



COVID-19 G2P Cash-Transfer Payments

Country Brief: ECUADOR

COVID-19 Cash transfer response measures

EXISTING CASH TRANSFER PROGRAMS

Ecuador started the delivery of social assistance non-contributory transfers more than 20 years ago. G2P transfers are a critical component of non-contributory SP in Ecuador and delivered by the Ministry of Social and Economic Inclusion (MIES).

Currently, there are seven different social assistance G2P transfers in Ecuador, targeted to poor and vulnerable households, seniors without a contributory pension and people with disabilities. Together, social assistance G2P reach over one million people distributed across the country and amount nearly \$751,000 per month. through cash transfers that ranges between US\$ 50 and US\$ 240. As of December 2019, 47% of the beneficiaries of social assistance transfers lived in rural areas and 74% were women.

All social assistance cash transfers are disbursed through financial institutions through OTC transfers (85%) or deposit into a bank account (15%). MIES in early 2020, started the implementation of a program called "*Pago Seguro*" (Secured Payment), to move program participants using the OTC transfer modality to the bank accounts modality. This program started its implementation in late 2019, expecting to finish by May 2020. However, given the COVID-19 crises its implementation is delayed. The use of digital payment mechanisms, for example, debit cards, for these accounts, is limited due to competition issues, lack payment services providers and little customer familiarity and understanding.

EMERGENCY CASH TRANSFER PROGRAM

Due to the emergency, in late March 2020, the government created by Executive Decree 1022 the *Bono de Protección Familiar* as a response to the COVID-19 crises. This emergency transfer is targeted to vulnerable households, not included in previous programs, whose income is below US\$ 503 a month. The Executive Decree explicitly refers to non-wage earners workers or self-employed, registered in the social

¹ This note was prepared by Fiorella Risso and Douglas Randall, with contributions from Guillermo Galicia, Hugo Brousset, and Veronica Trujillo. The G2P emergency cash transfer payment solution in Peru is evolving in real time. This note includes information as of April 23, 2020.



security system. The total amount to be transferred is US\$ 120, in two separate disbursements. The government initially identified 400,000 new beneficiaries. Recently has announced that it will be expanded to 550,000 new households.

Targeting and Registration

The process to determine eligibility relies on the information on approximately 2.5 million households included in the Social Registry database. This database is managed by the Social Registry Unit, which provides information to MIES and other government ministries which are responsible for determine eligibility of beneficiaries. It works under the supervision of the *Secretaría Técnica del Plan Toda una Vida* that plays the role of coordination in the social protection sector. The Social Registry includes static socioeconomic and demographic information from Ecuadorian households.

In 2018, the Government initiated a comprehensive census sweep (RS2018), aiming to significantly improve the quality and timeliness of the information. As SR2018 is not yet complete and given the urgency to respond to the COVID-19 crisis, the Government has assigned the existing benefits using RS2014.

MIES defines the criteria to identify households as beneficiaries. Given the sanitary crises and the prolonged period of economic slowdown, MIES has recently decided to complement the social registry information with an additional source, to identify additional 100,000 households living in extreme poverty. This additional source has information on consumption patterns per region.

Payment arrangements

The payment arrangement for the emergency program relies on OTC disbursements. Once MIES identifies the beneficiaries, they transfer their data (name, ID number, and amount to be paid) to a transactional platform, created specifically to facilitate these transfers, called *switch concentrador*. Seven institutions, known as *concentradores*, are connected to this platform and each of them has a network of financial institutions (211 in total) delivering the emergency payment. Financial institutions participating in the mechanism include public and private banks and cooperatives. Banecuador – state-owned bank – plays a key role due to its wide geographic coverage.

The payment process starts with the person calling or accessing the MIES website, to verify its eligibility. To ease the process, beneficiaries are assigned a place and day of payment according to their address and the last number of their ID. This information is provided via text message or via the dedicated phone line. The last number of the beneficiary ID defines a range of days when they can claim the payment. For example, if their ID finishes in 1, they could claim the transfer on the 1st, 11th, or 21st day of the month.

MIES has increased substantially the number of points of access available by relaxing rules for the participation of agents, such as the minimum time providing services, reduced to 6 months, or daily liquidity requirements for money agents (decreased to US\$ 600). Disbursements were usually delivered through approximately 3,500 points of access, including branches and agent correspondents. This number has increased to more than 10,500 outlets for this cash transfer, most of them being agents from a single bank (Banco de Guayaquil).

MIES is working to improve the disbursement process for the second payment, expected in May, including to increase the number of available access points, stagger payments to reduce agglomeration and liquidity risks, and improve communication with beneficiaries.



Lessons

Ecuador is in the process of strengthening its social registry and it is also making efforts to advance financial inclusion for MIES beneficiaries. The project *Pago Seguro* is key to achieving efficient and digital disbursement of social transfers. The project will undergo a sequenced implementation to ensure the inclusion of a wide range of providers and the proximity of access points.

Limited usage of account-based disbursement mechanisms and an underdeveloped digital payments ecosystem has constrained MIES from digitizing payments during the emergency. The lack of electronic payment mechanisms by some account owners is recently being addressed by some banks. Banecuador, for example, is undertaking a large-scale effort to distribute debit card.