

Striving for G2P E-payments at Scale:

The Evolution of the Pantawid Familyang Pilipino Program¹ in The Philippines

by Jamie M. Zimmerman and Kristy Bohling



As part of a national conditional cash transfer (CCT) program, the Government of the Philippines used account-linked cards provided by Land Bank of the Philippines (LBP) to invest in the health and education of poor households through its Pantawid Familyang Pilipino Program (4Ps). As of August 2013, electronic payments reached over 40 percent of the 3.9 million poorest households across all 17 regions of the 2,000-island nation.

Filipino family subsistence program expands to break poverty cycle

The Pantawid Familyang Pilipino Program, or 4Ps, is the Filipino government's flagship human development and social protection program. Using a CCT approach, the program focuses on poor households with pregnant women or mothers with children between 0 and 14 years old. The core objectives of the program are to 1) provide short-term poverty alleviation and 2) break the intergenerational poverty cycle through investments in health and education. The government's Department of Social Welfare and Development (DSWD) initially launched the program in 2007 as a pilot for 6,000 recipients with a five-year commitment. Yet within a few short months of the pilot's launch, then-President Gloria Macapagal-Arroyo mandated the pilot's expansion based on its potential to break the cycle of poverty.

Key drivers behind choosing electronic payments

Even as a small pilot in 2007, the Filipino government designed the program with an electronic payments delivery mechanism. The funds are delivered via a prepaid card, which recipients then use to withdraw money from LBP and partner automatic teller machines (ATMs). While DSWD has been unable to keep all payments electronic, the ongoing commitment to use electronic payments whenever feasible is driven by the following objectives:

1. **Minimize Leakage.** The program believes clear, transparent targeting and efficient e-payments will help ensure that the majority of the resources for 4Ps will be used efficiently and correctly.
2. **Promote Dignity of the Recipient.** Staff has received reports of recipients heightening "status"

because they hold cash cards and/or have the experience of being able to transact at a bank.

3. Required by Policy or External Mandate.

Regulators mandated contracting with LBP for payments. The program did not consider other payment mechanisms or partners.

Table 1 **Pantawid Pamilyang Pilipino Program Overview**

Target Population(s)	<ul style="list-style-type: none"> Households that are classified as poor based on the National Household Targeting System for Poverty Reduction at the time of assessment. Households that have children 0–14 years old and/or include a pregnant woman at the time of assessment.
Requirements to Register for the Grant	<ul style="list-style-type: none"> Resident of the target poor municipalities based on national statistical estimates. Economic condition equal or below the provincial poverty threshold. Have children 0–14 and/or include pregnant women at the time of assessment. Agree to meet conditions specified in the program.
Conditionality	<ul style="list-style-type: none"> Pregnant women receive pre- and post-natal care and have a trained health professional present during childbirth. Parents must attend Family Development Sessions (FDS). Children 0–5 years old must receive regular preventive health check-ups and vaccines. Children 3–5 years old must attend day care or preschool classes with at least 85% attendance. Children 6–14 years old must enroll in elementary or high school with at least 85% attendance. Children 6–14 years old must receive deworming pills twice a year.
Average Amount / Grant Paid	Up to Philippines Pesos (PhP) 1,400 (US\$31.50) per month, per household, depending on number of conditions met and number of children. Households receive PhP 500 (US\$11.24) for complying with health conditionalities and PhP 300 per child (US\$6.74) for up to 3 children (PhP 900, or US\$20.22 total) for meeting education conditionalities.
Payment Frequency	Bimonthly.
Timing of Payments	Depends on approved annual timeline; typically last week of the month.
Length of Recipient Participation in Program	5 years.
Start Month and Year	2007
Number of Households Enrolled	3,967,517 (as of September 2013).

For more details: "The Pantawid Pamilyang Pilipino Program." DSWD.
<http://pantawid.dswd.gov.ph/index.php/about-us>

New payment approaches focus on reliable delivery at scale

As of August 2013, the program was making payments to nearly 4 million recipients in all 17 regions of the Philippines covering 79 provinces, 143 cities, 1,484 municipalities and 40,978 barangays (villages). As the program grew in volume and geography, however, so did the challenges the sole payment service provider, LBP, faced in delivering payments quickly and efficiently. Electronic payments were effective for 40 percent of recipients, but the others were located in areas where LBP ATM access fell outside of the program's minimum distance for pay points. This meant the program needed to introduce new approaches in payments delivery for the remaining 60 percent of recipients. These included outsourcing delivery to rural banks, post office branches and one of the largest pawnshops in the Philippines (see Table 2).

Table 2 **Breakdown of Payments by Method***

Payment Modality	Number of Households	Percentage of Households
LBP Cash Card	1,493,492	40
M Lhuillier Offsite or GCash	665,378	18
Rural Banks	597,852	16
PhilPost	454,120	12
M Lhuillier over the counter (OTC) or GCash	417,702	11
FCB	52,152	1.40
Cooperatives	26,585	0.70
LBP Cash Card Mobile ^a	5,672	0.15
TOTAL	3,712,953	100

Source: Department of Social Welfare and Development, 2013.

a. LBP Cash Card Mobile is a portable ATM that LBP officials bring to the DSWD local office.

*Based on June 2013 distribution.

The limitations of electronic payments via account-linked cards at ATMs highlight several limitations inherent in the program design and also the country's infrastructure:

- While Land Bank of the Philippines has a monopoly on e-payments, the bank cannot offer the solution everywhere.
- The financial sector infrastructure is still not developed enough to meet the program's requirement that recipients spend no more than PhP 100 (US\$2.25) on travel to the nearest payout point.
- LBP and many of the other payment conduits have not traditionally viewed CCT recipients as a target client segment and therefore have not invested in developing products and services which they could deliver to this large population at scale.

For its rapid growth and size, the program has been able to successfully modify its payments approach quickly and effectively to reliably reach nearly 4 million recipients with over 90 percent of households receiving payments consistently in 2013.² Introducing other payment conduits has lightened the burden on the LBP as the primary delivery partner and today, payments are on time and systems are in place for online reconciliation. Competition, monitoring and evaluation for payment conduits has helped keep the quality of payment services up and costs down. For example, M Lhuillier, one of the largest pawnshops in the Philippines, won the tender to replace GCash Remit in this role in two payment periods during 2013, offering a 30 percent lower transaction fee for the same OTC service.

UNIQUE INFLUENCERS OF THE PROGRAM PAYMENT DESIGN

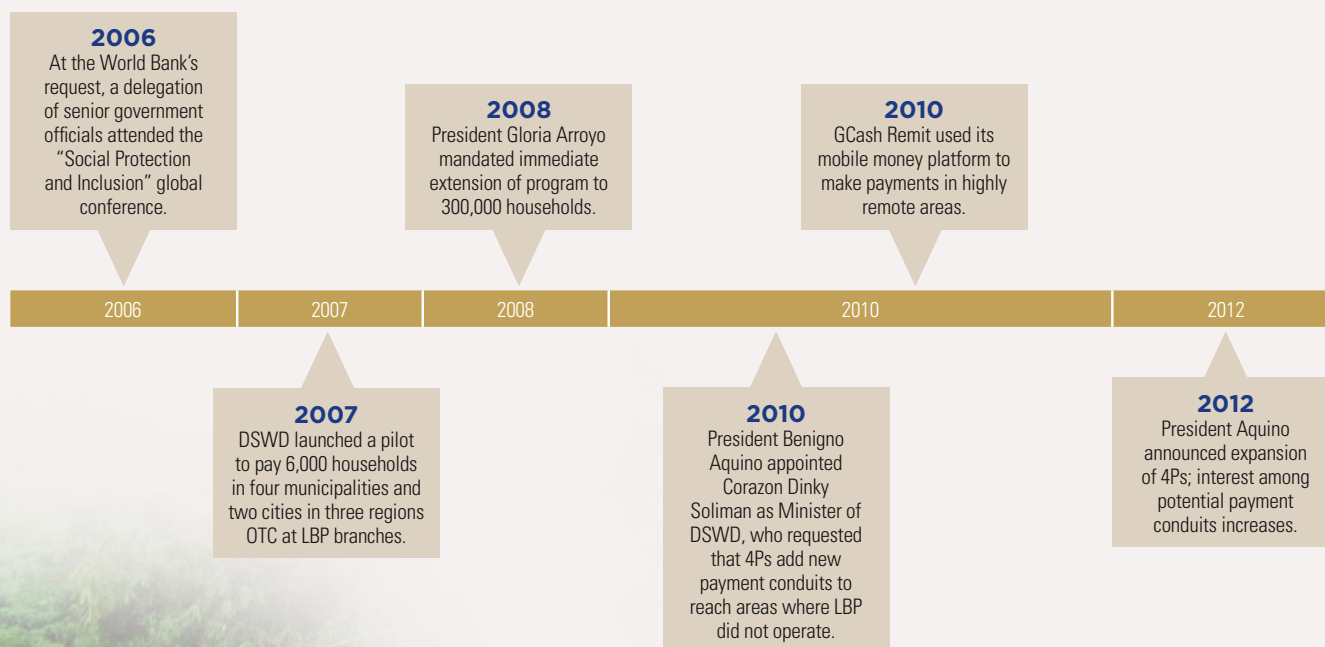
- **Many Options.** The Philippines has the benefit of a growing mobile financial services industry and a robust and relatively competitive financial sector, providing the government with a number of institutions both capable of and interested in making 4Ps payments.
- **Large Scale.** Bimonthly payments at such large scale require elaborate payment arrangements since no single financial service or payments provider in the country has the capacity to handle all payments.
- **Geographic Dispersion.** The Filipino population of 96.7 million people is spread across about 2,000 inhabited islands. As the program scaled to remote islands in the country, it has stretched the limits of e-payments through the card-based model, necessitating the introduction of manual payments and entrance of several additional payment service providers.
- **E-payments for Efficiency Only.** Unlike many other e-payments in low-income countries, the program did not design its payment system with an explicit objective to provide financial access or promote financial inclusion. The program has not considered leveraging the e-payments system for anything beyond making efficient, cost-effective payments.



The Pantawid Pamilyang Pilipino Program **reliably reached through electronic payments** over 40 percent of the 3.9 million poorest households across all 17 regions of the 2,000-island nation in 2013



Program Design & Implementation Timeline



Lessons for Better Than Cash Alliance Members

Although the program still pays the majority of its recipients manually in cash, the Pantawid Pamilyang Pilipino Program experience to date offers insights for other G2P programs, particularly those with the potential to or on the verge of scaling up, on how programs can overcome common obstacles over time.

1 Political pressure to scale too quickly can lead to quality challenges. Program staff admitted that the policy mandate to scale the program came as a surprise, and was something they were unprepared for. This faster pace contributed to de-emphasizing certain aspects of the targeting, monitoring and evaluation processes; delays and errors in data collection and recipient enrollment; and encountering challenges with on-time payments during rapid program growth.

2 Assess market readiness for e-payments. Despite a robust financial sector, broad governmental commitment to advanced payment systems and a growing mobile money sector, the Philippines did not have universal access to mobile phones or other e-payment services for the poorest in the country in remote areas. The population is spread geographically across at least 2,000 islands, and many recipients are located outside of a maximum distance to the nearest payout point. Mobile money payments would seem a natural solution to this challenge; however, initially only 20 percent of the recipients had a phone.

3 Leverage competition to bring down costs. Today, a contract to deliver program payments has become a sought-after business in the Philippines, particularly given announcements for further expansion and resulting higher volume of payments. Increased competition for a lucrative government contract has resulted in lower transaction fees.

4 Recipient education increases comfort with new payment methods. Through stories that emerged from interviews with recipients, it is clear that literate recipients were more comfortable learning how to use the ATM or how to sign the acknowledgment receipt ensuring they received the correct amount of money. Literacy decreases the potential for fraud and complaints.

5 Lack of emphasis on financial inclusion creates a missed opportunity, but program is interested in “graduating” recipients into financial services. Even within a focus on health and education outcomes, a financial inclusion objective may have helped to ensure electronic payments increase the positive benefits for recipients. Although the program does not currently actively encourage financial inclusion, it appears comfortable with the provision of credit, particularly linked to graduation. At the time of research, the earliest recipients were about to graduate from the program, having completed five years and will now be eligible for credit products aimed at sustaining and expanding their socio-economic status through a Sustainable Livelihoods Program.



About the Better Than Cash Alliance

The Better Than Cash Alliance is an alliance of governments, private sector and development organizations committed to accelerating the shift from cash to electronic payments. The Better Than Cash Alliance is funded by the Bill & Melinda Gates Foundation, Citi, Ford Foundation, MasterCard, Omidyar Network, USAID and Visa Inc. The UN Capital Development Fund serves as the secretariat.



FORD FOUNDATION



References

For methodology, comprehensive program details, stakeholder experiences and findings, please see the full case study, available at www.betterthancash.org and www.cgap.org. The authors of this case study are Jamie M. Zimmerman and Kristy Bohling, members of the Bankable Frontier Associates team responsible for the research and reporting for this and three other case studies commissioned by CGAP and affiliated with the Better Than Cash Alliance's Development Results Focused Research Programme.



This research was made possible by a grant from the Government of the United Kingdom's Department for International Development (DFID) to the Consultative Group to Assist the Poor (CGAP) in support of the work of the Better Than Cash Alliance.

¹ "Pantawid Pamilyang Pilipino Program" means "Filipino Family Subsistence Program" or "4Ps"

² Numbers based on the number enrolled in September 2013, compared to the number receiving payments in June 2013. The discrepancy between enrolled recipients and those receiving their payments is primarily due to recipients not complying with the conditionalities. Others may not have been paid for other reasons, such as errors in data management and processin.