

# **Is Conditional Cash Transfer Program an Effective Tool for Promoting School Attendance and Poverty Reduction?: The Case of the Philippines**

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# Introduction

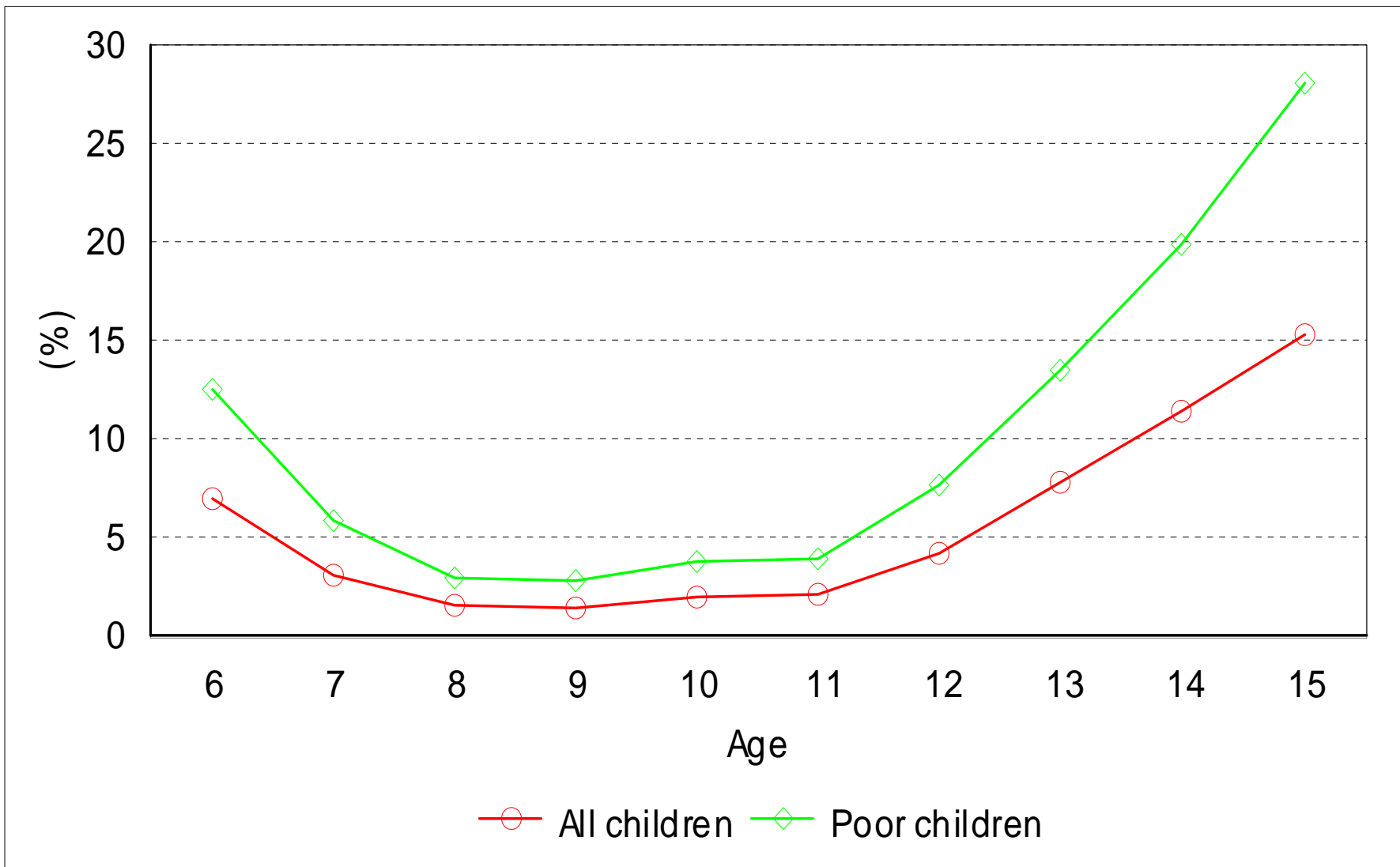
- Conditional cash transfer (CCT) programs are regarded as a leading-edge social policy tool.
- CCT programs have been largely successful in Latin American countries – e.g., *Progresa*, *Bolsa Familia*, *Red de Proteccion Social*, *Programa de Asistencia Familiar*, *Food-for-Education*, *Subsidio Unico Familiar*, *Pantawid Pamilyang Pilipino*, etc.

## Introduction (continued)

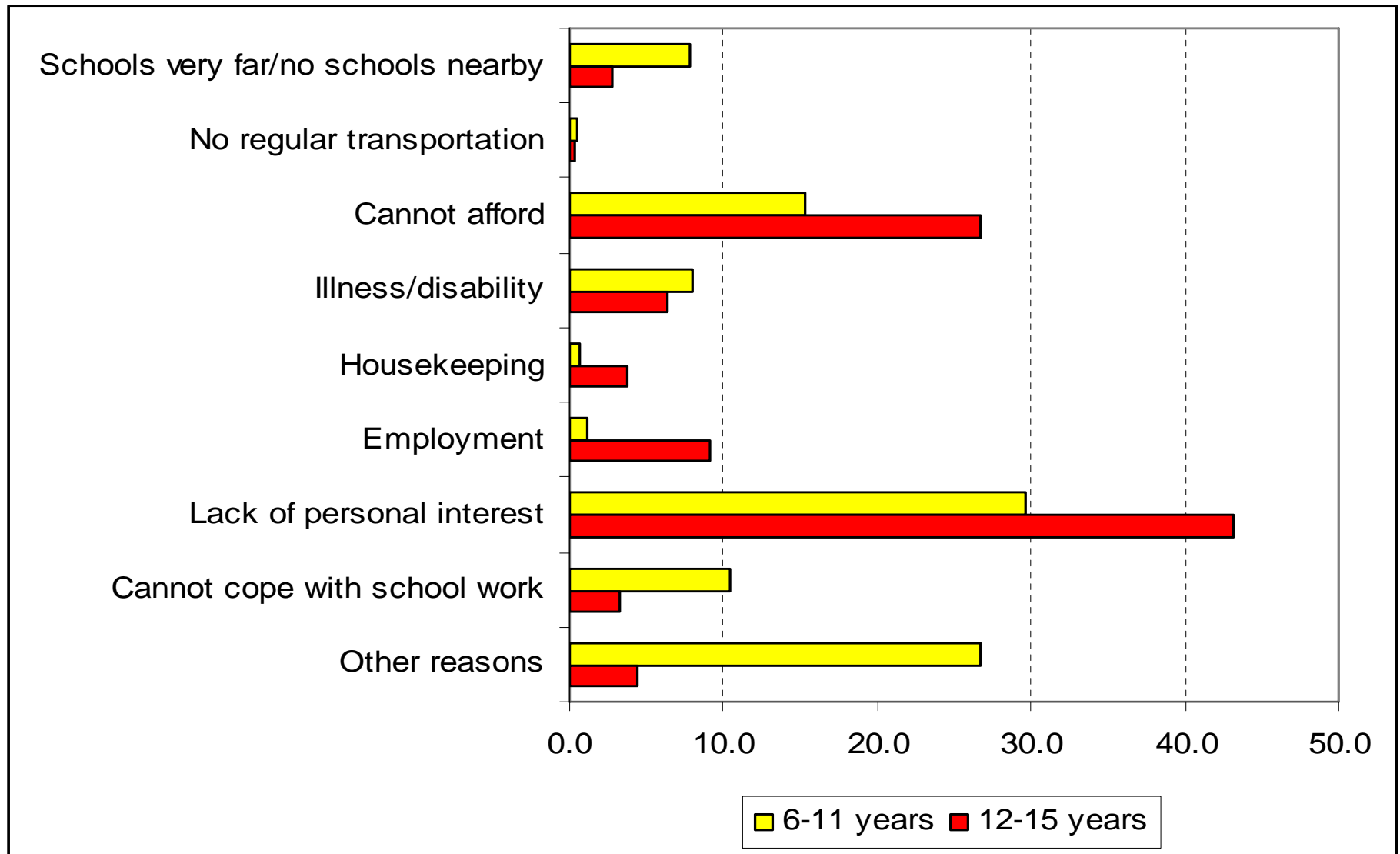
- A good starting point investigating CCT programs is to perform a detailed *ex-ante* evaluation of the possible impact of such programs.
- *Ex-ante* evaluation may help policy makers decide on key design elements of the CCT.
- This study provides a first approximation of the impacts of a CCT program on school attendance and poverty in the Philippines by exploring different budget scenarios and targeting strategies.

# **Empirical Analysis: A Profile of the Children**

# Percentage of children not attending school



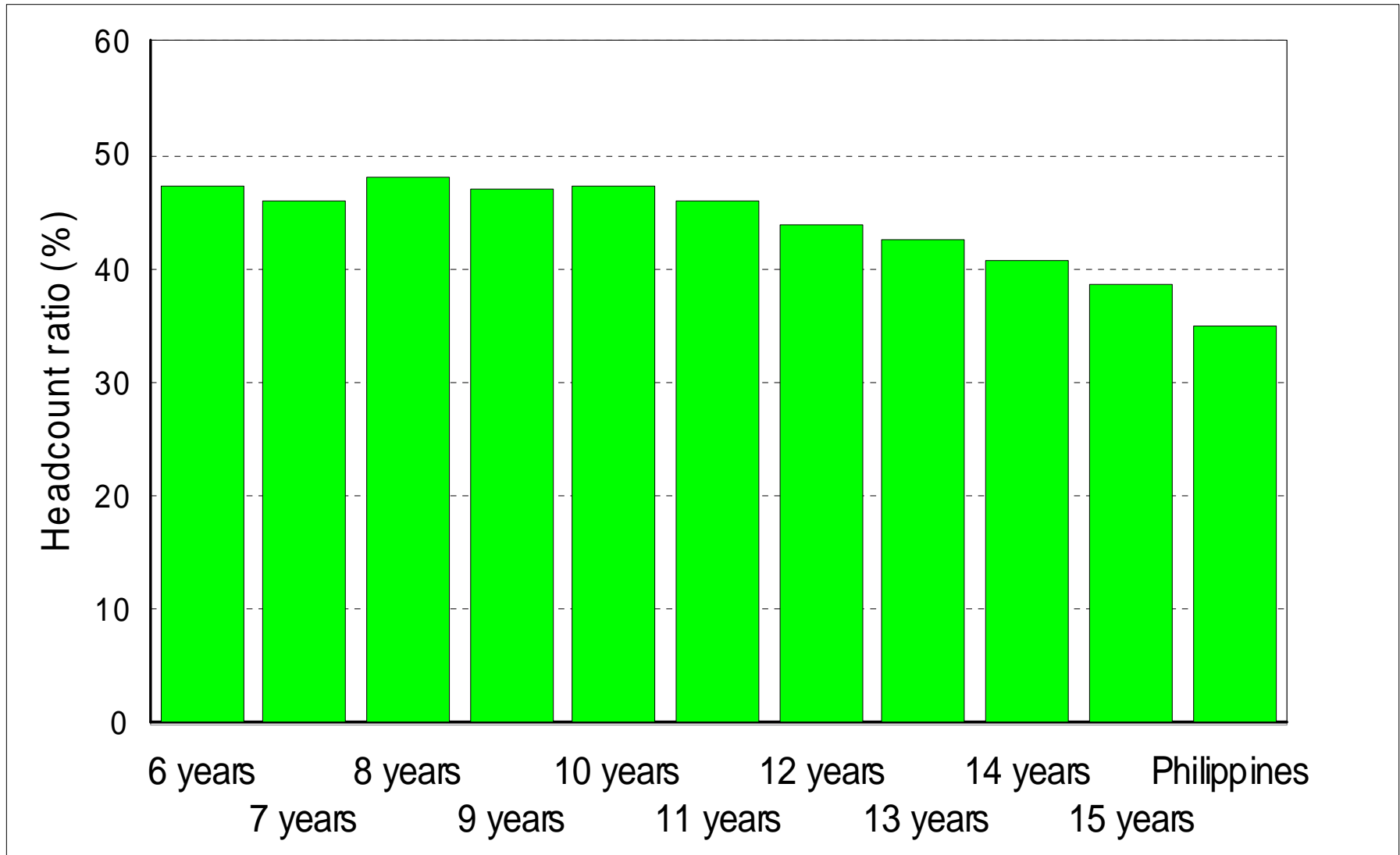
# Reasons for not attending school among children aged 6–15 years



## Percentage of poor by age groups

Age group	Headcount ratio	Population share	% contribution to total poverty
Less than 5 years	45.4	13.8	17.8
6 – 11 years	46.9	15.1	20.2
12 – 15 years	41.6	9.8	11.6
16 – 24 years	29.6	16.2	13.7
25 – 59 years	29.4	38.3	32.1
More than 60 years	23.6	6.9	4.6
Total	35.1	100.0	100.0

# Poverty among children aged between 6–15 years



**Empirical Analysis:  
Ex-ante Impact Analysis of CCT on  
School Attendance and Poverty**

***Key Findings***

## **Simulated effect of CCT on schooling and working status (when Php300 is transferred to all children 6-15 years old)**

- With transfer, changes in % of children moving from “not studying” to choices “studying & working” or “solely studying”, and from “studying & working” to “solely studying” are calculated.
- Impact of the transfer is evaluated by comparing the simulated results with the vector of occupational choices generated with the original before the transfer.

## Simulated effect of CCT on schooling and working status (continued)

- With the transfer of P300, almost 1 in every 3 children aged 6-15 who are currently not attending school would have enough incentive from the transfer to choose to go to school.
- Among them, about half would attend school, but also work outside the home.
- The other half would stop working to devote himself/herself to studying only, reducing % of children not attending school from 5.81% to 1.56%.
- Impact of those currently studying & working is relatively small: about 6.8% of these children would choose to study only after abandoning their work outside the home.

## **Impact of conditional cash transfer on school attendance**

- ***Impact of CCT program is responsive to the transfer amount in reducing % of children outside school.***
- Doubling the transfer from P100 to P200 reduces % of unenrolled children from 44% to 37%.
- % of children devoted only to studying rises steadily in response to increasing the transfers from P100 to P300.
- A significant % of children who are currently working only would enroll with the CCT program, but would choose to work at the same time.

## Impact of conditional cash transfer on school attendance (continued)

- ***It does matter to the reduction in unenrolled children whether a given transfer is uniform across ages or increases with the age of the child by 5%.***
- Given the opportunity cost of attending school for older children particularly at secondary, increasing the transfer amount progressively with the child age would seem a better option than uniform transfer.
- Targeting poor children is more sensitive to reduction in % of unenrolled children, compared to universal targeting with the same transfer amount – yet, there would be the administrative costs of identifying the poor.<sup>13</sup>

## Impact of conditional cash transfer on school attendance (continued)

- ***Conditionality plays a crucial role in inducing the change in household decisions on children's enrollment.***
- A cash transfer program without conditionality is not enough to lead to a substantial increase in school attendance.

## Impact of CCT on poverty reduction (%)

- It is assumed that transfers given to children are pooled within families and distributed to each member so that every member enjoys the same level of welfare.
- ***Transfer to school-age children has rather small impacts on the headcount ratio, but its impact increases rapidly as we move to poverty gap ratio & severity of poverty.***
- Impact of a CCT program should not be judged merely on the number of people that can be removed from conditions of poverty through the program.

## Impact of CCT on poverty reduction (%) (continued)

- ***Targeting children from poor households leads to much greater poverty reduction at the national level*** as per capita benefits received by the poor recipients' families are likely to be higher under targeted programs than universal ones.
- ***Geographical targeting is not an unfounded option to achieve a better outcome in poverty reduction relative to the universal program***, if targeting poor children bears too much budgetary burden in terms of the administrative costs of identifying the targeted subjects.

## Impact of CCT on poverty reduction (%) (continued)

- Although the transfer programs based on higher transfer amount do have much greater impacts on poverty reduction at the national level, they can be quite expensive and their **affordability** is questionable.
- With the transfer amount of P300 every child (aged between 6 – 15 years) per month, the country has to bear a burden equivalent to 1.5% of its GDP that will be foregone.

# Conclusions

- There are ***key messages*** emerging from the study.
- First, conditionality plays an imperative role in CCT programs.
- Second, the emphasis on targeting helps maximize the program's impact and effectiveness.
- Third, to ensure success, complementing CCT programs with other components of social policy may prove meritorious.
- Fourth, good governance is an important component of a CCT program.
- Finally, it is also imperative to ensure regular monitoring of operations and rigorous evaluation of effectiveness of CCT programs, both *ex-ante* and *ex-post*.