PHILIPPINES

NEW CASH TRANSFER TECHNOLOGIES TO ATTEND TO BASIC EMERGENCY NEEDS
In response to a rapid-onset floods, ACF implemented a cash-based intervention in Cotabato City, in the Autonomous Region of Muslim Mindanao in the Philippines. The project established a voucher programme with local supermarkets to provide flood-affected people with essential food and non food items. The programme also piloted the first humanitarian use of electronic debit cards in the Philippines.
Humanitarian context

**Background**

The Philippines on the whole is prone to natural disasters, particularly typhoons. Tropical storms in May and June, 2011, brought heavy rains that forced the Rio Grande de Mindanao over its banks. This caused extensive rapid flooding in Cotabato City and Sultan Kudarat, Autonomous Region of Muslim Mindanao (ARMM), and forced over 20,000 people to seek refuge at evacuation centres (ECs) in the area. Clashes between the national government and the Moro Islamic Liberation Front (MILF), a local separatist group, have created enduring local instability. Political tension in the ARMM influenced ACF’s programming, as did the limited amount of time they had to plan and implement the programme.

ACF responded to this disaster with a cash-based intervention (CBI). For a small proportion of beneficiaries, they also decided to pilot the use of debit cards instead of paper vouchers. This was ACF Philippines’s first experience with a CBI in the ARMM. The use of debit cards in an emergency response was the first not only for the entire national humanitarian community, but also for ACF International globally. This programme created an opportunity for ACF to test a practical, scalable medium for cash transfers and learn how to use debit cards in future interventions.

**Assessment**

The state of local markets presented opportunities that supported the use of a CBI to respond to people’s immediate needs. ACF’s rapid assessments from June 2011 showed that overcrowding at ECs had caused a rapid deterioration of conditions. Families lacked proper sleeping mats and effective mosquito nets, which only served to worsen the health situation. In-kind food aid from the government was insufficient in quality and quantity, and internally displaced persons’ (IDPs) purchasing power had been negatively affected by the floods. Many IDPs were selling assets they had salvaged during evacuation in order to buy supplementary foods.

Market assessments found that prices of staple commodities were relatively stable. Supermarkets were still conducting business as their supply chains had not been interrupted and their locations were unaffected by floods. Of the 35 ECs in Cotabato City, 25 were located within 1-2 kilometres of these markets and were accessible by public transportation or by walking.
Program overview and rationale

ACF’s objective was to provide immediate assistance to the flood-affected population aimed at reducing their food insecurity and addressing health issues by providing access to water, sanitation, and hygiene (WASH) items. The project used cash voucher, either in paper form or as debit cards, valid at two supermarkets on approved commodities. With the voucher, beneficiaries were able to select appropriate quantities and types of items to meet their specific needs.

Superama and South Seas supermarkets agreed to be commodity suppliers for the CBI. Through a partnership with the CaLP, Visa Inc, the global payments company, helped ACF establish an arrangement with the Philippines Veterans Bank (PVB) for establishing a debit card programme.

How could a debit card pilot programme be considered in the Philippine conflict context?

The commodity and point of sale restrictions on both forms of cash vouchers reduced both security threats and the potential for diversion of funds. Debit cards were programmed to be blocked for use only at the approved supermarkets and could not be used to withdraw cash. To give more control to ACF for the pilot programme, debit cards were only distributed to beneficiaries registered at one EC, chosen based on the relationship with barangay (village) officials and social conditions in the area.

Implementation

Beneficiary selection and targeting
The CBI served 2,516 families (16,354 individuals) with vouchers, 305 of which received debit cards instead of paper vouchers. ACF targeted all affected families staying in ECs that served the areas most heavily impacted by floods. ECs that had not received relief assistance were given particular consideration. ACF worked with the Cotabato City Disaster Risk Reduction and Management Council and the Social Welfare and Development Office to compose a master list of beneficiaries and confirm identities during the project.

Setting the value
Each family received two vouchers with a combined value of PhP 2,000 (about USD $46), which was calculated based on the average purchases made by households to complement in-kind aid and the monetized value of a one-month food and NFI kit. The first voucher of PhP 1,200 (about USD $28) was intended for purchasing food and basic NFIs. Additional food needs were met with the second voucher of PhP 800 (about USD $18).

Payment method and costs
ACF designed the CBI to involve two vouchers to accommodate beneficiaries’ inability to store fresh foods. Vouchers were distributed two weeks apart, and each instalment was valid for one week. The amounts and timing were the same for both paper vouchers and debit cards. The voucher and debit card distribution was done in parallel to the
in-kind distribution of hygiene items (soaps, toothbrushes, toothpaste, etc) and mosquito nets. These items were not incorporated into the CBI because it was not mandatory that beneficiaries purchase all items on the approved commodity list, and ACF wanted all beneficiaries to access WASH supplies in quantities and qualities that met Sphere standards.

ACF implemented its debit card pilot programme at an EC selected for its organized structure, social stability, and responsive barangay officials. ACF staff encountered various advantages and disadvantages of using debit cards (see box opposite)

**Costs**
Almost half of the cost of the project (47%) was transferred to beneficiaries. PhP 4,422,000 was distributed through vouchers (about USD $102,030), and PhP 610,000 (about USD $14,075) through debit cards. It only cost USD $403 to produce all of the paper vouchers and USD $331 for the debit cards. Bank charges related to debit card use, such as swipe fees and reloading charges, came to about USD $72 and were charged on the logistic line. Another 18% of the budget (USD $44,964) was spent on WASH items and rehabilitation.

**Advantages**
- Allowed beneficiaries to shop multiple times;
- Simplified the set-up process because they did not require the development of a special design and distribution only had to occur once as reloading was done electronically;
- Skirted the security issues in the area and eliminated the potential for diversion of funds because they were programmed to only be valid at supermarkets.

**Disadvantages**
- Cost more than paper vouchers (PhP 40 (USD $0.90) per debit card) and PVB charged a service fee of PhP 15 (USD $0.34) to ACF for each card swipe, plus PhP 5 (USD $0.11) to reload cards;
- Prevented unspent funds from being reallocated due to limits on debit card usage;
- Complicated implementation because of the lack of community awareness about debit cards.

**Program impact**

Beneficiaries found the CBI to be a better mechanism than in-kind due to the flexibility it gave them to cover their specific needs. The amount of money provided via the CBI met the quality and quantity food needs of beneficiaries and alleviated their food expenses. As a result, households were able to allocate money for other things such as other basic needs, debt repayment, and education.

While the overall social impact was very positive, there were a few negative effects that surfaced. Social conflict occurred when home-based affected families realized that they were excluded from the CBI. When nonbeneficiaries realized that they had been excluded because targeting was limited to ECs, many tried to register at ECs in order to receive aid. However, ECs did not have the capacity to take in more people and ACF’s programme could not be expanded to include new registrants.

There was no major negative impact regarding the use of the CBI for aid as IDPs’ purchases were controlled through the list of allowed commodities. This calmed cultural apprehensions about the anti-social use of cash and demonstrated that vouchers were an appropriate response to the emergency despite local political tension.

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1 Approved commodities included rice, cereals, flour, meat, poultry, seafood, processed foods, preserved foods, spices, seasoning, sauces, dried fish, dried seafood, canned goods, eggs, salted eggs, noodles, legumes, vegetables, fruits, oils and fats, sugar, coffee, tea, creamer (not milk), blankets, and sleeping mats.
To increase preparedness to respond to future emergencies with a CBI (when appropriate), aid agencies should:

- Review their process of selecting target areas and beneficiaries and devise an approach for quickly identifying the most affected places and households (not limited to ECs). Agencies should keep in mind the proximity of markets to targeted areas when considering using cash as a response tool.

- Prepare two standard orientation modules that can provide an overview of CBIs to local partners and authorities: one to be used in anticipation of an emergency, the other for sharing information after an emergency occurs.

- Explore the possibility of including small suppliers in the CBI. A standard contract template should be drafted to facilitate implementation. Agencies should also anticipate which transfer mechanisms are most suitable for partnerships with small vendors.

- Forge partnerships with banks that can meet the requirements of humanitarian debit card operations.

- Do a dry run of the debit card system with the partner bank as part of contingency planning.

To improve future CBI planning and implementation, aid agencies should:

- Develop plans with the local partners on how to maintain transparency and strong communication about targeting and registration in order to manage and respond effectively to complaints from people excluded from the CBI, as they are bound to occur in any response.

- Seriously consider the possibility of using a commodity voucher to provide WASH-related aid when market conditions in the affect area allow.

- Consider using debit cards when mobility of beneficiaries is anticipated. Since cash transfers are made electronically, debit card users can relocate without creating distribution issues.

- Consider using debit cards when implementing programmes with multiple cash transfers to reduce the associated fees per use.

- Agree with the partner bank on communication and support strategies that will be used during a CBI. Designating focal points on both sides streamlines communication, simplifying coordination and reducing the risk of sending mixed messages.

- Have a backup plan for if debit card issues persist to avoid inconveniencing beneficiaries.

Contact details and further reading

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Please refer to the extended version of this case study, “Cash Transfer Programming for the Assistance to Flood-Affected Population in Cotabato City and Sultan Kudarat, ARMM,” for more detailed information on this programme. The PDM report, “Post Distribution Monitoring (PDM): Food Security Pilot Cash Transfer Programming-Vouchers and Debit Cards; WASH Hygiene Kits Distribution,” (Sept 2011) is also available.