

# Commentaries on the Conditional Cash Transfer Program in the Philippines

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## ABSTRACT

One of the programs in the Philippine Development Plan (PDP) 2011–2016 defined and implemented by the Aquino Administration is the Conditional Cash Transfer (CCT). This program raised a multitude of questions akin but not only limited to the following: How does it work? Is this program feasible and more importantly, sustainable? Where would the funding for this come from? Will it really address the problem of alleviating poverty and improve income inequality among the Filipinos? The debate on this program in various settings continues up to this day. However, some of the information that reaches the common people is either incomplete due to insufficient information dissemination or highly opinionated information coming from various sources. It is the intention of this article to get back to the facts of the CCT Program, scrutinize the details and come up with a plausible analysis and possibly present gray areas that needs to be improved by the persons or agencies involved.

**Key Words:** Conditional Cash Transfer, Oportunidades, Pantawid Pamilyang Pinoy Program

### **Conditional Cash Transfer (CCT) Program:**

*“At this time, the government’s strategy is anchored on CCT and PhilHealth. 2011 targets are 2.3 million beneficiaries for CCT, and; 5.2 indigent PhilHealth card holders.”*

*- National Anti-Poverty Commission, 2011*

The Conditional Cash Transfer Program (CCT) in the Philippines started in 2008 under the administration of the then President Gloria Macapagal Arroyo. It was previously known as “PPP”. The working idea behind the program is to give subsidy to the poor provided they agree to certain conditions. The primary goal is to help the beneficiaries become more productive and their offspring more competitive in the job market containing the effects of poverty in the present and break the intergenerational poverty.

In 2010, the “PPP” became “4Ps” as the newly-mandated Aquino administration renamed it “*Pantawid Pamilyang Pilipino Program*”. The administration also decided to expand the coverage of the program, set stringent policies so that will become more effective in terms of fund distribution and management. [As written in the concept paper of the Department of Social Welfare and Development (DSWD) regarding the said program:

In order to ensure an effective and well-targeted social protection program, 4Ps employs a [i] targeting system to identify the poorest households objectively and to prevent inclusion and exclusion errors, [ii] system verification of compliance that includes a computer system being developed to be installed in the schools where children beneficiaries are attending classes and in health centers where the mothers bring their children for health checkups and immunization, and [iii] a two-pronged monitoring and evaluation (M&E) system to ensure that implementation is done in accordance with set policies and procedures as well as to evaluate whether the program was able to successfully improve the lives of the beneficiaries in the communities. These are all being undertaken to determine impact and to ensure that assistance is directly given to the deserving and qualified households thereby ensuring a graft free program.]

The beneficiaries (or poor households) are identified through the National Household Targeting System for Poverty Reduction (NHTS-PR), which is based on a transparent poverty targeting mechanism using a statistical model (Proxy Means Testing) to estimate income. A database will be created from the said system and those households with estimated income below the poverty line are classified as poor. From these poor households, the program identifies and selects eligible households who have children 0-14 years of age and/or with a pregnant woman. These households then receive cash grants every two months ranging from PhP 500 to PhP 1,400 per household per month, depending on the number of eligible children.

The program is not new at all. It is not a pure product of Filipino intellect. Our version is actually patterned from those of Latin

American countries such as that of Mexico’s “*Oportunidades*”. Their program has been proven quantitatively to meet the desired goals and actually reduce the number of people who could have been included in extreme poverty. The following slide-shots from the Ministry of Social Development of Mexico prove the effectiveness of the program’s success in terms of poverty reduction<sup>25</sup>:

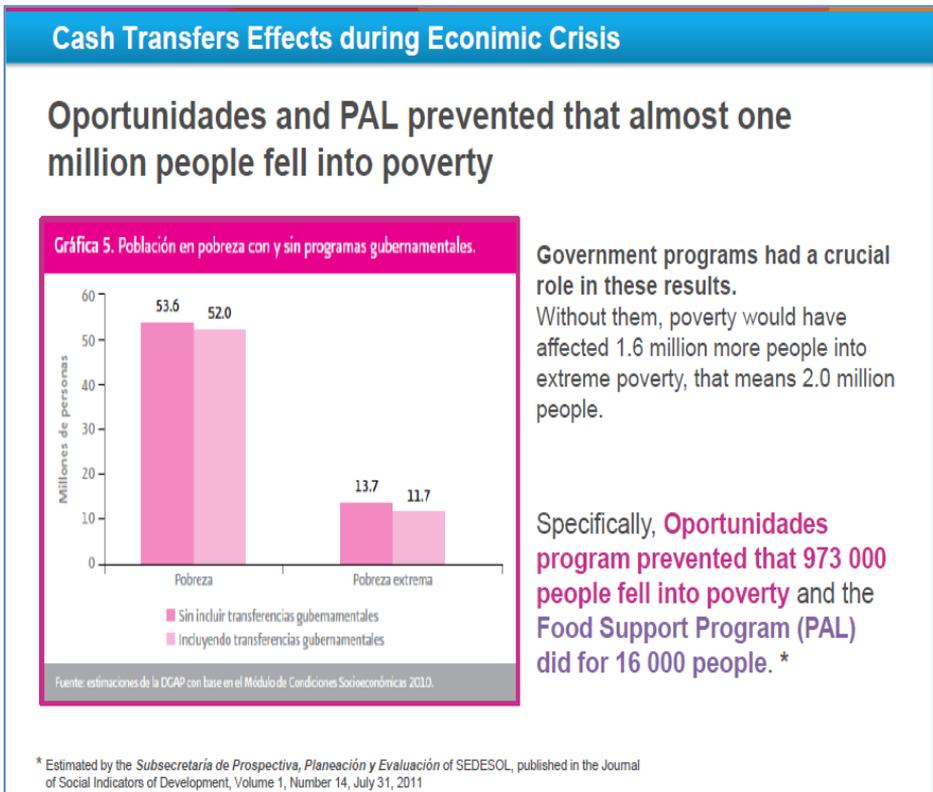


Figure1. Mexico’s 2010 Poverty and Extreme Poverty Rates

As the histogram from the slide suggests, a considerable number of persons who are living in poverty (*pobreza*) could have been included in extreme poverty (*pobreza extrema*). This success is

<sup>25</sup> The author would like to express his sincerest gratitude to the Asian Institute of Management Policy Center for the invitation to attend as a guest at the policy forum it organized entitled “*Pathways to High and Inclusive Growth*” on 23 September 2011 and to Mr. Andrés Hijuelos of SEDESOL (Ministry of Social Development, Mexico) who gave the presentation entitled “*Mexico’s Oportunidades Social Protection Program: Lessons from the last 14 years and Challenges for the Future*” from which the slide-shots (figures 1 – 4) from the *Oportunidades* program were extracted.

associated by the Mexican government to their implementation of the *Oportunidades* program.

The following figure suggests the design of the *Oportunidades* which focuses on the three key areas namely: Education, Nutrition, and Health.

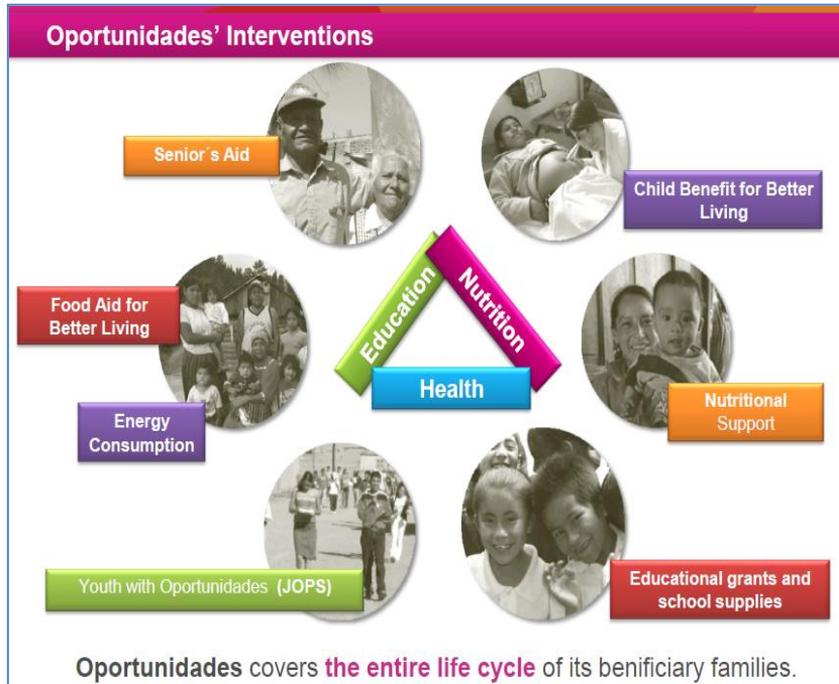


Figure2. Key Target Areas of *Oportunidades* Program

In order to break the intergenerational poverty in Mexico, the government thought of a program that can effectively raise the level of productivity and competency of the next generation of Mexicans who belongs to the poor (*pobreza*). They identified three key areas to which such goal can be realized: Education of the youth, Health, and Nutrition of the members of the household. The collective process undertaken and the programs that were formulated was what gave birth to the *Oportunidades* program in Mexico and is now under study for adoption of various countries<sup>26</sup>.

The matrix of benefits is also presented as follows:

<sup>26</sup> The countries include Guatemala, Ecuador, Morocco, Tanzania, Panama, Japan, Honduras, Paraguay, Chile, China, Columbia, Brazil, Pakistan and the Philippines.

Components and benefits offered by Oportunidades					
(In US Dollars) 1 USD = 12.6 MXP					
Component	Support	Amount	What is it?	Corresponsability	Responsible
Nutrition	Food Aid for Better Living	\$ 9.52 (per family)	Emergent temporary aid to lessen the impact of the international hike of food prices	Regular attendance to communal educative self care health workshops	The whole family
	Nutritional	\$ 17.45 (per family)	Economic aid to improve family members nutrition	Attendance to health promobon workshops	The whole family
			Nutritional supplement for children under 5 and pregnant or nursing women		
	Energetic	\$ 4.76 (per family)	Additional cash transfer to compensate energy consumption expenses	Regular attendance to health workshops	All family members older than 15
Children under 6 yrs. Children 6 to 9 yrs. old	\$ 7.93 (per child)	Direct cash transfer for every child 0 to 9 yrs. old in order to support their proper nutrition and development.	Birth certificate	The whole family	
			School enrollment certificate		
Health	Basic health care package		Preventive Health (PREVENMSS and Life Lines)	Regular preventive medical visits and attendance to health workshops	All family members older than 15
			Health and nutrition workshops		
	Seniors' Aid	\$24.19 (per senior)	Cash transfer for the elder members of beneficiary families (over 70 years old)	Attendance to health check-ups every 6 months (proof of life)	Seniors 70 years and older
Education	Grants	\$11.49 – \$ 73.35	Educational grants for children and teenagers starting on their 3rd grade and up to their senior year of High School	Regular school attendance (at least 85%)	All scholarship holders
	School supplies	\$28.95 (per student)	Cash support for school supplies every 6 months		
	Youth with Oportunidades	\$294.68 (per student)	Economic incentive for students who finish their High School education	Finish High School before turning 22 years old and opening up their own savings bank account	Scholarship holders who finish High School

Figure 3. Components and benefits offered by *Oportunidades*

To illustrate, assuming that there are three children in a typical household, the amount of benefit for nutrition this family gets is \$ 55.52 per month. While, for the basic health care package, the whole family can enjoy health services and workshops from government hospitals for free. For education, assuming that the youngest is at the 6<sup>th</sup> elementary grade, \$ 22.99, the second child is a 3<sup>rd</sup> middle school student, \$ 43.22

and the eldest say at the 3<sup>rd</sup> level of high school 73.35. Hence, the total amount the program can give to these three children is \$ 139.56 per month.

Thus, the total monthly monetary benefit for the household would be at roughly \$ 195.08 or Php 7,803.20 using Php 40.00 = \$ 1.00.

Note that the household still generates income from their own employment or activities and this amount is not the sole income for the family as this is only a form of subsidy.

It is also to be noted that this value is not inclusive of the \$ 28.95 per student, every six months school supply subsidy and economic incentive of \$ 294.68 once a child finishes his / her high school education.

On the side of the results in the three target areas, the Mexican government reports as follows:

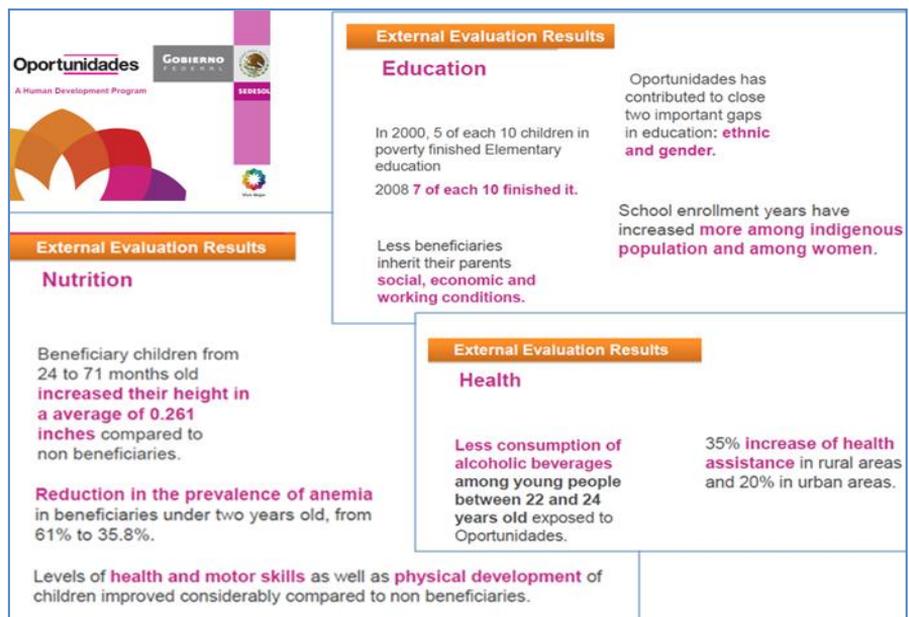


Figure 4. Results from the implementation of *Oportunidades*

The achievements of the program in the key target areas have been validated by external studies<sup>27</sup> and have been proven to address the

<sup>27</sup> For the complete list of studies, please see the bibliography at the end of this article.

goals set by the Mexican government in order to alleviate its target citizens off from poverty and break the intergenerational poverty.

According to Mr. Andres Hijuelos of SEDESOL, Mexico's Ministry of Social Development, a key element of their program is the *continuity guarantee*. As long as the registered beneficiary follows the conditions of the government, they will continue to be enrolled and exit in the program for 10 to 15 years – even if there is a change in administration in their government. This guarantee ensures the continued support from the government until the child completes secondary education and is deemed to have acquired sufficient skills and knowledge to compete in the job market.

## I. **The Philippine CCT Version**

According to the concept paper released by the DSWD regarding the CCT Program, and, as it is implemented, even now, by the said department, can be encapsulated in the following manner:

### A. *Purpose*

To improve the human capital of the poor, especially the children to break the intergenerational cycle of poverty

### B. *Goals*

1. To improve the health condition of children age 0-14 years old;
2. To improve the maternal health of pregnant and lactating mothers;
3. To raise consumption of nutrient dense foods among poor households;
4. To increase enrolment/attendance of children in elementary/high school; and
5. To encourage parent's participation in the growth and development of their children, and their involvement in the community.

### C. *Expected Outcomes in Health and Nutrition*

1. 10% increase in the number of pregnant women getting antenatal and post natal care, and whose child birth is attended by a skilled health professional.
2. 10 % increase in the number of children 0-5 years old availing of health preventive services and immunization.
3. 6 % decrease in stunting among children age 0-5 years old.

4. 0.5 % decrease from baseline level in the growth rate of the population.

*D. Expected Outcomes in Education*

1. Current attendance of children to increase by 8 %.
2. Transition rates from primary to secondary school to increase by 8 %.
3. Years of education completed to increase by one year.
4. Elementary school gross enrollment rate for children 6 to 12 yrs to increase by 5 %.
5. Attendance in a school or day care over 85 % of school days to increase by 10%.
6. Increased enrollment of children 3-5 years old to day care/pre-school by 5%.

*E. Expected Outcomes in Poverty Alleviation*

1. Share of food expenditures in the household budget to increase by 4 %.
2. Expenditure on nutrient dense foods (protein rich foods, fruits and vegetables) to increase by 2%.

*F. The Package*

Php500.00 for Health and Nutrition grant to poorest households with pregnant women and with children (3-14 years old) attending school.

+ 900.00 for Educational grant of Php300.00 per child;  
max = 3 children.

PhP1,400 Total monthly grant or Php16,800 per year  
for 5 years (2010 – 2014) per household.

*G. The Conditions*

1. Pregnant women shall get pre natal care, childbirth shall be attended by skilled/trained health professionals, and mother shall get postnatal care thereafter.
2. Parents/guardians shall attend family planning sessions or mothers classes, Parent Effectiveness Service and other topics that are of their needs and interest.
3. Children 0-5 years old shall get regular preventive health checkups and vaccines.

4. Children in elementary school must at least receive twice a year de-worming.
5. Children 3-5 years old shall go to day care/pre-school and attend at least 85% of the time.
6. Children 6-14 years of age shall enrol in schools and attend at least 85% of the time.

*H. How do we Finance the Program?*

The government shall borrow Php10.8 Billion or \$227 Million (at Php48/\$1) from the World Bank to finance the program for 5 years; or, Php21.6M per year.

**COMMENTARIES**

**1. The real and chronic poor may have been missed in the beneficiary targeting.**

The underlying concern prior to the implementation of the CCT program is the identification of recipients. The government's mechanism in addressing this is through the use of a statistical tool called Proxy Means Testing (PMT). The information for estimating the PMT is gathered in a two-page questionnaire with relevant variables that predict household income (World Bank, 2011). In the Philippines, this questionnaire is known as the Family Income and Expenditure Survey (FIES) conducted every 3 years and the Labor Force Survey (LFS). Through the FIES and LFS, the poverty incidence or alternatively, the number of households that are living below the 1.25 dollar per day poverty line and where are they located is determined.

However, the question we pose is: *are the identified recipients the "chronic poor?"*

- those living under the bridges (along each city's waterways);
- those in their movable houses called *karitons*;
- those families clutching each other closely, spending the night under the waiting
- sheds or alongside the buildings; and
- those families who can't afford to send their children to school because of the above circumstances.

Are they included?

Did someone from NSO or even from the local government surveyed them so as to make them eligible?

Have we seen a *kariton* or a waiting shed with a census sticker as evidence that they have been surveyed? - and hence to be included in the “targeted poorest of the poor?”

Unfortunately, it is non-existent.

If so, what programs can be given to these people so as to have a more holistic approach in the fight against poverty?

## **2. The fixed Php 1,400 per month may not be sufficient to realize the goal of the program.**

A realistic stance is in order to understand this next commentary.

A poor typical five-member household. Father, Mother and three children. Suppose that the father is a “*mangangalakal*” and will only have a monthly gross income of Php1,550.00 (calculated at Php 50.00 earnings per day for 31 days; equivalent to the standard poverty line of \$ 1.25 at Php 40.00 exchange rate) and the household is included as one of the beneficiaries of 4Ps. An additional Php 1,400.00 can be added to the family’s monthly income making it Php 2,950.00.

The above-mentioned amount shall then be subjected to per capita budget daily. Hence, using simple mathematical operations, one can conclude that each of the five members of this typical household will have to consume Php 6.00 worth of food per meal for 31 days. Note that allowance for clothing, house rental and education-related expenditures were not included in the computation.

Additionally, as mentioned in the matrix of benefits cited before, one can clearly compare the considerable difference between the CCT program of Mexico and the Philippines. Mexico’s *Oportunidades* offers roughly \$ 195.08 or Php 7,803.20 (using Php 40.00 = \$ 1.00) total monetary benefit to their target household; while, the Philippines’ 4Ps is only at Php 1,400.00.

The simple simulations discussed in the preceding paragraphs clearly demonstrate the insufficiency of the amount extended using current prices. Moreover, an observer may also want to look at the “worth” of the money income that this typical family will have in the span of five years; and, this is where a simple analysis of inflation rate will be useful. Using the prices in 2000, the annual inflation rate in the last 40 years is shown follows:

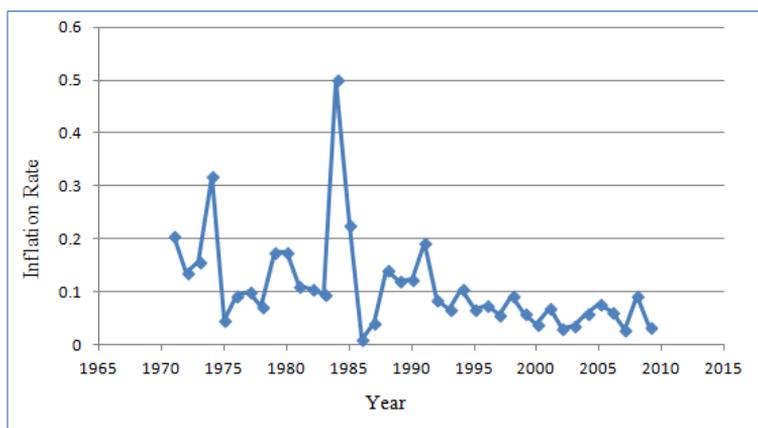


Figure 5. Inflation Rate in the Philippines, 1970 - 2010<sup>28</sup>

Inflation refers to the increase in commodity prices over time; and, it is an economic fact that as inflation level rises, the worth of the local currency declines by approximately the same amount; hence our purchasing ability, given a fixed money income also diminishes.

Referring to the graph above, it can be observed that from 1970 until 2010, the level of inflation varies and the average computed value across the years included will be at 11 percent. This means to say that the purchasing ability of the Philippine peso have decreased by 11% across the stated time.

Given the current movement of increasing prices on virtually all (if not totally all) basic commodities and diminishing worth of the peso and assuming that this behaviour will continue, the fixed Php 1,400 per month to be given to the identified poor households as mandated in the 4Ps package will have lesser and lesser worth in the course of the five-year program. The fixed money income (assistance) amidst rising commodity price will render the amount insufficient to alleviate them from poverty and improve the knowledge and skills that they acquire through education, training, experience and proper health.

### 3. Is the 5-year frame sufficient?

The CCT program of the Philippines was patterned akin to that of Mexico's "*Oportunidades*" program mostly in terms of how to determine the target beneficiaries and what areas of human development should be targeted. However, as cited in the second commentary, ours varies in terms of the amount given. This third

<sup>28</sup> Source of data presented in chart: National Statistical Coordination Board.

commentary focuses on another point of deviation: *the tenure from entry to exit and continuity of support guarantee*.

“*Oportunidades*” have been designed to operate in such a way that the beneficiary will graduate from the program from 10-15 years. The “*4Ps*” that we have on the other hand says that the beneficiary will graduate after 5 years.

Five years is simply not sufficient.

Take a look for example, at education. You will need 10 years as of now to finish your basic education and by 2015, it would be 12. As the government increased the length of time that a student has to undergo in order to finish high school in accordance to international standards and keep up with job competency, the survival cohort<sup>29</sup> is expected to decline. This may be attributed to the rise in the costs of education. Although public education is free in terms of tuition fees and other major miscellaneous fees, the real cost of education after implementing K-12 includes two more years of additional burden in the form of time and money spent for *baon* and transportation allowances for each child. If the support will be cut as early as your fifth grade in elementary, it would result to budget reallocation and burden to the family which would later drive the child to discontinue schooling – and drop-out rates will increase – which is, contradictory to the aim of the program.

In countries that have been successful in using CCT, they continue the subsidy until the child being supported has finished his/her secondary education, much more, in Mexico, there is a semi-annual school supply plus an incentive once the child finishes secondary education. In a way, this is actually a reward for you to continue and finish your schooling – and at the same time, the government attains a productive next generation.

The key is that these countries have a safety net that so long as a beneficiary complies with all the requirements, then there is continuity of support even if a change in administration occurs. Why can't we implement such safety nets? Are we bound to the shallow thought that the programs of previous administrations are always ill and you have to make something new and design programs only within your term so that the people (or rather the voters) would remember you and your team?

The probable scapegoat answer might be of insufficient funds; the allocated fund to support these beneficiaries until they get out of poverty is too large. However, we say that this would be proven as a fallacy in the fifth comment.

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<sup>29</sup> Survival cohort means the number of students who successfully graduated in high school or secondary education.

#### **4. Benchmarks should be put in place and be made clear to the beneficiaries.**

Strict compliance with the conditions on health and education shall be followed by the household beneficiaries to sustain receiving grants in the program; otherwise it will be discontinued.

If a certain family performs these conditions, can that be tantamount to saying that we are achieving the aim of the program which is to improve human capital?

How does the government quantify and track whether the lives of these beneficiaries are improving?

In this light, we say that benchmarks, for example, as to the health conditions like *body mass index* to be called “*healthy*” and not just by twice semi-annual de-worming. For education, *general periodic grades* of children going to school so as to be called “*educated*” is favoured than just by attending 85% of the time while getting failing academic performance. These benchmarks, we humbly say, at least should be put in place so that we can have an equitable “*justifiable return of investment.*”

It is the intention of this program to increase human capital - that is to produce a population that can be called a resource. Our humble standpoint is “to upgrade the *quality of the population*” – that their well being (in terms of health, educational attainment, comprehension on different activities, sufficiency of income generated through acceptable employment or entrepreneurship, decency of household etc.) which, greatly affects their “productivity” and uses in the society - should be the measure whether they can be called a “resource”.

Hence, in order to be called a “resource” and upgrade the quality of the population, compliance to the measurements or benchmarks is necessary and that it will benefit the households; and, ultimately create a more conducive society through productive and competent generation – as what is envisioned by the program.

#### **5. The funding may not necessarily come in the form of an external debt.**

Empirical studies have shown that the Philippines have been extending tax incentives to the rich in the form of tax holidays. These would have been able to generate tax revenues equal to 1.4% of the GDP or tantamount to Php 90 Billion per year against that of Php 21 million of CCT per year.

If the country can avail of these lost revenues, then why not support the poor until they get out of poverty thus making sure that they won't be contributory on poverty problem again?

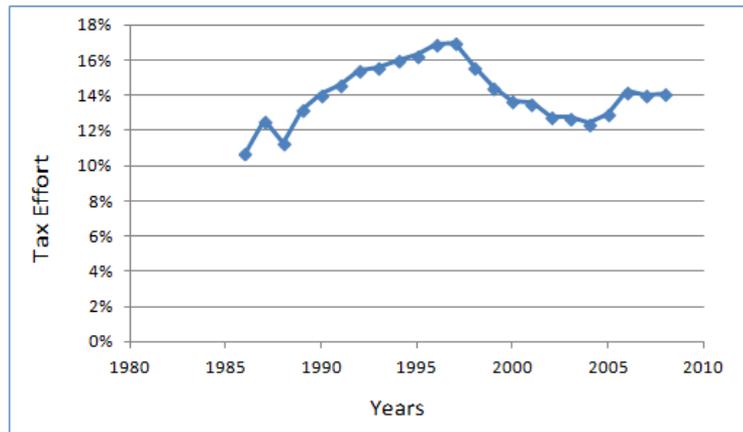


Figure 6. Tax Efforts in the Philippines, 1986 - 2010<sup>30</sup>

Figure 6 shows that from 1986 to 2010, the percentage of national government tax revenues collected in terms of the country's gross domestic product or commonly known as "tax effort" on the average, never exceeded 20%.

It is more favorable that, rather than financing the program through dollar-denominated debt, our tax collecting agencies should improve their efforts to collect proper amounts of taxes as well as running after the properly identified tax offenders.

If the government were to increase tax efforts and avoid tax holidays, the country does not need to borrow from World Bank which would subject the country's fiscal resources to interest payments in dollars and would pose the problem of sourcing out dollars to pay for this dollar denominated debt in the future.

**6. Other accompanying programs should be put in place so that these 'subsidized' poor would not grow to be too dependent on CCT.**

The Good Book said, "do not give man fish but, teach him how to fish". The same can be applied. Based on simple mathematical simulation from the previous comments, even with the CCT, the budget of a family of five cannot be sufficient.

CCT alone will not stand and answer altogether its predetermined goals.

Thus, the CCT program should be accompanied by other programs designed to teach, motivate, and move the mothers and able members of the household to engage even in small activities that will

<sup>30</sup> Source of data presented in chart: Bureau of the Treasury

allow them to generate extra income which can be added to the support they are receiving from the CCT program.

Teach them how to stand on their own, let the collective efforts of the society move them *from survival to subsistence* and then *to self reliance* as they exit in the program. In this way the monetary and labor investments will not come to waste.

### ***In the end, what can we say about CCT?***

The program in itself is risky but, not bad at all. The intention is good. It is akin to a game that we have to bet on and do our part so we won't lose our bet of Php 21+ million per year. This will cost the country a large sum of money and we hope to win – but hoping is not enough - to win it, transparency, courage and honest monitoring in the implementation of the program should be practiced because this may also be a greater avenue for corruption for persons in power. History tells us that any program's success is highly dependent on the administrative ability of the implementing office and competency of all persons involved.

According to the World Bank Report in 2010, “the 4Ps could serve as the potential backbone of a modern and more consolidated social protection for the Philippines and, if successful, could potentially replace other subsidy and transfer programs as a flagship social protection and poverty reduction program for the country”.

CCT is a form of investment.

CCT is not a poverty reduction strategy but more of poverty containment tactic with the hopes that the intergenerational cycle of poverty will be lessened through our human capital investments today for the next generation. The mechanisms of the program may have loopholes as presented but we hope that the people in-charge may see. Poverty is a chronic disease that has maligned the Philippine society for a very long time. Implementing CCT is far better than doing nothing for our needy Filipinos, and, there is always a room to improve this program.

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