



Impact of changes in the prices of rice and fuel on poverty in the Philippines*

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The world experienced a dramatic increase in food and fuel prices during the first half of 2008, with international nominal prices of all major food commodities reaching their highest levels in nearly 50 years and prices in real terms peaking in nearly 30 years (FAO, 2008). The Food and Agriculture Organization (FAO) food price index¹ increased by 53.0 percent for the first three months of 2008 compared to the same three months of the previous year. The rising prices of food is led by vegetable oils (which increased by more than 97.0 percent), followed by grains which increased by about 87.0 percent. The current agricultural market is characterized by the increase in international prices of not just a few but of nearly all major food and feed commodities. The increase in prices is expected to have adverse effects on poverty and is worrisome precisely because it is expected to hurt the poor the most.

Meanwhile, fuel prices have also been increasing for seven consecutive years (EIA, 2008). During the first quarter of 2008, the oil price index increased by 66.5 percent. The impact of higher fuel prices depends on two components, namely: 1) direct effect of said higher prices on the petroleum products consumed by the household; and 2) indirect effect of said higher prices on the prices of other goods and services consumed by the households that use fuel as an intermediate input. These changes in the global food and fuel prices are affecting developing countries, including the Philippines, and as such, it is very important to determine the



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A common sight during the height of the increase in the prices of rice in 2008: People reach out for tag numbers as proof that they have queued to avail of the cheap rice sold by the National Food Authority (NFA) retailers.

effects of these price changes on poverty. This would eventually help the governments in identifying some policy responses. Although the discussion in this paper focuses on the impact of rice and fuel price changes, the same framework may be used in analyzing the potential impact of future economic shocks that may similarly affect prices of commodities.

Objectives of the Study

The general objective of the study is to assess the impact of rising food and fuel prices on poverty while the specific objectives are:

- i. To analyze the differential effects among different groups of households. Thereupon, the variations in the impact on different groups of households based on urbanity, income group and geographical location were analyzed,
- ii. To identify the losers and gainers from the price increases, and

- iii. To identify the coping mechanisms adopted by households.

Methodology

The study adopted some of the methodologies em-

ployed in the earlier mentioned studies. In particular, the pass-through rates (or the rate at which the changes in international market prices of rice and fuel have been transmitted to the domestic economies) were determined. In addition, results based on the Input-Output Accounts of the Philippines were presented in the analysis. In analyzing the impact of rising prices, focus was given on the household level impacts. Some nonparametric techniques were employed in order to present useful graphical displays that would help in analyzing the varying effects on different groups of households. In

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* Excerpts from a research paper presented during the 7th PEP Network General Meeting on 9-12 December 2008, Dusit Thani Hotel, Makati City, Metro Manila, Philippines. A full version of the paper may be downloaded from the Poverty and Economic Policy website: www.pep-net.org. A similar study was likewise conducted by the CBMS Teams in Cambodia and Ghana.

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¹ The FAO food price index is a trade-weighted Laspeyres's index of international quotations expressed in US dollar prices for 55 food commodities.

Research Results

addition, this study conducted a community-based monitoring system (CBMS) survey in order to determine the impact of rising prices at the household level as well as the coping strategies which were adopted in response to the increase in prices.

It is recognized that the effects of price changes vary depending on whether a household is a net producer or a net consumer of a commodity. In fact, a price change has opposite effects on the real incomes of producers and consumers. Examining how the net positions of households vary across income distribution would also help in determining which groups of households are expected to gain or lose from commodity price changes. In the case of rice, the *net benefit ratio (NBR)*, as used by Deaton (1989), is computed for each household and used as the main indicator of household welfare, thereby allowing the study to capture the duality (i.e., both producer and consumer of rice) of households in the Philippines.

For the analysis of the impact of fuel price increases, a nonparametric analysis of the fuel consumption patterns of households was also done. Since households in the Philippines are generally net consumers of fuel products, this study focused only on the demand side. The direct effects of fuel price changes, particularly to direct consumers of gasoline and diesel, are also analyzed.

The 2000 Input-Output (I-O) Accounts of the Philippines were used in the analysis to determine not only the direct effects of price changes but also the indirect impact that is transmitted through other sectors of the economy. The I-O Tables provide the disaggregative measures of the economic structure of the country and present in a table format the interrelationships between the industries in an economy in terms of the production and uses of their products, and the imported products. One of the basic assumptions of this framework is that the inputs used in producing a product are related to the industry output by a linear and fixed production coefficient. This means that any increase or decrease in inputs will result in a proportional increase or decrease in the level of output.

Data Used

This study utilized household level data from the Family Income and Expenditures Survey

(FIES) of the Philippines conducted by the National Statistics Office (NSO) in 2006. Detailed data on rice consumption and production from the FIES were utilized while secondary data on rice were also sourced from the Bureau of Agricultural Statistics (BAS), the NSO, and the FAO. For fuel consumption, data were also sourced from the FIES but data on fuel prices were collected from the websites of the Philippine Department of Energy (DOE) and the International Monetary Fund (IMF). The I-O Accounts prepared by the NSO and the National Statistical Coordination Board (NSCB) were also used.

To support the analysis and to gather more detailed information on how households are coping with the increasing prices, a rider questionnaire (attached to the CBMS core questionnaire) was administered to selected barangays in the Philippines. The rider questionnaire intends to capture different indicators that could be used in measuring the impact of price increases through changes in their consumption patterns. To come up with specific case studies, three barangays were selected to represent urban and rural areas, namely: Barangays 51 and 85 in Pasay City representing the urban areas, and Barangay Sta. Rita in Capas, Tarlac representing a rural area. Barangays 51 and 85 consist of 316 and 208 households, respectively, while Barangay Sta. Rita is composed of 339 households, a third of which are rice farmers.

Results

Based on 2006 FIES Data

Rice Price Increases: Effects on Different Groups of Households

- Most of the households in the Philippines are net consumers, rather than net producers, of rice. In fact, in 2006, the data show that there were about 84.7 percent net consumers and 12.8 percent net producers of rice in the country.
- Based on the *NBRs*, about 85.5 percent of households in the Philippines would be negatively affected while only 12.1 percent would benefit from the increase in rice prices. The rest (2.4%) are not directly affected by rice price changes. These would include

households whose palay income share is equal to the rice budget share as well as those which do not have income from palay and do not consume rice at the same time.

- Although 14.4 percent of households in the Philippines produced rice in 2006, not all of them would benefit from the increase in rice prices. In particular, only 73.7 percent of all rice farm households in the country would tend to gain from such price changes.
- Not all gainers of rice are rice producers. In fact, in 2006, while about 88.2 percent of the gainers were involved in rice production, the remaining 11.8 percent were non-rice producers. This means that some households which do not directly produce palay may also benefit from rice price increases. This includes households that allow other households to use their piece of land for palay production and receive a net share of palay during harvest.
- There are more nonpoor gainers (75.7%) in the Philippines than poor gainers (24.3). The same trend is observed in both urban and rural areas. While no household in the National Capital Region (NCR) is expected to benefit from rice price increases, data for the Autonomous Region of Muslim Mindanao (ARMM) show that a slightly higher proportion of poor households (50.7%) would benefit vis-à-vis nonpoor households (49.3%).
- Urban households would be the more adversely affected as compared to those living in the rural areas. About 94.1 percent of households in the urban areas would lose, primarily because a majority of urban households are net consumers of rice. On the other hand, while 77.0 percent of households in the rural areas are also negatively affected, it is important to note that most of the gainers are in the rural areas since most of the rice producers are located in the rural areas.

AFP/Getty Images



A fuel pump in Manila displays May 21, 2008 prices following a series of price increases.

- Households which belong to the lowest income deciles (i.e., 1st to 5th income deciles) tend to be the most adversely affected group. The decline in their NBRs after rice price increase is higher as compared to the richer households. It is also important to note that the poorer households are the most vulnerable to price changes.
- Although a large proportion of rice farmers would benefit (73.7%) from rice price increases, a significant proportion (26.3%) is still expected to lose. It is also important to highlight that the poorest farmers tend to be the most adversely affected by rice price increase. Rice producers who belong to the 1st income decile, in fact, tend to have the largest proportion of losers (40.3%).

Fuel Price Increases: Effects on Different Groups of Households

- As opposed to rice, households in the Philippines in general spend a relatively small proportion of their budget on fuel. In fact, only about 1.5 percent of their total expenditures is allotted to fuel (including petroleum and LPG). The amount of fuel expenditures increases, however, as households move from one income decile to a higher decile. The overall fuel budget share of the poorest group of households (i.e., those at the first income decile), though, is higher compared to those belonging to the richest households (i.e., the 10th income decile).

- The increase in fuel prices would affect other sectors that are highly dependent on fuel as a major input to production. Aside from the transportation sector, other industries such as agriculture-related industries (e.g., manufacture of pesticides, insecticides and fertilizer) are also affected. This would mean that eventually, farmers, especially those who are poor, would also be affected by fuel price increases.

Rice and Fuel Price Increases: Impact on Poverty

- The simultaneous increase in the prices of rice and fuel would cause more households to fall below the poverty line. Based on the estimation that captures the effects being transmitted or channeled to other sectors, the recent increases in the prices of rice and fuel would increase poverty incidence by 2.5 percent. In other words, about 2.2 million people would be forced to fall below the poverty threshold. Poverty measures, including the poverty gap index and severity of poverty, also reflect a worsening of the condition of the households in the Philippines due, in general, to the spike in prices.

On Program Targeting

- Only about 13.9 percent of households in the Philippines consumed National Food Authority (NFA) rice in 2006. On the average, NFA rice represents about 5.5 percent of the households' total rice expenditures. Note that for households in the lowest income decile, NFA rice accounted for only about 12.7 percent of their total spending on rice.
- Among all NFA rice consumers, only 46.6 percent are considered poor. In addition, among all poor households (who are supposed to benefit from subsidized NFA rice),

only 24.0 percent were able to access NFA rice in 2006. This also provides some indication on the problems with regard to targeting the poor.

Based on the CBMS Survey in Selected Barangays

Impact on Households

Households in the three barangays were asked how they perceive their present condition compared to their situation six months ago (Table 1). Interpreting data, especially on perceptions, should be approached with caution. Perceptions are highly subjective and influenced by external factors like mood of the respondent at the time of the interview, respondent's overall disposition on life (pessimists vs. optimists), and other hosts of psychological aspects. Nonetheless, one's psyche is strongly linked to one's economic situation and therefore, self-rated status and other perception data cannot be dismissed altogether. For this study, results show that Barangay Santa Rita has the highest proportion of households that reported improvement in their condition (17.1%) while Barangay 51 has the lowest proportion at 5.5 percent, which is significantly lower than Barangay Santa Rita and Barangay 85 (13.4%). Barangay 51 also has the highest proportion of households that reported no change in their situation (70.9%), about 6.7 and 10.1 percentage points higher than Barangay 85 and Barangay Santa Rita, respectively. Moreover, Barangay 51 has the highest proportion of households that reported a deterioration in their status (23.6%), a notch higher than the other two barangays. It is notable that about a quarter of the households living in each barangay claimed that they have become worse off as compared to their condition six months ago. Although this may not be attributed solely to the increasing prices of rice and fuel, the fact that rising prices reduce their purchasing power, especially of the poor households, may have contributed to their perception of declining economic situation.

Table 1. Self-rated status, 3 barangays

| | Santa Rita | Brgy. 51 | Brgy. 85 |
|------------|------------|----------|----------|
| Better off | 17.1 | 5.5 | 13.4 |
| The same | 60.8 | 70.9 | 64.2 |
| Worse off | 22.1 | 23.6 | 22.4 |

Source: 2008 CBMS Survey

Within the barangay of Santa Rita, perceptions of rice farming households are

slightly different from those of non-rice farming households (Table 2). The proportion of households that reported improvement in their condition is almost the same for both groups (i.e., around 17%). However, the proportion of rice farming households that reported a worsening of their situation is about 4.0 percentage points less than non-rice farming households. While not a full-proof assertion, these results may imply that not all rice farming households benefited from the spike in rice prices.

Table 2. Self-rated status, Barangay Santa Rita

| | Santa Rita | |
|------------|-------------------------|-----------------------------|
| | Rice farming households | Non-rice farming households |
| Better off | 16.8 | 17.3 |
| The same | 63.7 | 59.3 |
| Worse off | 19.5 | 23.4 |

Source: 2008 CBMS Survey

If one further looks at the subset of rice farming households in Barangay Santa Rita by dividing it into quintiles, a larger proportion of rice farm households belonging to the 4th and 5th quintiles are shown to have reported improvement in welfare (20.8% and 16.1%, respectively) compared to those at the lowest quintile (10.0%) as seen in Table 3. Note also that an even larger proportion of lower income rice farmers reported a decline in welfare. These results indicate that a larger proportion of higher income rice farmers than lower income rice farmers are apparently benefiting from the price surge, mainly because the former have more resources for utilization and mobilization and are in a better position to increase production as a response to high prices. Everything else held constant, poor farmers are less likely to benefit from price increases unless the household can get hold of sufficient capital to expand rice production. This is the tipping point where government intervention is most welcome. Credit programs can enhance poor rice farmers' capacity to effectively respond to incentives posed by increases in prices. The provision of affordable agricultural inputs would likewise lower the risks of incurring huge debts by the farmers, thereby decreasing cost and increasing profits.

After decomposing the data into 5 income groups (quintiles), results show that higher income brackets generally have more respondents reporting that their condition has improved compared to six months ago

and less respondents saying that their condition has deteriorated compared to six months ago. Judging by the households' responses, therefore, it is apparent that the poor have perceived their situation to have worsened while the non-poor have perceived their state to have gotten better. This suggests that soaring food and fuel prices tend to impact poor households a great deal more than the non-poor households. Thus, government efforts should be appropriately channeled to poor households that have been hurt and are being hurt by high prices of food, including rice.

Table 3. Self-rated status, Santa Rita rice farming households by income group

| Income Group | Santa Rita rice farming households | | |
|--------------|------------------------------------|----------|-----------|
| | Better off | The same | Worse off |
| 1 | 10.0 | 65.0 | 25.0 |
| 2 | 29.4 | 41.2 | 29.4 |
| 3 | 9.5 | 76.2 | 14.3 |
| 4 | 20.8 | 58.3 | 20.8 |
| 5 | 16.1 | 71 | 12.9 |

Source: 2008 CBMS Survey

Based on the 2006 FIES, only about 13.9 percent of households in the country consumed NFA rice. On the other hand, about 41.9 percent, 47.9 percent and 23.0 percent of the households purchase NFA rice in Barangay Sta. Rita, Barangay 51 and Barangay 85, respectively. While the figures may have differences in view of geographical coverage, it is likely that the significant difference in the proportion of NFA rice consumers may be partly due to the shift in consumption of households from commercial rice to NFA rice, which is a cheaper alternative. It is also important to note that about 37.2 percent of rice farm households in Barangay Sta. Rita consumed NFA rice in 2008 while a larger proportion (44.3%) of non-rice farmers purchased NFA rice during the same period.

Although a larger proportion of poor households were able to access NFA rice as compared to non-poor households during the survey period, data still show and confirm a degree of undercoverage. This is true for all barangays included in the study (Table 4). In particular, Barangay Sta. Rita reported that 62.0 percent of poor households consumed NFA rice in 2008. In addition, it can be seen that 80.7 percent and 33.3percent of poor households in Barangays 51 and 85,

respectively, were also able to access NFA rice. As highlighted earlier, this trend demonstrates the fact that not all poor households benefit from the cheaper NFA rice.

Households' Coping Mechanisms

A summary of the coping mechanisms adopted by households in both rural and urban barangays in response to the recent increase in prices is presented in Table 5.

- In the rural site, 42.3 percent of poor households surveyed said they shifted to NFA rice while a smaller proportion of non-poor households (17.8%) reported the same coping strategy. Meanwhile, in the 2 urban barangays in Pasay City, more non-poor households shifted to NFA rice than poor households. One probable reason for the results is that poor households have already been patronizing the cheaper rice from NFA even before the crisis struck as shown by figures of rice consumption in the two urban barangays. Based on the survey, six months ago (March 2008), 42.4 percent of the urban respondents said that they were consuming NFA rice while only 19.5 percent of the rural respondents said that they were patronizing NFA rice.
- With regard to changing preference to government-run stores, rural households reported a higher proportion compared to urban households.
- The proportion of households that alter the way they eat, purchase, and prepare food is higher in urban households surveyed than in rural households.
- As expected, the transfer of children from private to public school as a coping mechanism is only found among non-poor households. But withdrawing children from school is more prevalent among poor households across the samples.
- Changes in health-seeking behavior are more common among the poor households as per the respondents' answers in the survey. Higher proportion of

Table 4. Proportion of NFA rice consumers in three selected barangays (%), 2008

| Group | Barangay Sta. Rita (Tarlac) | Barangay 51 (Pasay) | Barangay 85 (Pasay) |
|--|-----------------------------|---------------------|---------------------|
| Entire Barangay | 41.9 | 47.9 | 23.0 |
| Income poverty | | | |
| Poor | 62.0 | 80.7 | 33.3 |
| Non-poor | 36.6 | 43.4 | 21.7 |
| Rice Farmers vs. Non-rice farmers | | | |
| Rice Farmers | 37.2 | | |
| Non-rice farmers | 44.3 | | |

Source: 2008 CBMS Survey

savers can be found in the urban households surveyed than in rural households.

- Relatively speaking, rural households have higher proportions of borrowers, pawners, and sellers than urban households as based on the surveys conducted.
- The proportion of respondents from the rural barangay who said that they sought jobs, performed additional work, and sought jobs outside the area or country in the past six months is higher compared to the results from the urban barangays.
- Lastly, a higher proportion of urban households altered the way they carry out their recreational or leisure activities to mitigate the effects of rising prices than rural households.

Ghana and Cambodia

In the same manner, CBMS Teams in Ghana and Cambodia also undertook a similar study and derived similar findings in terms of household coping mechanisms.

In Ghana, for example, households have adopted quite a number of strategies in coping with changing economic trends as reflected in their food preparation patterns. In one area, the most significant change has been the fact that household members ate less of what they normally used to eat. About 30.0 percent of households are in this category. Other strategies adopted by households in the study area include the skipping of meals, combining of certain meals in one eating time, parents eating less as a result of cuts in quantities so that their children could have more food, mixing of varieties, and shifting from perfumed rice to local rice, among others.

“households adopted different coping mechanisms in response to increasing prices”

groups of households based on the level of urbanity, income group and geographical location.

In the case of rice price increases, results reveal that most of the households in the Philippines are net consumers rather than net producers of rice. One important observation is that urban households would be the more adversely affected as compared to those living in the rural areas. In addition,

Table 5. Summary of coping strategies adopted by households

| Coping Strategies | Rural | | Urban | |
|---|------------|----------|-------|----------|
| | Santa Rita | | Pasay | |
| | Poor | Non-poor | Poor | Non-poor |
| Shifted to NFA Rice | 42.3 | 17.8 | 4.8 | 6.8 |
| Food market preference changed to NFA rolling store/TNG | 21.4 | 13.3 | 6.9 | 7.1 |
| Changed food consumption pattern | 22.5 | 14.9 | 34.9 | 22.9 |
| Shifted to low-cost cooking fuel | 5.6 | 3.3 | 2.4 | 0.8 |
| Decreased electricity usage | 45.5 | 22.2 | 6.1 | 12.3 |
| Changed electricity consumption pattern | 36.6 | 26.5 | 36.5 | 43.5 |
| Transferred children from private to public schools | 0.0 | 1.1 | 0 | 0.8 |
| Children stopped attending school | 8.5 | 6.7 | 4.8 | 0.8 |
| Changed health-seeking behavior | 60.6 | 38.8 | 24.1 | 18.5 |
| Decreased usage of cell phone | 0.0 | 0.0 | 33.3 | 36.8 |
| Shifted to cheaper means of transportation | 0.0 | 0.4 | 0 | 0.4 |
| Saved money | 8.5 | 19.0 | 15.6 | 34.1 |
| Used savings | 7.0 | 16.4 | 10.4 | 23.8 |
| Borrowed money | 76.1 | 71.6 | 41.6 | 34.1 |
| Sold properties | 12.7 | 15.3 | 5.2 | 2 |
| Pawned properties | 14.1 | 26.9 | 3.5 | 4.4 |
| Sought additional work | 12.7 | 9.3 | 2.4 | 4.2 |
| Did other work besides main occupation | 9.9 | 9.3 | 0 | 2.1 |
| Sought work outside of area/country | 5.6 | 12.7 | 0 | 2.6 |
| Changed conduct of recreational/leisure activities | 6.8 | 8.2 | 66.7 | 45.4 |

Source: 2008 CBMS Survey

On the other hand, in Cambodia, the most common form of coping strategy is borrowing money. One out of two households borrowed money in order to cope with the increasing prices. Fifty-three percent of the poor took out loans as compared to 48.0 percent of the non-poor. In addition, 4.0 percent sold their lands and other assets while 10.0 percent actively sought work during the period covered.

Conclusion

The study aims to determine the impact of rising prices of rice and fuel on poverty. In order to help decisionmakers in designing specific policy interventions, the losers and winners of the spike in the prices of rice and fuel are identified. Results of this study confirm that the impact of increasing prices of rice and fuel would vary across different

the poorest households are the most vulnerable to price changes. In fact, they would be the most adversely affected by rice price increases. Given this, policy interventions should focus on providing safety nets to poor households. Another important result is that although a large proportion of rice farmers would benefit (73.7%) from rice price increases, a significant proportion (26.3%) is still expected to lose. On the whole, it is the poorest farmers who tend to be the most adversely affected by the rice price increase.

On the other hand, results confirmed that as opposed to rice, households in the Philippines in general spend a relatively small proportion of their budget on fuel. In

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PEP-CBMS Network holds 7th general meeting

Researchers and policymakers from Asia, Africa, Canada and Latin America gathered in Makati City, Philippines on December 6-12, 2008 to participate in the 7th Poverty and Economic Policy (PEP) Network General Meeting.

The gathering provided a venue for the presentation, discussion and evaluation of research proposals and reports as well as trainings on different topics regarding poverty. Held at the Dusit Thani Hotel in Makati City, the Meeting was organized by the Angelo King Institute for Economic and Business Studies of the De La Salle University (DLSU-Manila) in partnership with the Centre Interuniversitaire sur le Risque, les Politiques Économiques et l'Emploi (CIRPÉE, Université Laval), Consortium de recherche économique et social (CRES) and Grupo de Análisis para el Desarrollo (GRADE). The meeting was made possible through the support of the International Development Research Centre (IDRC), Canadian International Development Agency (CIDA), Australian Agency for International Development (AusAID), United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the United Nations Development Programme (UNDP)-Philippines.

The meeting brought together researchers from the three subnetworks of PEP: Community-Based Monitoring System (CBMS), Modeling and Policy Impact Analysis (MPIA), and Poverty Monitoring, Measurement and Analysis (PMMA).

As part of the meeting, members of the CBMS Network discussed their ongoing activities in their respective areas. Policymakers from CBMS country partners also shared some concrete and practical uses of the CBMS in the areas of policymaking, program designing and impact monitoring needs. New research proposals were likewise introduced during the meeting.

The first day of the CBMS Network Conference saw discussions revolving around the theme: *Monitoring the Impacts of the Economic Crisis Using CBMS*. The sessions generally aimed to



The PEP-CBMS Network gathered to discuss concrete uses of CBMS.

discuss the effects of the recent global oil and food crisis using CBMS results, and to document various coping mechanisms and good practices in program design and implementation relating to these issues at the local level.

Global Price Shocks and Vulnerable Groups

Dr. Nanak Kakwani of the University of South Wales and former Director and Chief Economist of the UNDP International Poverty Center presented the operational "Price Index for the Poor" (PIP) that indicates whether or not the price changes hurt the poor relatively more than the non-poor.

The methodology (PIP) measures the impact of prices on poverty based on the three most popular measures of poverty, namely, headcount ratio, poverty gap and severity of poverty. It takes into account the consumption patterns of the poor and uses existing data collected through the household expenditure surveys.

The PIP will be useful in assessing whether price changes are pro-poor or anti-poor when measured against the commonly used Laspeyres price index which uses the average budget shares of goods in the consumer basket as weights.

Meanwhile, Dr. Hyun Son of the Asian Development Bank, who developed the PIP with Dr. Kakwani, argued that the effects of rising food prices will differ across households. This may lead to income gains for net producers and adverse effects for some households. Those who will suffer

most are the food consumers who are not producers. With this argument, she presented the PIP, which is contrary to the Laspeyres index that is derived from higher weights of commodities largely consumed by the rich, because it (PIP) takes into account the consumption patterns of the poor. She reinforced Dr. Kakwani's presentation by stressing that the PIP could be the more appropriate price index compared to the Laspeyres in assessing the effect of price changes on poverty.

Impact of Rising Prices

In the fourth quarter of 2007, an initiative to monitor the impacts of the rising prices of rice and fuel took place in the Philippines, Cambodia and Ghana, and peaked in the summer of 2008.

Dr. Celia Reyes, PEP Co-director and CBMS Network Leader, presented an analysis of the impact of changes in the prices of rice and fuel on poverty in the Philippines. The results of the study confirmed that the impact of increasing prices of rice and fuel varies across different groups of households based on the level of urbanity, income group and geographical location (*see related story on page 1*).

For Cambodia, Try Sothearith and So Sovannarith of the CBMS-Cambodia Team showed that the more affected groups are households that are headed by females and are landless. They noted, however, that different groups are affected differently,

and agreed with Dr. Reyes' arguments that households adopted different strategies to cope with the effects of the rising prices.

Dr. Felix Asante of the Institute of Statistical, Social and Economic Research (ISSER) in Ghana, meanwhile, used the CBMS approach in analyzing the effects of rising food and oil prices on rural households in Ghana. His study likewise showed that the price increase has different effects for different groups, particularly in terms of gender and income groups. Kenneth Owusu of the National Development Planning Commission of Ghana noted that the outcome of the monitoring activities undertaken in Ghana will be used to prepare the national Annual Progress Report on the implementation of the national development framework.

Coping with the Global Crisis on Food and Oil

Ranjan Kumar Guha, CBMS-Bangladesh Team Leader, provided a discussion on seasonal poverty. According to him, aside from the inter-year fluctuations of the poverty ratio, the intra-year fluctuations in head count between peak and slack seasons should also be considered important in poverty monitoring.

On the other hand, Dr. Mary Nyamongo and James Odour of CBMS-Kenya provided an overview of the CBMS implementation in Kenya. According to them, the key livelihood in Kenya is pasturing which is highly dependent on the agricultural climate. Pastoral livelihoods also depend on livestock supply and quality, have poorly integrated markets, and are situated far from the market. Among households in Kenya, too, market purchases account for about 65 percent of their food needs. Given the characteristics of pastoral livelihoods, the food crisis therefore had a major impact on pastoralists.

Meanwhile, for Indonesia, Dr. Sudarno Sumarto of the SMERU Research Institute provided an overview of the Unconditional Cash Transfer (UCT) program launched in Indonesia. According to him, to help the poor and vulnerable groups cope with the negative effects of the price shocks due to the government-initiated increase in the domestic retail price of oil in 2005 and 2008, the UCT was introduced. The UCT is the

largest cash transfer program in the world and its introduction during the time of shock was successful in mitigating the effect of fuel price shocks.

Still, Sumarto noted that the program needs to be improved to achieve its optimum impact. He suggested that accurate and recent data for targeting beneficiaries should be obtained and that targeting be improved by reviewing the criteria, strengthening the local cadre, and encouraging the use of locally specific poverty assessments such as the CBMS. He also mentioned that targeting should be sensitive to the varying determinants of poverty in different regions. To reduce conflict and complaints, he also suggested that socialization be improved by involving all stakeholders.

He further suggested that the CBMS be employed to improve the targeting of beneficiaries and the monitoring of shocks. The CBMS can be used to identify local-specific conditions. At the same time, it is also difficult to tamper with it since the criteria are generated by the data themselves and are not known prior to the data collection. Moreover, it can also provide the results of the welfare level rank of every family in a location.

Cushioning the Impacts of Global Price Shocks: Current Policy and Program Initiatives and Future Directions

Erlinda Capones, director of the Social Development Staff of the National Economic and Development Authority (NEDA), Philippines presented a picture of the global economic crisis vis-à-vis the Philippine economy. She mentioned that the vulnerable sectors in the Philippines are the export industries such as the garments, electronics, wiring and harness, and coconut oil industries; personal consumption expenditures and private investments; and the overseas Filipino workers (OFWs).

In answer to the global economic crisis, Capones noted that the government has already started formulating programs under the Comprehensive Livelihood and Job Generation Plan to assist the vulnerable domestic workers and OFWs. Measures to prevent job losses and to provide assistance through emergency employment are also being put in place. For these and other poor programs, the CBMS can serve as the

national targeting system in their implementation and help in answering the questions: Who are the poor? Where are they located? And what are their urgent needs? The CBMS can likewise be the monitoring system to track the progress and impact of anti-poverty interventions, and help identify and design the critical and location-specific interventions needed to address extreme poverty during the economic crisis.

Likewise, to cushion the impacts of the global price shocks in Malaysia, Mohd Sukri Mat Jusoh, Principal Assistant Director of the Distribution and Corridor Development Section, Economic Planning Unit, Prime Minister's Department, Malaysia, presented government policies aimed at mitigating the global economic crisis' impacts on poverty. Such policies and programs included the: (a) enforcement of ceiling prices for essential food items to avoid hoarding, (b) intervention in the food production to ensure an adequate food supply, (c) initiation of a Price Reduction Campaign, (d) construction of low-cost housing for the rural and urban poor, (e) grant of educational assistance and childcare, (f) enhancement of employment opportunities through the creation of networks with potential employers to identify employment opportunities for poor families, and (g) conduct of trainings related to commerce, business and business motivations.

Relatedly, G.M. Mailu from the Ministry of State Planning and Development, Kenya noted that what is really needed to cushion the impacts of the crisis is capacity-building. Support is needed from policymakers and politicians to ensure that CBMS data can be used to target beneficiaries of programs to cushion the impacts of the crisis.



Policymakers from Asia and Africa gathered to discuss the use of CBMS in their respective countries.



Monitoring the Achievement of the MDGs through CBMS

The second set of discussions, held on the second day of the activity, revolved around the theme *Role of CBMS in Accelerating Development and Poverty Reduction Agenda* and aimed to discuss the various uses and potentials of the CBMS in monitoring and achieving development targets in poverty-stricken countries.

Mayors Cielo Krisel Lagman-Luistro of Tabaco City, Leyte, Philippines and Antonio Raymundo of Orion, Bataan, Philippines presented how the CBMS can help monitor the Millennium Development Goals (MDGs) at the local level. Most of the MDGs could be monitored using the CBMS and thus appropriate interventions could be made.

Mayor Raymundo likewise mentioned that to institutionalize the implementation of the MDG-responsive interventions, projects, plans and activities (PPAs) will be integrated in the Municipal Development Plan as well as in the Barangay Development Plans.

Meanwhile, Dr. Leonor Briones of the Social Watch Philippines presented how Social Watch coordinates with the CBMS and acknowledged the CBMS to be a powerful tool. She also introduced the "Basic Capability Index" and said that the CBMS can provide the indicators that Social Watch requires as well as additional indicators specific to localities.

CBMS and Gender- Responsive Budgeting

The CBMS Gender- Responsive Budgeting (GRB) initiative was formulated out of the need to develop evidence-based, gender-responsive planning and budgeting. The CBMS complements GRB by providing the

needed data for pragmatic monitoring and evaluation activities. The CBMS can generate needed gender-disaggregated data like the identification of beneficiaries of gender-related projects for targeting and resource allocation purposes.

In this regard, Dr. Celia Reyes provided an overview of this CBMS-GRB initiative. She said that the GRB needs a solid basis for it to be firmly rooted in local level planning and budgeting processes and CBMS complements it because it is a monitoring tool lodged in local government units.

Dr. Aniceto Orbeta Jr. of the Philippine Institute for Development Studies (PIDS), Philippines elaborated on the gender-disaggregated data that the CBMS can generate and their use for gender-responsive planning and budgeting. The data can be used to support and review expenditure programs as well as make budget reviews where analyses of whether priority developments were addressed or not can be conducted.

Relatedly, Ramanjeet Sohal of the United Nations Development Fund for Women (UNIFEM) said that GRB initiatives are primarily concerned with ensuring an equitable allocation of government budgets. The aim is to bring awareness of the different needs and priorities of boys and girls and men and women into policies and budgets. In this connection, the UNIFEM has supported many gender budget initiatives at the local level, including CBMS-GRB pilot tests in Morocco, the Philippines and Senegal.

To compare with the Philippine experience, Mohamed Salem Sebbar of the UNIFEM also presented the case of Morocco. According to him, the former development plan that they used was simple and useful but not gender sensitive. Positioning the CBMS in the GRB process has thereupon improved their development plans.

Monitoring Sectoral and Geographical Disparities in Welfare Conditions Using CBMS

According to Dr. Vu Tuan Anh, Team Leader of CBMS-Vietnam, although Vietnam has made considerable progress in poverty reduction, with the poverty rate in the whole country having been halved after less than

a decade, the speed of poverty reduction is still low in some regions. He maintained that despite the successes in combating poverty, poverty remains a major concern for the Vietnamese society.

Dr. Vu Tuan Anh proposed to use the composite poverty index to make it easier for local partners to address regional disparities. This Composite Poverty Index (CPI), merged with the CBMS and dubbed as the CBMS-CPI, uses a set of CBMS indicators, namely, food poverty, dwelling poverty, information poverty, communication poverty, knowledge poverty and health poverty.

Dr. Prosper Somda, from Burkina Faso, presented variations in the poverty indicators between the surveys taken in 2003 and 2007. He showed that there was improvement in the situation of the chosen site in general and noted that the results of the 2003 survey allowed the community members to realize and compare their situation with that of the other villages. This comparison, according to Dr. Somda, triggered a competition among the population, leading to improvements and better results in the 2007 survey.

Vilon Vipongxay of the CBMS-Lao PDR, on the other hand, addressed child poverty using CBMS data. According to him, 67.2 percent of children 0-14 years old are living below the national poverty line. Factors like family size, number of children, access (or no access) to secured housing and engagement in upland cultivation can affect child poverty.

Mayor Remy Zaba of Yako, Burkina Faso concluded the session by presenting the CBMS data from his area. According to him, because of CBMS data, they now have real data that show the real situation in the locality.

Improving Local Planning and Resource Allocation

In Tanzania, as pointed out by Rangya Kyulo Muro of the Dodoma Municipal Council, the CBMS has been used in the preparation of development plans and in the identification of interventions such as Tree Planting Initiatives at Nala Village, House-to-House Collection of Solid Waste and Property Tax Management which were made on the basis of the issues determined from the CBMS results.

On the other hand, Richard Musonda Silumbe of the Zambia Research and Development

Centre enumerated a number of activities and programs wherein the CBMS data were used such as the Private Sector Development (PSD) Programme which aims to improve business environment and provide loans. The CBMS data provided a profile of various business activities, problems faced and value of financial assistance needed. The data were also used in the Relief Food Distribution Program, Youth and Street-Kid Empowerment Program, and Woman Empowerment Program. Mayor Francis Mazanda of the Dodoma Municipal Council, meanwhile, noted that the CBMS has been able to provide household-level data and to involve the community in the process. He also mentioned that the CBMS allowed policymakers to monitor the impacts of programs and facilitated better understanding of area profiles and poverty maps among politicians. He hoped that the CBMS implementation will be extended to other areas in Tanzania.

Finally, Councilor Henry Cabanga Sinkala of Lusaka West, Zambia and Michel Makpenon of Cotonou, Benin both praised the CBMS, saying that the use of its data allowed for the identification of pressing problems in their area, thereby permitting local officials to formulate proper interventions.

Panel Discussion on the Use of CBMS for Improving Local Governance (Mayors)

The third day of the CBMS Network Conference focused on the theme *Use of CBMS for Improving Local Governance* where two panel discussions — one involving mayors and another involving governors, all from Asia and Africa – were held.

For the first panel discussion, Basyir Ahmad, Mayor of Pekalongan, Indonesia, gave an overview of the CBMS implementation in his municipality. Only recently started, the CBMS project has reached its data enumeration stage. Training for data processing, analysis, reporting and dissemination will soon follow. The census, which will be conducted in the remaining two sub-districts, is projected to be completed this year.

Mayor Ahmad noted some lessons learned. Building a sense of ownership for a new initiative, he said, is an important step. He also noted that the training process requires a period longer than seven days to ensure

that trainees have a comprehensive understanding of the process. And a careful selection of enumerators is crucial.

Mayor Francis Mazanda of Dodoma, Tanzania talked about governance and noted that good local governance is characterized by a sense of ownership, peace and security, and sustainable political and socioeconomic development. He further mentioned that the limits to good governance are poverty, lack of good education, unwillingness to relinquish power to the local level and lack of self-assurance. He concluded by saying that CBMS is the solution to these limitations as it gives people a sense of ownership and thereby confidence in their own capacity to develop.

Mayor El Hadj Malick Diop of Tivaouane, Senegal presented the programs that the local government has formulated on the basis of the data gathered from the CBMS survey. One of these is the cash transfer program.

Etienne Christian Sossouhounto, 3rd Deputy Mayor of Cotonou, Benin, expressed his gratitude to all those who made the implementation of CBMS in Benin possible and stressed the importance of CBMS in formulating development plans. He said that the municipality of Cotonou has already laid out a six-point agenda based on the CBMS results.

Panel Discussion on the Use of CBMS for Improving Local Governance (Governors)

Governor Oeum Sokhum of Ek Phnom District Cambodia, Deputy Chief Bounnhou Thammavong of Savannakhet Province, Lao PDR, Governor Kham Phoeun of Kratie Province, Cambodia, Governor Jose Antonio Carreon of Marinduque, Philippines, Provincial Legislative Board Member Allan Santiago of Agusan Del Sur, Philippines and Vice-Governor Mimieta Bagulaya of Leyte, Philippines all agreed that implementing CBMS has been advantageous to their respective areas.

All agreed that CBMS has been very useful in assessing local situations, identifying beneficiaries, formulating development plans and determining interventions. Gov. Carreon presented concrete examples of plans based

PEP Network conducts training workshops

Prior to the holding of the 7th PEP Network General Meeting but an integral part of said General Meeting, training workshops were conducted on December 6-8, 2008 at the Dusit Thani Hotel, Makati City, Philippines.

David Laborde, post-doctorate fellow at the International Food Policy Research Institute (IFPRI), facilitated the training workshop on *Modeling the Poverty Impacts of Agricultural Shocks and Policies* on December 6. The workshop provided the participants with state-of-the-art modeling alternatives and awareness of the pros and cons of different modeling options, specifically in the context of developing countries.

Meanwhile, the training workshop on *Policy Impact Evaluation Research* conducted on December 7 was facilitated by Habiba Djebbari of the Laval University, Canada and Martin Valdivia of the Grupo de Analisis para el Desarrollo (GRADE), Peru. The workshop focused on the methodological and practical aspects of policy impact evaluation research as well as on application cases using the STATA software.

Finally, the training workshop on *Implementing the Sen Capabilities Approach in Developing Countries* on December 8 was conducted by Sabina Alkire and Emma Samman of the Oxford Poverty and Human Development Initiative, University of Oxford. The workshop tackled the missing dimensions of poverty and the multidimensional poverty measures that aggregate across dimensions and across people. *

ARTNeT and PEP Network host policy conference

Researchers from the Poverty and Economic Policy (PEP) Research Network and the Asia-Pacific Research and Training Network on Trade (ARTNeT) as well as other experts participated in a policy forum jointly hosted by the ARTNeT and the PEP Network on December 9, 2008 at the Dusit Thani Hotel, Makati City, Philippines. The policy forum preceded the 7th PEP Network General Meeting held on December 10-12 at the same venue.

The policy forum aimed to contribute to the strengthening of the analytical basis for policymaking that would involve the poor in the growth process. To achieve this, the results of cutting-edge research done by PEP and ARTNeT researchers as well as by international experts were presented to policymakers and public officials. *

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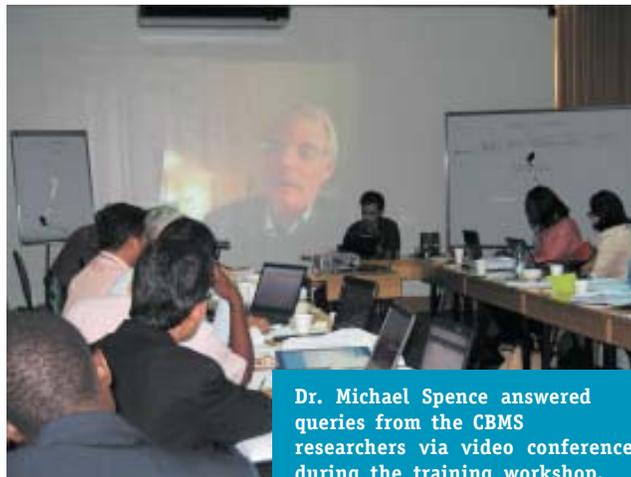
CBMS Network to monitor household impacts of the global financial crisis

Some 30 researchers from Asia, Africa and Latin America attended the Technical Workshop on Monitoring and Mitigating the Impact of the Global Financial/Economic Crisis organized by the Community-Based Monitoring System (CBMS) Network on February 17-19, 2009 at the Somerset Millennium Hotel, Makati City, Philippines.

The 3-day workshop was organized to discuss how the impact of the global financial crisis on poverty could be monitored using the CBMS methodology. The workshop involved a thorough discussion of the transmission mechanisms by which the global financial crisis can affect individuals, households and communities.

Invited representatives from CBMS-implementing countries participated in mapping out frameworks of analysis and developing strategies to monitor the impact of the crisis. Economists and other technical experts also joined the workshop and shared their expertise on the topic as well as their insights on the international dimension, impacts on developing countries, transmission channels and policy options for governments.

The 3-day activity started with a policy conference hosted by the Philippine Institute for Development Studies (PIDS), together with the De La Salle University (DLSU)-Manila, the Australian Agency for International Development (AusAID), and the Poverty and Economic Policy (PEP) Network in the morning of February 17, 2009 at the National Economic and



Dr. Michael Spence answered queries from the CBMS researchers via video conference during the training workshop.

Development Authority (NEDA) sa Makati Building in Makati City, Philippines with Dr. Andrew Michael Spence, 2001 recipient of the Nobel Prize in Economics, giving his insights on the crisis via video conference (see related story on page 11).

Other distinguished speakers included Mr. Diwa Guinigundo, Deputy Governor of the Bangko Sentral ng Pilipinas (BSP) and Dr. Benjamin Diokno, Professor at the School of Economics of the University of the Philippines. Meanwhile, Ateneo de Manila University Economics Professor Leonardo Lanzona commented on the development of sustainable programs for the poor through the use of better targeting, monitoring and evaluation systems and De La Salle University's Behavioral Sciences Professor Stella Go talked on the implications of the crisis for the overseas Filipino workers.

Dr. William Randall Spence, Executive Director of the Economic and Social

Development Affiliates (ESDA), also attended the workshop and facilitated the session on Transmission Channels. Dr. Ponciano Intal, Jr., Professor at the DLSU and former PIDS President, on the other hand, facilitated the session on Household Coping Mechanisms and Government Responses while Tomas Africa, PEP Steering Committee Member and Regional Advisor for Asia, PARIS21 Secretariat, Organization for Economic Cooperation and Development, facilitated the session on Monitoring

Strategy: How Often, When and Where.

Apart from the discussions on the global financial crisis, the 3-day activity was also designed to build the technical capacity of the various CBMS Teams in using the CBMS approach for monitoring the impact of the global financial crisis on poverty. In-depth discussions were held, producing a list of indicators to track the impacts of the crisis. In particular, impacts on men and women, and boys and girls will be monitored to capture the differential impacts of the crisis. Moreover, the workshop also generated a list of questions for the survey questionnaire designed to capture the required information; technical descriptions as to when and how frequent the data collection should be done to be able to provide timely data to policymakers; and possible areas within the participating countries that can serve as sentinel sites or poverty observatories of this global monitoring system.*

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on CBMS results and also mentioned the issuance of an executive order that institutionalizes the CBMS as the official data set of the province. Vice-Gov. Bagulaya, for her part, noted some concrete activities wherein CBMS data were used such as the

United Nations Population Fund project piloted in three areas in Eastern Samar and the formulation of the Comprehensive Development Plan in selected municipalities. For Agusan del Sur, Board Member Santiago mentioned that the CBMS database was used

as a reference for the scholarship program designed to assist persons with disability. Gov. Sokhum, meanwhile, noted that CBMS can help solve problems regarding ambitious

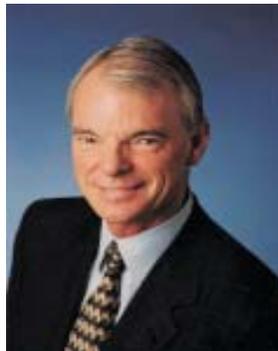
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Nobel Laureate predicts longer period for world economy to recover

The world arena is in the midst of a downward spiral, with economies worldwide grappling with rising unemployment, flagging export demand and continued credit tightness", said 2001 Nobel Prize Winner for Economics Professor Andrew Michael Spence in a forum on the "Impact of the Global Financial Crisis" held on February 17, 2009 at the Philippine Institute for Development Studies (PIDS), Makati City, Philippines.

Speaking via video conference, Spence said that the US recession is likely to last until 2010, dragging down growth for developing economies worldwide. He further said that the effects of stimulus packages in the US will take time before making a dent on the damaged economy since the crisis stomped on three vital engines for growth: export, retail, and automobile sectors.

Dr. William Randall Spence of the Economic and Social Development Affiliates (ESDA) affirmed this by saying that the global financial crisis has hit everything. Thus, measures should be devised to help mitigate the impacts of the crisis, especially on the poorer sections of societies. "Poor households have fewer coping mechanisms available," Spence further said.



Left to right: Dr. Michael Spence, Dr. Randy Spence and Br. Armin Luistro FSC

The impact of the recession which started in the US has yet to be fully felt by the developing countries but Dr. Randall Spence said that the transmission channels will most likely include exports, foreign direct investments, remittances, tourism and aid money. A decline in these areas signifies the crisis is already at work.

"It is not yet clear when the crisis will bottom out," he added, which "may mean several things for poor households". Mitigation measures are therefore needed for which he advocates having a good targeting system and monitoring design for long-term development programs.

Meanwhile, Br. Armin Luistro FSC, President and Chancellor of the De La Salle University,

agreed with him saying that, "In measuring the impact of the global crisis on poor households, we are fortunate to be assisted by a method [CBMS] that has produced and could produce much more robust data as regards (the) changing conditions of impoverishment at the household level".

"The CBMS definitely allows us to understand the dimensions of poverty experienced by households, an understanding that would enable government and civil society to fine-tune the interventions at the community, local government, national government, and even regional or international levels," Luistro further added. *

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plans that have budget constraints because CBMS results show what plans should be prioritized. Gov. Thammavong added that CBMS has the capacity to improve governance by creating linkages among different sectors, communities and government units.

New Proposals: Benin and Nigeria

Finally, Benin and Nigeria presented their proposals for the implementation of the CBMS in their respective countries.

The CBMS in Benin has been pilot tested in the 13th district of the Cotonou and implemented in its extension phase in the rural areas of Adogbè district in Covè

commune and Mèdèdjonou district in Adjara commune. The CBMS-Benin team, led by Dr. Marie-Odile Attanasso, proposed to implement the CBMS for its second project in the commune of So-Ava in the Department of Atlantic. It was chosen not only because the commune belongs to an area targeted as poor but also because the authorities have always disputed the indicators of poverty calculated at the departmental level. They claim that the commune belongs to the department of the Atlantic which is composed mostly of urban and sub-urban centers. In view of this, it becomes necessary to make a complete census of the households and their conditions in order to provide the local

authorities with the true face of their commune as regards poverty.

On the other hand, the proposal from Nigeria, spearheaded by Dr. Anthonia Achike, was driven by the need for community-level surveys that provide information on the dynamics of poverty and the impact of policies on welfare at the micro-level. Policymakers need to know, for instance, how removal of subsidies in agricultural inputs, cooking gas or petrol impinges on the welfare of rural populations. They also want to know how gains in

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fact, only about 1.5 percent of their total expenditures is allotted to fuel (including petroleum and LPG). And while the amount of fuel expenditures increases as households move from one income decile to a higher decile, in general, the overall fuel budget share of the poorest group of households (i.e., those at the first income decile) is higher vis-à-vis the richest households or those in the , 10th income decile.

Results of the CBMS survey further confirmed that households adopted different coping mechanisms in response to increasing prices. In particular, some households reported that they changed their consumption patterns during the period covered by the study. For instance, some households modified their expenses on food, health and education. Reduction in the amount spent on these necessities may have long-term effects on the poverty situation of the households.

In response to the recent price increases, the Philippine government has designed and implemented policies and programs that would mitigate the negative impact of soaring prices. One of the most popular interventions of the government (through the NFA) is the direct sale of rice at subsidized prices. Although the efforts of the government to provide cheaper rice to the population is being recognized, one important concern is related to the matter of targeting. In particular, it was noted that among all NFA rice consumers, only 46.6 percent are considered poor. Furthermore, although the poor households are supposed to be the target beneficiaries of the highly

subsidized rice, results confirm that only 24.0 percent of these poor households were able to access NFA rice. Note that for households in the lowest income decile, NFA rice accounted for only about 12.7 percent of their total spending on rice.

This implies serious leakage and undercoverage problems with the current targeting system. While there have been efforts to address the problem on leakages to the extent that Family Access Cards were issued, they have not been successful due to the lack of household level data that would identify eligible beneficiaries. Consequently, considerable leakages and exclusion still prevail. Thus, it is recommended that household level data for all households in the community, such as those being generated by the CBMS and implemented by local government units be used to identify eligible beneficiaries through some proxy means test model. This would help reduce the leakage of program benefits to the non-poor as well as ensure that the poor benefit from these subsidies. *

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economic growth and public expenditure are distributed and how these affect the populations at the grassroots.

According to Dr. Achike, to ensure that the results of the study feed back into policy, the study will involve a close collaboration between the community, Nsukka LGA authorities and the researchers. To achieve this, there will be representatives of each of the parties in the study team. *

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<http://www.pep-net.org>.

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