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Conditional Cash Transfer Program in the Philippines: Is It Reaching the Extremely Poor?

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Philippine Institute for Development Studies
Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

Conditional Cash Transfer Program in the Philippines: Is It Reaching the Extremely Poor?

Celia M. Reyes and Aubrey D. Tabuga

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Conditional Cash Transfer Program in the Philippines: Is it reaching the extremely poor?

Celia M. Reyes and Aubrey D. Tabuga

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Abstract

The Philippine government shows its serious effort to combat poverty through the continuing expansion of the *Pantawid Pamilyang Pilipino* Program (4Ps), the Philippines' version of the conditional cash transfer (CCT) program modeled by Latin American countries. The 4Ps by far is the most comprehensive and also, controversial poverty reduction program of the Philippine government because of the huge amount of money the government is spending for this. The expansion of the program since 2008 necessitated the government to secure loans from the World Bank and the Asian Development Bank amounting to a total of \$805 million to finance the program. To date, there are already 2.3 million households in 80 provinces who are enrolled in the programme. The DSWD targets a total of 3 million household beneficiaries by end of 2012. This paper aims to discuss the salient features of the 4Ps and the reviews or assessments done so far, and to expound the issues surrounding the targeting scheme and pace of expansion of the program.

Key words: Pantawid Pamilyang Pilipino Program, 4Ps, conditional cash transfer, Philippines CCT, targeting

In the 2000 Millennium Declaration, the Philippines was among the many nations which committed to reduce its poverty rate by 2015. There are only a few years left into 2015 but the country's poverty situation is still far from its target. Worse, the poverty trend is going upwards. In the newly improved poverty estimation, the poverty rate of the population climbed up from 24.9 in 2003 to 26.4 in 2006 and inched up further to 26.5 percent in 2009 marking an increase of 3.3 million poor individuals from 2003 to 2009.¹

Tackling the worsening poverty situation is one of the current government's main anchors along with good governance. Good governance is the main instrument in fighting poverty (NAPC Part 1, 2011). The current administration's national anti-poverty program's centerpiece is *Pantawid Pamilyang Pilipino* Program (4Ps) or what is commonly-known as the conditional cash transfer (CCT) program. Other current poverty reduction programs include the subsidized health insurance coverage, supplemental feeding program, the food for work program, rice subsidy program, the SEA-K and the KALAHI-CIDSS among others.

To prove the serious intent of the government to fight poverty, the social services allocation is already 34.1 percent of the total budget wherein the first priority is to provide the basic income, food and nutrition, health and education needs of the poor (NAPC Part 2, 2011). Among the various programs, the 4Ps by far is the most comprehensive and most controversial because of the huge amount the government is spending for this. This paper is devoted to discussing briefly what the 4Ps is and how it has been implemented since its inception in 2007, identifying some of the issues related to its design and implementation, and offering some recommendations.

What is the Pantawid Pamilyang Pilipino Program?

The basic common structure of CCTs refers to transferring monetary and non-monetary resources to the poor or poorest families who have school-aged children on the condition that they meet certain commitments aimed at improving their capacities (Cecchini and Madariaga, 2011). The first CCT programmes were launched in the 1990s in Brazil and Mexico. The main purpose was to provide cash transfers to families living in extreme poverty in exchange for commitments in education and healthcare. Since then the CCT scheme has spread in many other countries including the Philippines.

The Philippines' version of the CCT, the 4Ps, is patterned after the basic CCT structure. In the DSWD brief of the 4Ps, it indicated that "the *Pantawid Pamilyang Pilipino* Program (4Ps) is a poverty reduction and social development strategy of the National Government that provides conditional cash grants to extremely poor households to improve their health, nutrition and education particularly of children aged 0-14." It has dual objectives: (i) **Social Assistance** -

¹ This trend is consistent with the estimates in the old poverty estimation methodology

to provide cash assistance to the poor to alleviate their immediate need (short term poverty alleviation); and (ii) **Social Development** - to break the intergenerational poverty cycle through investments in human capital. It helps to fulfill the country's commitment to meet the Millennium Development Goals, namely: (1) eradicate extreme poverty and hunger, (2) achieve universal primary education, (3) promote gender equality, (4) reduce child mortality, and (5) improve maternal health.

The 4Ps offers 6,000 pesos annually (P500 per month) for each household selected by the programme for health and nutrition expenses. Also, it provides 3000 pesos per child for one school year (i.e. 10 months) or 300 pesos per month for educational expenses. Only up to a maximum of three children for each household can receive a subsidy. In return, the conditions that are to be met by beneficiaries are that - 1) pregnant women must avail of pre- and post-natal care and be attended during childbirth by a trained health professional; 2) parents must attend family development sessions; 3) 0-5 year old children must receive regular preventive health check-ups and vaccines; 4) 3-5 year old children must attend day care or preschool classes at least 85% of the time; 5) 6-14 year old children must enroll in elementary or high school and must attend at least 85% of the time; and 6) 6-14 years old children must receive de-worming pills twice a year (DSWD website). The household beneficiaries will receive the subsidy, so long as they comply with the conditionalities, for at most five years.

The eligible beneficiaries are selected by DSWD from the poorest municipalities based on the 2003 Small Area Estimates (SAE) of poverty incidence generated by the NSCB. Municipalities with poverty incidence higher than or equal to 50 percent are saturated – that is, all families are interviewed and assessed for eligibility. In municipalities where the poverty incidence is less than 50 percent, “pockets of poverty” are identified by the municipal social welfare and development officer and then families in these pockets are interviewed and assessed for eligibility. Families residing outside these pockets of poverty are excluded in the assessment anymore. This may lead to significant exclusion.

Eligible households have income that are equal to or below the provincial poverty line, have children 0 to 14 years old and/or a pregnant woman at the time of assessment; and those who agree to meet the conditions of the program.

To obtain the poorest households in the municipalities, the DSWD uses the National Household Targeting System for Poverty Reduction (NHTS-PR). The system employs Proxy Means Test Model to identify the poor families. The Proxy Means Test model was estimated using data from the 2006 Family Income and Expenditure Survey and the 2006 Labor Force Survey. The assessment is conducted by using certain proxy variables like ownership of assets, type of housing, education of household head, livelihood and access to water and sanitation facilities to predict income. To verify compliance, the DSWD coordinates with the program's

multi-sectoral Advisory Committee to conduct monthly verification through the Compliance Verification System (CVS) developed for the program.

Coverage

The 4Ps was piloted in 2007 and was launched on a wider scale starting 2008. To date, there are already 2.3 million households in 80 provinces who are enrolled in the programme, covering 734 municipalities out of a total of 1,495 municipalities, and 62 key cities out of 138 cities. It targets 3 million household beneficiaries by end of 2012.² The expansion of the program since 2008 necessitated the government to secure loans from the World Bank and the Asian Development Bank amounting to a total of \$805 million or 34.6 billion pesos (De los Reyes, 2011) to finance the program.

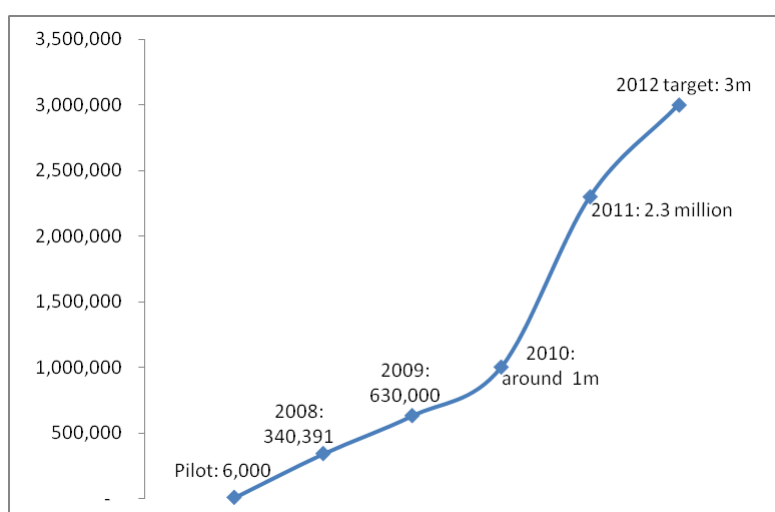


Figure 1. Number of beneficiary households of 4Ps, Philippines

Conditional cash transfers are popular in Latin America and the Caribbean and are now being implemented in 18 countries in that region. The biggest programs are in Brazil and Mexico. Its popularity is spreading to Southeast Asia, with Indonesia implementing it in 2007 and then followed by the Philippines. The idea of implementing CCT in Indonesia first came up in 2005, as an alternative poverty reduction strategy for a major reduction in fuel subsidy. However, since the institutional support did not yet exist and it would take a couple of years to set it up, the government decided to implement an unconditional cash transfer in 2005³. It only shifted to a conditional cash transfer in 2007.

² DSWD News Features: "Pantawid Pamilya Strengthens Ties with CSOs," dated December 5, 2011

³ Bloom, K. 2010 in Handayani and Burkley (eds). 2010

According to Cecchini and Madariaga (2011), Ecuador has covered 100 percent of its poor population; both Uruguay and Brazil, 84.6%; Mexico, 62.8%, and Colombia, 56.5%. These are the countries with the highest CCT coverage in terms of percent of poor population. With 2.3 million beneficiaries representing, the Philippines' CCT can be considered as one of the larger programs in the world.

Table 1. Coverage of Conditional Cash Transfer Program in Selected Countries			
Country	Program	Start	Coverage (Number of families in millions)
Mexico	Progres/Oportunidades	1997	5.6 (2010)
Ecuador	Solidarity Grant/Human Development Grant	1998	1.2 (2010)
Colombia	Families in Action	2001	2.6 (2010)
Brazil	Bolsa Familia	2003	12.6 (2010)
Indonesia	Program Keluarga Harapan	2007	1.0 (2011)
Philippines	4Ps	2007	2.3 (2011)

Table is based from: Cecchini and Madariaga, 2011.

Source of Philippine data: DSWD

Source of Indonesia data: <http://pantawid.dswd.gov.ph/index.php/news/280-indonesian-delegation-commends-philippine-cct-during-study-tour>

Potential impacts and initial review

The 4Ps is said to bring about desired impacts on income poverty and vulnerability in the short run. The ADB⁴ cited an ex-ante analysis of 4Ps education grants and it noted that if accurately targeted to children in all poor households nationwide, the education component alone could lift 31.1% of poor households out of poverty and decrease the national poverty gap measure by 52.5% (ADB, n.d.). The document further claims that since the 4Ps has targeted the poor areas, the impact would be much larger. The estimated increase in the total incomes of the poor and eligible households in the targeted areas per World Bank is 23 percent, where the poverty rate is expected to fall by 6.1 percentage points.

In the long-run, the 4Ps' goal is to achieve improvements in human capital. The 4Ps is seen to have great potential in increasing educational attainment and improving nutrition and health outcomes based on the experience of other countries who have implemented the CCT. One of the problems in the educational system that the 4Ps is expected to impact is increasing dropout rates. The CCT programs in other countries have been successful in achieving higher enrolment rates.

⁴ An ADB project document obtained online from <http://www.adb.org/Documents/RRPs/PHI/43407/43407-01-phi-ea.pdf>

Meanwhile, the 4Ps is expected to increase utilization of health services among the poor as the additional cash they receive will help cover costs; and improve nutritional status of children through increased household income and various counselling and monitoring components of the 4Ps.

Among other broader potential benefits of the 4Ps include magnified multiplier effect of the cash flow on the local economy knowing that these were paid to women who are believed to typically invest more on education and health care; increased financial literacy of the poor which in turn can enhance their savings behaviour; and increased bargaining power within the household (ADB, n.d.).

To date, there has been no rigorous evaluation of the 4Ps.

A simple before-and-after comparison of the growth rate in school enrolment was done by Manasan (2011) for Set 1 areas of the 4Ps. The result provides some indication of the 4Ps' success in improving school attendance though this is yet to be confirmed using more rigorous analyses. The paper shows that the growth rate of enrolment in 2008-2010 is significantly higher for both public elementary and secondary levels than that during the pre-4Ps period. This was observed from Set 1 areas of the 4Ps outside of National Capital Region (NCR) and ARMM. Set 1 refers to the first phase of 4Ps expansion completed in end of 2008 covering 160 municipalities. The rise in the enrolment growth rate is higher for elementary than for the secondary level. Gross enrolment rate also improved in the said areas. It is noteworthy that said education indicators improved for Set 1 areas in the ARMM both in elementary and secondary levels albeit, delayed for the elementary level. Meanwhile, improvements were not seen for Set 1 areas in NCR and this as Manasan (2011) mentioned needs further investigation.

In an overview of the 4Ps by Fernandez and Olfindo (2011), it was noted that this program was successfully rolled out to the poorest households. In particular, the DSWD and partner agencies had successfully implemented the pilot program and established the targeting system necessary for expansion. The authors also marked that the targeting system based on the PMT has produced good results as about 90 percent of the beneficiaries belong to the bottom 40 percent of the population and 72 percent belong to the poorest 20 percent. They also presented an anecdotal evidence that the net education enrolment rates of children in the targeted households have risen while the number of children who have availed of the health services has also increased. According to Fernandez and Olfindo (2011), an impact evaluation of the 4Ps was scheduled in 2011, the results of which are not yet released to the public as of publication time of this paper.

Fernandez and Olfindo (2011) noted key challenges in the implementation of the 4Ps. Due to the complexity of the administrative processes involved in implementing a CCT program, the DSWD faced challenges in terms of available resources for the program such as personnel, equipment, and financial resources. These challenges were exacerbated by the rapid scaling up of

the program which happened when the systems were still being developed. The study likewise noted that the "rigid institutional structure and weak procurement system" were constraints in the expansion of the program's human and capital resources. For instance, the staffing for the national PMO was only 69 percent of the positions needed by end of 2010 and that for the regional PMO, only 74 percent of the approved positions. Delays in implementation was also caused by weak procurement system of the DSWD which hampered the necessary IT systems in the regions. Moreover, key challenges involved the supply-side preparedness of the target areas. Because the program has been scaled-up in a rapid pace, some municipalities with a high concentration of the poor with inadequate education and health facilities have been included in the program. Spot check surveys conducted by the AusAID and World Bank found poor state of day care centers and school infrastructure; and lack of teachers in the schools of children of beneficiaries. This lack of facilities has a major implication for beneficiary compliance with conditionalities.

Design and Implementation Issues

Since its inception, the 4Ps has been the subject of many praises and criticisms. It has been hailed as a program to help fulfill the country's commitment to meet five of the eight Millennium Development Goals, namely: (1) eradicate extreme poverty and hunger, (2) achieve universal primary education, (3) promote gender equality, (4) reduce child mortality, and (5) improve maternal health. On the other hand, some have questioned whether this is the most effective and sustainable way of reducing poverty.

Targeting

One of the main issues being raised concerns targeting, or selection of beneficiaries. Various reports on the status of the 4Ps focus on its poor targeting as the DSWD delists many of its target beneficiaries. In fact, as of November 2011, there were already 171,947 households⁵ (or 7.5% of total 2.3 million household beneficiaries the program has served so far) who were delisted from the program. The delisted households included those who were found to be non-poor or those with stable income sources and those who did not comply with the program's conditions.

In addition, the National Household Targeting System for Poverty Reduction (NHTS-PR), from which the 4Ps draws its list of poor households, shows that there were 5.2 million poor families in 2009. However, this has not successfully predicted the official poverty estimate in 2009 of 4.9 million poor families, based on the old methodology of poverty estimation, nor the 3.9 million poor families based on the refined methodology. The proxy means test model of NHTS-PR) is overestimating the number of poor families. Already we can see the leakages as

⁵ <http://pantawid.dswd.gov.ph/index.php/news/279-dswd-clarifies-coa-report>

shown by the number of families delisted. A study done by Fernandez and Olfindo (2011) using the 2009 FIES reveals that 72 percent of the beneficiaries in 2009 below to the bottom 20 percent of the families. Official estimate of poverty incidence for the same year is 20.9 percent. Thus, about 73 percent of the beneficiaries can be classified as poor. For every 100 beneficiaries, 73 are poor and 27 are non-poor. This suggests the need to fine-tune the program's targeting scheme prior to further expansion.

To create a benchmark for assessing the targeting outcome of the 4Ps, the Bolsa Familia was a good example of a well-targeted program where the poorest quartile (25%) of the population received 80% of all benefits. The leakage rate therefore was only about one-fifth (Lindert, Linder, Hobbs, and de la Briere, 2007). Meanwhile, then Progresas, was more successful in identifying the extremely poor households within localities than in selecting households that are moderately poor (Skoufias, Davis, and Behrman 1999). Coady and Parker (2004) in Azevedo and Robles (n.d., p.7), in a quantitative analysis, obtained a leakage rate of 22 percent for the Oportunidades. Because of effective targeting, the Bolsa Familia and Oportunidades was able to successfully reduce inequality (Soares, Osorio, Soares, Medeiros, and Zepeda (2007), p.11).

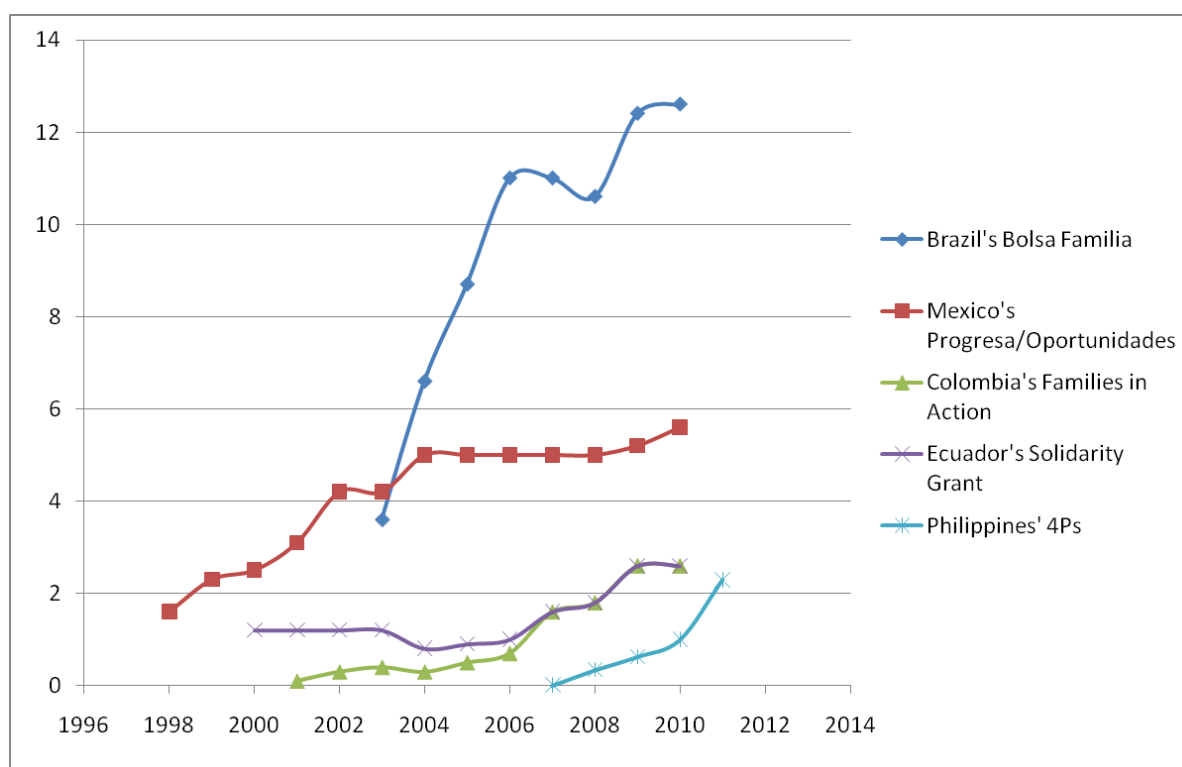


Figure 2. Number of beneficiary households of selected CCT programs

More importantly, the 4Ps failed to account as well that the poor is not a homogeneous group nor has targeted the extremely poor which is by official definition may refer to the food

poor (those living below subsistence level). In 2009, there are about 2 million families considered to be subsistence poor or those who are extremely poor they could not even afford to meet their basic food needs. This amounts to roughly only more than a third of the current total number of poor households, at 5.2 million, being used by the 4Ps as its universe of poor households. In the Bolsa Familia of Brazil, the difference in the conditions of the poor has been taken into account when they differentiated the amount of transfer given to the extremely poor and the moderately poor. In Soares, Osorio, Soares, Medeiros, and Zepeda (2007), the maximum amount of transfer in the Bolsa Familia to a family of extreme poverty is roughly \$91 PPP per month for each family while the moderately poor receives up to only \$42 PPP.

Moreover, the poor consists of the chronically or persistently poor and the transient poor or those who become poor because of certain shocks. In fact, more than half (52.6%) of Filipino families who are classified as poor in 2009 were transient poor. These are households who are moving in and out of poverty. Only 47.4 percent of poor households in 2009 were consistently poor since 2003 (Reyes, et al., 2011). These two groups have varying characteristics. The chronic poor face constraints that are caused by their lack of capacity; they are mostly uneducated and are more likely to perpetuate poverty (i.e. intergenerational poverty) because they could not send their children to school. Poverty reduction intervention for this group takes sustained efforts. The transient poor meanwhile are those who become poor during certain periods due to economic shocks or natural calamities but may be able to recover when given crop insurance, access to credit or emergency employment programs. They have better capacity than the chronic poor and their needs may be intermittent. The CCT program, as we know it, normally caters to the chronic poor or the extremely poor, as. In the targeting scheme of the 4Ps however, such heterogeneity of the poor was not taken into consideration.

Size of the cash transfer

In providing cash grants, programs also need to account for the distance of the poor from the poverty line to ensure that the amount is of value that would yield an impact. On the average, the chronic poor's income has to be augmented by around 5000 pesos per person annually (or about 32% of the poverty threshold) to meet the poverty line based on 2009 income data of the chronic poor and 2009 poverty line. This amount represents the income gap of the chronic poor from the poverty line. The 4Ps provide poor families of five members a maximum amount of 15,000 pesos annually (assuming that they have 3 eligible children) or 3,000 per person. With this amount, only around a quarter of the chronic poor (26%) are able to get out of poverty assuming they do not get exposed to significant economic shocks. Meanwhile, the income of the transient poor has to be augmented by around 3,400 pesos per person annually. Given the actual per capita income of the transient poor in 2009, the 4Ps cash grant can lift only about half of the transient poor out of income poverty.

Based on the full survey data of the 2009 FIES, the income of the poor, be it chronic or transient, have to be augmented an average amount of 4,300 pesos for them to get out of poverty. If we employ the cash grant to the poor, assuming that they were targeted successfully, the program is able to lift only 39 percent of those poor in 2009.

Experiences of other countries

The experiences of other countries show that the CCT can indeed bring about good results. Various studies on the impact of CCT programs in many countries show that there have been improvements in terms of the immediate goals like better access to schools and health services. However, there were no conclusive reports on learning or health and nutritional status of children. Increases in enrolment due to CCT were noted in Mexico's Progresa, PATH in Jamaica, Solidarity program in Dominican Republic, Tekopora programme in Paraguay (Cecchini and Madariaga, 2011 citing various studies). Other effects include eradication of the gender gaps in enrolment and reduction of dropout rates but these were specific on areas, ages, and school levels.

In terms of the health and nutrition aspects, the CCTs resulted to increased coverage for children growth checks and preventive medical tests. However, the impact on children's health and nutritional status is uneven. The Progresa in Mexico and RPS in Nicaragua yielded improvements in child height while PRAF in Honduras and BA in Brazil had no meaningful impact on preschool nutritional status (Hoddinott and Bassett, 2008). In many cases, these positive impacts both on education and health were specific on areas, ages, and school levels (for education impacts).⁶

Because the cash transfers tend to focus on the poorest groups and are not large in terms of amount, the impact on poverty at the aggregate level is visible mostly on poverty gap and severity indicators. The transfers therefore can only raise the poor's status closer to the threshold. Countries like Argentina, Brazil, Ecuador, Jamaica, and Mexico where there is considerable scope of the CCT and the amount of the cash grants are significant experienced positive effects on poverty at the national level. For those where there is low coverage and lower transfer amounts (like Honduras), there is no substantial impact on poverty. This is also the case for impacts of the CCT on income distribution. Countries which have substantial transfer amounts like those of Mexico and Brazil were able to reduce inequality more significantly while that for Chile where the amount of transfer was low, the effect on inequality has been very modest (Soares, Osorio, Soares, Medeiros, and Zepeda, 2007).

⁶There were methodological issues thrown at the manners by which the studies have been undertaken. A study by Younger, Ponce, and Hidalgo (2009) on assessments on the Progresa and Oportunidades noted by Cecchini and Madariaga showed that changing the source of information, measurement period or methods used in these assessments radically altered the results.

The CCT programmes have been fairly successful in upper middle-income countries like Brazil and Mexico, but this does not mean that it can work in all countries. Several low-income countries which have adopted the model like Guatemala, Honduras and Nicaragua have faced immense challenges in implementing CCT programmes because they did not meet the necessary prerequisites (Cecchini, 2009). The first requirement is that there has to be a multidimensional approach to poverty reduction, hence demanding coordination among all agencies implementing poverty reduction efforts. Therefore, strong and coordinated institutions are critical. Second, it has to be a state policy wherein the programme can withstand changes in administrations and funding must not rely from external sources for the programme needs to be sustained for a long period of time. Third, there has to be strong statistical capacity and banking systems. Such important prerequisites are often lacking in low-income countries (Cecchini, 2009).

Another important requirement to achieve successful results from the CCT is that imposing conditions should mean that the necessary services are in fact in place and that they are of good quality. For instance, providing some cash to families on the condition that their children attend school or do health check-ups is inappropriate in areas where there are no school or accessible health centers nearby to go to. Thus, CCT funds should not only be devoted to stimulating demand for social services but also by increasing the supply of social services like education and health services to meet the increasing demands.

In 2008, when the Philippines launched nationwide the CCT, there were still great shortages in classrooms and school teachers and various issues still plague the health sector. In 2011, the supply side allocations for the 4Ps include 12.4 billion pesos for building classrooms and 1.6 billion pesos for the creation of 10,000 teaching positions. The government also allocated 7.1 billion pesos for upgrading of health facilities (NAPC Part 1, 2011). Hence, the government realizes the importance of supply-side factors to achieve the goals of the 4Ps. Thus, it would have been better to put in place these facilities prior to rather than concurrently with the expansion of the program. Hence, the lack of preparedness towards full implementation of the CCT was truly one of the critical issues. Moreover, in 2011, the NAPC writes that there were so many uncoordinated and overlapping poverty-reduction-related programs reflecting the lack of coordinative mechanisms among various agencies.

Apparently, the Philippines lack preparedness based on the requirements described in Cecchini (2009). Fernandez and Olfindo (2011) noted that the program was scaled up when the systems were still under development and this posed considerable challenges in the implementation. In particular, the study noted that the rigid institutional structure and weak procurement system have constrained the expansion of human and capital support for the Pantawid Pamilya. Furthermore, the study highlighted that the rapid expansion has also posed challenges to supply-side readiness in areas where Pantawid Pamilya were implemented. There are several questions that need answers. Why the rush in implementing the program at such an

unprecedented pace? How long can we sustain such a huge amount of spending in order for the program to have an impact of the poor's lives? Based on other countries' experiences, the CCT should be backed by a state policy so that funding need not rely on external sources as it needs to be sustained for a long time. How much more should we borrow to finance a program this big a scale? Is there any more fiscal space in which we can accommodate this given the already tight budget that we have?

Recommendations

The conditional cash transfer program, the 4Ps, is in its fifth year. The current size of the 4Ps is already significant with 2.3 million family beneficiaries, given that the number of poor families is 3.9 million. Before further scaling up, it is essential to assess the implementation of the *Pantawid Pamilya Pilipino Program* (4Ps) and address the concerns about the program to ensure that the extremely poor experience the maximum benefits from the program. The same was suggested by Llanto (2008). He noted that it is important to establish empirical evidence that the 4Ps program impacts human capital outcomes before contemplating any rapid expansion. The 4Ps being implemented on a phased model allows for this generation of empirical evidence to test crucial program components such as targeting and monitoring system.

More importantly, it should reconsider how it identifies the extremely poor. Targeting the chronic poor would provide better focus to the program. Moreover, to properly identify the extremely poor, one needs to utilize more than one reference period to account for the movements in and out of poverty. Data show that majority of the poor in 2009 are transient poor, only 47 percent are considered chronic poor (Reyes, et.al. 2011). This important information was extracted using longitudinal data obtained from tracking the same households for several years. The finding evidently shows that targeting the poor based on a single reference period and treating them as if they are all the same would be too narrow a strategy that will not tackle poverty successfully. Programs have to be designed to comprehensively take into account the differences among the needs of different segments of the poor.

Moreover, it might be good to review the strategy of covering selected barangays in some of the municipalities. Limiting coverage to "pockets of poverty" in areas where poverty incidence is high based on 2003 small area estimates may lead to significant exclusion. Only 25 percent, or 404 municipalities and cities, have poverty incidence greater than or equal to 50 percent. The rest, representing 3 out of every 4 municipality and city, have poverty incidence less than 50 percent. Limiting survey area to "poorest municipalities" to reduce data collection costs may not be the most appropriate way since this will lead to exclusion of some of the extremely poor. Other options such as using CBMS data already collected by the local government units or partnering with local government units in implementing CBMS may be a

more practical solution. This would not only avoid duplication of efforts and wastage of resources, but it would also encourage greater buy-in by the local governments in national programs.

The first batch of beneficiaries will be reaching its fifth year in 2012. It would be timely to assess the impacts of the program by examining the situation of this group of families and whether 4Ps has indeed improved the health, education, nutrition and poverty outcomes of these families. Moreover, it would be good to see whether the exit policy of the program (the beneficiary can only participate in the program by at most 5 years) is feasible,

It would also be helpful if the NHTS updates its proxy means test model for its targeting system by using the most recent Family Income and Expenditure Survey data and adopting the revised estimates of poverty thresholds. This would likely address the seemingly too large number of eligible beneficiaries being identified by the current system.

It is also important to evaluate how effective the program is in terms of the amount of the grant. Is the size enough to encourage the children to remain in school? Do we see evidence of reduced participation in the labor force because of the transfer?

To conclude, it is critical that an impact monitoring and evaluation be done at this stage to improve the mechanisms of identifying the beneficiaries to minimize leakages and exclusion, address loopholes in the system to avoid wastage of scarce resources, and address the supply-side deficiencies. The 4Ps is such an important and expensive program and going on hastily with further expansion with all these concerns is the last thing a poverty-stricken, budget-constrained, and highly indebted country like the Philippines should be doing.

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