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The Entrepreneur

What we need: An exit program for CCT

I knew about it, but I was still intrigued when Budget Secretary Florencio Abad announced last week that the conditional cash-transfer (CCT) program would end in 2015.

By that year, according to news reports quoting Secretary Abad, the government would be spending P70 billion for 3 million beneficiaries—up from P29 billion and 2 million beneficiaries this year and P39 billion with 2.3 million beneficiaries next year—and the country's poverty incidence would have gone down to 16.6 percent from the current 33 percent.

The reports also quoted Abad as having said that 2015 is the time when the government hopes enough jobs will be generated in the industries it is promoting. He also reportedly said an exit program would be implemented in 2015.

This is the first time that an exit program for the CCT program has been mentioned, but I still have to see the details of such a program, including the timetable for implementation.

I must say this is important because questions have been raised about the possible unwanted consequences from the CCT. Such as, for instance, people becoming dependent on government handouts or being lulled into looking at the monthly cash handouts as income rather than as a temporary assistance.

There is also the observation about the absence of a parallel program to encourage the adult recipients to learn job skills or livelihood means.

I strongly believe that skills training or entrepreneurial development should be an important component of an exit program, if there is really such an exit program.

In fairness, I have read about the reaction from many CCT beneficiaries that they prefer to be given decent jobs instead of cash.

In general, Filipinos are hardworking and value the dignity of earning their living; they are humiliated when circumstances force them to ask for, or receive dole-outs, even from the government.

The government likes to cite Brazil as a model for the CCT program. That South American country spent 5 percent to 6 percent of its gross domestic product on CCT and reduced poverty incidence by 15 percent in three years. The Philippines, on the other hand, is spending just 3 percent of GDP for its CCT program.

However, the economies of Brazil and the Philippines are different. Brazil, a member of the BRIC (Brazil, Russia, India and China), has the internal resources to finance its CCT program with a per-capita GDP of \$10,412 in 2009.

The Philippines, with a per-capita GDP of \$2,156, had to borrow to launch its CCT program. The World Bank in 2009 approved a \$405-million loan to support the cash-transfer program. In 2010 the Philippines received another \$400 million from the Asian Development Bank, also for the CCT program.

In the meantime, students have staged demonstrations to protest the reduction in the budget for state-owned universities. The opening of classes every year is still marred by problems of shortages in classrooms and teachers.

Aside from education, we also continue to under-spend on infrastructure, which is a key component of any program to attract investments (which in turn creates jobs), and on health, which is important if we want to keep our labor force fit to work.

What happens, for example, to the children of CCT beneficiaries after they finish high school (except for the children who are still in the primary grades, who will be out of the program by the time they are ready for high school)?

But don't get me wrong. I'm not against the CCT program. It's a good temporary program, and the key word is "temporary."

I also agree that the impact is direct and immediate because it gets the children of the poor to school, the mothers to health clinics and some food on the table.

Such an impact will be seen on the hunger surveys—fewer people will say they missed meals in the three months before they are interviewed. I wonder what the surveys will show three months after the CCT expires in 2015?

I have always believed that the most effective and lasting solution to our poverty problem is to help people create wealth, by providing them with jobs or entrepreneurial skills and means.

At the same time, we really need to spend more on other social services like health and education, and on infrastructure. And the government must also continue to pump-prime the economy amid the current slowdown, so it can grow enough to provide employment to the CCT beneficiaries when the program expires in 2015.

I hope the government is preparing an exit program now in preparation for the expiration of the CCT program. The first step should be a review of the program, particularly its funding requirements, especially in the light of the no-new-taxes stance vis-à-vis the need for more capital expenditures.

It is better to leave a nation where 3 million more people are able to live on their own instead of having to wait for a measly amount to hold their hunger at bay.

You may send your comments/feedback to mbv_secretariat@yahoo.com.

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