

# Cash Transfers in the Philippines: Empowering Households for Economic Recovery



*RECOVR Policy Analysis Series*

## Introduction

Amidst the continuation of the COVID-19 pandemic and the emerging economic recovery, cash transfers can provide timely lifelines and economic assistance to households in need. Encouragingly, the Philippines government rapidly moved to institute a number of emergency assistance programs when the pandemic struck, including the Social Amelioration Program (SAP)<sup>1</sup> launched in early April. These programs have been able to help cushion Filipinos from immediate economic fallout from lockdowns and slowed commercial activity. Understanding how Filipinos have fared over the past few months, and what challenges they continue to face, is critical for the government's design and delivery of social assistance programs moving forward.

### Key Findings and Takeaways from the Philippines RECOVR Survey

- **Hours worked and earnings dropped significantly.** While 67 percent of respondents worked at least one hour during February 2020, only 40 percent worked at all in the prior week from the survey. Of those still working, over 50 percent of respondents reported decreased earnings.
- **A large proportion of people received government aid, but still have had to deplete savings to make ends meet.** Eighty-nine percent of households had received government support in response to COVID-19, mostly in the form of food and cash assistance. Nevertheless, seventy percent of respondents said they have had to deplete their savings since February 2020 to pay for basic needs.
- **More than a quarter of respondents had to limit portion sizes at mealtimes.** Poor respondents were 10 percentage points more likely than wealthier respondents to say they had difficulty buying the amount of food they usually buy.
- **The results suggest that further assistance in the form of cash transfers is needed during this crisis period.** Although a large proportion of vulnerable households have received assistance, the results suggest that households are still struggling to meet basic needs.
- **The inclusion of digital options within the SAP offers an opportunity to enhance the delivery of the transfer.** However, it is critical to ensure that targeting is sufficient, equity is centered within program design, and the program builds upon existing digital financial infrastructure.

## Background: COVID-19 Impacts and Policy Responses in the Philippines

The Philippines was quick to respond to the COVID-19 pandemic, instituting lockdown measures through an Enhanced Community Quarantine (ECQ) in the National Capital Region (and other parts of the country with rising caseloads) from March 15-May 15, closing its borders on March 22, and issuing a national mandatory face mask policy on April 1. In early August, Metro Manila reinstated a Modified Enhanced Community Quarantine (MECQ) through August 18, and a general community quarantine was instituted from August 19-September 30.

Like in many parts of the world, the crisis has had economic impacts, with the Philippines economy facing its worst downturn in 30 years.<sup>4</sup> Daily wage laborers are most at-risk to shocks brought on by the lockdowns, and such workers comprise a large part of the workforce. (Though estimates vary, in 2017 the ILO found that 56 percent of workers in the Philippines are informal workers<sup>5</sup>.) For example, the lockdowns that halted public transportation and government bans have left almost 250,000 jeepney drivers (who earn daily wages) out of work. Additionally, ripple effects of the global recession mean that remittances from overseas workers and the diaspora, which at \$30.1 billion comprised almost 10 percent of GDP in 2019, are expected to contract 13 percent this year according to the World Bank<sup>6</sup>, further hampering the country's economic outlook.

In brief, the pandemic has increased the scale and extent of economic vulnerability in the Philippines. Results from the RECOVER survey and other data suggest that taking existing socioeconomic barriers and inequities, as well practical challenges, into account can further strengthen the design and delivery of emergency cash transfers and other social protection programs. For example, 71 percent of adult Filipinos are unbanked<sup>7</sup> and, while there has been increased adoption of mobile money accounts and use of digital payments,<sup>8</sup> only 12 percent of the adult Filipino population with a mobile phone are reported to have used their device for financial transactions in 2019. Nevertheless, mobile penetration is extremely high (115 percent), with 61 million unique mobile users (58 percent) and 121 million mobile connections, and women have slightly higher mobile phone penetration than men.<sup>9</sup> However, given the island geography, connectivity and infrastructure continue to limit internet access, particularly in rural areas.

As the Department of Social Welfare and Development (DSWD) continues to promote social protection programs for economic recovery, it will be critical to consider existing inequities and apply evidence-based findings to policy design and implementation.

## Research and Findings: Economic Well-Being and Food Security Remain Critical Concerns

IPA conducted the RECOVER survey in nine countries to better understand how people's lives are being affected by COVID-19 and to enable data-driven policy responses. In the Philippines, IPA partnered with the Department of Social Welfare and Development to develop useful questions focused on employment and economic activity to help guide decisions and shape social assistance policies with data. The survey, conducted from June 18-July 1, reached 1,389 respondents using a random sample of registered phone numbers in the TNT network.<sup>10</sup> The survey results demonstrate how the COVID-19 pandemic has increased the scale and extent of economic vulnerability in the country. Notably:

- While 67 percent of respondents worked at least one hour during February 2020, only 40 percent worked at all in the prior week from the survey in June 2020. Of those still working, over 50 percent of respondents reported decreased earnings. Of the respondents that continued working in the week prior, most (62 percent) were able to do so by working from home—unrealistic for workers in many sectors such as retail or manufacturing.
- While women were more likely to report being able to work from home or use flexible working arrangements, women were also more likely than men to spend fewer hours working than they did prior to the start of the pandemic.
- Seventy percent of respondents indicated having to deplete savings to pay for food since February 2020, and this is a common trend across the country's geographic areas. Similarly, 70 percent of respondents said they had difficulty buying typical amounts of food because household income has dropped.
- In turn, 26 percent of respondents said they have had to limit portion sizes at mealtimes, more than 20 percent had to reduce the number of meals eaten in a day, and more than 35 percent reduced the kinds of food eaten in a day more than once in the past week. Poor respondents were 10 percentage points more likely (10 percentage points) than wealthier respondents to say they had difficulty buying the amount of food they usually buy because household income has dropped or the price of food was too high.
- Only 53 percent of wealthier households and 47 percent of poorer<sup>11</sup> households in the RECOVR survey say they have access to an account (bank or mobile money) where they can make and receive payments. This large gap in financial access and digitalization has been identified by the World Bank as a key obstacle for long-term financial stability even before the pandemic, and such gaps are now further exacerbated.
- Eighty nine percent of respondents report receiving some form of government assistance in response to COVID-19. Of those households receiving assistance, 97 percent are receiving food and 45 percent are receiving cash. Poorer and wealthier households were equally likely to have received support from the government, while households with school-age children were more likely than their counterparts to have received this assistance. These coverage rates are very strong, given that pre-pandemic social protection programs in the Philippines only reached approximately 4 percent of the population,<sup>12</sup> which suggests that emergency assistance in response to COVID-19 has incorporated more expansive criteria from existing programs in recognition of the extraordinary impacts of the pandemic.
- Thirty two percent of RECOVR respondents specifically report being a SAP beneficiary.

## Conclusion and Recommendations: Structuring the SAP for Success

The second round of the SAP, which started in July, was aimed at 14.1 million beneficiaries. While DSWD maintained direct cash payments for beneficiaries located in conflict areas and in remote communities, who do not have cell sites or bayad centers (cash-out facilities), this round also included the option of receiving payments through digital channels, with the goal of fast-tracking this financial assistance.

Understanding the reach of the SAP and its long-term impacts, such as financial inclusion of unbanked recipients and women's empowerment, is critical for the DSWD to assess the effectiveness of the program and determine necessary adjustments to improve service delivery. Key aspects of program design need to be considered, including best practices in establishing mobile accounts (such as beneficiaries' lack of or incomplete IDs/Biometrics, low mobile phone literacy, poor connectivity and failure rates of transfers), communication about the program (such as onboarding to a digital account, benefit amount, cash-out points, fees/other charges, and benefits of the digital account), as well as consumer protection issues (data security, real-time redress mechanisms and health or safety standards at cash-out points). Women, in particular, often face several of these challenges simultaneously, and have additional time burdens, such as the added responsibility of childcare and increased household responsibilities coupled with decreased household bargaining power.

As research continues to shed light on the effects of social transfers and how to improve delivery, it is important to tease out differences and similarities in beneficiary experiences to make these social transfers as effective as possible. Previous evidence and principles from different contexts can inform policy decisions on program design and implementation, summarized below.

**Leverage existing social registries and innovative methods for beneficiary targeting:** The government can utilize databases and beneficiary information for existing social assistance programs to create a listing of beneficiaries for the emergency transfers. Harnessing large administrative and/or geospatial datasets and employing predictive modeling and other machine learning techniques<sup>13</sup> can also assist in expanding the pool of recipients based on the government's inclusion criteria. For example, in Colombia,<sup>14</sup> the government used the infrastructure of existing safety net programs to provide additional emergency support on top of regular transfers. In addition, Colombia enacted a new unconditional emergency transfer, *Ingreso Solidario*, aimed at 2.9 million households that were not part of the existing social safety structure. *Ingreso Solidario* also furthered financial inclusion in the country through the establishment of 1 million new mobile money accounts for previously unbanked beneficiaries.

**Center equity in the program's structure:** As outlined by the Center for Global Development,<sup>15</sup> because there are pre-existing gender gaps in financial and digital literacy, access to technology, and identification documents, governments need to explicitly address these barriers to avoid unintentionally widening gender gaps-- even when access to the program is seemingly "gender neutral." DSWD can consider mandating payments directly to individual women or female heads of household (depending on whether the transfer is delivered on an individual or household basis) to directly mitigate shortfalls in targeting or access. Self-help groups, such as women's groups and producer cooperatives, can assist with ongoing support and guidance for identifying and onboarding women<sup>16</sup> into cash assistance programs.

**With sufficient structures in place, go digital:** Digital payments<sup>17</sup> can be delivered via mobile money, bank account transfers, or prepaid credit cards, and offer fast, secure, and socially distanced transactions. Digital payments offer a number of clear advantages, such as increased speed and predictability of transfer disbursement, reduced rates of fraud and leakage, dynamic monitoring of program implementation, and reduced need to stand around at crowded distribution points. Digital payments can also provide an on-ramp to other forms of financial inclusion, which has lasting value beyond the period of pandemic relief. However, important structural aspects need to be in

place already before launching digital payment schemes, such as phone and bank coverage, mobile network coverage, mobile money agents, and electronic Know Your Customer policies (e-KYC) that can be implemented remotely. It is important to recognize that rapidly expanding access to banking and mobile money during the pandemic may be a challenge, and digitizing payments will require corresponding regulatory and financial support for the expansion of electricity grids, mobile coverage, bank branches, and mobile money agents. IPA's Digital Payments Policy Brief and the newly launched G2P Network both provide more technical detail on the design of digital payment programs, which can assist DSWD with structuring and roll-out of expanded social benefit programs delivered digitally.

## Notes and References

1. An emergency cash transfer and subsidy program for vulnerable households, implemented by the Department of Social Welfare and Development. Phase 1 transfers were delivered April-May and Phase 2 (which included a digital component) in July. Target beneficiaries are the Pantawid Pamilyang Pilipino Program (4Ps conditional cash transfer) beneficiaries, informal sector workers, persons with disabilities, single parents, senior citizens, pregnant women, overseas Filipino workers in distress, Indigent Indigenous Peoples, other members of vulnerable sectors.
2. More information about the RECOVR survey, a cross-country panel survey that is tracking the socioeconomic impacts of COVID-19 over time in nine countries, is available at <https://www.poverty-action.org/recovr>.
3. We conducted random digit dialing of a representative sample of phone numbers within the TNT network, which offers prepaid phone numbers. As such, our survey is not nationally representative. Compared to 2015 Census averages, respondents in our survey are younger (32 y.o. Vs. 52 y.o.), more female (70 percent vs. 49 percent), more urban (from the National Capital Region; 19 percent vs. 13 percent), and more educated (52 percent vs. 25 percent completed secondary school). Respondents came from comparable average household sizes (4.8 vs. 4.6). Based on IPA's Poverty Probability Index, 38 percent of the sample is below the national poverty line.
4. McCarthy, Julie. "The Philippine Government's COVID-19 Response Has Devastated Its Economy." NPR.org, July 9, 2020.
5. "Size of the Informal Economy in the Philippines." International Labour Organization. July 2017.
6. Lester M Yap, Karl, and Siegfried Alegado. "World Bank Forecasts Philippine Remittances to Drop 13% in 2020." Bloomberg, April 24, 2020.
7. 2019 Financial Inclusion Survey, Bangko Sentral ng Pilipinas. 2019.
8. The State of Digital Payments in the Philippines." Bangko Sentral ng Pilipinas, Better than Cash Alliance, UNCDF, December 2019.
9. 53% of women have a smartphone compared to 52% of men. Bahia, Kevin, and Stefano Suardi. "The State of Mobile Internet Connectivity 2019." GSMA Intelligence, UK Department for International Development, July 2019.
10. The sampling frame covers phone numbers registered within the TNT network ((38.6 million subscribers nationwide), which were in service area and turned on at the time the call was received. **As such, this is a representative sample of phone numbers in the network, but NOT a nationally representative sample.**

11. Poverty rates were estimated using the Poverty Probability Index, which uses a simple machine learning approach to construct a 6-question model that provides estimates of the probability that a household is living below the national poverty line. In this case, a household was designated in the 'Poor' category if they had a larger than 50% probability of being below that line. 26 percent of households were designated 'poor' under this analysis.
12. Kathleen Beegle, Aline Coudouel, and Emma Monsalve. 2018. Realizing the Full Potential of Social Safety Nets in Africa. Africa Development Forum series. Washington, DC: World Bank.
13. "Scaling Up Social Assistance Payments as Part of the COVID-19 Pandemic Response." The World Bank, 2020
14. Center For Global Development. "COVID-19 in Colombia: Impact and Policy Responses." July 24, 2020
15. Center For Global Development. "Ensuring Women's Access to Cash Transfers in the Wake of COVID-19." June 30, 2020.
16. The Bill and Melinda Gates Foundation, The World Bank, Consultative Group to Assist the Poor, Women's World Banking. "Digital Cash Transfers in the Time of COVID-19: Opportunities and Considerations for Women's Inclusion and Empowerment." 2020.
17. Strohm, Rachel and Goldberg, Nathaniel. "Key Decisions for COVID-19 Social Protection in Low- and Middle-Income Countries: Who Benefits and How?" Innovations for Poverty Action. September 2020.

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