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Conquering poverty has been the fundamental development goal of every administration in the country. However, despite the government's various poverty reduction programs, the increase in the number of poor remains unabated.

Given the ineffective and wasteful subsidy programs in the past, the government's preparedness to implement an intervention like the CCT, which requires large budgets and exceptional administrative capacity, is being met with doubts and cynicism.

Nonetheless, the Aquino administration has requested Congress and the public to grant the CCT a chance to work, given its success in reducing poverty in Latin American countries and its huge potential to do the same in the Philippines.

Improving inclusiveness of growth through CCTs

The twin challenges to Philippine growth

The Philippines posted its highest annual domestic growth rate since the post-Marcos era at 7.3 percent in 2010. This is a welcome progress following the sluggish growth in the last two years, which is largely attributed to the global economic crisis.

The barely year-old Aquino administration is optimistic that the healthy economic growth will be sustained in the medium term.¹ However, it has to be noted that while the economy has been registering growth year after year since 2001, the acceleration has been described as erratic and lackluster compared to other countries in the region. Moreover, the growth, being narrow, hollow and shallow, hardly made an impact to poverty reduction in recent years, as reflected in the country's progress reports on the Millennium Development Goals (MDGs) and various perception surveys (Balisacan, 2010; Habito, 2010; Aldaba, 2005; World Bank, 2009). In fact, the latest poverty statistics showed that the number of poor Filipinos further increased by almost 970,000, from 22.2 million in 2006 to 23.1 million in 2009.²

Therefore, aside from accelerating and sustaining higher growth rate, the new leadership is also faced with the challenge of ensuring that such growth benefits a broader spectrum of the economy and more important, reduces poverty.

In pursuit of making "economic growth statistics real to the people," the Aquino administration on its first year scaled up the *Pantawid Pamilyang Pilipino* Program (4Ps) of the previous administration by expanding household coverage by 1.3 million and doubling the program's budget. The 4Ps under the 2011 National Budget has four components: Supplemental Feeding Program; Food for Work Program for internally displaced persons; Rice Subsidy Program; and Conditional Cash Transfer (CCT) Program. The CCT program gets the bulk of the 4Ps budget. The said program is seen as a social protection instrument and a tool to empower people to rise above poverty by increasing household income and improving human capital, among others.



The SEPO Policy Brief, a publication of the Senate Economic Planning Office, provides analysis and discussion on important socioeconomic issues as inputs to the work of Senators and Senate Officials. The SEPO Policy Brief is also available at www.senate.gov.ph.

¹ Based on the Year End Philippine Economic Briefing of the Investor Relations Office, Bangko Sentral ng Pilipinas (2011).

² The new methodology for estimating poverty is criticized for lowering the average official 2009 poverty line for a family of five to PhP7,017 per month from PhP7,953 per month with the old system. The difference of PhP936 amounts to a substantial lowering of the official 2009 poverty line by 11.8 percent, and would thus affect the estimation of poverty incidence.

This brief discusses 4Ps-CCT as a poverty reduction strategy, its origins, and advantages and disadvantages. It also presents the impact of CCT and the issues surrounding it as well as the challenges it faces in the Philippines. It also provides a survey of selected social protection programs of the government and presents policy insights on making the programs responsive in addressing the poor's vulnerabilities and needs, especially in a challenging economic environment.

Social protection in a fragile economic environment

While the adverse effects of the recent economic downturn in the Philippines appeared milder than that of the Asian financial crisis in the late 90s (Yap and Reyes, 2009), it should be emphasized that even when there is no global or regional crisis, households, especially the poor ones, are subject to risks and shocks of various kinds (Manasan, 2010). For example, in a non-crisis year like 2004, 54 percent of Filipino households were worse off because of the higher price of food; 19 percent because of reduced income; 8 percent because of job loss; and 3 percent because of natural disasters (APIS, 2004).

“The Philippines has been ineffective in preventing poverty increases during recessions or calamities primarily due to inadequate targeting, uncoordinated and fragmented provision of social protection services, and unsound policies.”

With the looming threat of the adverse effects of climate change coupled with the rising of global food prices to alarming levels,³ governments are called to strengthen their social protection and safety net programs. Taking such action is also a way to make growth inclusive⁴ since, in general, social protection programs⁵ cushion households from shocks, help minimize disruptions to income and prevent adverse coping behaviors that tend to erode human capital and perpetuate poverty. Sans the appropriate safety nets, households attempt to stay afloat amid a crisis by increasing working hours, changing eating patterns and reducing spending on education and health, which can lead to greater destitution in the long run (World Bank, 2010).

By estimates, about 45 percent of Filipinos are vulnerable to falling into poverty if confronted by shocks such as health problems and deaths, loss of employment, natural disasters and increasing food prices.⁶ Since poverty reduction has been the battle cry of most of previous administrations, the Philippines is never short of poverty alleviation efforts, which include social protection and safety net programs. However, it was found out that the Philippines has been ineffective in preventing poverty increases (Annex 1) during recessions or calamities primarily due to inadequate targeting, uncoordinated and fragmented provision of social protection services, and unsound policies (Manasan, 2009; Balisacan, 2010).

With the country's high levels of chronic poverty, Manasan emphasized the urgent need for a social protection program that will provide cash transfers to address the immediate needs of the chronically poor. Moreover, the social protection program should also provide adequate incentive for households to invest more in the education and health of their children because that is

³ According to World Bank's Food Price Watch, food price index rose by 15 percent between October 2010 and January 2011, is 29 percent above its level a year earlier, and is only 3 percent below its 2008 peak. The price hike has already driven an estimated 44 million people into poverty around the world, and is putting stress on the most vulnerable who spend more than half of their income on food.

⁴ Growth is said to be inclusive if it ensures equal access to opportunities for all segments of society regardless of their individual circumstances.

⁵ Social protection programs may be classified under three main categories: (1) contributory social insurance programs, (2) non-contributory social welfare programs and social safety nets programs, and (3) active labor market programs.

⁶ National Anti-Poverty Commission and National Statistical Coordination Board. 2005. Assessment of Vulnerability to Poverty in the Philippines. Manila.

the only way they would be able to escape the poverty trap. Of the programs assessed by Manasan (2009), the 4Ps was found to hold much promise in effectively addressing the chronic needs of the poor (Annex 1).

Manasan's findings are consistent with the impressive outcomes of CCT programs such as *Oportunidades* in Mexico, *Bolsa Escola* and *Bolsa Familia* in Brazil, *Red de Proteccion Social* in Nicaragua, *Programa de Asistencia Familiar* in Honduras, Program of Advancement through Health and Education in Jamaica, Food-for-Education in Bangladesh and *Subsidio Unico Familiar* in Chile (de Janvry and Sadoulet, 2006). Following the success stories in Latin America, CCT programs are now regarded as a leading-edge social policy tool because of their ability to influence both the income of the poor in the short run and to improve their human capabilities in the medium and long run. The said programs have also been lauded for their ability to target the poor and easily integrate different types of social services such as education, health, and nutrition; and for their cost effectiveness (Son, 2008).

“CCTs have impacted the beneficiary households’ aggregate consumption not only in terms of level but also its composition, with beneficiaries spending a greater share of total consumption expenditure on food.”

Allowing households to escape poverty through 4Ps-CCT

The 4Ps-CCT, patterned after the generally successful CCT programs in Latin American countries, aims to accelerate the country's progress in the MDGs. This can be done by providing money to extremely poor households to improve the education and health of children, and mothers belonging to the said families.

Why cash transfer?

Aside from being consistent with standard economic theory that cash transfers are expected to generate positive income effect, even if unconditioned, cash assistance is seen as more efficient than in-kind/earmarked assistance since it gives beneficiary families the flexibility to allocate resources according to their needs and circumstances.

Cross country studies on CCTs showed that they have impacted the beneficiary households' aggregate consumption not only in terms of level but also its composition, with beneficiaries spending a greater share of total consumption expenditure on food. Analysis in Colombia, for example, pointed to beneficiary households' increased consumption of eggs, milk and meat products. Beneficiary households of Indonesia's CCT Program (Program *Keluarga Harapan* or PKH), on the other hand, spent the bulk of cash transfers on expenditures linked directly to children's education and health with much of the remainder spent on daily consumption (Syukri, et al., 2010). The decrease in the number of families falling below the food threshold⁷ by 58,000 in 2009 is partly attributed to the expansion of 4Ps-CCT to 277 municipalities for that year.⁸

Across the emerging markets, fuel subsidies were given by governments to shield the poor and prevent social unrest from occurring. However, with the sharp spikes in fuel prices, fuel subsidies, as compared to cash transfers, have become costly and inefficient in protecting the poor as they mainly benefit the rich owners of cars and air conditioners, and favor energy- and capital-

⁷ Food threshold refers to the minimum cost of food required to satisfy nutritional requirements for economically necessary and socially desirable physical activities.

⁸ Average per capita income of the bottom 10 percent of families rose faster than prices of food.

intensive industries rather than those that create most jobs. An International Monetary Fund (IMF) study on five emerging economies found that the richest 20 percent of households received, on average, 42 percent of total fuel subsidies while the bottom 20 percent received less than 10 percent.⁹

Moreover, while food transfers readily make food available to families and can address nutritional needs directly, high transport and storage costs, losses from spoilage and theft plague food transfer programs (Devereux, 2002). The nutritional impact may also be limited, especially if the size of transfer and the choices of food items for transfer are not adequate to satisfy nutritional requirements of beneficiary households. In the case of the Food for School Program (FSP) jointly implemented by the Department of Education (DepEd) and Department of Social Welfare and Development (DSWD), the size of transfer was the issue. While FSP increased the supply of rice in households, an informal survey conducted by the DepEd in February-March 2006 found that for 80 percent of households, one kilo of rice is not enough to provide their family with three meals a day and that only 33 percent of households have not missed a meal in the last three months (Manasan, 2009).

Temporary public employment programs (e.g., Cash for Work) are likewise less effective than human development CCT in delivering purchasing power to the poor. About 50 percent of cash for work budget is spent on construction equipment, materials and skilled labor compared with human development CCT (10% or less for overhead/administrative costs). Hence, a much smaller percentage of cash for work budget goes to salaries and wages of unskilled poor workers. At the height of the recent crisis, the Philippine government allocated Php13.4 billion for the Comprehensive Livelihood and Emergency Employment Program (CLEEP) to create jobs through investment in public works, including infrastructure and enterprise development. The program merely provided temporary employment in non-productive projects such as beautification, street sweeping and rudimentary errands for government units. Manasan (2009) pointed out that such projects did not enhance overall productivity.

Lastly, human development-oriented CCT supports the rights of children to basic education and healthcare through a stronger state-family partnership.

Conditions. The 4Ps-CCT (formerly referred to as *Ahon Pamilyang Pilipino* Program), spearheaded by the DSWD, provides beneficiary households with Php500 subsidy a month for health and nutrition expenses and Php300 a month per child for educational expenses. A maximum of three children per household is allowed. These grants will be given upon the satisfaction of the following conditions:

- 1) Pregnant women must get prenatal care starting from the first trimester, must have child birth attended by skilled/trained professional, and get postnatal care thereafter;
- 2) Parents/guardians must attend family planning sessions/mother's class, parent-effectiveness service and others;
- 3) Children 0-5 years of age get regular preventive health check-ups and vaccines;

⁹ Arze del Granado, J., et al. (2010). The Unequal Benefits of Fuel Subsidies: A Review of Evidence for Developing Countries. IMF. September.

“Various studies of social protection and social assistance programs show that simply handing over cash to poor families will not be sufficient to tackle poverty in the long run.”

- 4) Children 3-5 years of age must attend day care program/pre-school;
- 5) Children 6-14 years of age must be enrolled in schools and attend at least 85 percent of the time; and
- 6) Children 6-14 years of age must receive deworming pills twice a year.

One of the crucial components of the 4Ps-CCT is the monthly DSWD-administered Family Development Sessions (FDS). Attendance to the FDS is among the conditionalities of the program. In the sessions, husbands and wives are taught family life values like disciplining children, husband and wife relationships and handling finances, among other things.

Is conditionality necessary?

Traditionally, social protection and social assistance programs are limited to redistributing income and resources to the needy, and merely helping them overcome short-term poverty during crisis periods. But social policies are shifting their objectives to include longer term economic growth and human capital development with the emerging poverty trends and increasing vulnerabilities of population worldwide (Rawlings, 2005).

Critics argue that imposing conditionality on social assistance programs conveys the message that beneficiary households cannot be trusted to spend cash transfers for the right expenditures such as improving children’s health and education. Imposing conditionalities also calls for additional costs for compliance monitoring, which can hike the cost of CCT (Son, 2008).

From various studies on social protection and social assistance programs, experts found out that simply handing over cash to poor families will not be sufficient to tackle poverty in the long run. Hence, the idea is to transfer cash to the poor “on condition” that the poor will commit to empower themselves and help bring future generations of poor families out of poverty. That conditionality makes this new generation of social programs an instrument for longer-term human capital investments as well as short-term social assistance.

Size of transfer. The imposition of conditionalities cancels the criticism that the said program is a “dole out.” With cash grants limited to PhP1,400 a month (or PhP15,000 a year) and with beneficiaries eligible for grants only for a maximum of five years, 4Ps-CCT is designed to minimize the problem of dependency and mendicancy. A family of five needs to have a minimum monthly income of PhP7,017 per month to meet its basic food and non-food requirements. The said amount of cash grant is only a fifth (20.1%) of the monthly poverty threshold in 2009.

What is the ideal size of transfer?

In theory, optimal transfer is the minimum amount required to produce desired objectives. In practice, calculating optimal transfer is not easy because of lack of data, and lack of knowledge on behavioral responses of families. Grants to be considered should not be too high as to discourage work effort and should not be too low as to have no effect.

In most CCT programs, grants vary between 13 percent and 25 percent of income of poor families (Castaneda, 2010).

The size of transfer is a matter of importance, especially in the Philippines where dropout rates are high partly because children, particularly boys, tend to leave school to help augment the family income by working. The decrease in the prevalence of child labor among beneficiaries should also be an indicator of the success of the program and should be used to assess the size of transfer.

Coverage. First started in the second half of 2007 in four pilot areas (Agusan del Sur, Misamis Occidental, Pasay City and Caloocan City) with 6,000 beneficiary households, the 4Ps-CCT is expanded to cover 2.3 million households in 2011.

Table 1. 4Ps-CCT coverage, 2007-2011

	Years				
	2007	2008	2009	2010	2011
Budget (in PhP)	50.0 M	298.5 M	5.0 B	10.0 B	21.2B
Number of Target Beneficiaries/ Households	6,000	20,000	321,000	1M	2.3M

Source: DSWD Presentation to the Senate Committee on Finance (2010)

Will all the poor households be covered?

The latest Philippine poverty statistics indicate that there are 3.9 million poor households, of which, 1.4 million are unable to meet their basic food needs and living in extreme poverty in 2009. Thus, even with the additional 1.3 million beneficiaries for 2011, the 4Ps-CCT will still miss out 1.6 million poor families.

During the deliberation of the proposed DSWD budget in November last year, the DSWD informed the Senate Committee on Finance that of the one million target households for 2010, it was able to cover and enroll in the program 826,937 in 733 cities and municipalities. Putting up a system that will be able to capture all target beneficiaries early in the fiscal year ensures that the funds intended for the purpose will be used.

With some members of Congress doubting whether DSWD can enroll the target 2.3 million beneficiary households for 2011, Congress proposed a provision in the 2011 National Budget, which requires that savings from the 4Ps-CCT be used to augment appropriations for basic education, maternal healthcare and immunization. The said provision was vetoed by President Aquino citing that the power to use savings from the [4Ps-CCT] program by the end of the third quarter of FY 2011 to other programs and projects rests in the President.

Targeting. The targeting of 4Ps-CCT beneficiaries involves three steps. First, the poorest 36 provinces are selected based on official poverty lines. The poorest municipalities from the identified poorest provinces are further chosen using the small area estimation method. Second, all the households in the identified areas and where there are pockets of poverty (even if they are not included in the poorest provinces) are assessed through house-to-house interview. Lastly, a statistical formula called Proxy Means Test is then used to rank, classify and prioritize the poor households by looking at certain proxy variables such as family composition, ownership of assets, employment

and access to basic services. According to the program, the poorest households with children aged 0–14 qualify for the 4Ps-CCT.

What is the most effective targeting method for CCT?

Ensuring that benefits are directed to the poor or vulnerable is a critical feature of CCT programs, especially for countries with very little fiscal space.

There are two main issues in targeting: defining which poverty measure to use (income, consumption, multi-dimension measures, etc.), and identifying and selecting the poor (who and how by which methods.)

CCTs typically use a mix of proxy means testing and categorical targeting such as geographical targeting and local community involvement. However, the multidimensional and multisectoral approach of CCTs to poverty reduction makes assessing their targeting efficiency far from straightforward.

The *Bolsa Familia*'s unverified selection method, for instance, has been criticized on the grounds that its highly decentralized process leads to selection distortions such as patronage and leakage. Suarez, et al. (2007) quantified the targeting performance of the *Oportunidades* and *Bolsa Familia* and revealed a disappointing picture. *Bolsa Familia* recorded a 49-percent inclusion error and 59-percent exclusion error while *Oportunidades* registered 36 percent and 70 percent inclusion and exclusion errors, respectively. The inclusion error represents the leakages as it is the ratio of the non-poor beneficiaries to total beneficiaries. Exclusion error, on the other hand, reflects undercoverage as it is the ratio of non-beneficiary poor to the total poor population.

Proponents admit that targeting is a daunting challenge for CCT programs, especially since targeting systems often require tremendous administrative capacity. However, even with the targeting errors as in the case of *Oportunidades*, researchers pointed out that the non-poor beneficiaries who were included in the program were very close to the poverty line. In the case of 4Ps-CCT, it was explained that since the targeting used is a mix of geographic and proxy means tests, those who will fall in the inclusion error will still be within the low-income deciles.

Budget. The bulk of the DSWD budget for 2011 (85.5%) is accounted for by the 4Ps, which will get an allocation of PHP29.4 billion. Of this amount, PHP21.2 billion is earmarked for the 4Ps-CCT program to cover 2.3 million households this year from the 1 million beneficiary households in 2010.

At this time of fiscal consolidation, should the 4Ps-CCT program be expanded?

Proponents of 4Ps-CCT emphasize that funding for the program should be viewed not as a big-ticket expense in the government's budget but as an investment for the future.

However, Sicut (2010) warned that while it is tempting to further expand 4Ps-CCT given its likely impact to human development and its enormous vote-getting potential, if the government does not implement the necessary

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economic reforms, expansion of 4Ps-CCT may pull the country to a bottomless pit of fiscal deficits.

Table 2. Breakdown of 4Ps-CCT expenditure items, FY 2011

Item	Amount (PhP)
Cash transfer/grant to beneficiaries	17,137,864,333
Implementation support	
• Trainings	1,624,772,529
• Salaries and allowances for 1,800 new personnel	716,468,037
• Bank service fee	171,378,643
• Information, education and advocacy materials	333,049,544
• Printing of manuals and booklets	315,935,216
• Capital outlay	217,775,000
Monitoring, evaluation and administration support	676,873,698
Total	21,194,117,000

Source: 2011 General Appropriations Act

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Given the priority legislative measures (Annex 2) of the Aquino administration, one may wonder if this set of proposed reform measures (i.e., rationalization of fiscal incentives and instituting a national land use act) that would promote economic development in the country are sufficient to support the long-term objectives of the 4Ps-CCT program even as the viability of passing these legislative measures is being seriously doubted.

The Aquino government, has repeatedly expressed that it will raise the much-needed revenue for CCT by improving tax administration rather than by imposing new taxes or increasing the rate of existing taxes. However, critics do not share the optimism of the administration considering the record of the Bureau of Internal Revenue and Bureau of Customs in increasing their revenue effort through improvements in tax administration. Critics also point out that tax administration improvements do not happen in a snap or by mere policy declaration primarily because the installation and operationalization of system-wide changes take time.

Manasan (2010) argued that it is imperative for the government to consider the imposition of new tax measures if fiscal consolidation is to be achieved without sacrificing the financing of MDGs and inclusive growth. As such, she calls for the implementation of least distortionary options, namely: (1) restructuring of excise tax on sin products; (2) rationalization of fiscal incentives; and (3) reforming the road user’s charge. Moreover, while donor agencies are more than ready to extend loans for CCTs, it must be remembered that loans still end up as debts that Filipinos have to repay. For 2011-2014, the Asian Development Bank will finance 45.2 percent (US\$400 million) of the CCT project cost while the government will provide the counterpart financing of 54.8 percent (US\$484.2 million) including taxes and duties, and financing changes.¹⁰

M & E. The monitoring and evaluation of 4Ps-CCT is composed of five major components: (1) regular internal monitoring based on 4Ps-CCT management information system database; (2) biannual spot checks; (3) quantitative

¹⁰ ADB. (2010). Report and Recommendation of the President to the Board of Directors: Proposed Loan, Technical Assistance Grant, and Administration of Technical Assistance Grant to the Republic of the Philippines for the Social Protection Support Project. December.

impact evaluation; (4) multi-wave qualitative impact evaluation; and 5) monitoring by an independent advisory monitoring committee.

The said system was put up by the DSWD in response to the 2008 Commission on Audit report on DSWD, which showed that the lack of sufficient monitoring system to determine compliance by all beneficiaries of the conditions and to constantly validate the eligibility of selected beneficiaries may hinder the achievement of the 4Ps-CCT objectives.

In addition, a Congressional Oversight Committee on Public Expenditures was recently put up to monitor the implementation of the 4Ps-CCT program, among others.

4Ps-CCT initial findings

According to the DSWD, the Social Weather Stations (SWS) conducted a World Bank-commissioned pilot spot check on 760 household beneficiaries in Northern Samar from February to March 2010.¹¹ The following are the initial findings:

- 1) The result of the spot check is disappointing, particularly the compliance rates for health. One of the most pressing problems of the country is the very high maternal mortality rate (MMR) and looking at the compliance rates of pregnant women surveyed, it seems that the 4Ps-CCT is ineffective or inadequate in addressing the maternal deaths among the poor. Given that deworming and immunization are free, the low compliance rate is puzzling.
- 2) The low awareness of beneficiaries is a major factor for low compliance rates. The same spot check also indicates that only 5 percent of grantees knew all the conditions for pregnant mothers and 19 percent knew all the conditions for 6-14 year olds.

Table 3. Compliance rate of surveyed beneficiaries

Child Health	Education	Attendance to Family Development Sessions	Maternal health
<ul style="list-style-type: none"> • 82% of children under 5 attended growth monitoring and check-ups according to DOH protocol • 62% of the 1-2-year-old children received full childhood immunization¹², and 84% had received at least one immunization • All 6-14-year-olds received deworming pills at least once, 32% received two doses during the last school year 	<ul style="list-style-type: none"> • 3-5-year-olds: 58% enrolled in daycare • 6-14-year-olds: 96% were enrolled in school and 88% attended >85% of the days 	<ul style="list-style-type: none"> • 94% of beneficiaries were aware of FDS and 96% thought they are very useful 	<ul style="list-style-type: none"> • Received 4.7 antenatal care services during the pregnancy • 79% attended antenatal care services at least 3 times¹³ • 18% had the last delivery attended by a trained professional • 7% had the last delivery at a health facility • 57% had at least one postnatal care within 6 weeks after delivery

Source: DSWD presentation on World Bank-commissioned study conducted by SWS (2010)

¹¹ Based on the DSWD presentation entitled *Pantawid Pamilyang Pilipino Program (4Ps) Assessment Report: Key Findings from the Pilot Spot Checks and Qualitative Evaluation*.

¹² Full childhood immunization consists of five vaccines that children need to have before the age of one.

¹³ Quality antenatal care includes screening and treatment for sexually transmitted infections (STIs), anemia, and detection and treatment of hypertension. Women should be given information about appropriate diet and other healthy practices and about where to seek care for pregnancy complications. The World Health Organization's recommended package of antenatal services can be conducted in four antenatal visits throughout the pregnancy.

- 3) While the spot check is most welcome, it would have been better had World Bank or other donors included an impact assessment in the pilot areas of 4Ps-CCT to see the program’s actual outcome on health and education—i.e., rate of stunting/malnutrition/undernutrition, infant mortality rate, MMR, and completion rate, among others; and not merely provide compliance rates.

Table 4. Conditions of service providers

On health facilities/providers (16 rural health units)	On schools (60 schools were included)
<ul style="list-style-type: none"> • All RHUs had at least one medical doctor (average 1.3) • All RHUs had at least 1 nurse (average 1.7) • All RHUs had at least 5 midwives (range 5-20, average 11.3) • None of the facilities reported supply shortage for vaccines 	<ul style="list-style-type: none"> • 18% had shifts, and 20% had multi-grade classes • Had an average 58 4Ps-CCT beneficiary children per school • Only 50% had clean latrines for students and only 27% had running water • Classrooms in poor conditions were observed in terms of lighting (59%), furniture (41%) ceiling (38%), walls (33%), ventilation (31%) and roof (27%)

Source: DSWD presentation on World Bank-commissioned study conducted by SWS (2010)

While the spot check revealed that attendance has improved, there are concerns that the poor conditions of school facilities will negatively impact the learning outcomes and likely, the retention rates of students.

Table 5. Projected gross shortages for critical school inputs, SY 2011-2012

Item	Level	SY 2009-2010 Inventory	SY 2011-2012 Estimated Gross Shortages
1. Classrooms	Total:	421,496	152,569
	Elementary	328,406	108,977
	Secondary	93,090	43,592
2. School seats	Total:	15,280,942	13,225,572
	Elementary	11,271,350	10,279,007
	Secondary	4,009,592	2,946,565
3. Teachers	Total:	487,969	103,599
	Elementary	356,397	37,460
	Secondary	131,572	66,139
4. Textbooks	Total:	85,975,925	95,557,887
5. Sanitation facilities	Total:	313,085	151,084
	Elementary	259,855	90,018
	Secondary	53,230	61,066

Source: DepEd Priority Issues and Directions (August 17, 2010)

Legend:

A - 1 classroom per 45 learners at single shift

B - 48 seats per classroom needs

C - 1 teacher per 45 learners in Grades 1 to 4 and 5 teachers in every 3 classes of 45 learners per class in Grades 5 to 6

D - 5 teachers in every 3 classes of 45 learners per class

E - Based on international architectural design ratio of 1:50

From 2004 to 2009, 75,584 new classrooms have been constructed and 52,536 new teacher items were created in response to the growing demand in public school. However, primarily due to poor targeting, shortages in classrooms and teachers still persist in many areas as evidenced by high pupil-classroom and pupil-teacher ratios, respectively.

While the education budget increased significantly in 2011, the DepEd pointed out that the said increase is not enough for the sector to be able to catch up with the accumulated shortages in previous years. This implies that the education system, given its current resources, might still not be ready to welcome and maintain more students.

For health, while deworming pills and immunization are available in almost all barangay health centers nationwide, the shortage of facility for Basic Emergency Obstetrics Care in 1,863 local government unit (LGU) hospitals/ barangay health stations/RHUs will continue to hinder the goal of reducing MMR.

With the expansion of 4Ps-CCT, addressing the challenges from the supply side should simultaneously be fast-tracked. The shortage in facilities and service providers should not be downplayed since it poses a major hurdle for beneficiaries who commit to satisfy the conditions.

Conclusion

Experts point out that a country that has grown at a respectable rate over a decade but has not seen substantial reduction in poverty rates like the Philippines may need to improve the inclusiveness of its growth strategy. The country's adoption of the CCT program is a welcome intervention as it shifts the poverty reduction strategy from waiting for the benefits of growth to trickle down to directly redistributing income to targeted poor population.

However, given the ineffective and wasteful subsidy programs in the past, many remain doubtful of the government's preparedness to implement a program like CCT, which requires large budgets and exceptional administrative capacity. Sans clear indications of improvement on health and education outcomes of beneficiaries enrolled in the past three years, it was not surprising that the expansion of 4Ps-CCT to 2.3 million families for 2011 was greeted with much cynicism.

The Aquino administration requested Congress and the public to grant 4Ps-CCT a chance, given the program's potential. With its campaign promise of transparent and prudent spending of the taxpayers' money, the barely year-old government assures that the Php21 billion allocated for CCT will not go to waste.

It must be remembered though that at the minimum, CCT program's potential can only be realized with a system that is able to:

- 1) capture targeted population with very minimal leakage rate.
- 2) address the shortages in the supply side.
- 3) instill behavioral change in households when it comes to investing in human capital.
- 4) monitor and evaluate compliance and progress of beneficiaries regularly.

Monitoring the implementation and evaluating the results of the program is particularly important given that plans are now being drawn to further increase the CCT budget for next year.

Lastly, CCT programs are just one option within the arsenal of social protection programs that can be used to redistribute income to poor households. They *cannot* be the right instrument for all poor households. For example, they cannot serve the elderly poor, childless households, or households whose children are outside the age range covered by the CCT. Redistribution to those groups is better handled through other means.

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Annex 1. Assessment of cash/in kind transfer programs in recent years

Program	Targeting and coverage	Leakage	Size of transfer/ estimated benefits	Budgetary implications
<p>Rice Price Subsidy Program -administered by the National Food Authority (NFA), the program provides subsidized rice to the poor. With NFA setting a ceiling to the price of rice, registered retailers sell rice to consumers at a lower price than non-NFA rice.</p>	<p>While the program’s aim is to provide rice to the poor at lower than market price, it was observed that distribution of NFA rice is random and insensitive to poverty incidence.</p> <p>To improve targeting, the <i>Tindahan Natin Program</i> (TNP) whose locations were identified using the Food Insecurity and Vulnerability Information Mapping System (FIVIMS) was launched. TNP sells food items at NFA prices to DSWD/LGU-identified beneficiaries upon presentation of a family identification (ID). However, the targeting mechanism used to identify beneficiaries is not clear.</p> <p>Following the pull-out of NFA rice from public markets, Family Access Cards (FAC) were issued to families with incomes below food threshold. The targeting approach followed by FAC is an unverified means test implemented by the LGUs.</p>	<p>Since NFA’s rice price intervention is a universal consumer-price subsidy, it also benefits the non-poor. The leakage rate is estimated to be at 71%. Because of the high leakage rate, the program is estimated to have covered only 16% of the total rice requirements of food-poor/poor households at best.</p>	<p>The effectiveness of the NFA rice subsidy to mitigate hunger and reach the poor is limited by the fact that it simply provides a discount on the price of rice/noodles. To access the transfer, eligible beneficiaries are required to have the cash to pay for the food items, albeit at a subsidized price. This may have limited the poor’s access to the program.</p>	<p>Because the NFA is engaged in an activity that inherently entails some losses, the government supports the NFA by providing it with budgetary support in terms of both equity infusions and operational subsidies through the General Appropriations Act. From 2003 to 2008, the budget for NFA averaged PHP15.17 billion a year.</p> <p>In 2009, NFA subsidy amounted to PHP4 billion, and was doubled in 2010 at PHP8 billion.</p> <p>For 2011, NFA’s budget is trimmed to PHP 2.5 billion to give way to the expansion of CCTs.</p>
<p>Food for School Program (FSP) -is a conditional in-kind transfer that aims to mitigate hunger and improve school attendance by providing one kilo of rice to eligible families for every day that their children continue to attend school. The rice ration is provided to each eligible pupil after class. Implementation started in 2006.</p>	<p>LGUs were selected based on provincial level poverty incidence estimates from the 2006 FIES and the small area estimates of poverty incidence for municipalities. The FSP in SY 2008-2009 targeted all Pre-school/Grades 1-3 pupils in all public elementary schools and all children attending DSWD-supervised daycare center in the following LGUs: 21 “hotspots” in the NCR as identified by the DILG for the DepEd component and all cities and municipalities of the NCR for the DSWD component:</p> <ul style="list-style-type: none"> • All municipalities in the 20 food-poorest provinces based on the 2006 FIES; and • the poorest 100 municipalities based on small area estimates. 	<p>Leakage rate for SY 2008-2009 was 32%.</p>	<p>In a DepEd informal survey, 62% of the respondents said that the number of school days missed declined while 44% of the participating children included in the assessment gained weight. On the other hand, 20.1% of the respondents reported that they gained enhanced knowledge on basic nutrition from the program.</p>	<p>2007: PHP3.75 billion</p> <p>2008: PHP2.75 billion</p> <p>2009: PHP5.2 billion</p> <p>2010: [funds were realigned for CCT]</p>

Program	Targeting and coverage	Leakage	Size of Transfer/ Estimated Benefits	Budgetary implications
<p>Tulong Para Kay Lolo at Lola Project -launched on July 16, 2008, it provided a one-time cash subsidy of PhP500 to qualified senior citizens to help support their special needs.</p>	<p>Eligibility was based primarily on an individual characteristic (age) that is easy to identify. However, the other eligibility criteria (not receiving pension and not receiving regular income) may not be as easy to verify given the state of automation in Social Security System (SSS), Government Service and Insurance System (GSIS) and Philippine National Police (PNP)/Armed Forces of the Philippines (AFP) pension systems.</p>	<p>Data from the 2006 FIES, however, suggests that there are about 1.96 million senior citizens aged 70 years and above who are not receiving any pension or retirement benefit. The difficulty to verify those with or without pension resulted in a leakage rate estimated to be at 61%. The exclusion rate is fairly low (5%).</p>		<p>The PhP500 million was released to the DSWD in 2008 for this program, with 1 million senior citizens identified as qualified beneficiaries.</p>
<p>Pantawid Kuryente Project -a one-time cash subsidy of PhP500 initiated in June 2008 to soften the impact of rising cost of electricity on poor households.</p>	<p>Beneficiaries were identified based on the amount of electricity they consume. The subsidy payment was given to lifeline users or those consuming 100kwh or less of electricity per month.</p> <p>The program has nationwide coverage and was estimated to have benefited some 6.8 million households.</p>	<p>The lifeline power consumption level appeared to be ineffective in distinguishing poor households from non-poor as indicated by the high leakage rate of 72%. Likewise, the exclusion rate appears to be high (43%).</p>	<p>The size of the transfer (PhP 500 per household) is equivalent to 1% of average annual income of poor households or 0.7% of the poverty threshold.</p>	<p>As the implementation of the program progressed, the target number of beneficiaries was raised to 6.8 million households (70% higher than the original estimate) with a corresponding budgetary requirement of PhP3.4 billion (which has already been released and utilized). This highlights how weak information systems tend to increase the fiscal costs of the program.</p>

Program	Targeting and coverage	Leakage	Size of Transfer/ Estimated Benefits	Budgetary implications
<p>Kapit Bisig Laban sa Kahirapan (KALAH) Comprehensive and Integrated Delivery of Social Services -is a community-driven development project launched in 2003 that aims to improve the quality of life in the poorest communities by developing people's capacities to design, implement and manage local development activities that reduce poverty, and strengthen their participation in local governance.</p>	<p>KALAH covers 4,583 barangays in the poorest 200 municipalities in 42 provinces nationwide. It has reached 1,192,325 million households and an estimated 6.6 million poor Filipinos as of July 2010.</p> <p>As designed, the project targets to the poorest municipalities using a poverty mapping and targeting protocol (i.e., geographically-based targeting) that was especially developed for the project. Said targeting protocol appeared to have performed well considering that the average poverty incidence in the KALAH municipalities based on the small area estimate of poverty incidence in 2003 was 53% (significantly higher than the overall average of 24%).</p>	<p>There is no reported leakage since it is easier to target communities than households. The geographic presence of the project is strongest in Visayas and Mindanao, making up 47% and 37%, respectively of the overall area coverage, shifting development toward the areas where poverty incidence are more severe and widespread.</p>	<p>1) Cost savings on transport of agricultural produce, water procurement and consumption, higher enrollment and/or lower drop-out rates 2) Additional income for residents of the communities who are trained to implement their sub-projects. The project was able to generate an estimate of Php727 million additional income for non-skilled workers hired and Php242 million for skilled ones. 3) Greater transparency was observed within the local government since community projects have been integrated in the local development plans. 4) Capacity building activities and technical assistance provided to community members emboldened them to engage political leaders and other stakeholders.</p>	<p>The Project, since its 2003 launch, is one of the largest World Bank-financed and implemented by the DSWD. The Project costs Php9.3 billion from Php5.1 billion in loan proceeds, Php1.6B from the Philippine government counterpart and Php2.6 billion in contributions from the LGUs and local communities.</p>
<p>Self-Employment Assistance Kaunlaran (SEA-K) -aims to provide the poor with access to capital and help them develop their entrepreneurial skills.</p>	<p>The program is open to marginalized/disadvantaged individuals/households who are economically active poor, willing to be organized as SEA-K Association (SKA) and have no access to formal credit sources (banks, cooperatives, lending investors, etc.).</p> <p>He/she must be at least 16 years old and must have continuously resided in the community for at least 6 months prior to application and must signify to stay in the community for at least 2 more years.</p>	<p>So far, there are no studies/assessments pointing out to leakages of the program.</p>	<p>For SEA-K I: A maximum of Php10,000/individual/member, depending on the project requirements (non-collateral and interest-free).</p> <p>For SEA-K II:</p> <p>For micro-enterprise Loan = Php10,000/member</p> <p>For Home Improvement Loan = Php 10,000/member</p> <p>For basic shelter Loan = Php25,000/member</p>	<p>As of June 30, 2010, 268 SEA-<i>Kabayans</i> comprised of 660 successful SKAs have been organized and provided capital assistance of Php243 million for their expanded micro-enterprise projects and home improvement and basic shelter construction, benefiting about 12,486 families.</p> <p>2007: Php43 million 2008: 0 (as it continued to operate on a revolving fund basis) 2009: Php39 million</p>

Program	Targeting and coverage	Leakage	Size of Transfer/ Estimated Benefits	Budgetary implications
<p>Pantawid Pamilyang Pilipino Program -is a program that provides cash grants to poor households on the condition that households should increase their investments in their children's human capital.</p>	<p>The poorest households in the municipalities are selected through a proxy means test. This test determines the socioeconomic category of the families by looking at certain proxy variables such as ownership of assets, type of housing, education of the household head, livelihood of the family, etc.</p>	<p>The targeting instrument used in the 4Ps appears to have performed well in the pilot areas. In these areas, the reported number of cases of inclusion error was less than 10% of the selected number of beneficiaries. The use of the proxy means test enforces the credibility of the program and reduces the risks associated with political interference in selection of beneficiaries.</p>	<p>Significant improvements in health and education outcomes with beneficiaries' increased use of health and education services. Also, increased incomes and consumption.</p>	<p>2007: PhP50 million 2008: PhP298 million 2009: PhP5 billion 2010: PhP10 billion 2011: PhP21 billion</p>

Source: Manasan (2009)

Annex 2. Priority bills of the Aquino administration

A. Human development
<ul style="list-style-type: none"> • An Act creating the Department of Housing and Urban Development (DHUD), defining the mandates, powers and functions, providing funds therefor, and for other purposes • An Act rationalizing the nightwork prohibition on women workers, thereby amending Articles 130 and 131 of Presidential Decree No. 442, as amended, otherwise known as the Labor Code of the Philippines • An Act enhancing the curriculum and increasing the number of years for basic education, appropriating funds therefor, and for other purposes • An Act providing a definite targeting strategy in identifying the poor, amending Republic Act No. 7875, otherwise known as the National Health Insurance Act of 1995, as amended, and for other purposes • An Act reorganizing the National Food Authority into the National Food Corporation and the Food Development and Regulatory Administration, redefining their powers, appropriating funds therefor and for other purposes
B. Infrastructure development
<ul style="list-style-type: none"> • An Act further amending certain sections of RA No. 6957, as amended by RA No. 7718, entitled “An Act authorizing the financing, construction, operation and maintenance of infrastructure projects by the private sector, and for other purposes,” appropriating funds for the said purpose, and for other purposes • Amendments to RA No. 1936 or the “Electric Power Industry Reform Act of 2011” • An Act rationalizing the economic regulation of water utilities, creating the Water Regulatory Commission, and for other purposes
C. Economic development
<ul style="list-style-type: none"> • An Act of rationalizing the grant and administration of fiscal incentives for the promotion of investments and growth, and for other purposes • An Act instituting a National Land Use Act, providing the implementing mechanisms therefor, and for other purposes
D. Sovereignty, security, and rule of law
<ul style="list-style-type: none"> • An Act to establish the archipelagic sea lanes in the Philippine archipelagic waters, prescribing the rights and obligations of foreign ships and aircrafts exercising the right of archipelagic sea lanes passage through the established archipelagic sea lanes and providing for the associated protective measures therein • An Act to define the maritime zones of the Republic of the Philippines • An Act to strengthen the modernization of the Armed Forces of the Philippines, extending the implementation of the modernization program of the Armed Forces of the Philippines, instituting necessary reforms in the Armed Forces of the Philippines, amending for the purpose certain provisions of RA No. 7898, otherwise known as the AFP Modernization Act and for other purposes • An Act resetting the date of the regular elections for elective officials of the Autonomous Region in Muslim Mindanao (ARMM), synchronizing the ARMM elections with the synchronized national and local elections of 2013, amending for the purpose RA No. 9333, entitled “An Act affixing the date for regular elections for elective officials of the ARMM pursuant to RA No. 9054,” entitled “An Act to strengthen and expand the Organic Act for the ARMM, amending for the purpose RA No. 6734, entitled “An Act providing for an Organic Act for the ARMM, as amended,” and for other purposes • An Act penalizing anti-competitive agreements, abuse of dominant power, and anti-competitive mergers, establishing the Philippine Fair Competition Commission and appropriating funds therefor, and other purposes • An Act strengthening the Witness Protection, Security and Benefit Program, amending for the purpose RA No. 6981, otherwise known as the “Witness Protection, Security and Benefit Act” and providing additional funds therefor • An Act providing for protection, security and benefits of whistleblowers • An Act to provide for the national defense of the Philippines, penalizing certain violations thereof, appropriating funds therefor, and for other purposes
E. Good governance
<ul style="list-style-type: none"> • An Act instituting reforms in land administration • An Act to promote financial viability and fiscal discipline in government-owned or controlled corporations and to strengthen the role of the State in its governance and management to make them more responsive to the needs of public interest and for other purposes • An Act amending certain sections of RA No. 9184, otherwise known as the “Government Procurement Reform Act” • Amendments to the Anti-Money Laundering Act

Source: www.gov.ph

This Policy Brief was principally prepared by Ms. G.H. S. Ambat under the supervision of SEPO’s Directors and the overall guidance of its Director General.

The views and opinions expressed herein are those of the SEPO and do not necessarily reflect those of the Senate, of its leadership, or of its individual members. For comments and suggestions, please e-mail us at sepo@senate.gov.ph.