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## Pantawid Pamilya Pilipino Program: Boon or bane?

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

## *Pantawid Pamilya Pilipino Program: Boon or Bane?*

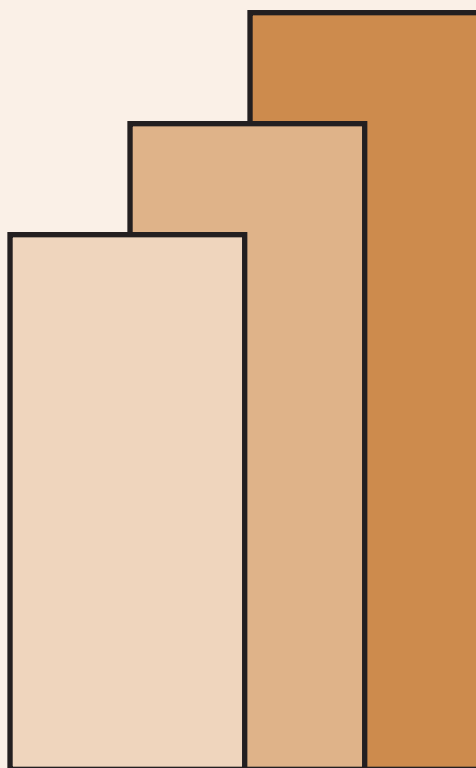
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## ***Pantawid Pamilya Pilipino Program: Boon or Bane?***

Aniceto Orbeta and Vicente Paqueo

### **Abstract**

The Pantawid Pamilyang Pilipino Program has been much maligned and dismissed as a “dole out” program. Critics have focused on the fact that it provides cash grants directly to poor families, believing it would promote the culture of mendicancy and dependence. Others believe that the grants would just be wasted on vices (perhaps alcohol, cigarettes, even drugs) instead of human capital formation (education and health of the children). Stereotyping of the poor prevented society from providing meaningful support in the past by refusing to understand their situation. It turns out that both of these have been proven unfounded by rigorous program evaluations, showed no impact on work effort of beneficiaries nor on expenditure on vice goods. In addition, data shows that the poor do respond correctly to incentives of highlighting the importance of investing in the human capital of their children even if returns from such investments are farther away than what usually is their immediate concern. Given the evidence, should we not let Pantawid Pamilya provide us a more nuanced view about the poor that is empirically based so that we can be more effective in assisting them?

### **Introduction**

What about the poor? This is the question looming in the minds of many ordinary Filipinos when presented with facts about the Philippines' feat as one of the fastest growing economies in the world. The idea that the country is becoming richer while the poor remains poor, if not poorer, is unfathomable for many. This is a valid concern as millions of Filipinos are prevented from living healthy and dignified lives due to poverty. The reality is, the poor suffer from many things: hunger, malnutrition, untreated illnesses, and premature deaths. More so, they suffer from lack of education and competencies needed to earn decent incomes. Worse, those economic disadvantages are likely to be transferred from parents to children.

No doubt, the poor needs help. Ironically, when the government extended help in the form of conditional cash transfer (CCT) or locally known as *Pantawid Pamilya Pilipino Program (4Ps)*, critics called out the government. Some, those from the militant left and their allies, even openly opposed the program by condemning the government of creating a culture of dependency.

Despite this opposition, *Pantawid* has become a highly popular program. According to a 2015 Social Weather Station (SWS) survey, four out of five Filipinos (beneficiaries and non-beneficiaries alike) now support the *Pantawid* program.<sup>1</sup> The survey even reports that those who support the program would “probably vote for” a Presidential candidate who will continue it. In addition, *Pantawid* has evolved into a well-regarded program with international development partners like the World Bank and the Asian Development Bank considering *Pantawid* as one of the best conditional cash transfer (CCT)

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<sup>1</sup> Antonio, R. 2016. *4 of 5 Filipino will vote for 4Ps bet, says survey*. Inquirer Research. Posted march 6, 2016. <http://newsinfo.inquirer.net/771110/4-of-5-filipino-will-vote-for-4ps-bet-says-survey#ixzz42SWwyMPT>

programs in the world.<sup>2</sup> But popularity does not necessarily mean that the program has a lasting impact on the welfare of the poor.

For decades, government programs that were supposed to help the poor, especially those in far-flung areas, failed to reach them. And if they did, they were often ineffective or inadequate. As they became hopeless and disaffected with the government, many were driven to participate in political destabilization, armed rebellion and other forms of violence. Arguably, such participation was motivated by a desire to bring about a brighter future for their children, if not for their own selves.

Wanting a better approach to social assistance, the Administration of President Gloria Macapagal Arroyo developed *Pantawid Pamilya Pilipino Program (4Ps)*, which was tried as a pilot project in a few locations in 2008. Recognizing its potential, President Benigno Aquino III started a massive expansion of the program in 2010, along with a series of measures strengthening its governance and management.

CCT is an innovative social assistance program that has been shown in Latin American to be an effective way of helping the poor and its children. But not everyone agrees about the effectiveness of *Pantawid* in the Philippines. The militant left, their political allies and some influential members of the traditional elite have been unrelenting in their opposition against *Pantawid Pamilya*. For various reasons (discussed below), they have been calling for its abolition or de-funding.

But really, how helpful actually is *Pantawid* program to the poor -- and to the country as a whole? How solid are the critic's arguments and evidence for their claim that the program should be de-funded or abolished due to its alleged weaknesses and detrimental unintended consequences? What lessons can the new government learn from the experience of *Pantawid*? By laying out the core ideas of *Pantawid Pamilya* while giving due consideration to the critics' arguments against the program, we examine the available evidence and analyze the implication. If the goal is to advance social protection alongside economic reforms, we ask: is *Pantawid Pamilya* useful or wasteful?

### **Poverty and the challenge of social protection.**

The Philippines need to reduce its poverty rate more rapidly and more deeply than what has been achieved so far. The reduction, as widely agreed, is best done through transformative changes in the economy to ensure sustainability. Undoubtedly, there is wisdom in these views.

But, achieving those transformational changes to achieve the desired objective has not been easy. Despite economic reforms that had been taken after Marcos dictatorship, the Philippines continue to struggle in bringing about needed reforms. It will take many more years of struggle to successfully push additional reforms and for these to bear fruit. Entrenched political and ideological forces against needed reforms are quite difficult impediments to overcome.

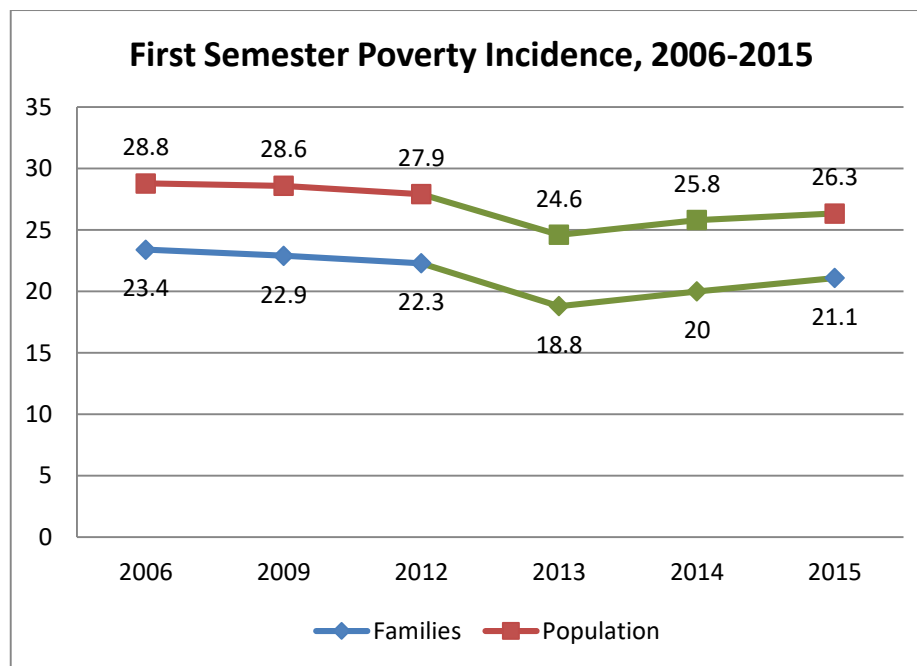
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<sup>2</sup> World Bank. 2015. *PHILIPPINES: CCT Proven to Keep Poor Children Healthy and in School* – World Bank. Posted online September 23, 2015. <http://www.worldbank.org/en/news/press-release/2015/09/23/philippines-cct-proven-to-keep-poor-children-healthy-and-in-school>;

Schelzig, K. 2015. *Pantawid Pamilya: Money for nothing?* Asian Development Blog. Posted February 19, 2015. <http://blogs.adb.org/blog/pantawid-pamilya-money-nothing>

Such difficulty in overcoming poverty is evident in the number of poor since 1991 (Figure 1). The Philippine government defines a household as poor, if its income is less than the poverty line - the amount it needs to buy food and necessities for its subsistence. Even after decades of political promises and economic planning, the rate of poverty incidence among Filipino households has remained persistently high at 26.3 percent in 2015.<sup>3</sup> In fact, the total number of poor people has risen from 22.6 million in 2006 to 26.6 million in 2015.<sup>4</sup> More disconcerting, the incidence rate of poverty remains stubbornly high<sup>5</sup> even after five years of relatively high GDP growth under *Daang Matuwid*

Figure 1. Philippine Poverty Incidence 2006-2015 (%)



Source: Philippine Statistical Authority (PSA)

Given the above information, we can say that the Philippines is consistent in two things: first, positive economic growth; second, and rather sadly, high number of poor people. It would be a cruel policy not to immediately improve the country's social assistance, when it can, to prevent the worst

<sup>3</sup> This was after declining to 24.6 percent in 2013.

<sup>4</sup> The rise in total number of poor people from 2006 to 2015 was attributed to rapid population growth and slow decline in the poverty rate

<sup>5</sup> This, however, declined by 2.3 percent only for the years 2009-2015.

consequences of poverty. Indeed, there is an immediate need for a robust social assistance program. The same program should also raise poor people's chances of eventually moving out from poverty in the long run so that poor children will have a chance for a better future. Clearly, inaction from the part of government would be unwise and could forego great economic payoffs.

That there are significant economic returns to effectively reducing the worst consequences of poverty can be inferred from available research findings. There is ample research that shows that investments in early life have long-lasting effects. Childhood health have great influence on health and economic status through life<sup>6</sup>. Many of the interventions, such as immunization, are effective only if administered at the right period (before age 1). Similarly, education at early ages explain a great deal of education attainment, probability of employment, and earnings in adulthood<sup>7</sup>. In addition, children in disadvantaged environments are more likely to commit crime, have out-of-wedlock births and drop out of school<sup>8</sup>.

### **The objective and strategy of Pantawid.**

Recognizing the importance of providing immediate help to the poor, the Government adopted an innovative social assistance program targeted at eligible poor households. The objective of the program is to immediately ease poor families' pain of deprivation and simultaneously enable and motivate them to raise the education, health and nutrition status of their children. With increased human capital, these children would have a better chance of escaping poverty in the long run.

Co-responsibility and social contract approach. With this objective in mind, the Government designed *Pantawid Pamilya* to assist the poor by providing them conditional cash transfers (CCT). Unlike conventional social assistance, those grants are provided in exchange for certain actions (called “conditionalities”) that beneficiaries must comply with.

The implication of conditioning the grants on certain household actions means that beneficiaries must pay a certain price to continue receiving *Pantawid* grants. The price comes in the form of household time, money and effort spent in ensuring that children are present in school and that they get basic health care. The cost of educating children includes expenses for transportation, uniforms, school fees, and educational materials as well as the opportunity cost of the time children and parents spent in meeting the conditions of the grants.

CCTs usually link those conditions to specific behavior, output or outcome that the government wants to change. In the Philippines, they are linked to education, health and nutrition indicators because they have been lagging with the Millenium Development Goals (MDGs). Specifically, *Pantawid Pamilya* condition on school grants include children's school enrolment and class attendance rate of at least 85%. For health grants, the conditions are regular health clinic visits for immunization, growth

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<sup>6</sup> Case, A. & Paxson, C. (2010), 'Causes and consequences of early-life health', *Demography* 47(1), S65--S85.

<sup>7</sup> Almond, D. & Currie, J. (2011), 'Human Capital Development Before Age Five', in *Handbook of Labor Economics*, Ashenfelter and Card (eds.)

<sup>8</sup> Heckman, J. J. & Masterov, D. V. (2007), 'The Productivity Argument for Investing in Young Children', *Applied Economic Perspectives and Policy* 29(3), 446-493.

monitoring, and other basic health services. Interestingly, the *Pantawid* also requires parents to attend Family Development Sessions (FDS). In these sessions, beneficiaries discuss and learn about family planning, development of good family relationships, livelihood, good citizenship, health education, financial literacy, children education and other family issues. See Appendix 1 for details of the *Pantawid* grants and conditions.

One way of looking at the “quid pro quo” or “exchange deal” requirement of *Pantawid* is that it is a social contract between the government and the beneficiary household. This contract reflects the belief that the education, health and nutrition of children are their “co-responsibility”. It is with this philosophy in mind that the government provides through the *Pantawid Program* cash grants to eligible households with young children.

Initially, the program included only 0-14 year olds. After five years of program implementation, eligibility for the education grant was extended to include 0-18 year olds.<sup>9</sup> Government decided to adopt the extension to help poor children complete high school education, a deemed smart decision in view of the high economic return to secondary education. Paqueo, Orbeta, Castaneda, & Spohr (2013) estimates a rate of return of 22.5 percent to secondary education.

The social contract approach to social assistance was inspired by the CCT programs of Mexico (Oportunidades), Brazil (Bolsa Familia) and Colombia (Familias en Accion), pioneers in the development and implementation of large scale CCT programs. The Philippine emulation of those programs made sense, since the Philippines and the above-mentioned Latin American countries have had similar problems with conventional social assistance programs.

In the Philippines, price subsidy and feeding programs are just two examples of social protection programs implemented by the government to help the poor afford basic necessities. However, the NFA rice price subsidy program was found to be the least effective program in reaching the poor while encompassing a bulk of national government spending.<sup>10</sup> Other programs, such as feeding programs, social security systems and social health insurance schemes, were also found to be problematic in the country. Numerous feeding programs in the Philippines (e.g., Food-for-School Program, school feeding programs, and 4Ps) overlapped with one another, while SSS, GSIS and PhilHealth provided low coverage of poor households especially in the informal sector.<sup>11</sup>

Demand-side emphasis. Until the introduction of CCT, social assistance programs were mostly limited to beefing up the supply of health, nutrition and education services. What the government did was to improve the supply of these services to help the poor. This was done by allocating more public funds for hiring additional teachers and health personnel, increasing the number of school places and health clinics, and purchasing of food stuff for feeding programs.

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<sup>9</sup> For a discussion of the rationale for the extension of *Pantawid* benefits, see Paqueo, Orbeta, etc (2013), “After five years, what next?”, PIDS Discussion Paper No. 2013-41

<sup>10</sup> Manasan, R. (2009) “Reforming Social Protection Policy: Responding to the Global Financial Crisis and Beyond” PIDS Discussion Paper Series No. 2009-22

<sup>11</sup> Ibid.

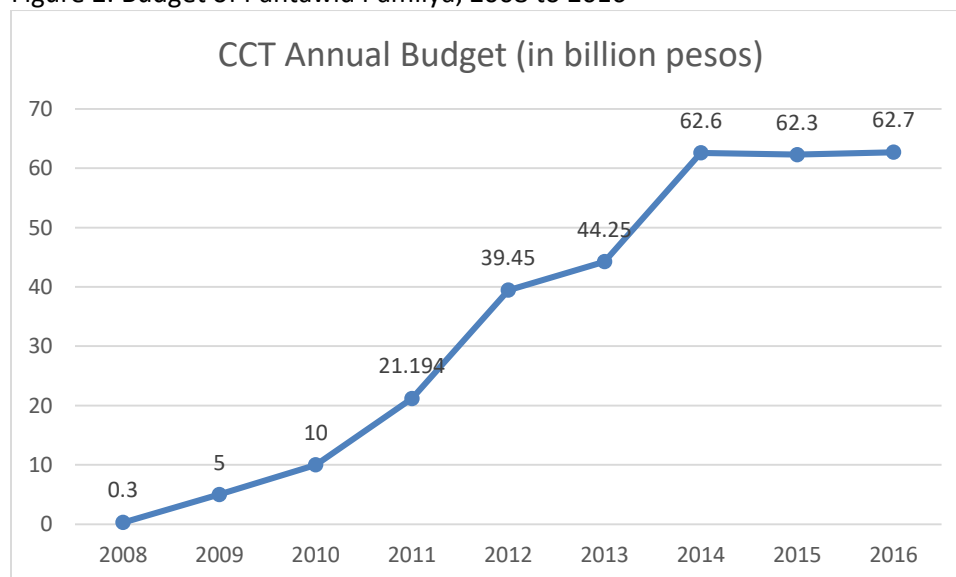
A common problem with the traditional supply side approach to social assistance is that the allocated resources often do not translate into actual benefits received by their intended beneficiaries. One reason is that households are too poor to send their children to school or for mothers and their young children to get basic health care. To address this issue, *Pantawid Pamilya* seeks to re-balance social assistance towards interventions that would enable and motivate households to keep their children in school and bring them to clinics for basic health and nutrition services. With this program focus, analysts have labeled *Pantawid* and other CCTs as “demand side” interventions, because their assistance is directed at boosting the households’ demand for improvements in children’s education, health and nutrition (EHN).<sup>12</sup>

Appendix 1 discusses other defining characteristics of *Pantawid Pamilya* versus traditional social assistance programs. These characteristics include targeting and selection of beneficiaries, use of cash instead of in-kind assistance, the institution of good governance and management practices, and modern banking and technology support.

Expansion of coverage and costs. The Pantawid Program started with 284 thousand beneficiary households in 2008. By 2015, beneficiaries reached 4.1 million households. In terms of population, the number of beneficiaries rose from 662 thousand children aged 0-18 years old in 2008 to 10.2 million in 2015. Today, the program covers about 79% of poor households whose income is less than the amount needed to basic necessities.

To support the rapid and massive expansion of beneficiary coverage, the government allocated huge increases in the budget of *Pantawid*.

Figure 2. Budget of Pantawid Pamilya, 2008 to 2016



Source: Department of Social Welfare Development (DSWD)

<sup>12</sup> The use of demand-driven strategies for development is an old idea in economics. Its rationale has been well articulated by Albert Hirschman (1958).



The increase in budget allocation (Figure 2) for *Pantawid* allowed the Philippines to align its social protection spending closer to the practices of its peers. In 2009, social protection spending (the sum of social assistance and social insurance) was only a small 2.3 percent of GDP. By 2013, it stood at 3.4 percent or more, which is closer to the social protection spending of East Asia and the Pacific (3.5 percent) and of Latin America and the Caribbean (5.1 percent). So, although there was a large expansion in social protection (SP) spending due largely to increased *Pantawid* expenditure, SP expenditure remains within international norms.

However, despite advances in social assistance, the 2015 Family Income and Expenditure Survey (FIES) shows that there remains a considerable gap between the average household income of the poor and the poverty threshold. The gap is estimated to be 135.6 billion pesos<sup>13</sup> in 2015. This is the amount of transfer needed annually to bring the income of all poor households to the level of the poverty threshold. Despite large increases in *Pantawid* budget, therefore, the financial challenge of helping the poor close the gap between their income and the poverty line remain substantial.

### **Skepticism, criticism, and opposition.**

Not everybody believes in the social and economic value of investing massive amounts of public resources in *Pantawid Pamilya*.<sup>14</sup> Some vocal and influential segments of the population claim that CCT have detrimental unintended consequences. Others are skeptical of the program's effectiveness. This is especially evident during the years immediately following former President Aquino's decision to massively expand the program's budget. The opposition includes militant activists and ideologues, partisan political opponents of the President, and some well-meaning religious leaders. Although the opposition seems to have weakened recently, the militant left and their allies in Congress as well as some members of the Philippine elite continue to call for *Pantawid's* abolition or diminution of its budget.

Palliative, unsustainable and government dole-out - these are the common criticisms of *Pantawid*. Critics argue that the program's palliative characteristic is because it does not have long lasting effects against poverty. Moreover, it has been criticized as unsustainable because the assistance generates neither income nor transformative changes in the structure of the economy. Worse, branding the *Pantawid* as government dole-out, critics claim that the program leads to a culture of government dependency, mendicancy, and laziness. In their view, the huge amount of resources spent on *Pantawid* would be better spent on job creation and training that would "teach the poor how to fish". The next section discusses the evidence on those claims.

Critics also object to the idea of giving cash directly to target poor households and giving them discretion on how best to spend cash assistance. They are concerned that the poor would waste their

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<sup>13</sup> Based on the 2015 PSA estimates of transfer needed to bring the poor family of five out of poverty at 2,650.7 pesos per month. With the population estimate of 100.981 million means there about 20.196 households at 5 members each or 4.261 million poor households.

<sup>14</sup> Manila Bulletin. 2014. *Solons Slam 'Anomalous' 4ps Dole-Out to Poor*. Posted August 11, 2014.

<http://www.mb.com.ph/solons-slam-anomalous-4ps-dole-out-to-poor/>

Ellao, J. 2010. *Critics Slam 'Conditional Cash Transfer Program' as Unsustainable, Corruption-Prone*. Posted October 23, 2010. <http://bulatlat.com/main/2010/10/23/critics-slam-conditional-cash-transfer-program-as-unsustainable-corruption-prone/>

cash grants on entertainment, gambling, alcohol and other vices rather than use them on the education and health needs of the children. In short, they doubt that the poor can be trusted to make appropriate expenditure decisions.

Furthermore, they claim that the program benefits will not reach the intended beneficiaries due to alleged leakages due to corruption and failure to accurately target the poor. Critics contend that *Pantawid* is failure because a large percentage of beneficiaries are not the intended poor. They claim that *Pantawid* grants are being used for patronage politics. They specifically alleged that *Pantawid* was used to buy votes for the Administration candidates. This allegation is on top of their skepticism about the technical accuracy of the database, the methodology and its application.

Skeptics also doubt that *Pantawid*'s demand-side strategy would work. To be effective, they argue that school places and health center services must be available to meet increased demand. Or if they are in short supply, markets and local governments should be able to respond to demand pressures. For those critics, their belief is that demand is not a binding constraint.

Obviously, both demand and supply side interventions are necessary to achieve optimal levels of education and health service utilization. At the margins, however, which type of interventions is more effective is an empirical question. It depends on whether the binding constraint in a particular situation is the demand for or the supply of needed services.

On this point, it is not obvious that demand is not a binding constraint. Some studies indicate that large segments of the poor have not enrolled in school or have prematurely dropped out from school because they could not afford the monetary and opportunity cost involved. Similarly, some research findings indicate that many poor people have not received preventive and curative care because they could not afford the expenses of going to health centers. Further, on malnutrition, households arguably do not buy enough nutritious food due to both income constraint and lack of health education. Those observations can be interpreted to mean that the education, health and nutrition of those poor children are effectively demand-constraint. **The point here is that the effectiveness of a social assistance program that is focused on demand-side interventions is an empirical question.** The next section discusses the evidence regarding this issue.

Before moving on to the next section, it is necessary to clarify a couple of points. First, no advocate of *Pantawid* is claiming that it is *panacea* or a substitute for transformative economic reforms. Assertions to the contrary against the program are misleading. Second, it is also disingenuous for militant critics and their allies to call for expansion of jobs instead of *Pantawid*, while advocating policies and regulations that inadvertently encourage capital-intensive production and make job creation difficult.<sup>15</sup>

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<sup>15</sup> Some of the critics of *Pantawid* favor heavy industrialization, directed investments, state owned enterprises, investment restrictions, and labor regulations that make creation of gainful jobs more difficult.

## The evidence of *Pantawid's* performance

The basic evidence of *Pantawid's* performance is given by the two waves of rigorous impact evaluation<sup>16</sup> - one in 2011 (Wave 1) or two years into the program and another in 2014 (Wave 2) or 5 years into the program. The evidence from these two evaluations have shown that the program continues to deliver on its promises like CCT programs in other countries.<sup>17</sup> The results of the two evaluations are summarized below. The results of an independent analysis of the impact of *Pantawid* in conflict is also discussed.

**The Pantawid has kept the children in school.** Wave 1 evaluation found higher proportion of children in pre-school and elementary levels while there is no impact on children 12-17 years old. Wave 2 found significantly higher enrollment among older children 12-15 years old but had found no significant impact on elementary school aged children because enrollment rate is already near universal at 98 percent.

An interesting result is found on child labor. The evaluations have shown that ***Pantawid* has decreased the time spent on paid work for children although it has not significantly decreased the incidence of child labor.** This indicates that while the program has reduced the time spent on paid work of children, the grants are insufficient to significantly decrease the number of children still engage in paid work.

**It has improved access to essential health services even though its higher level impact is mixed perhaps because of supply side issues.** More children were under growth monitoring, received deworming pills and received vitamin A and iron supplementation. More mothers received ante-natal and post-natal care and received these in health facilities done by health professionals. Nutrition impact, however, have either mixed or no significant difference.

The evaluations also showed **increased household expenditure on education as well as expenditure on clothing.** There are no impacts on total expenditure and expenditures on food. Although another study has shown that there are positive impacts on levels of food expenditures and carbohydrate foods and for the bottom 20 percent there are positive impacts on total and food expenditures and may more specific expenditure items.<sup>18</sup> One explanation for these tentative effects in the aggregate expenditures while having significant effects on specific components is that the grants maybe too little to create significant impacts on aggregate expenditures even if it shows significant impact on specific expenditures.

As mentioned, one of the criticism of *Pantawid* is that it will fund increased expenditure on **socially undesirable expenditures or vice goods such as alcohol and tobacco and gambling.** The **evaluations have found no evidence on this** as the expenditure on this items are not different from

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<sup>16</sup> DSWD and WB (2012) "Philippines Conditional Cash Transfer Program Impact Evaluation 2012" (Revised April 2014); DSWD and WB (2014) "Keeping children healthy and in school: Evaluating the Pantawid Pamilya Using Regression Discontinuity Design Second Wave Impact Evaluation Results"

<sup>17</sup> Fiszbein et al., 2009; IEG 2011

<sup>18</sup> Tutor, M. (2014) "The impact of the Philippines' conditional transfer program on consumption," The Philippine Review of Economics, L1(1), 117-161.

their counterparts indicating this fear are clearly unfounded. These results are also confirmed by results from other CCT programs.<sup>19</sup>

Another common criticism is that the program will make the beneficiaries dependent on the grants. The strongest evidence on dependency is the lowering of work effort. On this aspect, it has been shown that **adult members of the *Pantawid* households are as industrious as their non-*Pantawid* counterparts** as indicated by all aspects of the labor market outcomes from labor force participation, employment, hours of work and looking for work when unemployed<sup>20</sup>. There is even evidence that among those who are currently employed, more *Pantawid* beneficiaries desire more work compared to their counterparts. Global evidence from different CCT program confirm these results.<sup>21</sup>

Finally, another empirical evidence shows that ***Pantawid* also decreases conflict incidents**<sup>22</sup>. The authors argued that *Pantawid* which targets household directly and disburse aid directly to beneficiaries' account does not create high profile targets to derail the program compared to say infrastructure programs like community driven development programs.

Overall the evaluations have shown that **the poor**, like anybody else, are **rational on the use of their money**. They respond to incentives such as giving importance to socially desirable expenditures like education and health promoted by *Pantawid* which are known to be of little current importance to them because the prospective benefits are too far in the future. Finally, it is also shown that *Pantawid* reduces incidence of conflicts.

### **Conclusion: summary, reflections and caveats.**

Millions of poor beneficiaries are now receiving cash grants due to former President Aquino III's bold decision to implement a massive expansion of a strengthened *Pantawid Pamilya Program*. On balance, the program has had significant beneficial impact on the poor and their children. Through this program, people have clearly felt and seen the helping hand of the state effectively at work, as evidenced by the overwhelming support of beneficiaries and non-beneficiaries alike for the continuation of the program. As mentioned, SWS survey<sup>23</sup> shows that four out of five respondents support the program and have expressed their intention to vote for the Presidential candidate who supports its continuation. This finding suggests that **from the societal point of view the economic benefits from *Pantawid Pamilya* must be worth more than the cost of transferring sixty billion pesos of public**

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<sup>19</sup> Evans and Popova (2014) "Cash Transfers and Temptation Goods: A Review of Global Evidence" World Bank Policy Research Working Paper 6886.

<sup>20</sup> Orbeta, Aniceto Jr., Vicente Paqueo. Chris Spohr. 2013. Does *Pantawid* Foster Dependence or Encourage Work? Evidence from a Randomized Experiment. Paper presented at the 12th National Convention on Statistics, Oct 1-2, 2013, Edsa Shangri-la Hotel; DSWD and WB (2014)

<sup>21</sup> Banerjee et al. (2015) "Debunking the Stereotype of the Lazy Welfare Recipient: Evidence from Cash Transfer Programs Worldwide"

<sup>22</sup> Crost, B.; Felter, J. H. & Johnston, P. B. (2016), 'Conditional cash transfers, civil conflict and insurgent influence: Experimental evidence from the Philippines ', *Journal of Development Economics* **118**, 171 - 182.

<sup>23</sup> The survey was conducted prior to the May 2016 election

**money to the poor.** This conclusion is consistent with the view held by many that at the margin a peso is worth more to the poor than to the non-poor households.

Indeed, *Pantawid Pamilya* is a smart populist program unlike other anti-poverty programs. It helps the poor with their urgent needs, while creating a more hopeful future for their children. This alternative future is being created by helping the children of the poor develop greater capacity to eventually earn income through increased years of education; In addition, the program paves the way for the poor children's development in terms of mental capacity and other physical abilities, qualities associated with good health and nutrition.

The implication of the data presented above is that the program support interventions that would likely reduce the transmission of poverty from parents to children. **Therefore, the abolition or the scaling down of Pantawid would probably have damaging unintended consequences on the present and future welfare of poor children.** Such policy decision would arguably reduce beneficiary children's opportunities for gainful jobs as well as their chances of moving out of poverty, when they become adults. On this point, the opponents of Pantawid have been disingenuous in denying the value of preparing children for productive employment. Their use of the adage about "teaching people how to fish instead of providing dole outs" is misleading to advocate reallocation of *Pantawid* budget to some unspecified job creation program.

Specific conclusions. In relation to the general conclusion above, we highlight the following specific findings. First, the critics' concern that *Pantawid* cash grants would just increase expenditures on vices, undermine work ethics and encourage a culture of mendicancy is overblown. In fact, impact evaluation does not support the critics' allegations, at least within the parameters of the current design of *Pantawid Pamilya* and other CCT programs outside the Philippines. In this regard, evidence indicates that poor parents spend their resources responsibly. Mere labeling and denigrating the program's conditional grants as dole-outs that parents would just waste on vices instead of children's human capital formation is not a credible argument to support the critics' call for the abolition of *Pantawid Pamilya*.

Second, the critics claim that *Pantawid* is a failure because its benefits are going to beneficiaries above the poverty line is also a gross exaggeration. In fact, 82 percent of the beneficiaries belong to bottom 40 income class and 53 percent are from the bottom 20 income class. In fact, it was also pointed out that *Pantawid* is one of the better targeted CCT programs in the world.<sup>24</sup>

Third, aside from the usual spillover effects of improved education, health and nutrition<sup>25</sup>, evidence indicates that the *Pantawid* grants do lead to less insurgent influence and fewer violent conflicts.<sup>26</sup> The benefits from reduced conflicts, greater social cohesion and improved social order can be

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<sup>24</sup> <http://www.rappler.com/thought-leaders/76723-costs-benefits-pantawid-pamilya>.

<sup>25</sup> Examples of spillover effects due to household failure to get children immunized and educated are faster and wider transmission of certain communicable diseases and lower economic growth due policy distortions arising from public ignorance.

<sup>26</sup> See Crost, Benjamin, Joseph H. Felter and Patrick B. Johnston (2015), "Conditional cash transfers, civil conflict and insurgent influence: Experimental evidence from the Philippines," *Journal of Development Economics*.

viewed as public goods. These benefits provide yet another justification for investing public funds in Pantawid Pamilya.

Caveats. **The generally positive tone of the above summary should not be taken to mean that there is no more room for improvements.** In fact, moving forward, there are important issues that need to be addressed to maintain and enhance the impact of *Pantawid* on the welfare of the poor. We, therefore, end this paper with some **parting thoughts on three important issues**, namely, the mixed findings regarding the impact of the program on outcome indicators, the desirability of raising the amount of grants provided, and the need to adjust the program conditionalities.

On the **mixed effects of *Pantawid***, the impact evaluation section shows that on many output and outcome indicators, the program has had statistically significant impact. On several other indicators, however, the impact of Pantawid appears to be insignificant. Why the program failed to have statistically significant effects on some of the variables is an important question that needs further study. A couple of ideas are proposed for further empirical analysis.

One idea is the possibility that the quantity and quality of supply of education and health services may be the predominant binding constraint instead of the effective demand of households in certain localities. For example, perhaps the reason why Pantawid has not raised the rate of complete immunization of 0-5 year olds may perhaps be due to lack of vaccines in the health centers, when beneficiary children are brought to those facilities for basic health services.

The second idea is that given the relatively small size of the grants, the effects may be too small to be detected, considering sampling and data measurement errors. For example, impact evaluation analysis found that *Pantawid* has had no significant effect on household income, total consumption expenditure and, therefore, current poverty status. The implication of this explanation, if empirically verified, is that bigger amount of cash grants might be needed for Pantawid Pamilya to have a larger and more detectable effect on poverty incidence.

On the size of grants, there are proposals to raise their amounts to enhance the impact of *Pantawid Pamilya*. There is reason to believe that increased amounts would raise the impact of the program. **But providing all beneficiary households bigger grants without piloting it would be risky.** It would be prudent to first know the impact of different alternative grant sizes to determine the optimal affordable grant amounts. Relatively large grants could trigger unintended consequences on work ethics. A reason for why *Pantawid* has not undermined the beneficiary households' work ethics so far is that the cash transfers they are currently receiving are not big enough to enable some adult household members to stop working or to reduce hours of work without lowering household welfare. Much bigger grants, however, can change the household calculus in ways that would lead to the weakening of work ethics and the emergence of dependency on government, as critics have warned.

**On the need to update the grant conditions, there is a need to re-think them.** Given that elementary enrollment rate is already close to one-hundred percent, it makes little sense to continue conditioning the education grants on elementary school enrollment. On this point, the government needs to think of a different education-related indicator on which to condition the grant transfer.

Moreover, the conditions for the health grants should also be re-thought, given that all *Pantawid* households are now covered by PhilHealth. Perhaps, the conditionalities can be adjusted to enable and motivate timely use of PhilHealth benefits by Pantawid beneficiaries. Utilization of PhilHealth benefits by rural households are low, mostly due to the cost of transportation and related expenses for medical check-ups. The challenge in this regard is how to ensure that *Pantawid* beneficiaries are able to opportunely take advantage of their PhilHealth benefits and minimize the effects of ill health.

## **Appendix 1. Additional Details on the Pantawid Pamilya Program Design**

Pantawid grants and conditions. A health grant amounting to Php500 is given to each participating household every month. The household also receives a monthly education grant of Php300 per child for ten months each year.<sup>27</sup> In order to receive these cash grants, all the succeeding conditions must be met<sup>28</sup>:

1. Pregnant women must avail pre- and post-natal care, and be attended during childbirth by a trained professional;
2. Parents or guardians must attend the family development sessions, which include topics on responsible parenting, health, and nutrition;
3. Children aged 0-5 must receive regular preventive health check-ups and vaccines;
4. Children aged 6-14 must receive deworming pills twice a year; and
5. Children-beneficiaries aged 3-18 must enroll in school, and maintain an attendance of at least 85% of class days every month.

Targeting and selection of beneficiaries. In traditional social assistance programs, their benefits are often diverted away from the intended poor beneficiaries. A major cause of this diversion is lack of beneficiary targeting and selection of beneficiaries based on data and transparent rules.

To solve this problem, Pantawid Pamilya selects beneficiaries from a list of households identified as poor by the National Household Targeting System for Poverty Reduction or NHTS-PR. The list was generated on the basis of specific indicators and statistical procedures. A key methodology in this regard is the use of so-called Proxy Means Tests to calculate and compare household income against the official poverty line. This comparison determines the poverty status of a household.

The introduction and use of the NHTS-PR, which has been institutionalized as “Listahanan” (registry) and put under the responsibility of Philippine Statistical Authority, is a landmark in the country’s anti-poverty efforts. Prior to the NHTS-PR, government programs did not have a data-driven system for determining the poverty status of households and identifying their eligibility for program benefits. Without such system, the patronage of politicians and other influential personalities tended to become the predominant basis for the selection of beneficiaries in traditional anti-poverty programs. In Pantawid Pamilya, the targeting and selection processes are highly (albeit, not perfectly) protected against patronage politics.

Cash vs in-kind assistance. Until CCT came along, social assistance was generally provided to beneficiaries in the form of specific commodities like food, medicines and clothing. Often, they were wasted due to spoilage, theft, corruption, “ghost purchases” and high storage and handling costs. With so many layers of bureaucracy involved, assistance provided by traditional interventions often did not reach their intended beneficiaries. Moreover, they frequently were not responsive to their priority needs and specific circumstances of the poor.

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<sup>27</sup> A household may only register a maximum of three children for the program

<sup>28</sup> <http://www.gov.ph/programs/conditional-cash-transfer/>



To address those inefficiencies, Pantawid Pamilya uses cash assistance is directly given to parents through inexpensive and well documented Bank transfers. They can spend the money as they see fit in accordance with their specific needs and circumstances. In this way, remote households can use their education grants to pay for the children's school transportation cost; and those close to schools can use their grants to buy educational materials instead.

Governance, accountability and modern technology. The inefficiency and failure of traditional social assistance programs in reaching the poor is also due to governance and accountability issues. In addition to its core characteristics discussed above, therefore, the Pantawid Pamilya has adopted good governance and management practices supported by modern technology. As in other CCTs, Pantawid has adopted the principle of transparency, clear rules regarding policies and practices, functional and effective accountability mechanisms, and quick corrective measures based on timely feedback. Towards this end, the Government has developed a culture of impact evaluation and monitoring, including independent spot checking. It also instituted computerized systems to support conditionalities compliance verification, payment of benefits, and complaints and grievance redress mechanisms. Pantawid Pamilya are stronger than traditional social assistance programs in regard to those aspects of governance and management.

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