the social pension to include near-poor households holds the potential to significantly reduce vulnerability and near-poverty among older persons. Providing older persons who are near-poor and without pension with financial support stands to improve their overall well-being and ensuring access to essential services, predominantly healthcare. Additionally, an expansion of the social pension to near-poor will contribute to closing the pension gap in the country and could also serve as a first step towards a more universal social pension in the country, covering all older persons that do not receive a pension; thereby ensuring basic income security for all, as stipulated by the SPF. Furthermore, gradually widening the target group of the social pension will help to reduce the exclusion and inclusion errors that the current social pension programme has.[54]

Eligibility criteria	Near-poor person aged 60 year or above, without other form of pension
Benefit level	PHP 1,000 per month

Expanding the social pension to persons above the age of 60 years in near-poor households would cover 973,088 older persons in 2024, decreasing to 815,722 persons by 2028 (*Table 8*). The model assumed that only older persons in near-poor households above the age of 60 years and without any other form of pension would be eligible for the social pension. In line with the decreasing beneficiary number, also the associated costs of expanding the social pension were estimated to decrease, from PHP 12.5 billion in 2024 to PHP 11.8 billion in 2028. Again, the cost estimates include a yearly adjustment to inflation, as well as administrative costs to deliver the social pension to older persons near-poor households. Expressed as share of GDP and government expenditure, the costs of the expansion gradually decrease, suggesting the increasing affordability of the expansion.

Table 8. *Cost estimates of the social pension for near-poor households*

	2024	2026	2028
Near-poor households covered	704,004	676,083	594,283
Persons aged 60+ covered	973,088	937,356	815,722
Number of children in near-poor households	997,208	983,850	936,145
Costs in PHP	12,494,448,593	12,762,917,269	11,783,172,443
Costs as % of GDP	0.05%	0.04%	0.03%
Costs as % of expenditure	0.19%	0.16%	0.13%

Source: authors' calculations based on the FIES 2021

[54] (Philippine Institute for Development Studies, 2022)

7.3.2. Addressing economic risks

Near-poor households also face a host of economic risks that amplify the precarious nature of their financial standing. One primary economic risk faced by near-poor households – many of which are informal sector workers – is income volatility, as irregular and unpredictable earnings can disrupt budgetary planning and strain financial stability. Limited access to credit exacerbates this vulnerability, leaving near-poor families with few options to cope with sudden expenses or income gaps. Additionally, informal sector workers typically lack legal protections and may face exploitative working conditions, adding an extra layer of risk to their economic well-being. Furthermore, these households often lack diversified income sources, making them highly susceptible to economic downturns or industry-specific challenges.

Box 6. Informal sector workers during the COVID-19 pandemic

The COVID-19 pandemic exemplified the vulnerabilities arising out of economic risks that near-poor households and particularly informal sector workers face, and the lack of social protection coverage to protect them. Research suggests that a lack of insurance coverage of unemployed Filipinos, who were working mainly in the informal sector, likely caused them to suffer more during the pandemic and increased poverty nationwide. Moreover, the pandemic reversed the gains of the past 15 years to cut unemployment in the country, with the Philippines' unemployment rate increasing by 12.3 percentage points. During the lockdowns, millions suffered because they had nowhere to turn to help them survive an average of 3 to 4.5 weeks of unemployment. [55]

Given the experiences from the COVID-19 pandemic and to prepare for future crises, the government should focus its efforts on providing informal sector workers with insurance coverage during shorter periods of unemployment. Outside of crisis situations such as the pandemic, the unemployment insurance would need to cover a period of between "3 to 4.5 weeks, equivalent, respectively, to the median and mean amount of time the textbook unemployed spend looking for work," the national expert explained.[56]

Introduction of unemployment benefit

In the Philippines, the Social Security System – a state-run, social insurance programme – provides social insurance benefits to its members. The coverage with SSS is compulsory for employers, employees, self-employed, domestic workers (*Kasambahay*), and Overseas Filipino Workers (OFWs), and voluntary for non-working spouses and separated members. However, as of September 2022, only 20 per cent of the working-age population was covered by the SSS, equalling 15.4 million paying members. The vast majority of these contributing members were employees (12 million members) and only 650,000 were self-employed and 1,636 were domestic workers – both groups largely belonging to the informal sector. In addition, 453,390 OFWs and 2.3 million voluntary contributors, were covered by the SSS.[57] Compared to the labour force size – roughly 49

[55] (Bangko Sentral ng Pilipinas, 2023)
[56] (Philippine Institute for Development Studies, 2023)
[57] (Department of Labor and Employment, 2023)

million persons – the coverage with SSS and the Government Service Insurance System (GSIS)[58] is low, and a coverage gap of 64.5 per cent prevails.

The SSS provides several insurance benefits to its members, including death, funeral, maternity leave, permanent disability, retirement, and sickness benefits. Moreover, an unemployment benefit is provided to employees that were involuntarily separated from employment. The benefit has the objective to, at least partially, replace income from work when a beneficiary becomes unemployed. For informal sector workers, however, no unemployment benefits are provided under SSS at this point in time.

The recently adopted Social Protection Floor stipulates the expansion of coverage of unemployment insurance to achieve income security for all in active age. The SPF also speaks to the longer-term objective of helping recipients of the unemployment insurance transition to employment by linking unemployment insurance to active labour market programmes, such as TESDA training services.[59] Furthermore, the SPF speaks to increasing the SSS membership of informal sector workers, workers of platform and gig economies and workers of micro-enterprises. One way to achieve an increase in SSS coverage for workers of the informal sector is through insurance subsidies, as outlined in the SPF.[60]

Bringing together the recommendations on expanding SSS coverage of informal sector workers and enhancing the unemployment benefit, this study modelled the introduction of an unemployment benefit for informal sector workers and a Government subsidy to support informal sector workers in their SSS contributions. Aligned with the SPF, a Government subsidy covering 50 per cent of informal sector workers' SSS contributions was modelled. Informal sector workers are required to contribute 14 per cent of their monthly income as SSS contribution in order to qualify for the benefits provided under SSS. Hence, a 50 per cent subsidy of the contribution means that the Government contributes 7 per cent of the informal sector workers' monthly income, while the worker contributes another 7 per cent himself/herself. The subsidy was modelled for near-poor workers in the informal sector. According to SSS guidelines, the unemployment benefit was set at twice the half of the member's average monthly salary credit.[61]

It must be stressed that there is no regional evidence on the set-up of an unemployment benefit for informal sector workers. In absence of evidence on the adequate design of modelling parameters of an unemployment benefit under SSS for informal sector workers, the modelling parameters were aligned to the one's of regular SSS members, i.e., former sector employees.

Eligibility criteria	Informal sector workers in near-poor households

[58] The GSIS is a government-owned and controlled corporation and provides social security to government employees. As of December 2022, GSIS had almost 2 million contributing members, or 2.6 per cent of the working age population.
[59] (Department of Social Welfare and Development, 2023; Department of Labor and Employment, 2023)
[60] (Department of Labor and Employment, 2023)
[61] (Social Security System, n.d.)

SSS subsidy level	50% subsidy of contribution, i.e., 7 per cent of income contributed by informal sector worker and 7 per cent subsidized by Government

The introduction of an SSS subsidy for informal sector workers in near-poor households would cover informal sector workers in 768,270 households in 2024, slightly decreasing to 738,266 in 2028 (*Table 9*). Despite small fluctuations, the number of beneficiary households remains relatively stable throughout the modelling period since the share of the working age population in the Philippines is expected to remain stable over the same period. The modelling assumed that the Government of the Philippines would subsidize 50 percent of the workers' SSS contributions, costing PHP 2.8 billion in 2024 and increasing to PHP 3.1 billion in 2028. The cost increases can be explained by the anticipated growth in incomes of informal sector workers, in line with the expected income growth in the country.

Out of the SSS subsidy beneficiary households, an estimated 25,475 to 28,368 households were forecasted to receive the unemployment benefit. Hence, there is a large discrepancy between the households that pay into the SSS insurance (and receive the subsidy) and the households that actually receive the unemployment benefit. The modelling assumed that all informal sector workers paid their required contributions to be eligible for the unemployment benefit. Moreover, it was assumed that a fifth of the informal sector workers stating that they were underemployed, would be incentivised to stop their income generating activity and receive the unemployment insurance.[62] Moreover, it was assumed that the average length of unemployment was two months.[63]

Table 9. *Cost estimates of an SSS subsidy for informal sector workers in near-poor households*

	2024	2026	2028
Near-poor households reiving SSS subsidy	768,270	777,528	738,266
Near-poor households receiving UE benefit	25,475	26,841	28,368
Number of children in near-poor households	49,939	54,073	64,561
Costs in PHP	2,811,835,627	3,074,635,451	3,137,655,065
Costs as % of GDP	0.01%	0.01%	0.01%
Costs as % of expenditure	0.04%	0.04%	0.03%

Source: authors' calculations based on the FIES 2021

Expansion of Sustainable Livelihood Program-Employment Facilitation track

The Sustainable Livelihood Program was introduced in 2011 and provides capacity building and employment opportunities, with the objectives to enable participants to manage sustainable enterprises and to improve their socio-economic capacity. The SLP is implemented through a two-

[62] While there is no evidence on the extent of this effect, modelling for Malaysia suggest that an unemployment insurance would have only a modest negative effect on unemployment, if benefits are not overly generous. As benefit modelled for the SSS unemployment benefit are not overly generous (providing 50 per cent of the member's average monthly salary credit for a maximum of two months).

[63] In absence of recent evidence, evidence from a study conducted in 2001 was used to define the average length of unemployment. The study suggested that the average duration of unemployment spell was about seven weeks.

track programme: 1) the microenterprise development track that supports micro-enterprises in becoming organizationally and economically viable and 2) the employment facilitation track, which assists participants in accessing employment opportunities. To be eligible for the SLP, a person should meet minimum age requirements – at least 16 years for track 1 and 18 years for track 2 – and must belong to a household assessed as poor in the Listahanan. SLP prioritises beneficiaries of the 4Ps, seeking to sustain and expand support beyond the five-year 4Ps programme.

This study modelled an expansion of the SLP to near-poor households, particularly unemployed workers in near-poor households, since unemployment, low and irregular incomes and lack of skills or skills mismatch are challenges and risks many near-poor households face. The modelling focuses on the second track, i.e., the employment facilitation track, as the track holds the potential to place beneficiaries in employment, which would provide addition household income and potentially lift households out of near-poverty. Even though the employment facilitation track is smaller compared to the microenterprise development track,[64] there is stronger evidence on its effects on household income compared to the microenterprise development track, which as shown to not affect household income/expenditures.[65] The track includes various components, including job matching services and referrals, skills trainings, and pre-employment assistance funds (PEAF), to be spent on expenses such as getting a birth certificate, passport, school diploma, medical or physical examination, transportation, etc. In line with the programme guidelines, only persons from the age of 18 years were considered eligible.

Eligibility criteria	Unemployed persons aged 18 years and above in near-poor households
Benefit level	Skills training (PHP 20,000) for all beneficiaries; PEAF (PHP 5,000) for eligible beneficiaries; employment for three months at prevailing minimum wage for beneficiaries that were linked to an employment opportunity

Expanding the SLP-EF track to unemployed persons in near-poor households would cover 55,431 households in 2024, increasing to 61,986 in 2028 (*Table 10*). It was assumed that per household, one person in working age would be eligible to participate in the SLP-EF track, in line with current practices. The modelling assumed that the employment facilitation track would remain the smaller track of both SLP tracks, with approximately 14 per cent of SLP beneficiaries choosing the EF track. The modelling further assumed that all persons enrolled in the EF track would receive skills training and approximately 20 per cent of all persons would avail of the PEAF. This is in line with evidence from the first years of SLP-EF implementation. The SLP-EF expansion was estimated to cost PHP 4.6 billion in 2024, increasing to PHP 4.8 billion in 2028, equalling 0.02 per cent of forecasted GDP. It must be noted that the costs of employment, i.e., the wages paid to SLP beneficiaries linked to

[64] Out of the 963,978 4Ps families served in the SLP from 2011-2015, 86 per cent (830,638 families) were enrolled in the microenterprise development track, while only 14 per cent (133,340 families) were enrolled in the employment facilitation track (Ballesteros, et al., 2016).

[65] An evaluation of the microenterprise development track of the SLP found that the track had positive impacts on labour supply, but imprecisely estimated null impacts on household income, expenditure, savings, and capital expenditure (Orbeta Jr., Ballesteros, Corpus, Paqueo, & Reyes, 2020).

employment opportunities, are not included in the costing, as these wage costs are covered by the respective employers.

Table 10. *Cost estimates of SLP-EF expansion to unemployed persons in near-poor households*

	2024	2026	2028
Near-poor households covered	55,431	58,656	61,986
Number of children in near-poor households	96,212	108,249	114,395
Costs in PHP	4,559,037,757	4,697,162,739	4,779,126,272
Costs as % of GDP	0.02%	0.02%	0.02%
Costs as % of expenditure	0.07%	0.06%	0.06%

Source: authors' calculations based on the FIES 2021

Ayuda sa Kapos ang Kita continuation

In the 2024 national budget, the Congress of the Philippines introduced a new programme called *Ayuda sa Kapos ang Kita*, short AKAP, **–** a PHP 60 billion fund with the aim to provide direct cash assistance to the near-poor, or families earning up to PHP 23,000 a month.[66] At least 12 million households are set to benefit from it, including low-income workers like those in construction and factories, drivers, food service crew, and the like. Target beneficiaries are planned to receive a one-time cash assistance of PHP 5,000.

An introduction and continuation of the AKAP programme was modelled as part of this study, since at the time of research, it was expected that the programme would be introduced in 2024, however, no information was available yet on it continuation afterwards.[67] Likewise, its concrete design and delivery system were unclear at the time of research, with the only publicly available information from Government sources stating that it would have to be made "sure that the beneficiaries are qualified under government criteria and the money reaches them on time and with sufficient safeguards in place".[68] No further details on the programme were available, and as such, the programme costing was conducted according to parameters and assumptions defined on the basis of DSWD's operational guidelines for the unconditional cash transfer (UCT).[69]

Eligibility criteria	Household with income below PHP 23,000/month and above the poverty line
Benefit level	PHP 5,000, one-time

If the AKAP programme was targeted at near-poor households with an income below PHP 23,000/month, 7.7 million near-poor households could be covered in 2024, decreasing to 6.9 million households by 2028 (***Table 11***). The target group size decreases in line with the underlying modelling assumptions that overall, poverty and near-poverty in the Philippines continues to fall over the next years. Out of all the programme options modelled, the AKAP programme has the

66 (House of Representatives, 2023)
67 (House of Representatives, 2023)
68 (House of Representatives, 2023)
69 (Department of Social Welfare, 2018)

biggest target group. The reason is the income threshold adopted by the Government of the Philippines to define eligibility. The income threshold of PHP 23,000 per month for a family of five equals PHP 4,600 per capita per month and with that is higher than the near-poor threshold of PHP 3,320 adopted by this study. Hence, the target group for the AKAP programme goes beyond the target group of near-poor households that the other costing options included.

The costs of delivering a one-time transfer to low-income households increase from PHP 43 billion in 2024 to PHP 43.4 billion in 2028, which can be explained by the assumption that the benefit amount of PHP 5,000 would be increased yearly in line with inflation. The cost estimated also include administrative costs. However, since information on the programme design and implementation plan was not available yet at the time of writing, administrative costs had to be based on assumptions.

Table 11. *Cost estimates of AKAP for low-income households*

	2024	2026	2028
Near-poor households covered	7,681,218	7,494,735	6,885,010
Number of children in near-poor households	14,320,827	14,535,978	14,290,150
Costs in PHP	43,014,821,378	44,506,632,494	43,375,803,406
Costs as % of GDP	0.16%	0.14%	0.12%
Costs as % of expenditure	0.65%	0.57%	0.48%

Source: authors' calculations based on the FIES 2021

7.3.3. Addressing environmental, natural, human-induced risks

Near-poor households in the Philippines contend with a complex web of environmental, natural, and human-induced risks that collectively contribute to the fragility of their living conditions. Environmental risks, such as exposure to pollution, inadequate access to clean water, and vulnerability to climate change-related events, disproportionately impact these households. Natural risks, including floods, droughts, and other weather-related disasters, can disrupt their homes and livelihoods, often with limited resources for recovery. Likewise, human-induced risks, such as social and political instability, compound the challenges faced by near-poor families. These risks are interconnected, creating a cycle of vulnerability where one setback can trigger a cascade of adverse consequences, ultimately pushing near-poor households below the poverty line.

Emergency cash transfer expansion

The ECT is a mechanism that provides unconditional cash assistance to disaster-affected households, with the objectives to immediately bring relief and recovery support. Part of DSWD's disaster response, the ECT complements the provision of food and non-food aid in affected areas, to promptly help disaster-stricken families to return to normalcy.[70] The ECT provides a cash assistance equivalent to 75 per cent of the prevailing regional daily wage rate set by the

[70] (Department of Social Welfare and Development, 2022)

Department of Labor and Employment – National Wage and Productivity Council. As of beginning 2024, these regional wages are on average PHP 404 per day.

According to the operations manual, all disaster-affected families, regardless of economic status, are eligible for ECT assistance.[71] When funds are limited, access to the ECT assistance is prioritized through an assessment of damage and needs. Priority beneficiaries are the households identified through the Pantawid Pamilya Information System (PPIS), i.e., 4Ps beneficiary households, and households considered as poor and near-poor according to the NHTS-PR, but not enrolled/eligible for 4Ps. Secondary beneficiaries are families not considered poor and near-poor in the NHTS-PR database but considered vulnerable and severely affected by disasters. These beneficiaries may include families residing in frequently isolated or geographically isolated and disadvantaged areas (GIDA), families headed by a minor, elderly, female, solo parent, or person with disabilities (PWD), families headed by a child due to the death of parents during a disaster, families belonging to an indigenous peoples (IP) group, families with members who are PWDs, elderly, children, pregnant or lactating women, or solo parents.

This study modelled the costs of providing the ECT to near-poor households, as identified under the first priority beneficiary group, while adopting the proposed near-poor threshold of 1.23 NPL. Thus, for the sake of modelling, the number of near-poor households in areas that are likely to be affected by emergencies was estimated. The probability of near-poor households being affected by natural disasters was calculated on the basis of historic data of populations affected by major natural disasters.[72] The benefit provided to these affected near-poor households was set at 75 per cent of the average regional daily wage, paid for 30 days, in line with the ECT operations manual.[73] Moreover, the benefit was increased in line with inflation over the 5-year modelling period.

Eligibility criteria	Near-poor households within the affected area
Benefit level	PHP 404 per day (equal to 75% of the average regional daily wage rate) paid for 30 days

An ECT expansion to near-poor households in areas affected by natural disasters would cover 183,394 households in 2024, increasing to 202,322 households in 2028 (*Table 12*). The ECT expansion is the only programme option that has a growing target group over the modelling period. The reason is that the scope and scale of natural disasters is expected to increase, with a growing number of households in the Philippines likely to be affected by natural disasters. With the growing target group, also the costs of the ECT expansion to near-poor households are expected to grow. While in 2024 a one-off transfer to affected near-poor households was estimated to cost PHP 1.8 billion, in 2028 it is expected to cost PHP 2.3 billion. Expressed as share

[71] (Department of Social Welfare and Development, 2022)
[72] (World Bank, 2021)
[73] (Department of Social Welfare and Development, 2022)

of GDP and government expenditure to costs are expected to remain stable at 0.01 per cent and 0.03 per cent, respectively.

Table 12. *Cost estimates of the ECT for affected, near-poor households*

	2024	2026	2028
Near-poor households covered	183,394	196,273	202,322
Number of children in near-poor households	376,033	415,813	479,492
Costs in PHP	1,833,755,904	2,081,121,303	2,275,908,902
Costs as % of GDP	0.01%	0.01%	0.01%
Costs as % of expenditure	0.03%	0.03%	0.03%

Source: authors' calculations based on the FIES 2021

7.4. Summary of social protection options for near-poor households

The modelling shows the six social protection options for near-poor households have vastly different target group sizes, depending on the individual programme objectives. Below ***Figure 5*** illustrates the number of near-poor households targeted by each programme option to showcase these differences. As evidenced, the AKAP programme has the largest target group with over 7 million households (green bar), followed by the 4Ps with around 2 million households (blue bar). The SLP-EF expansion (yellow bar) and the unemployment benefit (dark purple bar) have the smallest target groups with roughly 60,000 and 26,000 beneficiary households, respectively. For the SSS subsidy and the unemployment benefit provided by SSS two separate target groups are listed (light purple and dark purple bar). The difference is that a larger group (light purple bar) was estimated to receive the SSS subsidy for the contributions, while a much smaller group (dark purple bar) was estimated to actually receive the unemployment benefit. Ultimately, not every SSS subsidy recipient will be unemployed and in need of an unemployment benefit.

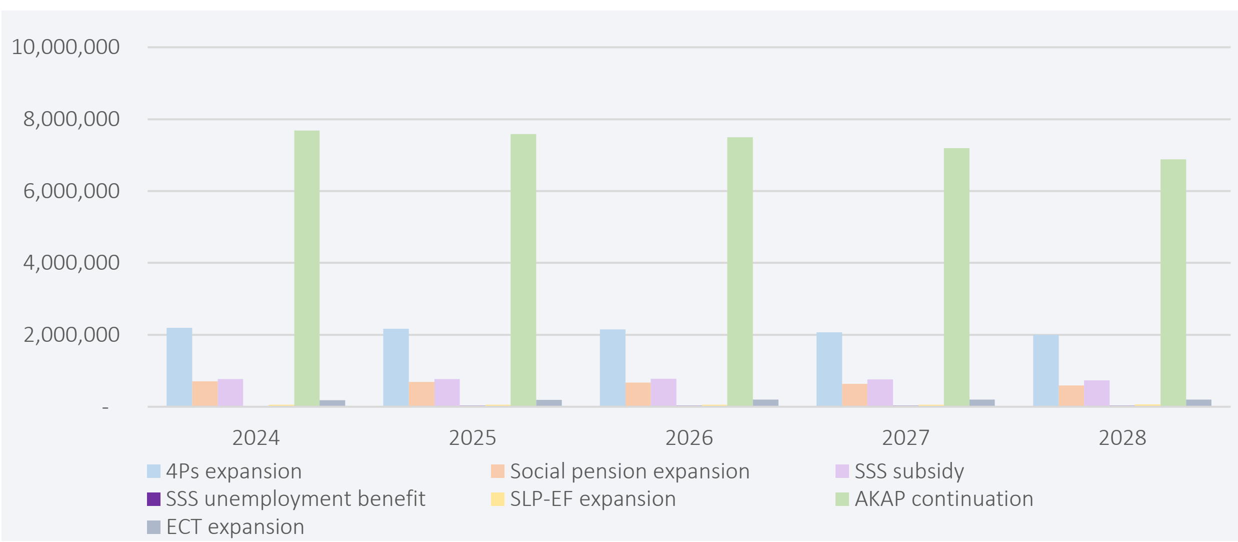


Figure 5. *Target group sizes of social protection options for near-poor households, 2024-28*
Source: authors' calculations based on the FIES 2021

Finally, *Figure 6* illustrates the costs of all six social protection programme options for near-poor households to summarize and compare the costs. The costs are illustrated as share of GDP throughout the modelling period of 2024-2028. As shown in the graph, the costs of the 4Ps expansion are highest throughout the years (blue line), followed by the AKAP continuation (green line). The costs of the 4Ps expansion are highest due to the relatively large target group – roughly 2 million households – as well as the monthly benefit costs. The costs of the AKAP continuation are high due to the large target group – roughly 7 million households – even though only a one-off benefit is paid. The costs of the social pension (orange line), SSS subsidy (purple line), SLP-EF expansion (yellow line) and ECT expansion (grey line) all fall under 0.05 per cent of forecasted GDP. The costs are comparatively low due to the relatively small target groups and/or benefit levels compared to the other programme options.

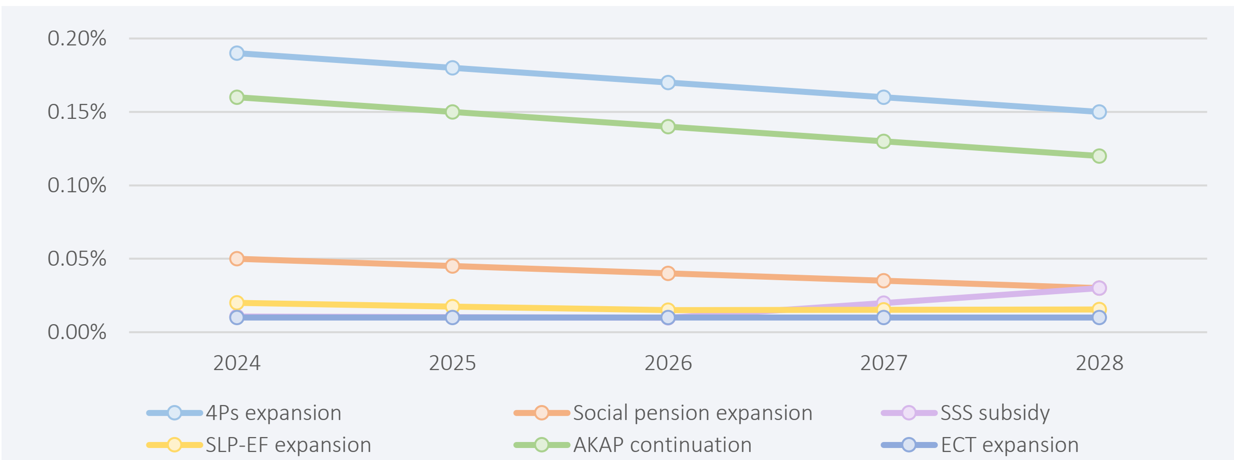


Figure 6. *Costs of social protection for near-poor households 2024-28, as % of GDP*
Source: authors' calculations based on the FIES 2021

Lastly, it must be stressed that these six social protection options for near-poor households shall not be valued based on their cost solely. Costing exercises can provide insights on the affordability and realisability of a programme, however, on their own provide no insights into the potential impacts – and as such effectiveness – a programme can have. Furthermore, as discussed above, near-poor households are a heterogenous group, facing different needs and risks, in turn requiring different policy solutions to address these. There is no one-size-fits-all programme that is able to address all risks, improve households living circumstances, reduce households' vulnerability to poverty and lift them out of near-poverty. Instead, tailored solutions and programme to the living circumstances are needed to adequately support near-poor households.

7.5. Further considerations for social protection for near-poor households

The modelling of social protection programming for near-poor households is based on existing social protection programmes. Leveraging infrastructure, resources, and expertise already in place can streamline implementation and reduce administrative costs while ensuring complementary support for near-poor households. This is also in line with the Social Protection Plan 2023-28 and the PDP 2023-28, which speak to the streamlining of programming and the reduction of fragmentation among current social protection programming. As such, near-poor social protection programming should be integrated into the existing social protection system and its programmes to enhance efficiency and coordination and to avoid duplication of efforts, further fragmentation, and coemption for financial resources.

To achieve more streamlining, coordination among the various Government agencies tasked with provision of social protection must be improved. This is particularly important to avoid the duplication of efforts that occurs when multiple social protection programmes target the same population. Currently, coordination among different agencies is still hampered by administrative challenges, such as the time it takes to set up formal arrangements to share data between agencies, set up interoperability and linkages to services, and the drafting and signing of a memorandum of understanding (MOU). Better coordination is also imperative to realise stronger linkages and create complementarity among social protection programming, as stipulated in the Social Protection Plan.

Incorporating graduation strategies into social protection programmes can facilitate the transition of near-poor households to sustainable livelihoods and contribute to income security. While the modelling focused on the income support provided by the various social protection programmes, it was explained that linking programming – particularly employment and livelihood programmes – to capacity building and skills acquisition can render it more effective over the medium- to long-term. Skills transfers, together with asset-building opportunities, and access to financial services, can empower households to break the cycle of poverty and vulnerability and reduce longer-term dependency on social assistance. Such programming is particularly relevant for workers in the informal sector, many of whom live in near-poverty and poverty. An incorporation of graduation strategies is also in line with the Social Protection Plan, which speaks to the establishment of clear graduation and exit strategies for key social protection programmes, such as the 4Ps. However, it must be stressed that graduation strategies must be carefully designed and tailored to the needs of the beneficiary population in order to be effective. Case management can effectively support graduation strategies, wherein case-based support to households and referrals to needed services can help households transition out of social protection programming.

Moreover, while all programme options have the newly defined near-poor threshold of 1.23 times the NPL as their targeting base, other targeting criteria are used, too. The AKAP programme, for example, is targeted at low-income households with an income below PHP 23,000 per month, which goes beyond only near-poor households. This stresses the need to remain flexible in which population groups are defined as vulnerable and in need of support, depending on the context. While near-poor households are a group highly vulnerable to falling into poverty, in certain contexts, for example a natural disaster, households not falling into this group can be highly vulnerable, too. And even though there is a huge overlap between poor, near-poor and vulnerable groups, as for example defined by the basic sectors, social protection programming must still be flexible enough to account for new vulnerabilities and risks.

It is also important to regularly adjust benefit levels to account for inflation to ensure that the real value of the benefits is not eroded by rising prices, and meaningful impacts in terms of (near-) poverty reduction and secondary impacts can still be achieved within the beneficiary households. The programme modelling in this study assumed these adjustments, however, in reality, benefit levels often remain unadjusted for many years, putting at risk the impacts that programmes can have. The social pension in the Philippines, for example, amounted to PHP 500 per month from 2011, when the social pension was launched, until 2023. Only in 2024 the benefit amount doubled. Over the period 2011-23, however, the real value of the pension eroded from PHP 500 to PHP 353, stressing the need to more frequently adjust the benefit levels to provide meaningful support.

Finally, expanded social protection programming requires careful consideration of funding sources, budget allocation, and cost-effectiveness. While all six programming options modelled as part of this study can be considered financially viable, their implementation requires additional resources. In light of limited resources and competing priorities exploring innovative financing mechanisms can be a way to generate additional funding. SSS, for example, is currently exploring a new avenue to support self-employed in paying their monthly social security contributions. Under the Contribution Subsidy Provider Program (CSPP), SSS enters into a partnership arrangement with potential contribution subsidy providers among private and government entities, who will pay contributions on behalf of self-employed workers. Ultimately, an expansion of social protection to near-poor households must be feasible without reducing the ability of the Government to help the poor.

8. Potential impacts of social protection for near-poor households

In a next step, the potential impacts of expanding the various social protection programmes to near-poor households were modelled. To determine the near-poverty reduction effects of these programmes, the near-poor rate and number of near-poor persons was forecasted for the modelling period of 2024-28, using the newly proposed near-poor threshold of 1.23 times the national poverty line. Moreover, the GINI coefficient was calculated for the period of 2024-28, expressing the inequality of income distribution in the country. These estimates of near-poverty and inequality constitute the baseline against which the effects of the six social protection programme options were assessed. These effects were calculated by simulating the income effects of the various social protection programmes on the beneficiaries and subsequently re-calculating the near-poor statistics.

8.1. Near-poverty reduction effects of social protection options

The modelling suggests that the six social protection options for near-poor households contribute to a reduction in near-poor rates. Below, ***Figure 7*** illustrates the poverty reduction effects of the social protection programmes from the original near-poor rate of 10.6 per cent for the year of 2024. Each colourful bar represents one of the social protection programmes. The dark shaded area of the bar represents the near-poor rate after the implementation of the programme, while the light shaded area represents the reduction in the near-poor rate for each programme. An expansion of the 4Ps to near-poor households, for example, leads to a reduction of the near-poor rate from 10.6 per cent without transfer to 5.2 per cent with transfer (dark blue bar). Hence, a near-poor rate reduction of 5.4 percentage points (light blue bar) can be achieved.

Similarly, all other programme options contribute to a near-poor rate reduction, albeit at lower levels. An expansion of the social pension was estimated to reduce the near-poor rate to 9.3 per cent in 2024, while the continuation of the AKAP programme was estimated to reduce the near-poor rate to 9.1 per cent in the same year. The smallest near-poor rate reductions were recorded for the SLP-EF track expansion, unemployment insurance provided under the SSS subsidy and the ECT expansion. The SLP-EF expansion and the ECT expansion each achieve a near-poverty reduction effect of 0.2 percentage points, and the SSS subsidy of 0.03 percentage points. Similar poverty reductions were found for the other years of the modelling period.

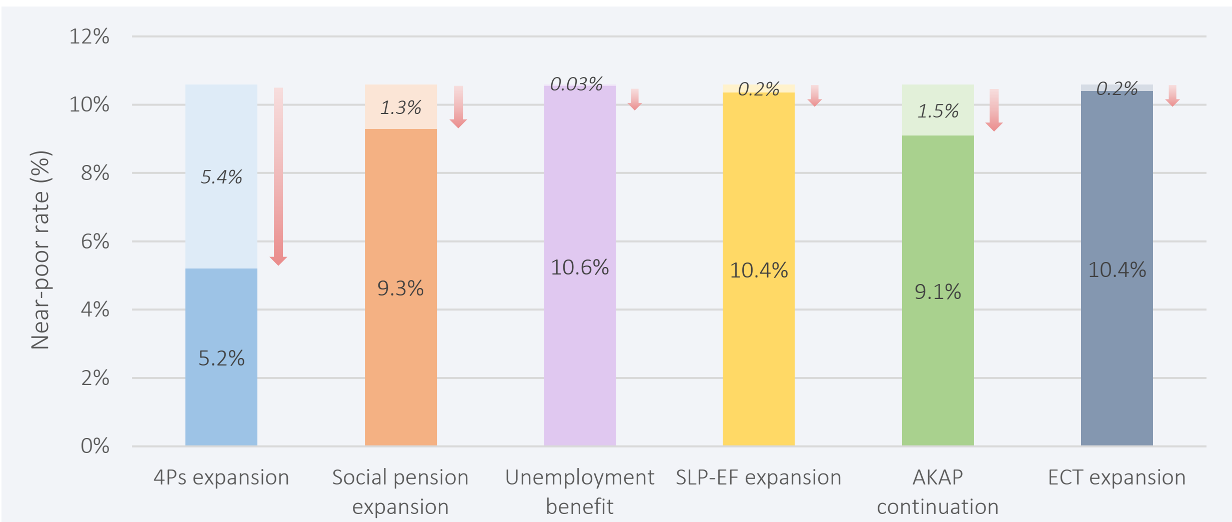


Figure 7*. Effects of social protection options on near-poor rates (%), 2024*
Source: authors' calculations based on the FIES 2021

In absolute numbers, the social protection programming options for near-poor households lift between 13,500 and 6.2 million persons out of near-poverty, reducing their vulnerability to falling into poverty (*Table 13*). While over 12.3 million persons were estimated to live in near-poverty in 2024, the 4Ps expansion lifts over 6.2 million persons out of near-poverty. Likewise, the social pension lifts almost 1.5 million persons out of near-poverty and the AKAP programme has the effect for 1.8 million persons. Again, reductions are smallest for the ECT and SLP-EF expansions and the unemployment benefit provided under the SSS. The ECT lifts 250,000 persons out of near-poverty, the SLP-EF expansion 236,752 persons, and the SSS subsidy 13,573. A comparison of the reduction effects with the expansion costs as share of GDP suggests that the options with higher reduction effects, such as 4Ps, social pension and AKAP, are also more expansion than the other options. With costs largely driven by target group sizes, the differences in near-poverty reduction effects can largely be explained by the different target groups sizes of the programme expansions.

Table 13. Effects of social protection options on near-poor persons, 2024

	4Ps	Soc. pension	Unemploy b.	SLP-EF	AKAP	ECT
Near-poor before	12,344,066					
Near-poor after	6,082,042	10,848,452	12,330,493	12,107,314	10,577,897	12,094,444
Reduction	***6,262,024***	***1,495,614***	***13,573***	***236,752***	***1,766,169***	***249,622***
Costs as % of GDP	0.19%	0.05%	0.01%	0.02%	0.16%	0.01%

Source: authors' calculations based on the FIES 2021

Near-poverty reduction effects of the 4Ps, social pension and AKAP

The near-poor reduction effects of the 4Ps expansion to near-poor households are by far the biggest among all modelled programmes. The reasons are two-fold: the target group of the 4Ps expansion is relatively big compared to the other programmes – targeting roughly 2 million near-poor households with children – and secondly, the benefit level is relatively high compared to other benefit levels. Similarly, the social pension expansion and AKAP continuation achieve relatively high near-poverty reduction effects – albeit at lower levels than the 4Ps. Even though the social pension has a higher benefit level per capita than the 4Ps, the target group of the social pension is smaller than the 4Ps'. The opposite is the case for the AKAP continuation. While the target group is the biggest among all modelled programmes – covering approximately 7 million low-income households – the benefit level is lower compared to the 4Ps and social pension due to the one-time transfer design.

Near-poverty reduction effects of the SLP-EF

The near-poor reduction effects of the SLP-EF track expansion are relatively modest compared to the 4Ps and social pension expansions and the continuation of AKAP. This can be explained by the relatively small target group of the SLP-EF expansion in the model with approximately 200,000 near-poor households. As mentioned earlier, the modelling focused on the employment facilitation track only, and did not include the microcredit development track, which tends to have a much bigger target group. Secondly, the modelling of near-poverty reduction effects built on the actual job matching and employment of SLP-EF beneficiaries. While the track includes various components, including counselling, skills trainings, referrals and pre-employment assistance funds for transportation, the actual job matching is the only component that has a direct effect on households' incomes and in extension their near-poverty status. And even though the other benefits provided under the SLP-EF component can have a positive effect on the households' ability to find employment in the future, these benefits do not alter the households' income over the short-term. Given that in the past only about a third of all SLP-EF beneficiaries were referred to employment as part of the programme, the income and near-poverty reduction effects modelled for this study apply to a relatively small group of 62,000 beneficiaries.

Near-poverty effects of the unemployment benefit

Also the effects of the unemployment benefit are smaller compared to the other programmes. The reason is that near-poor households must experience unemployment before receiving a benefit. The purpose of the unemployment benefit is to reduce the negative impact of the shock on household incomes over the short-term and prevent a substantial worsening of their situation. This is different from the objectives of the 4Ps or social pension, for example, which seek to induce an improvement in the living situation of households over a longer period of time. Thus, to fully understand the income effects of the unemployment benefit it is also necessary to assess in how far the benefit averted households from falling into poverty.

Firstly, the negative effects of unemployment on household incomes of affected near-poor households were modelled. As a result of a two-month period of unemployment, 18,378 to 28,236 previously near-poor persons fall into poverty (***Table 14***). The provision of an unemployment benefit lifts 14,664 of these individuals out of poverty again. Hence, slightly more than half of the individuals that fell into poverty due to unemployment can be lifted out of poverty and back into near-poverty through the unemployment benefit. Even though a near-poverty status still keeps these individuals vulnerable to future shocks, the unemployment benefit protects over half its near-poor beneficiaries from falling into poverty. Thereby, it meets its objective of averting substantial income losses for the majority of beneficiaries.

Table 14. *Effects of unemployment benefits on poverty movements of near-poor households*

	2024	2026	2028
Near-poor persons falling into poverty due to unemployment	28,236	18,378	24,212
Previously near-poor persons lifted out of poverty again with UE benefit	14,664	10,539	12,797

Source: authors' calculations based on the FIES 2021

It must be noted that the SSS provides other benefits, aside from the unemployment benefit. However, for the sake of this study only the unemployment benefit and its effects on household incomes in case of job losses was assessed. The other benefits provided by the SSS were not included in the analysis.

Near-poverty effects of the ECT

Similar to the unemployment benefit, also the ECTs objective is to protect beneficiary households from the immediate effects of a natural disaster. Hence, also the ECT is not developmental in its objectives, but rather seeks to reduce the negative impact that a natural disaster can have on affected households. Therefore, again, the analysis must also look at the poverty effects of the ECT, to better understand in how far it is successful in preventing near-poor households from falling into poverty as a result of a natural disaster.

Firstly, the negative effects of natural disasters on household incomes of affected near-poor households were modelled. As a result of the income shock, 500,448 to 613,053 persons were estimated to fall from near-poverty into poverty, when affected by a natural disaster (***Table 15***). The ECT provided to these previously near-poor households in response to the natural disaster can lift up to 296,111 of these persons out of poverty again and thereby prevent them from more permanently living in poverty after the emergency. Thus, about half the near-poor households that fall into poverty as a result of the emergency can be lifted out of poverty and into near-poverty through the income support provided by the ECT.

Table 15. Effects of emergency cash transfers on poverty movements of near-poor households

	2024	2026	2028
Near-poor persons falling into poverty due to emergency	500,448	529,875	613,053
Previously near-poor persons lifted out of poverty again with ECT	252,959	263,364	296,111

Source: authors' calculations based on the FIES 2021

Finally, it must be stressed that the effects of ECTs on beneficiary households' income are short-term. This is in line with the design and objectives of the ECT, which intends to support short term recovery of household economic needs affected by an emergency. While existing evidence finds that ECT beneficiaries report higher chances of their main income staying the same compared to non-beneficiaries, the positive correlation between the transfer and income disappears over the medium term. This suggests that one-off transfers work best to cushion near-poor, and more generally vulnerable households in the short-term but do not impact medium-term income.[74] This points to the need for more developmental approaches to supporting affected households and communities, once the emergency response is complete.

8.2. Inequality reduction effects of social protection for near-poor households

The modelling suggests that the six social protection options for near-poor households also contribute to a reduction in inequality, as measured by the GINI coefficient (*Table 16*). However, compared to the effects on near-poverty levels, the effects on income inequality are relatively small. The 4Ps achieves the highest reduction in the GINI coefficient, from 0.41 to 0.40, a reduction by 1.1 per cent. The AKAP continuation and social pension expansion reduce the GINI coefficient by 0.7 and 0.3 per cent, respectively. The other programme options achieve even smaller or no reductions at all. The first reason for the relatively small effects on the GINI coefficient is the small target group sizes and/or benefit levels compared to the total near-poor population and the income disparities between lower deciles and upper deciles. Secondly, the GINI coefficient can most effectively be lowered by redistributing income to from households with the highest incomes to households with the lowest incomes, i.e., poor households. As all programmes in this study are targeted at near-poor households – who are certainly lower income households but are not the poorest households in the country – the effects are less pronounced.

Table 16. Effects of social protection programmes on GINI coefficient, 2024-28

Social protection programme	Gini coefficient	Change (%)
Baseline (w/o social protection)	0.41	
4Ps expansion	0.40	-1.1%
Social pension expansion	0.40	-0.3%

[74] (Adhikari & Seetahul, 2023)

SLP-EF expansion	0.41	-0.1%
Unemployment insurance	0.41	0.0%
AKAP continuation	0.40	-0.7%
ECT expansion	0.41	0.0%

Source: authors' calculations based on the FIES 2021

Zooming in on the distribution of household income across deciles confirms that the modelled social protection options have redistribution effects, albeit at low levels (*Figure 8*). At the baseline, i.e., in absence of any social protection for near-poor households, households the second and third deciles hold 3.67 per cent and 4.56 per cent of total household income in the Philippines, respectively. With the implementation of the various social protection programmes, the income distribution changes slightly, and the income held by households in each decile increases. The 4Ps expansion, for example, increases the share of total income held by households in the second decile to 3.72 per cent and for households in the third decile to 4.96 per cent. While these changes are nominal at national level, for the individual households in the second and third decile the income changes induced by the social protection programmes can mean the difference between living in near-poverty and non-poverty.

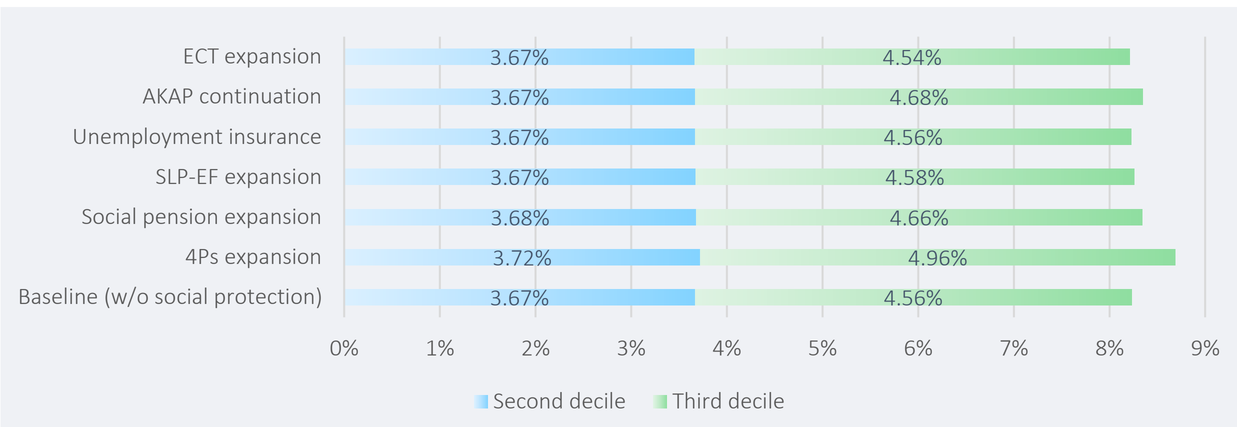


Figure 8. *Income distribution across income deciles, 2024-28*

8.3. Potential secondary impacts of social protection for near-poor households

In addition to the poverty impacts, potential secondary impacts were modelled and monetised for the various social protection programme options. The modelling of secondary impacts and the potential gains that might materialise was guided by the programme's objectives and existing evidence of similar programmes to achieve these impacts. As such, for each programme option, the secondary impacts and gains that were modelled differed. Broadly, the modelling of potential secondary impacts focused on health and well-being, nutrition, and productivity. In addition, the potential secondary impacts of various programming options on the local economies were modelled. Even though not a primary objective of the programmes, insertion of additional cash into households, leads to spill-over effects within the local communities. The secondary impacts were modelled for 2024-28, aligned with the costing.

Box 7. Modelling and monetisation of secondary impacts

The simulation of potential secondary impacts was based on international evidence on how similar types of programmes have shown to achieve these impacts across the domains.[75] There is substantial evidence that social protection programmes stimulate health service uptake and improve dietary diversity. In turn, improvements in beneficiary's health and nutrition have been shown to positively affect the development of human capital. Moreover, the increase in household income resulting from social protection programmes has been shown to reduce stress or depression, improving the mental health of household members. In a similar vein, social protection is linked to higher investments in education, which raise productivity and expected lifetime earnings. Social protection is also expected to have spillover effects into the local economy. For instance, international evidence suggests that cash transfer have spillover effects beyond the beneficiary household, because ultimately beneficiaries spend most of their cash transfer within the local community, by purchasing food items or accessing local transportation services. These anticipated impacts were then monetised with the help of the statistical measures of disability-adjusted life years (DALYs), expected future earnings and expected local multiplier effects.

Figure 9 illustrates the anticipated secondary impacts and monetisation strategies modelled as part of this study.

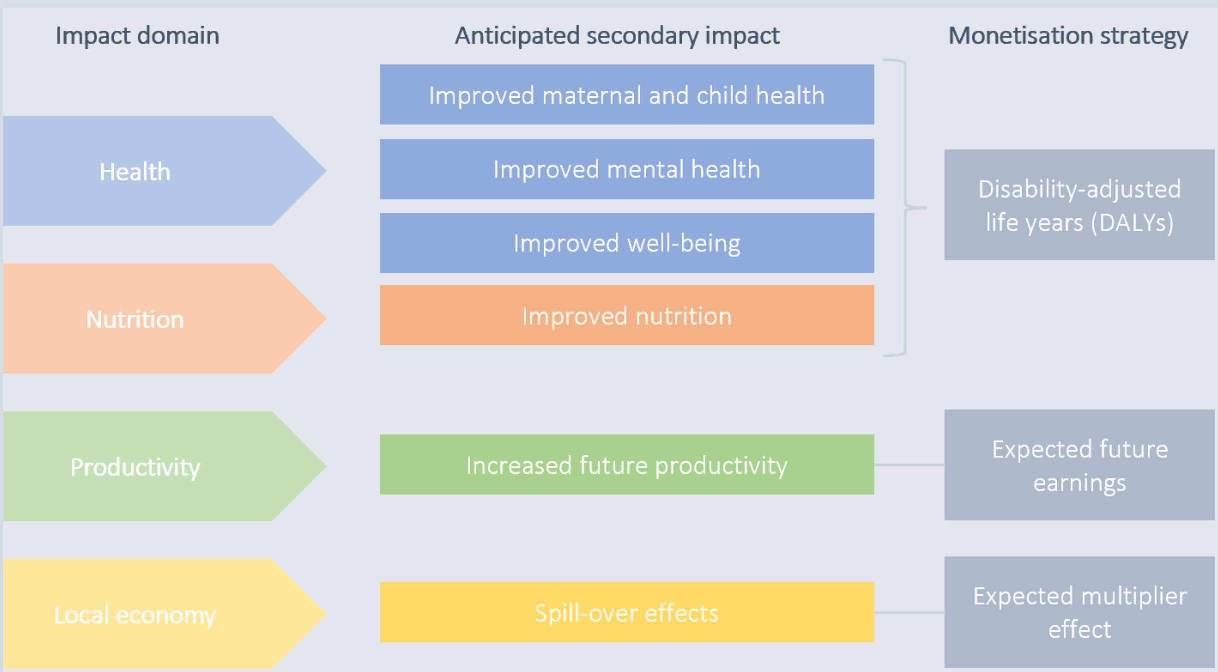


Figure 9. Anticipated secondary impacts and monetisation strategies

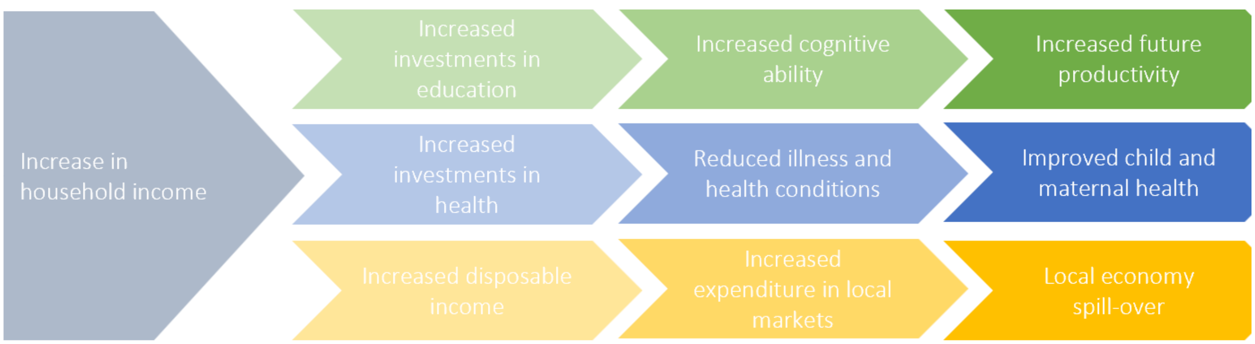
It must be stressed, that all the findings presented below solely consider potential gains from the selected secondary impact parameters listed above, given that these are most closely linked to the programme. There could be further gains from the various programme options, that go beyond

[75] (Ozawa, et al., 2022); (Magnani, et al., 1996); (Valderrama & Olivera, 2023); (Pak, 2021); (Chetty & Looney, 2006); (Leight & Mvukiyehe, 2023); (Cañedo a, Fabregas, & Gupta, 2023); (Adhikari & Seetahul, 2023)

the stipulated objectives and existing evidence, and are more indirect in nature, deriving from the achieved secondary impacts.

4Ps expansion

Next to the impacts on the near-poverty status of households, also the impacts on children's education and health outcomes of children and mothers in the beneficiary households were modelled. The underlying modelling assumption was that households utilise the cash transfer (partially) for investments in their children's education and health, as also promoted in the family development sessions[76] of the 4Ps. The assumptions to model education and health outcomes were based on the findings of the third wave 4Ps impact evaluation.[77] Over the long-term, these investments in children's human development are expected to translate into a life in better health and higher productivity for the beneficiary children, ultimately resulting in a higher future income for these children. Hence, beyond the short-term increase in household income, the 4Ps cash transfer is expected to contribute to longer-term, secondary impacts. In addition, local economy spill-over effects were modelled, as the 4Ps cash transfer was assumed to increase the disposable income of beneficiary households, a share of which is likely to be spent in local markets.



The results of modelling these secondary impacts of the 4Ps expansion to near-poor households suggest that substantial welfare gains can be achieved across the modelled dimensions (*Table 17*). The local economy spill-overs are likely to generate the highest gains, increasing from PHP 60 billion in 2024 to PHP 69 billion in 2028. These gains materialise as near-poor households benefitting from the 4Ps spend a share of their cash transfer in the local economy, in turn benefitting other members of the economy. Substantial gains are also to be expected from increased productivity of children in the 4Ps households, once they enter the labour market, amounting to PHP 17.4 billion in 2024 and increasing to PHP 25.9 billion in 2028. Gains from improved health outcomes for children and mothers benefiting from the 4Ps expansion are

[76] The family development session (FDS) is one of the conditionalities of the 4Ps. To achieve the program's aim to promote, empower, and nurture families towards strengthened capacity to meet familial and parental responsibilities, the participating families are required to attend FDSs. These sessions are conducted modules to realize the desired competencies and socio-behavioural outcomes.
[77] (Philippine Institute for Development Studies, 2020)

expected to stand between PHP 9-10 billion throughout the modelling period. In total, the expected gains increase from PHP 86.4 billion in 2024 to PHP 105 billion in 2028.

Table 17. Expected gains from secondary impacts of 4Ps expansion

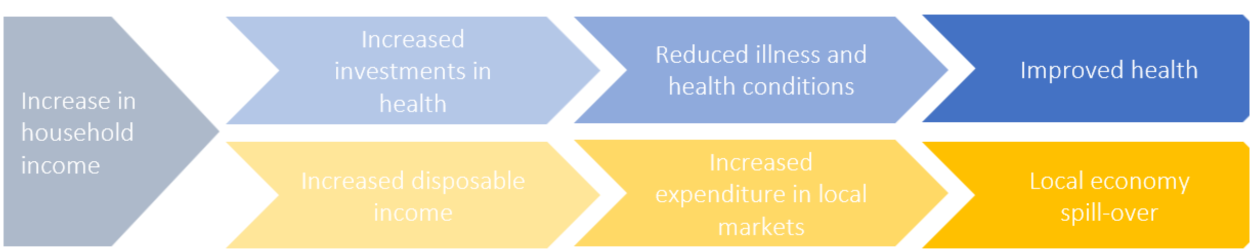
Secondary impacts	2024	2026	2028
Gains from increased productivity	17,412,959,685	22,065,009,679	25,919,065,882
Gains from improved health	9,072,177,583	9,632,338,467	10,044,180,695
Gains from local economy spill-over	59,918,681,658	63,340,251,120	69,052,630,453
Total expected gains	**86,403,818,927**	**95,037,599,266**	**105,015,877,031**

Source: authors' calculations

These substantial long-term gains that can be expected from improved health and education outcomes within 4Ps beneficiary families suggest the relevance and importance of providing access to (basic) social services. Consequently, beyond the delivery of cash transfers to poor and near-poor families, their access to these services must continue to be strengthened. There is a need for even better linkages at barangay level, facilitated by efficient case management and dedicated social workers. By integrating these efforts, communities can more effectively address the multifaceted needs of individuals and families that live close to the poverty line, ensuring that essential services such as healthcare, education, and housing are accessible to all. Strengthening these linkages not only promotes social well-being but also fosters a more resilient and inclusive society where every member can thrive.

Social pension expansion

For the social pension secondary impacts on overall health of beneficiaries and the local economy were modelled and monetised. The underlying modelling assumption was that recipients of the social pension utilise a share of their cash transfer for investments in healthcare and food security, as also stipulated in the objectives of the social pension. These investments are expected to result in overall improved health and well-being of the social pensioners. A study of the social pension confirmed that recipients reported that they were more likely to have enough money for food than non-recipients and spent a higher share on health than non-recipients.[78] Moreover, the social pension is expected to increase the disposable income of beneficiaries, resulting in increased expenditure in local markets, i.e., creating spill-over effects into the local economy.



[78] (Knox-Vydmanov, Horn, & Sevilla, 2016)

The modelling of secondary impacts shows that substantial gains from improved health of recipients and local economic spill-overs can be expected through a social pension expansion (*Table 18*). In 2024, a total of PHP 22.4 billion gains can be expected from secondary impacts, slightly increasing to PHP 23.6 billion in 2028. Again, local economy spill-overs make up the majority of the expected gains. Per social pensioner, the gains from secondary impacts amount to PHP 23,055 in 2024 and PHP 28,902 in 2024. And while the pensioners will not receive these gains as an actual benefit, these secondary impacts will materialise over the medium-to long-term in the form of improved health and well-being and spill-overs to the local community and market.

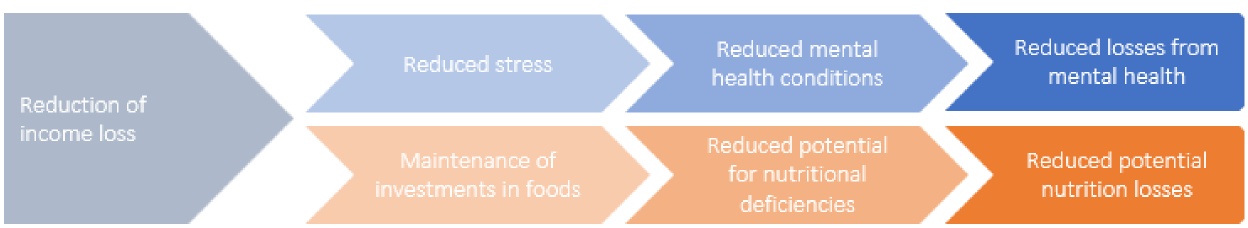
Table 18. Expected gains from secondary impacts of social pension expansion

Secondary impacts	2024	2026	2028
Gains from improved health	7,604,680,099	8,486,353,081	8,611,537,137
Gains from local economy spill-over	14,829,859,545	15,148,509,282	14,964,629,003
Total expected gains	**22,434,539,644**	**23,634,862,363**	**23,576,166,140**

Source: authors' calculations

Unemployment benefit under SSS

For the unemployment benefit provided under SSS secondary impacts on mental health and consumption were modelled. Evidence suggests that unemployment has substantial effects on individual's and household's well-being, particularly mental health of affected persons. Unemployment creates stress and potentially longer lasting mental health conditions among affected individuals/households. As part of this study, the positive effects of an unemployment benefit in alleviating this stress and preventing potential mental health losses were modelled.[79] Moreover, unemployment benefits support beneficiaries in maintaining their consumption patterns instead of adopting costly consumption-smoothing strategies that reduce investments particularly in foods.[80] The potential nutrition losses that can be prevented through an unemployment benefit were also modelled.



The modelling shows that losses in the secondary impacts of mental health and nutrition can be averted, if workers in near-poor households receive unemployment benefits, when unemployed (*Table 19*). Reducing stress in near-poor households affected by unemployment can result in a reduction of mental health losses of up to PHP 2 million in 2024, increasing to PHP 2.9 million in 2028. Likewise, enabling affected households to continue buying staple foods through an unemployment benefit can avert nutritional losses of up to PHP 244,825. In total, an

[79] (Talana, et al., 2024)

[80] (Chetty & Looney, 2006)

unemployment benefit for informal sector workers in near-poor households can avert PHP 2.2-3.1 million losses in nutrition and mental health.

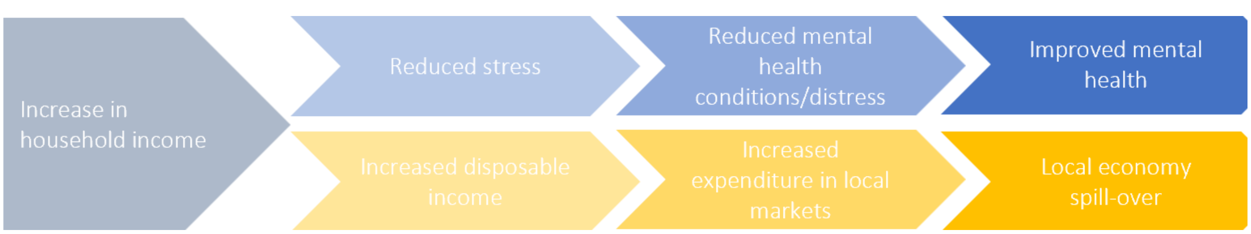
Table 19. Expected averted losses from secondary impacts of unemployment benefit

Secondary impacts	2024	2026	2028
Averted mental health losses	2,021,549	2,418,908	2,879,062
Averted nutrition losses	169,266	204,111	244,825
Total averted losses	**2,190,815**	**2,623,020**	**3,123,886**

Compared to the other social protection programming options, the averted losses to be expected from the secondary impacts of the unemployment benefit are relatively small. The reasons for this are two-fold. Firstly, the beneficiary group of the unemployment benefit is much smaller compared to the other social protection options modelled: 25,475 near-poor households are expected to benefit from the unemployment insurance in 2024, vis-à-vis 7.6 million households from the AKAP. Therefore, the total gains from secondary impacts are lower compared to the other programmes. Secondly, the purpose of the unemployment benefit is to partially replace lost income over a short period of time (unemployment benefit is provided for a maximum of 2 months) and to prevent short-term welfare losses from occurring. Thus, it is not so much the purpose of the insurance to substantially improve the well-being of households over a longer period of time, but rather to ensure that their well-being does not deteriorate immediately after the shock (i.e., unemployment). By contrast, longer-running social protection programmes like the 4Ps have the objective to improve the well-being of beneficiary households and children over time, and thus achieve much higher gains across secondary impacts.

SLP-EF track expansion

For the expansion of the SLP employment facilitation track to near-poor households its potential secondary impacts on mental health of adults in the beneficiary households and the local economy were modelled. Global evidence suggests that employment programmes can have significant short-term effects on beneficiary households' consumption, as well as psychosocial well-being.[81] Furthermore, evidence suggests that also individuals not participating in the programme indirectly benefit from the spillover effects, via local economic spillovers of the cash payments and/or informal social support from treated individuals.[82]



[81] (Leight & Mvukiyehe, 2023)
[82] (Ibid.)

The modelling of secondary impacts shows that substantial gains can be expected from improved mental health of SLP-EF beneficiary households and local economic spill-overs (*Table 20*). In 2024, a total of PHP 3.6 billion gains can be expected from the secondary impacts that were modelled, further increasing to PHP 4.5 billion in 2028. Per beneficiary household, this translates into gains of PHP 64,757 in 2024 and PHP 72,855 in 2028 that will materialise in form of improved mental health and economic spill-overs over the years to come.

Table 20. *Expected gains from secondary impacts of SLP-EF expansion*

Secondary impacts	2024	2026	2028
Gains from improved mental health	6,016,893	7,096,701	7,794,349
Gains from local economy spill-over	3,583,521,445	4,021,105,776	4,508,204,386
Total expected gains	**3,589,538,337**	**4,028,202,477**	**4,515,998,736**

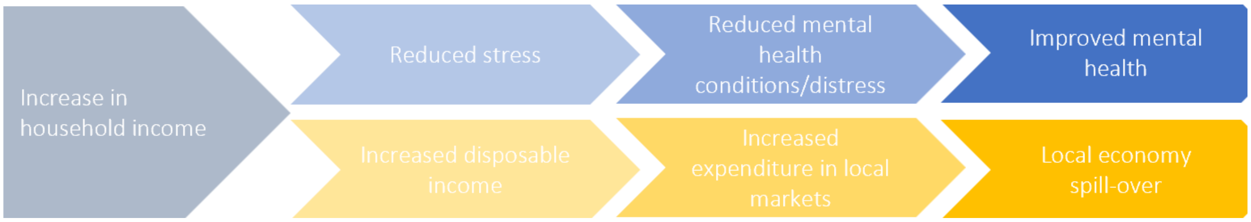
Source: authors' calculations

Growing evidence suggests that employment programmes, such as the employment facilitation track under the SLP, can be a meaningful mechanism to provide a short-term buffer against adverse shocks or to smooth consumption.[83] However, the effects of such programmes tend to be short-term, as oftentimes, these programmes do not sustainability help participants transition into the formal labour market. One way to render the impacts of employment programmes more sustainable, is to support skills acquisition of beneficiaries, for example through on-the-job training. Evidence suggests that the instances in which the skill transfers seem to persist is when employment programmes are complemented by specific training programmes that help transition beneficiaries into the labour market.[84] While the SLP-EF provides training to its beneficiaries, evidence suggests that training could be more effective, if more employment-directed and informed by employers' needs.[85] Furthermore, as elaborated above, a stronger focus on linking all beneficiaries to employment opportunities could help to enhance the near-poverty alleviation effects of the programme.

Ayuda sa Kapos ang Kita

For the continuation of the AKAP programme, its potential secondary impacts on beneficiaries' mental health and the local economy were modelled. The underlying modelling assumption was that recipients of the AKAP cash transfer would experience a short-term improvement in their psycho-social well-being, thanks to an increase in household income and a resulting reduction in stress. Moreover, the cash transfer is expected to increase the disposable income of beneficiary households, resulting in increased expenditure in local markets, i.e., creating spill-over effects into the local economy.

[83] (Ibid.)
[84] (World Bank, 2023)
[85] (Ballesteros, et al., 2016)



The modelling shows that substantial gains can be expected from the secondary impacts in improved mental health of AKAP beneficiary households and local economic spill-overs (*Table 21*). In 2024, a total of PHP 49.3 billion gains can be expected from the secondary impacts that were modelled, further increasing to PHP 55.7 billion in 2028. Per beneficiary household, this translates into gains of PHP 6,424 in 2024 and PHP 8,096 in 2028 that will materialise in form of improved mental health and economic spill-overs to surrounding communities and markets.

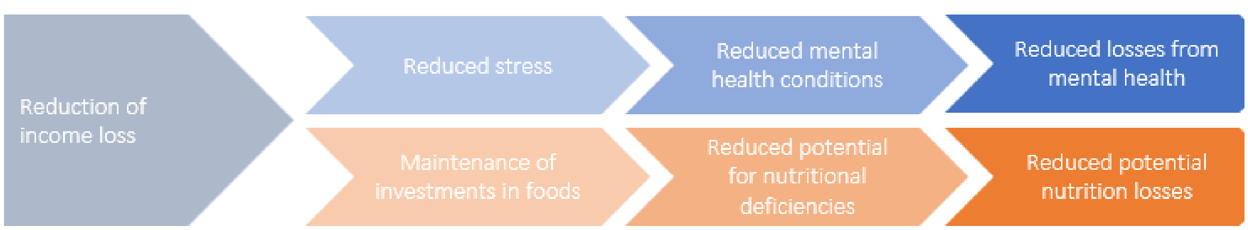
Table 21. Expected gains from secondary impacts of AKAP continuation

Secondary impacts	2024	2026	2028
Gains from improved mental health	565,561,128	621,309,273	655,227,078
Gains from local economy spill-over	48,775,734,956	50,467,342,203	55,087,270,326
Total expected gains	**49,341,296,084**	**51,088,651,475**	**55,742,497,404**

Source: authors' calculations

Emergency cash transfer

For the ECT provided to affected, near-poor households the potential secondary impacts on food security and psychological well-being were modelled. The modelling was based on global evidence of the impacts emergency cash transfers had on affected, low-income households. According to existing evidence, beneficiary households are able to maintain their food consumption and are more able to continue purchasing stable foods, compared to non-beneficiary households, which in turn lowers the potential nutritional losses from not consuming enough foods.[86] Moreover, global evidence suggests that ECTs can be positively associated with measures of subjective well-being, especially on households receiving the transfers being less concerned about children being out of school, food shortages, and lack of health care.[87] As such, beneficiary households were modelled to experience lower level of stress, in turn reducing potential losses from mental health issues among recipients.



[86] (Adhikari & Seetahul, 2023)
[87] (Cañedo a, Fabregas, & Gupta, 2023); (Adhikari & Seetahul, 2023)

The modelling shows that losses in the secondary impacts of mental health and nutrition can be averted, if affected near-poor households receive the ECT (*Table 22*). Reducing stress in near-poor households affected by emergencies can result in a reduction of mental health losses of up to PHP 14.4 million in 2024, increasing to PHP 20.9 million in 2028. Likewise, enabling affected households to continue buying staple foods through an ECT can avert nutritional losses of up to PHP 1.2-1.8 million. In total, an ECT for near-poor households can avert PHP 15.6 million in mental health and nutrition losses in 2024, further increasing to PHP 22.7 million in 2028.

Compared to the other social protection programming options, the gains to be expected from the secondary impacts of the ECT are relatively small. This is related to the short-term nature of income support that ECTs typically provide. The positive relationship between receiving the ECT, income, and being able to purchase staple food, for instance, is visible in the short-term, however, the beneficiaries no longer benefit from the positive impact of the ECT 3 to 7 months after the reception date. Moreover, evidence shows that the positive correlation between receiving the ECT and psychological wellbeing disappears in the medium-term. Hence, the mental health and nutrition losses that an ECT can prevent only accrue over a couple of months' time and therefore are much lower in value compared to the gains from improvements in health that for example the 4Ps – which supports households over a period of multiple years – can achieve.

Table 22. *Expected averted losses from secondary impacts of ECTs for near-poor households*

Secondary impacts	2024	2026	2028
Averted mental health losses	14,392,369	17,167,052	20,896,048
Averted nutrition losses	1,205,083	1,448,584	1,776,922
Total averted losses	**15,597,452**	**18,615,636**	**22,672,970**

Source: authors' calculations

Lastly, it must also be stressed that timing matters in terms of the losses that ECTs can prevent. Households that receive an ECT multiple months after the emergency occurred are likely to have already incurred losses from increased stress and reduced food consumption. Hence, receiving the ECT soon after the emergency occurs – ideally only days after – as opposed to a few months later, proves beneficial, allowing affected households to maintain their income and consumption expenditure. To further reduce the potential losses from health and nutrition, and increase the gains from these averted losses, the Government of the Philippines could further explore the delivery of cash transfer before the emergency even occurs (***Box 8***).

Box 8. Anticipatory cash transfers

Ideally, emergency cash transfers are delivered even before the emergency occurs, to prepare households that are likely going to be affected by the upcoming emergency. Particularly for recurring natural disasters such as droughts or flooding during the rainy season, such anticipatory cash transfers can support households throughout the emergency and reduce their mental stress, while ensuring that risk mitigation and coping strategies, such as a reduction in food expenditure, can be kept at a minimum. Modelling suggests that if the emergency cash transfer is delivered before the emergency, mental health and nutrition losses can be reduced by 15 per cent vis-à-vis a scenario in which the cash transfer is delivered one month after the emergency and 34 per cent vis-à-vis a scenario in which the cash transfer is delivered six months after the emergency. Therefore, the gains from total averted losses from mental health and nutrition in likely affected near-poor households are higher for an anticipatory cash transfer, compared to a cash transfer delivered after the emergency.

Table 23. Expected averted losses from secondary impacts of ECTs for near-poor households

Secondary impacts	2024	2026	2028
Averted mental health losses	20,515,602	24,470,774	29,786,272
Averted nutrition losses	1,717,786	2,064,884	2,532,913
Total averted losses	**22,233,388**	**26,535,658**	**32,319,185**

Source: authors' calculations

Summary of secondary impacts

Below, *Table 24* summarises the average gains to be expected from secondary impacts, expressed as share of GDP. As illustrated, the gains expressed as share of GDP are highest for the 4Ps, AKAP, and social pension at 0.3, 0.2 and 0.1 per cent of GDP, respectively. The gains are lowest for the SLP-EF expansion, ECT expansion and unemployment benefit. The table also compares the average expected gains to the average costs of expansions. The comparison suggests that for the 4Ps, social pension and AKAP the average gains that are to be expected form secondary impacts outweigh the average costs of the programme expansions. For the unemployment benefit, SLP-EF expansion and ECT expansion the costs are slightly higher than the gains from the secondary impacts.

Table 24. Average gains from secondary impacts and expansion costs as % of GDP, 2024-28

	4Ps	Soc. pension	Unemploy b.	SLP-EF	AKAP	ECT
Gains as % of GDP	0.3%	0.1%	0.00001%	0.01%	0.2%	0.0001%
Costs as % of GDP	0.2%	0.04%	0.02%	0.02%	0.1%	0.01%

9. Conclusions

This study has shown that near-poor households are a heterogenous group, facing different needs and risks across their lifecycle. Still, evidence suggests several common characteristics among near-poor households: they are more likely to live in rural areas and larger households with many dependents, are less likely to complete secondary education or higher education and are less likely to find formal employment. They also build up fewer assets, such as livestock, and have poorer access to resources, such as electricity, market access and high-quality infrastructure. Addressing these multifaceted risks requires tailored solutions to the living circumstances in order to adequately support near-poor households. Thus, there is no one-size-fits-all approach.

Effective social protection for near-poor households must go beyond immediate financial assistance. It involves a multi-dimensional approach that addresses not only income disparities but also factors contributing to vulnerability, such as access to education, healthcare, and employment opportunities. By fostering resilience and providing avenues for upward mobility, social protection programmes can contribute not only to the well-being of near-poor households but also to the overall economic and social development of communities, creating a more equitable and sustainable society.

The study has shown that an expansion of social protection programming to near-poor households is an effective tool to reduce vulnerability to poverty by lifting households out of their near-poor status. Additionally, social protection programming can achieve relevant secondary impacts within the near-poor beneficiary households across the domains of health, nutrition, and productivity. Hence, every peso invested in social protection for near-poor households also creates valuable returns over the long-term – not only for the beneficiaries themselves, but for the surrounding communities and country as a whole. The costing of the various policy options also suggests the financial viability and sustainability of expanding social protection programmes to the near-poor. This is further supported by the recent initiatives from the Government to allocate budgets for the expansion of social protection beyond strictly poor households, underlining the current political momentum attached to investing in low-income households.

Ultimately, social protection for near-poor households is a crucial component of a comprehensive strategy to address the nuanced challenges faced by individuals living on the cusp of poverty. Unlike traditional poverty alleviation measures that may focus solely on those households and individuals below the poverty line, social protection policies for near-poor households recognize the vulnerability and instability inherent in their economic circumstances. By tailoring social protection programmes to the specific needs of near-poor households, the Government of the Philippines can bridge the gap between official poverty statistics and the lived experiences of those grappling with financial uncertainty, fostering a more inclusive and effective approach to social welfare.

Finally, it must be stressed that helping the near-poor through social protection programming should not undermine the ability of the Government to provide assistance urgently needed by the poor. Given limited resources and the number of low-income households, it is critical to focus on policy choices and interventions that could either simultaneously help both the poor and near-poor alike or assist the near-poor without reducing the ability of Government to help the poor effectively.

10. Recommendations

Based on the findings and conclusions of this study, several recommendations were developed. While the set of recommendations is specific to the concept of near-poverty and the identification of near-poor households, the second set of recommendations speaks to the broader social protection system, ensuring that programming effectively addresses the needs of all its beneficiaries, including near-poor households.

10.1. Adopting and operationalising an official near-poor threshold

Adopting an updated near-poor threshold for social protection programming.

It is recommended that the updated near-poor definition and threshold of 1.23 times the national poverty line, proposed by this study, is officially adopted. An official adoption of the definition and reflection thereof in programme guidelines and eligibility criteria will enable the Government departments that are responsible for the implementation of social protection programmes to expand their programming to near-poor households. This also entails that social protection programmes that officially already target near-poor households, such as the PhilHealth Sponsored Program, adopt the updated near-poor definition and cover eligible households according to the new threshold.

Periodically revisit the near-poor definition and threshold.

This study proposes a new definition of near-poor in the Philippines, after the first one was developed ten years ago. Poverty is a very dynamic concept, and thus, it is recommended to more regularly revisit and reassess the near-poor definition and threshold to ensure its accuracy and relevance. Given the dynamic nature of socio-economic conditions, demographic shifts, and emerging vulnerabilities, it is essential to review and potentially update the threshold of near-poverty. This will ensure that social protection programmes remain responsive and effective in addressing poverty and vulnerability.

Strengthen data systems to identify (near-)poor households

The database used for the identification of (near-)poor households must be up-to-date and responsive to changes in households living situations, to ensure that households can benefit from support they are entitled to, should they fall into poverty or near-poverty. Keeping a database up-to-date can be challenging and time-consuming, therefore, it is recommended to adopt a more dynamic approach to data collection and updating, and also rely on on-demand registration as an effective way to ensure households are accurately represented. On-demand registration and data updates allow individuals and households to proactively apply for inclusion in the registry and updating of their data whenever they perceive themselves to be in need of assistance or believe they meet the criteria for (near-)poverty. This approach empowers households to self-identify and seek support, reducing barriers to entry and access and addressing potential gaps in coverage.

10.2. Social protection programming for (near-)poor households

Focus on the expansion of multiple social protection programmes to near-poor households.

As stressed throughout the study, near-poor households face different vulnerabilities and needs. As such, it is recommended that various forms of social protection programming – including social insurance, social assistance, safety nets, as well as labour market interventions – are gradually expanded to include near-poor households. Thereby, the various needs that households might face can be addressed more effectively.

Enhance complementarity among social protection programmes.

It is recommended to further enhance the complementarity among social protection programmes in the country, as also outlined in the Social Protection Plan. By fostering synergies and collaboration among various social protection initiatives, a more comprehensive and responsive social protection system can be created for vulnerable populations, including near-poor households, addressing their multifaceted needs. This could be for example a stronger linkage between unemployment benefits or emergency employment and the training courses provided by TESDA, increasing the employability of beneficiaries.

Further strengthen linkages between social protection and social service provision.

It is furthermore recommended to further strengthen the linkages between social protection and (basic) social services such as healthcare, education, and care. In order to achieve these linkages, particularly at community level, case management must be further strengthened and coordination among frontline service providers increased. As suggested by the research, near-poor households – just like poor households – are characterised by their lower access to social services. By further strengthening linkages between social protection and social service provision for near-poor households, policymakers can enhance the effectiveness of interventions aimed at addressing (near-)poverty by better supporting the holistic well-being of vulnerable populations.

Enhance monitoring and evaluation of social protection for evidence-based policy making.

Currently, little attention is given to produce disaggregated data systematically for key statistics, particularly for disaggregated poverty statistics. However, continued poverty and near-poverty monitoring and understanding of (near-)poverty dynamics is important to inform policy responses. Therefore, it is recommended to enhance monitoring and evaluation activities to assess the effectiveness of social protection programmes on beneficiary households and better understand their impact on poverty and near-poverty statistics. This will ultimately help to make more informed policy decisions and programme design improvements.

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Annex A. Regional disaggregation of near-poor in 2024

Region	# of near-poor persons	# of near-poor households	# of children in near-poor househ.
Region I – Ilocos Region	631,959	128,843	478,617
Region II – Cagayan Valley	506,279	108,868	669,963
Region III – Central Luzon	1,013,408	201,010	408,461
Region IVa – Calabarzon	1,401,459	269,165	471,160
Region IVb – Mimaropa	478,507	106,821	451,422
Region V – Bicol Region	941,071	195,779	298,222
Region VI – Western Visayas	1,134,105	250,009	244,718
Region VII – Central Visayas	1,029,890	227,663	328,100
Region VIII – Eastern Visayas	744,279	169,265	298,765
Region IX – Western Mindanao	551,972	123,139	296,161
Region X – Northern Mindanao	744,631	165,615	253,759
Region XI – Southern Mindanao	655,325	146,416	84,587
Region XII – Central Mindanao	706,727	161,978	340,329
Region XIII – NCR	475,408	79,757	268,306
Region XIV – CAR	191,152	38,571	216,547
Region XV – BARMM	732,015	143,202	162,597
Region XVI – CARAGA	405,879	91,392	218,133
Total	12,344,066	2,607,494	5,489,848

Source: authors' calculations based on the FIES 2021