

Boosting Human Capital in the Philippines through Conditional Cash Transfers

Introduction

Human capital is the Philippines' most important resource. By the late 2000s, remittances from skilled and semi-skilled Filipinos working abroad were increasingly vital for many families, even as the country became one of the preferred destinations for foreign enterprises looking for educated workers in countries where their business processes could be outsourced.

There were concerns, however, that the Philippines was beginning to lose its human capital edge because of critical gaps in access to social services and in the quality of those services. The Philippines responded to this by adopting an ambitious national social agenda aimed at putting it on a more robust development path. This agenda included lengthening the secondary education cycle and creating a social health insurance program for all citizens, a population management program, and a conditional cash transfer program (King 2020).

This delivery note focuses on the conditional cash transfer program. Called the *Pantawid Pamilyang Pilipino* Program, which roughly translates into “building bridges for Filipino families” (Schelzig 2015), the initiative, first implemented in 2007, was designed to assist the poor by directly providing them with money. Unlike conventional social assistance programs, however, the beneficiaries received the grants only if they fulfilled certain conditions. Those conditions include enrolling their children in school and ensuring that they maintain attendance rates of at least 85 percent, taking their children on regular clinic visits for basic health services (such as immunization and growth monitoring), and regularly attending sessions where the beneficiaries learned about topics such as family planning, good citizenship, and financial literacy (Kandpal et al. 2016).

The cash transfers were made directly to households, after which they could spend the money as they saw fit (Orbeta Jr. and Paqueo 2016). Eligible households received between 500 pesos and 1,400 pesos (USD 11 – USD 32) per month, depending on the number of eligible children in the household (King 2020). The objective was not only to ease financial hardship but also to enable and motivate Filipino families to raise the educational and health status of their children (Orbeta Jr. and Paqueo 2016).

The *Pantawid Pamilyang Pilipino* Program, or 4Ps, utilized the “whole of government” approach that, according to the World Bank’s Human Capital Project, can overcome challenges countries face in developing their human capital. The three elements of this approach are: continuity (sustaining effort across political cycles), coordination (ensuring that sectoral programs and agencies work together), and evidence (expanding and using the evidence base

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to improve and update human capital strategies) (Human Capital Project 2019a).

This delivery note examines how the Philippine government drew on these elements and focused on building a robust evidence base in order to design, implement, and expand the program.

Development Challenge

When the 4Ps program commenced in 2007, human capital development in the Philippines was all but stagnant. This situation was further aggravated by high economic inequality and chronic poverty. A long period of weak governance and political instability had slowed human capital development (King 2020). In 2008, 33.8 percent of children under five were stunted, higher than the 2005 world average of 29.2 percent or the 2005 East Asia and Pacific average of 19.7 percent.¹ In 2007, net enrollment in primary education was 87.1 percent, below the world average of 88.4 percent and the East Asia and Pacific average of 94.4 percent.²

Delivery Challenges

Implementing the 4Ps required overcoming several challenges that had stymied the country's earlier social assistance programs.

Beneficiary Targeting

A key issue was how to identify beneficiaries and target the program toward those who needed it the most. The Philippine government had used a variety of targeting tools for previous programs and projects, which had resulted in a fragmented, uncoordinated approach. Poor targeting approaches had resulted in a leakage of resources away from the intended beneficiaries. Those approaches were more prone to political manipulation and more likely to result in geographic and sectoral disparities in the distribution of resources (National Anti-Poverty Commission 2011).

Inter- and Intra-Governmental Coordination

The cash transfer program aimed to broaden and increase access to health and education services throughout the country. Achieving this, however, required close collaboration among the health ministry, the education ministry, and local governments to ensure that beneficiaries could access government services as intended.

Reporting and Supervision

The program needed to verify that the right grants were going to the right beneficiaries, that beneficiaries were meeting the conditionalities of the program, and that good health and education services were available for all beneficiaries. With the Filipino population of 96.7 million people spread across some 2,000 inhabited islands, monitoring proper implementation was difficult in part due to geographic factors (Zimmerman and Bohling 2013).

Project Design

A major capacity challenge would be developing a system to make timely payments to people who were spread all over the country, some of them with limited access to banks or ATMs. This was made all the more difficult by popular demands to expand the program rapidly while systems were still under development (Fernandez and Olfindo 2013).

Addressing Delivery Challenges

To implement the 4Ps, the Philippines created an evidence-based system to target beneficiaries, create new structures for coordination, create a monitoring system that covered the entire country, and develop a payment system capable of serving beneficiaries throughout the country.

Using Data to Target Beneficiaries Effectively

The 4Ps tackled the targeting challenge by creating a data-driven system for identifying program recipients. In 2007, the first step was to identify the poorest

¹ 2005 was the most recent year in which data was available.

² World Bank data: <https://data.worldbank.org/indicator/SH.STA.STNT.ZS?locations=PH-1W-Z4> and <https://data.worldbank.org/indicator/SE.PRM.NENR?locations=PH-1W-Z4>.

communities, where the program would initially focus its resources. This process began by ascertaining which of the country's provinces were the poorest, based on official poverty incidence survey data. Within those selected provinces, the program determined the poorest cities and municipalities based on available indicators and estimates.

The next step was to determine the individual households within these target areas who were eligible for program benefits. The program conducted house-to-house interviews using a two-page questionnaire with 34 variables, such as household composition, the education level of household members, employment, housing structure (construction materials of the roof and walls), and ownership of assets. These variables were chosen as good proxies for income. The assessments were done either through saturation (contacting all households in a locality) or by focusing on a segment of the community that data showed had significant poverty. (This was determined according to poverty incidence in a municipality: if it exceeded 50 percent, all districts were assessed; if lower than 50 percent, then districts were selected based on local socioeconomic indicators) (National Anti-Poverty Commission 2011).

Using this assessment data, the program identified eligible households as those that had children up to 14 years of age or had a pregnant woman at the time of assessment (King 2020; Albert 2014). The database and all data processing requirements were handled by a management information system specifically created for the 4Ps. The system's built-in validation and duplicity checker routines helped correct potential errors in the system. A list of potential beneficiary households was posted in local government buildings for community validation before beneficiaries were enrolled in the program (Fernandez and Olfindo 2013). The program also created local verification committees that helped manage complaints and grievances about possible exclusion and inclusion errors (National Anti-Poverty Commission 2011).

After targeting was completed, the 4Ps launched a pilot for 6,000 recipients in late 2007. The pilot had originally been envisioned to last up to five years and reach a maximum of 20,000 beneficiaries. Yet within a few months of its launch, the president mandated the pilot's expansion (Zimmerman and Bohling 2013).

The selection criteria for municipalities differed in every phase of expansion. The first phase of expansion

ran from March 2008 to December 2008 in the poorest municipalities of the 20 poorest provinces and the poorest province in each of the Philippines' 17 regions. The second phase of expansion ran from March 2009 to July 2009 in municipalities where the incidence of poverty was more than 60 percent. The third phase of expansion ran from October 2009 to December 2010 with the aim to extend coverage nationwide (Fernandez and Olfindo 2013).

The system proved to be quite accurate in directing program resources to the right targets. In 2014, the World Bank estimated that 82 percent of beneficiaries were from the bottom 40 percent of income distribution, and 53 percent of beneficiaries from the bottom 20 percent of income distribution. The 4Ps' targeting was in fact more accurate than any other large conditional cash transfer program in the world except for Brazil's (Albert 2014). Over time, the accuracy of targeting did decrease slightly. A 2017 assessment found that 77 percent of beneficiaries were from the bottom 40 percent of the population and 46 percent were from the bottom 20 percent of the population. The decline in accuracy over time was attributed to the fact that data collection for the first targeting database had been undertaken in 2009 and 2010, and by 2017 that data was becoming out of date (Acosta, Avalos, and Zapanta 2019).

To keep the database current and accurate, the system required new rounds of surveys. In 2015, the government conducted new household assessments to update the database, with a target of reaching 75 percent of all households in the country (World Bank 2015). A 2019 law required the program to revalidate the beneficiary targeting system every three years to maintain its accuracy (Acosta, Avalos, and Zapanta 2019).

Fostering Coordination

The Department of Social Welfare and Development (DSWD) was charged with leading the program's implementation. DSWD worked with other agencies, particularly the Department of Health, Department of Education, Department of the Interior and Local Government, and the government-owned Land Bank of the Philippines. To handle day-to-day program operations, the DSWD created the *Pantawid Pamilyang* National Project Management Office, with assistance from regional project management offices and related offices in cities and municipalities. The 4Ps actively

involved local service providers (such as school principals and midwives) in implementation by tasking them with verifying that households were fully complying with the prerequisite conditions for the cash transfers.

The targeting database served as a powerful tool to help the program integrate with other government social assistance initiatives and to allow those initiatives to leverage this resource. In 2009, the DSWD institutionalized the system as the National Household Targeting System for Poverty Reduction (NHTS-PR) and by 2011 it had shared the database with the Philippine Health Insurance Corporation, Department of Agriculture, and Department of Health to help those agencies better target the benefits of their own programs (Fernandez and Olfindo 2013).

Another area of effective coordination was the program's relationship with development partners, who provided advice on policy and implementation issues. The World Bank helped design aspects of the program, including the targeting and monitoring and compliance systems. The Asian Development Bank and the Australian government also supported design and implementation (Zimmerman and Bohling 2013).

Creating a Reporting and Verification System

To carry out monitoring and oversee local operations, the 4Ps initiative appointed local staff, known as city or municipal "links," to keep in close contact with beneficiary households. From 2008 to 2010, one link was assigned for every 1,500 beneficiary households. In 2011, the program increased staffing to enable it to appoint one link per every 1,000 households (Fernandez and Olfindo 2013). In addition, the program required employees to perform other functions such as verifying compliance, administering payments, addressing grievances, spot-checking eligibility, and managing communication among stakeholders and with the public. As of March 2019, the program employed more than 13,300 personnel, and had more than 8,700 contractors (Department of Social Welfare and Development 2019).

The DSWD trained local program staff to serve as case managers for beneficiary households. These workers had a case folder for each household, containing a household assessment form and other information, that allowed them to evaluate the degree of household compliance

with the program. The worker case folder system in many instances helped identify why certain beneficiaries could not comply with program conditions, thereby facilitating needed interventions (Escalante 2011).

The program provided compliance verification forms to cities and municipalities, who distributed them to schools and health centers. The schools and health centers then recorded beneficiary non-compliance during the reporting period. A compliance verification system (CVS) processed the data, verified beneficiary household compliance with conditionalities, controlled payments, and generated managerial reports and progress indicators. Once compliance was verified, the beneficiaries received their payments (Escalante 2011; Fernandez and Olfindo 2013).

Another source of monitoring and evaluation was a system of biannual spot checks conducted by a third-party firm. The firm used quantitative and qualitative methods to assess program implementation by interviewing beneficiary households and stakeholders such as school principals, health providers, and DSWD staff. In 2011 and 2014, the program conducted impact evaluations to assess its effectiveness and chart the program's development (Orbeta Jr. and Paqueo 2016). Every three years, the Philippine Institute for Development Studies evaluated the veracity of the beneficiary list and assessed the program's effectiveness (*Pantawid Pamilyang Pilipino Program* 2020).

Positive results from these evaluations helped motivate the government to sustain and expand the program. After five years of implementation, the government extended eligibility for the education grant to households with children up to age 18. This decision was made to support children to complete their high school education, based on evidence of the high economic returns of secondary education (Orbeta Jr. and Paqueo 2016).

Building Up a Payment System

At the start of 4Ps, the Department of Finance stipulated that DSWD should partner with only one payment service provider to manage all payments, and recommended the Land Bank of the Philippines (LBP). The unanticipated rapid scale-up of the project within its first year resulted in LBP struggling to make timely, accurate payments every other month, as the program stipulated. After two years, the program added five other service providers

with different capabilities, including the postal service, a payday lender, and a mobile network operator, although LBP still held central responsibility for managing payments. These providers had to pilot their systems before they submitted bids, which the DSWD believed was helpful in reducing potential problems. Most of these providers had to compete to win contracts, which helped keep the quality of payment services up and costs down. By the time these new operators came on board, 2.3 million people were already receiving payments through the LBP or rural banks, although there were some payment delays (Zimmerman and Bohling 2013).

DSWD and LBP had initially intended to pay all recipients by means of a cash card. However, after five years of implementation, only 40 percent of payments had been made via the card. One reason for the slow uptake of this technology was that many beneficiaries lived too far away from an ATM they could use to withdraw the money. In light of this, regional program staff stepped in to determine the payout method and payment service provider in each area, depending on the distance and cost of travel. If no ATM was available, the program's first option was to assign recipients to a rural bank or cooperative to receive their payment manually. If no rural bank or cooperative was available in the area, recipients would use an over-the-counter conduit, such as a pawnshop or a roving operator. The postal service played an intermediary role in providing payments to beneficiaries who could access an ATM but had not yet received a cash card (Zimmerman and Bohling 2013).

Outcomes

By 2015, the 4Ps had reached 4.1 million households, directly benefitting 10.2 million children age 18 and younger. The program covered about 79 percent of households whose income was less than needed to meet basic necessities (Orbeta Jr. and Paqueo 2016). It grew to become the third-largest conditional cash transfer program in the world, after those in Brazil and Mexico (Schelzig 2015).

By 2011, researchers had found that the program had achieved one of its primary objectives: increasing by between 3 and 4.6 percent the rate of school attendance for children ages 6 to 14 who were in the program. At the time, about 96.3 percent of beneficiary children attended

school, compared to 91.7–93.3 percent for non-program children in a control group of similar households (Albert 2014).

Subsequent research found that the program had increased the average height of beneficiary children in participating villages and lowered the incidence of severe stunting in 6- to 36-month old children by 10.2 percentage points below the mean rate of 24 percent in control villages. Additionally, program-enrolled children were more likely to have received health services in the previous six months, such as growth monitoring, vaccination, and treatment for fever, cough, or diarrhea (Kandpal et al. 2015). Data on human development indicators for the country's 17 regions and wealth quintiles also showed that some of those inequalities had narrowed significantly since the program began (King 2020).

The poverty rate in the Philippines decreased from 26.6 percent in 2006, the year before the government began implementing 4Ps, to 21.6 percent in 2015. The program's impact on poverty may have been constrained by the fact that the size of the benefit had not changed since the program started in 2007. Initially, average transfers were about 20 percent of families' annual spending, but because of inflation, by 2015 the transfers were equal to only 7 percent of spending (Orbeta Jr. and Paqueo 2016). The program responded to this by adding two more subsidies: in 2017, a rice subsidy for households equal to 600 pesos per month was included and, in 2018, an additional unconditional cash transfer subsidy of 200 pesos per month was added, increasing to 300 pesos by 2019.³

The program's budget increased from 3 billion pesos (USD 90 million) in 2008 to more than 62 billion pesos (USD 1.4 billion) per year by 2014 (Orbeta Jr. and Paqueo 2016).⁴ In 2019, a law institutionalized the 4Ps and named it as the country's official poverty reduction strategy.⁵

3 Information from the *Pantawid Pamilyang Pilipino* Program website: <https://pantawid.dswd.gov.ph/about>.

4 Currency conversions are from www.xe.com.

5 Information from the *Pantawid Pamilyang Pilipino* Program website: <https://pantawid.dswd.gov.ph>.

Lessons Learned

Data-Based Beneficiary Targeting Contributed to Program Effectiveness and Integration with Other Social Programs

The 4Ps was notable for its use of a data-driven targeting model that used survey data to assess household eligibility. This resulted in a very accurate targeting system and allowed the government to transfer money directly to those who needed it most, while reducing concerns about corruption and mismanagement. The targeting database, in turn, had strong added value for other government social programs, providing a detailed picture of the extent of poverty and the accessibility of government services throughout the country.

Focusing on Evidence Promoted Continuity and Expansion

A focus on evidence helped depoliticize the program by allocating resources through a transparent, data-based means instead of through a process more susceptible to political influence or resource misuse. The program's

reputation for fairness helped it to remain in place through multiple administrations.

The focus on evidence also made expansion easier by providing clear data on program effectiveness that made a strong case to policymakers for more funding and expanding the targeted pool of beneficiaries. Once that political decision was made, the existing targeting system could be expanded to new areas and new population groups without the need for time-consuming or politically difficult decisions about who should receive benefits.

Coordination Across Sectors and Levels of Government Facilitated Effective Implementation

The DSWD maintained strong linkages with other national government agencies whose support and cooperation were necessary for the program to achieve its goals in the health and education sectors. The Department also created a coordination structure in the form of a National Project Management Office that linked to regional offices and local-level actors, allowing the program to reach targeted households across a large and demographically decentralized country whose population was spread out among hundreds of islands.

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The Human Capital Project is a global effort to accelerate more and better investments in people for greater equity and economic growth. The Project is helping create the political space for national leaders to prioritize transformational investments in health, education, and social protection. The objective is rapid progress toward a world in which all children are wellnourished and ready to learn, can attain real learning in the classroom, and can enter the job market as healthy, skilled, and productive adults.

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