

POLICY BRIEF

Expanding Cash Grant Systems



In the Philippines, targeted cash grants to help poor students finish high school could double their potential income and lift them out of chronic poverty.

Introduction

Over the past 2 decades, conditional cash transfer (CCT) programs have been widely implemented around the world, particularly in Latin America. CCTs are an investment in human development that pays off when healthier and better educated young people grow up to get better jobs and break out of poverty.

In the Philippines, the Department of Social Welfare and Development (DSWD) piloted and expanded a CCT program, which has become the cornerstone of social protection reforms. Major development agencies, including the Asian Development Bank (ADB), have provided loans and technical assistance to support the expansion of the program and to strengthen related systems and capacities.

Statement of issue

Despite strong economic growth that averaged 6.2% during 2010–2014, poverty reduction has been slow in the Philippines. The country's poverty incidence was reduced from 28.6% in 2009 to 24.6% in the first semester of 2013,¹ but it rose to 26.3% in the same period in 2015.

When the CCT was conceived, one of the key causes of poverty in the Philippines was chronic underinvestment in human capital, especially health and education. Aside from low public spending in the social sectors (particularly social assistance programs), efforts to reduce poverty and improve human development were impeded by weak poverty targeting systems and a lack of policy and institutional coordination.³

DSWD introduced the CCT program called Pantawid Pamilyang Pilipino Program (Bridging Program for the Filipino Family) through a small pilot with 6,000 families in 2007. The program was launched nationwide in 2008 to provide regular cash grants to chronically poor households with children aged 14 and under. Eligible families were identified by the National Household Targeting System for Poverty Reduction, later rebranded as the Listahanan. Initially, beneficiaries were to get the grants for a period of 5 years. The original conditions were that families send children ages 14-16 to school, that children and pregnant mothers visit health centers, and that the grantees attend monthly family development sessions.

As of the end of 2015, the Pantawid program covered nearly 4.4 million households.

As part of an ADB-supported technical assistance project, a 2013 report by social development specialists and education economists examined the feasibility of extending the 5-year period for CCT beneficiaries. It also looked into the feasibility of expanding the program to cover not only children up to age 14, as originally designed, but continuing benefits for older children in high school.⁴

Policy Options

Extend the assistance period beyond 5 years

According to the report, extending the assistance period would be economically and socially beneficial. It would buy time, political capital, and stability for the Government of the Philippines to

- develop and implement an adequate and workable transition-promotion strategy for those families exiting the program;
- pursue great opportunities for strengthening Pantawid's impact; and
- undertake policy reforms needed for the massive expansion of job opportunities that the poor need to sustainably outgrow the Pantawid assistance.

The report found that the CCT program was still highly relevant because of persistent poverty in the country, and it highlighted that this did not mean that the program was not working. Though poverty incidence remains high, it may have been worse without the CCTs given the impact of catastrophic natural disasters and food price inflation in 2013.

Evaluation studies show that the program has improved access to education and health services, but 5 years is not enough to build up human capital and break the intergenerational poverty cycle. The report noted that CCT pioneers Brazil, Colombia, and Mexico have discarded the idea of putting a rigid

timeframe for receiving cash grants and prefer a more flexible and realistic approach.

The 5-year limit for Pantawid was adopted because prudence demanded a cautious approach to the introduction of an innovative program. The government wanted to avoid creating false expectations about the duration of CCT assistance and to minimize the risk of developing welfare dependency.

Concerns about creating a culture of dependency and irresponsible use of cash grants have been proven to be unfounded. Impact evaluation studies show that household spending on health and education increased both in absolute terms and as a share of total consumption spending. In contrast, there was no impact of Pantawid grants on increased consumption of alcohol or other vice goods.

The report asserts that extending the Pantawid period would provide time for a transition scheme to help beneficiaries outgrow their need for CCT assistance and facilitate its termination. It would help maintain social stability and support the government in undertaking difficult but necessary reform measures for inclusive, rapid, and sustained growth.

The Pantawid extension would also give the government an opportunity to pursue promising ideas in reducing poverty, such as providing cash grants for high school education.

Extend the assistance to cover high school education

The report's analysis concluded that conditional cash grants for high school education for older children up to age 18 could yield high returns in terms of future income gains and poverty reduction. Returns are far greater for high school than elementary education (see internal rate of return estimates in Table 1). High school graduation could help CCT families to eventually outgrow Pantawid assistance by more than doubling average earnings.

Table 1: Rates of Return¹ to Schooling by Level of Education

| Level | Average earnings ² | | Unadjusted | | Adjusted ³ | |
|--------------------|-------------------------------|--------|------------|------|-----------------------|------|
| | 1999 | 2008 | 1999 | 2008 | 1999 | 2008 |
| Elementary | 7,371 | 10,339 | 5.5 | 7.1 | 12.0 | 13.4 |
| Secondary | 16,133 | 23,212 | 16.6 | 17.5 | 19.9 | 22.5 |
| Postsecondary | 27,039 | 41,202 | 13.9 | 18.4 | 20.8 | 24.4 |
| Tertiary (4 years) | 65,688 | 99,076 | 19.1 | 20.0 | 22.7 | 22.2 |

¹ IRR estimates are relative to level immediately below indicated level, e.g. Elementary refers to elementary graduate against alternative no grade completed, College (Tertiary) graduate against High School (Secondary) graduate, etc.

² Per year in 2012 prices; food poverty threshold = P18,770 per capita/year for 2012

³ IRR adjustment (Adjusted) using probability of employment

Basic Data: APIS 1999, 2008

According to the 2011 Annual Poverty Indicators Survey, the poverty incidence among households

headed by elementary school graduates was 30.6% compared with less than 16% for high school graduates (Table 2).

Table 2: Poverty Incidence by Level of Schooling of the Household Head

| Completed Schooling | Poor | Non-Poor | Total |
|-----------------------|-------|----------|-------|
| No schooling | 53.64 | 46.36 | 100 |
| Incomplete elem | 41.03 | 58.97 | 100 |
| Elem grad | 30.65 | 69.35 | 100 |
| Incomplete HS | 27.76 | 72.24 | 100 |
| High school grad | 15.95 | 84.05 | 100 |
| Post?grad | 7.81 | 92.19 | 100 |
| Incomplete tertiary | 8.37 | 91.63 | 100 |
| Tertiary grad or over | 2.36 | 97.64 | 100 |

Source: APIS 2011

The report found that the cost of including grants for high school students would likely require a significant amount of financing. It also suggested that it might be necessary to revise the original program, particularly in regard to the coverage and design of the conditional cash benefits.

Recommendations

The policy report recommended the following specific actions in designing and implementing the extension of Pantawid:

Adjust CCT benefits and beneficiaries' obligations

Modify the structure of benefits to include the provision of conditional grants for high school age children to help them complete secondary education.

Review status of current beneficiaries

Extend the assistance period and update the poverty status of current Pantawid beneficiaries or implement a recertification process to minimize inclusion errors. There may be beneficiaries who are no longer eligible for the program.

Develop a transition promotion strategy for beneficiaries

Develop and implement an adequate and workable transition promotion strategy that would more intensively advance policies, reforms, and programs needed to accelerate sustainable and massive

expansion of gainful employment. In this regard, the inclusion of grants for high school education would be helpful.

Review the family development sessions

Undertake an in-depth and rigorous evaluation of the family development sessions. There is no published evidence yet about the impact of the family development sessions, which focus on a wide range of topics including responsible parenthood, health and nutrition, education, active citizenship, and disaster preparedness. Timely changes should be made, as needed, to ensure the effectiveness of these sessions.

Maintain Pantawid as a bridging program

Continue Pantawid as primarily a *pantawid* (bridging) assistance. DSWD should communicate it to the public as such to avoid misconceptions that the government can be pressured politically to provide limitless social assistance and will tolerate the development of long-term welfare dependency.

Outcomes



A family with three children in high school can get P2,000 per month, which is the maximum amount that a beneficiary household can receive under the program.

The policy recommendations have all been taken on board. In 2014, the Pantawid National Advisory Committee approved the expansion of benefits to include 15-18 year olds, up from the initial age cut-off of 14. It also removed the 5-year program participation limit. This expansion coincides with the education sector reforms to add grades 11 and 12 to high schools in the Philippines starting in school year 2016–2017, also known as the K-12 reforms. The next round of Pantawid impact evaluation planned for 2017 will assess whether the grants for older children are having an impact on reducing high school dropout rates.

In 2015 DSWD undertook a nationwide recertification of Pantawid beneficiaries, the Listahanan 2, with results finalized and released in April 2016. More than 1.5 million of the original beneficiaries have

moved out of poverty. Efforts are underway to develop a referral system as part of the Pantawid transition strategy, and DSWD is pilot testing the graduation approach to sustainable livelihoods.

Finally, DSWD has designed an evaluation of the Pantawid family development sessions that will be implemented in the second half of 2016.



DSWD Pantawid Pamilyang Pilipino Program video (2014, 1 minute)

Resources

ADB. 2015. *Country Operations Business Plan: Philippines, 2016–2018*. Manila.

Philippine Statistics Authority. 2016. *Poverty incidence among Filipinos registered at 26.3%, as of first semester of 2015 – PSA*. News release. 18 March.

K. Schelzig. 2015. *Social Protection Brief: The Social Protection Support Project in the Philippines*. ADB Briefs Series. No. 38. Manila: Asian Development Bank.

V. Paqueo, T. Casteneda, A. Orbeta, and C Spohr. 2013. *Support for Social Protection Reform: After Five Years of Pantawid, What Next?* Policy brief for presentation and discussion at the Philippines Department of Social Welfare and Development (DSWD). Manila: Asian Development Bank / Australia Aid / Philippine Institute for Development Studies.

Building Bridges: Conditional Cash Transfers in the Philippines



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Last updated: May 2016