



# Panalo SIKAP Program

*(Sa Ipon at Kabuhayan Aahon ka Pinoy)*



## Project LIFT

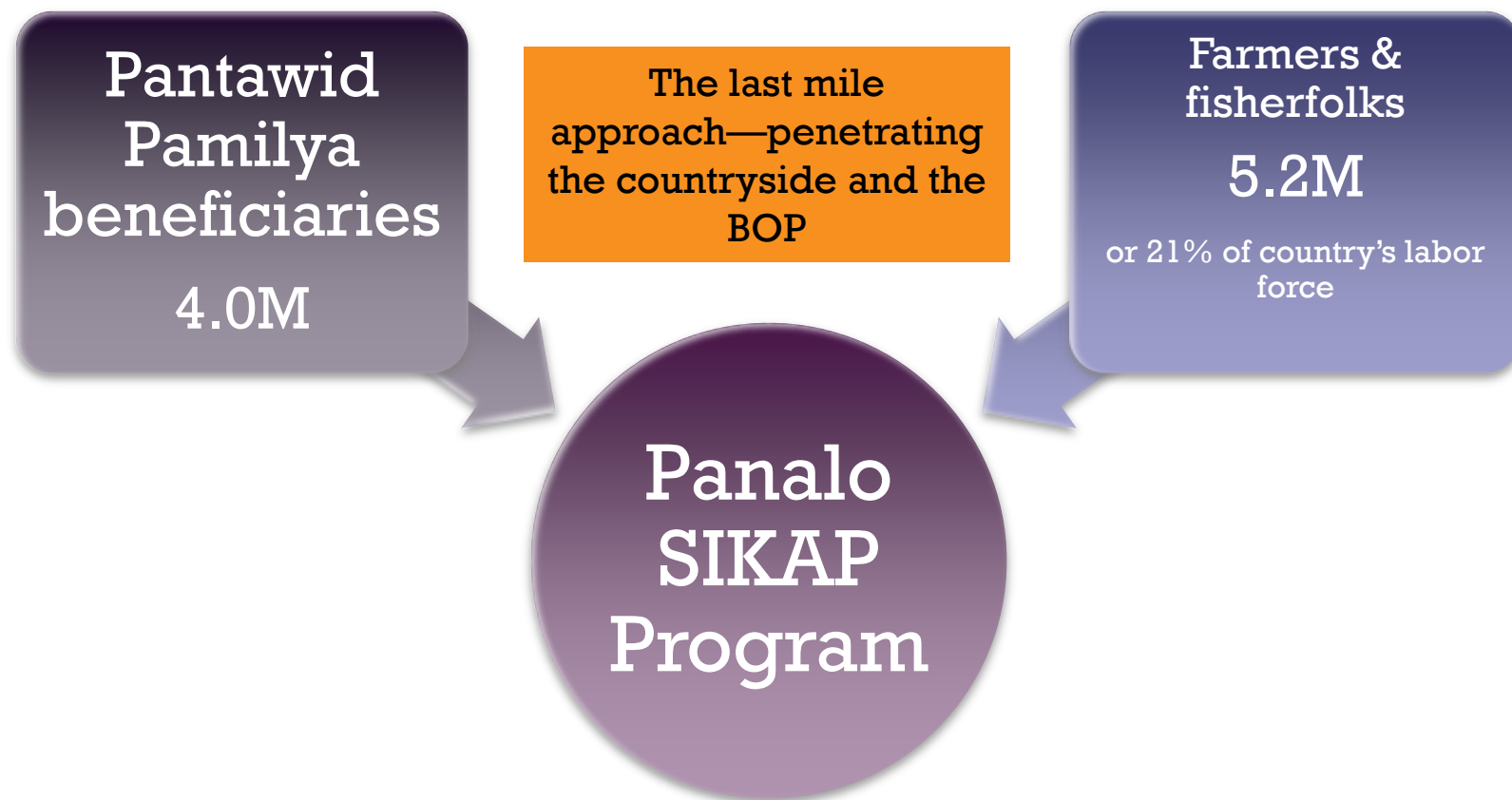
### Incentivized Credit and Voluntary Savings-Linked CCT Program for Savings Mobilization & Micro Enterprise Development

*An Innovative Social Protection Enhancer and a Financial Inclusion Solution for Nation-Building*

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# Strategic Program Coverage



A separate credit facility on top of the over P250 Billion loan window currently earmarked by Landbank over 3 years.



# Snapshot

- Only 7 out of 40 CCT programs worldwide have savings-linked programs. Although not a single one has a bundled program on credit, livelihood and savings.
- Over 23 Million or about a quarter of the population are classified as poor (WB 2009 Family Income and Expenditure Survey)
- CCT aims a long-run human capital development with short-term poverty alleviation via a monetary incentive.
- It hinges on a successful exit strategy for the covered beneficiaries to affect mid-term household welfare; and rural and urban development.





# Rationale

- This program is geared towards:
  - asset building
  - income generation
  - wealth creation
  - psycho-social and socio-economic development

It is anchored on the prospect of mobilizing micro-savings linked with CCT by pulling the liquidity of the poor into the formal banking sector; while incentivizing them to avail of livelihood credit which has enormous potential for scalability and sustainability.



# + Impact



1. Reduces vulnerability through financial literacy
2. Harnesses financial inclusion
3. Cultivates culture of savings
4. Enables micro-entrepreneurs
5. Builds self-worth and self-esteem
6. Lastly, it's an innovation story as it changes lives!



# + Advantages

- Mobilizing savings coupled with livelihood component is in complete accordance with Pantawid's mission to create greater and better levels of household consumption amongst the receiving households.
- Linking savings to CCTs has the huge potential to massively scale up financial inclusion efforts.
- By linking savings with Pantawid, we are providing the poor and vulnerable a chance to more effectively smoothen their consumption, to accumulate their limited resources into useful lump sums that can then be invested into productive capabilities further assisting them out of poverty.
- Tapping savings among the unbanked can prove a very low-cost source of lending capital, and one which presents no currency risk.
- From a welfare perspective this change may be beneficial both to the poor, whose effective rate of return on savings moves to positive from net negative (theft, inflation, etc.), and stimulative to the economy as a whole by improving arbitrage and lowering real interest rates
- Serves as a deterrent for Pantawid beneficiaries to pawn their Landbank ATM cash cards to loan sharks

**Filipinos save 6% of their income; the same budget they set aside for texting.**

-financial literacy report by Solar Flare for Sun Life Financial

**There are only 37.3M bank accounts in the Philippines but only less than 16M are unique account holders.**

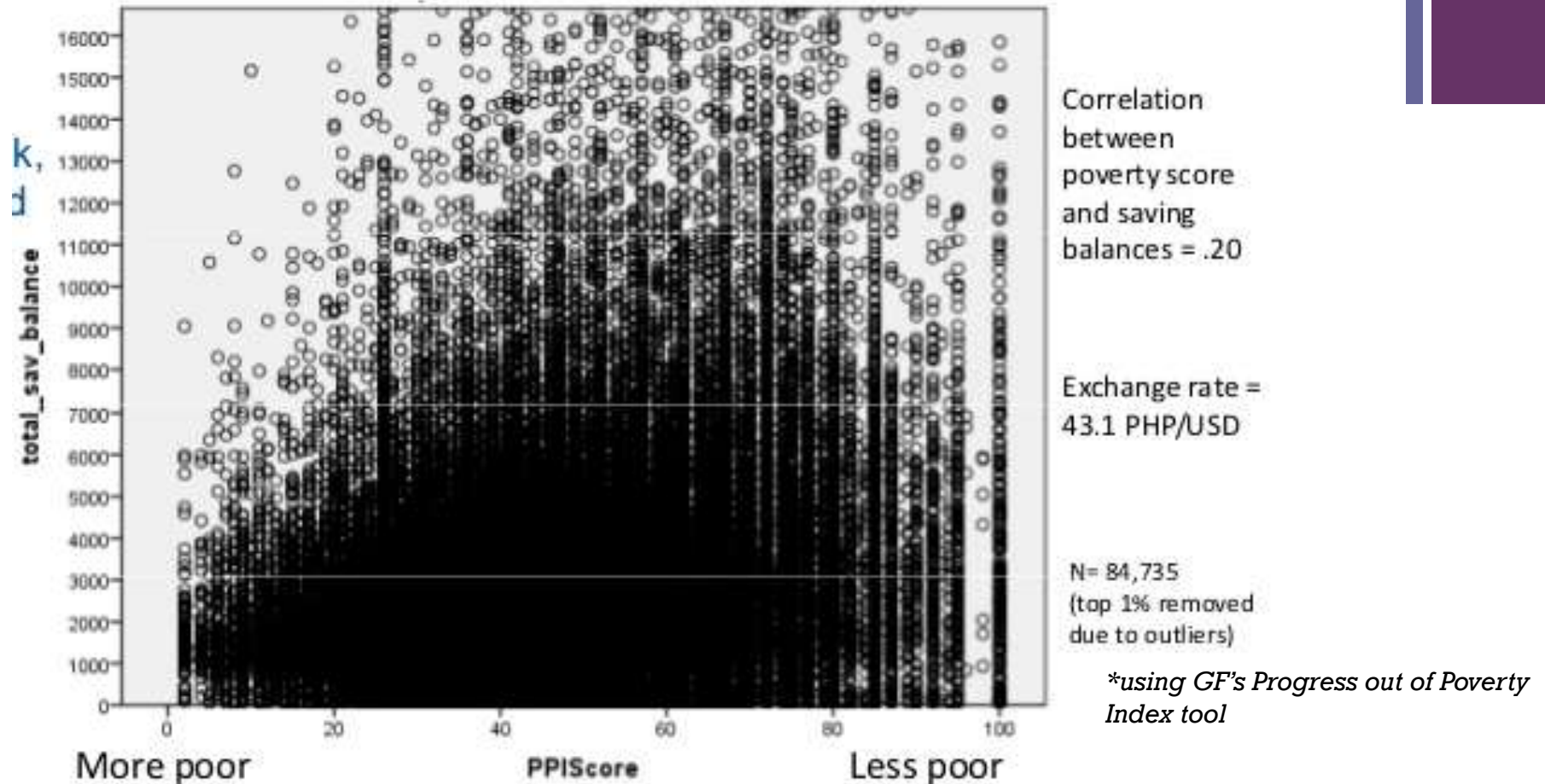
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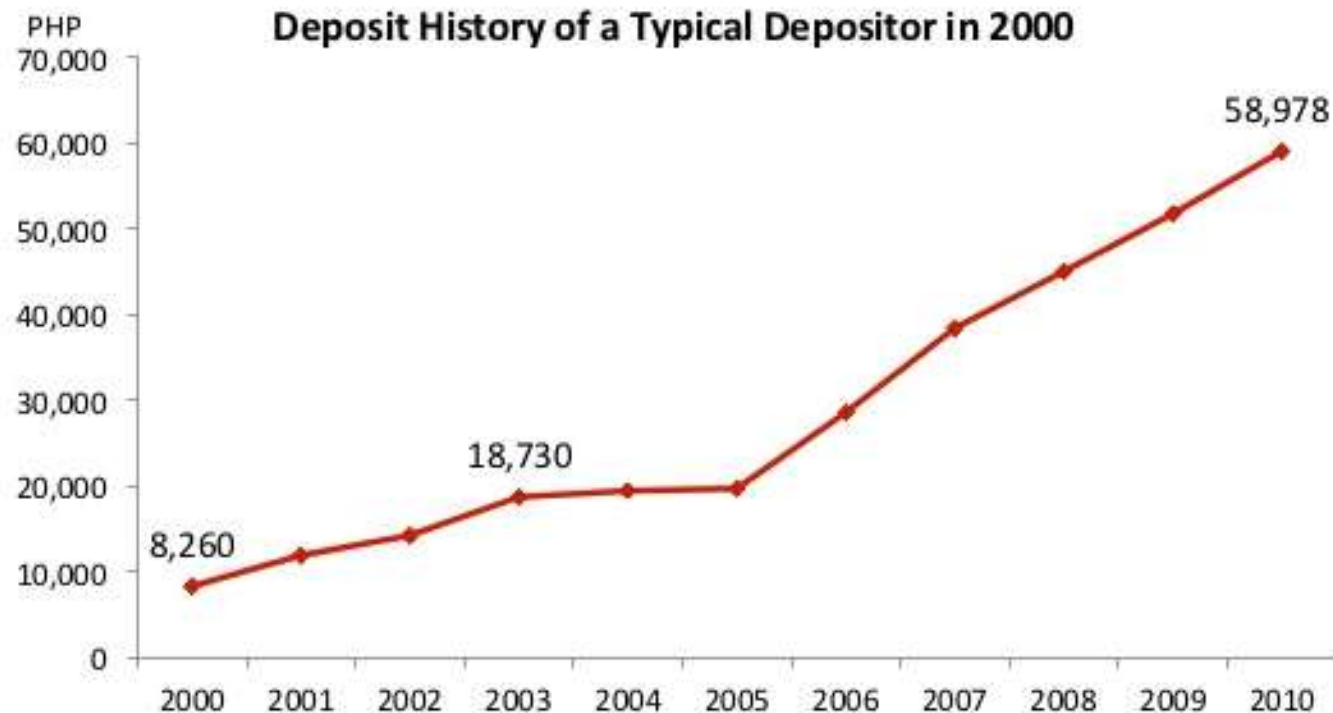
# Data analytics: The poor can save



According to a study by CARD Bank, there's no correlation between poverty level and savings balance

# + Data analytics: deposit balance increases

## 1. Long Term View: Deposit balance increase over time



- People's income increase as they advance in the life cycle
- Investing in micro-depositors will present long term benefits to the bank



# + Hypotheses

1. CCT beneficiaries are capable of mobilizing savings.
2. The provision of low-cost financial services increase formal savings in low-income households using mobile telephones linked to bank accounts.
3. The availability of formal savings mechanisms lead to accumulation of assets either in the household or in enterprises operated by the households.
4. CCT beneficiaries are capable of jump starting a livelihood initiative that is sustainable and scalable.





# Market opportunity assessment

- Poor households, like those of CCT beneficiaries tend to save in “traditional” ways, such as: hiding money in tin cans or under the mattress, or in the purchase of livestock. A savings account offers them a more secure and efficient way to effectively accumulate resources. Savings can play a decisive role in helping poor families establish better and higher levels of household consumption.

## Program Coverage

**17**

regions

**79**

provinces

**138**

cities

**1,261**

municipalities

**3.9M**

Households enrolled exceeding 3.8 M target  
for 2013

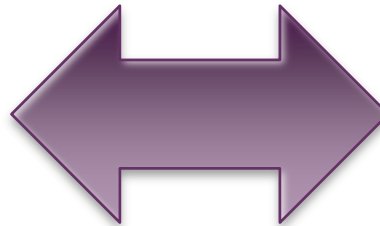
2013 Beneficiaries-Distribution			2013 Total Beneficiaries		
LUZON	VISAYAS	MINDANAO	LUZON	VISAYAS	MINDANAO
41.75%	37.81%	20.44%	1,633,712	1,479,399	799,607

# + Product attributes

Product Attributes	Features
Minimum balance	A minimum of P50.00 monthly savings set-aside by a beneficiary voluntarily via auto-deduct from every payout initiated by DSWD through LBP. The higher the savings accumulation, the higher the livelihood loan assistance extended.
Interest	5% per annum which is the lowest interest rate in the industry even better than MFIs. Loan rollover is allowed to encourage and incentivize beneficiaries to make the microenterprise sustainable. Special savings interest to be offered by LBP
Holding period	The auto-deduct savings accumulation will last until the beneficiary's enrollment in Pantawid program. If beneficiary wishes to withdraw the savings accumulated, either partial or in full, any balance in the livelihood loan extended will be deducted. If it is insufficient, it would be deducted from succeeding payout.
Reporting format	Landbank ATM card and pull SMS for balance inquiry is free of charge
KYC/CFT/AML	Proportionate KYC will be applied in this program. Since all the Pantawid beneficiaries have already been positively identified by DSWD and have passed the stringent criteria and qualification with regular visits conducted by DSWD's Municipal Links in their respective residences, these measures are more than sufficient KYC compliance.
Bundled product	Once a Pantawid beneficiary opts to enrol in the program, the beneficiary enjoys credit for livelihood and savings facility via financial literacy programs.
Savings accumulation	20% of the net monthly revenues must be set aside for savings accumulation on top of the auto-savings of P100/month.
Loan default	Should a program availer defaults for three consecutive months of amortization with reminder notification in the first two months by the concerned Municipal Link, the outstanding loan amount will be deemed due and demandable and will be deducted from her succeeding payout in staggered basis, i.e., 50% of the total due deducted on the next payout and the next 50% due on the succeeding payout



# The companion Landbank mobile/virtual account



- DSWD through Landbank credits the bi-monthly stipend to Pantawid beneficiary
- Pantawid beneficiary withdraws stipend from ATM (others do it via OTC through accredited payout agents like M Lhuillier and Post Office)
- Landbank credits auto-savings to mobile virtual account
- Pantawid beneficiary can do balance inquiry of his savings
- Pantawid beneficiary credits at least 20% of quarterly income for savings build-up
- Pantawid beneficiary can transfer funds to ATM cash card to withdraw funds subject to Landbank holding period requirements

# + Illustration



Pantawid beneficiary enrolls with Project LIFT by filling up an application form through DSWD Municipal Links



Pantawid beneficiary opts P100 per month savings allotment to be automatically deducted from her monthly stipend. Hence, P200 will be deducted from the bi-monthly disbursement.

$P200 \times 6 \text{ months} \times 5 \text{ years} = P6,000$  total aggregate future savings accumulation

$P6,000.00 \times 50\% \text{ LBP livelihood assistance}^{**} = P3,000.00$  as capital for initial load retailer business

$P3,000.00 \text{ LBP livelihood} / 60 \text{ months at } 2\% \text{ p.a.} = P52.58/\text{month}$

$P3,000.00 \text{ Smart retailer load} \times 7\% \text{ commission} = P210.00 \text{ income}$

$P12,600$  gross income per year

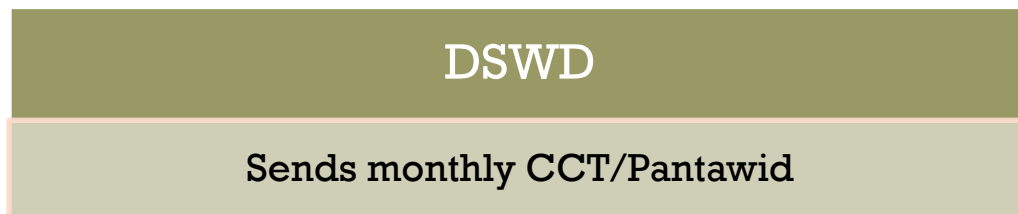
\*- depending on the beneficiary program coverage

\*\* - payable within beneficiary's Pantawid program coverage

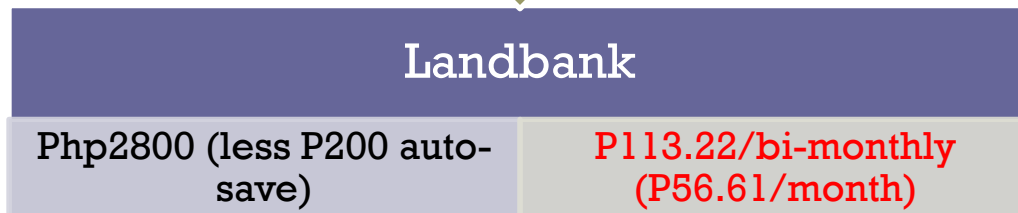


# Loan Amortization

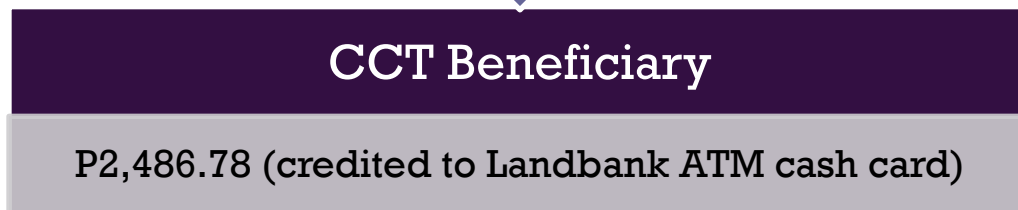
- Prepares and sends bi-monthly CCT/Pantawid cash grants



- Receives the full amount of CCT cash grants
- Deducts the bi-monthly Amortization for the loan availed

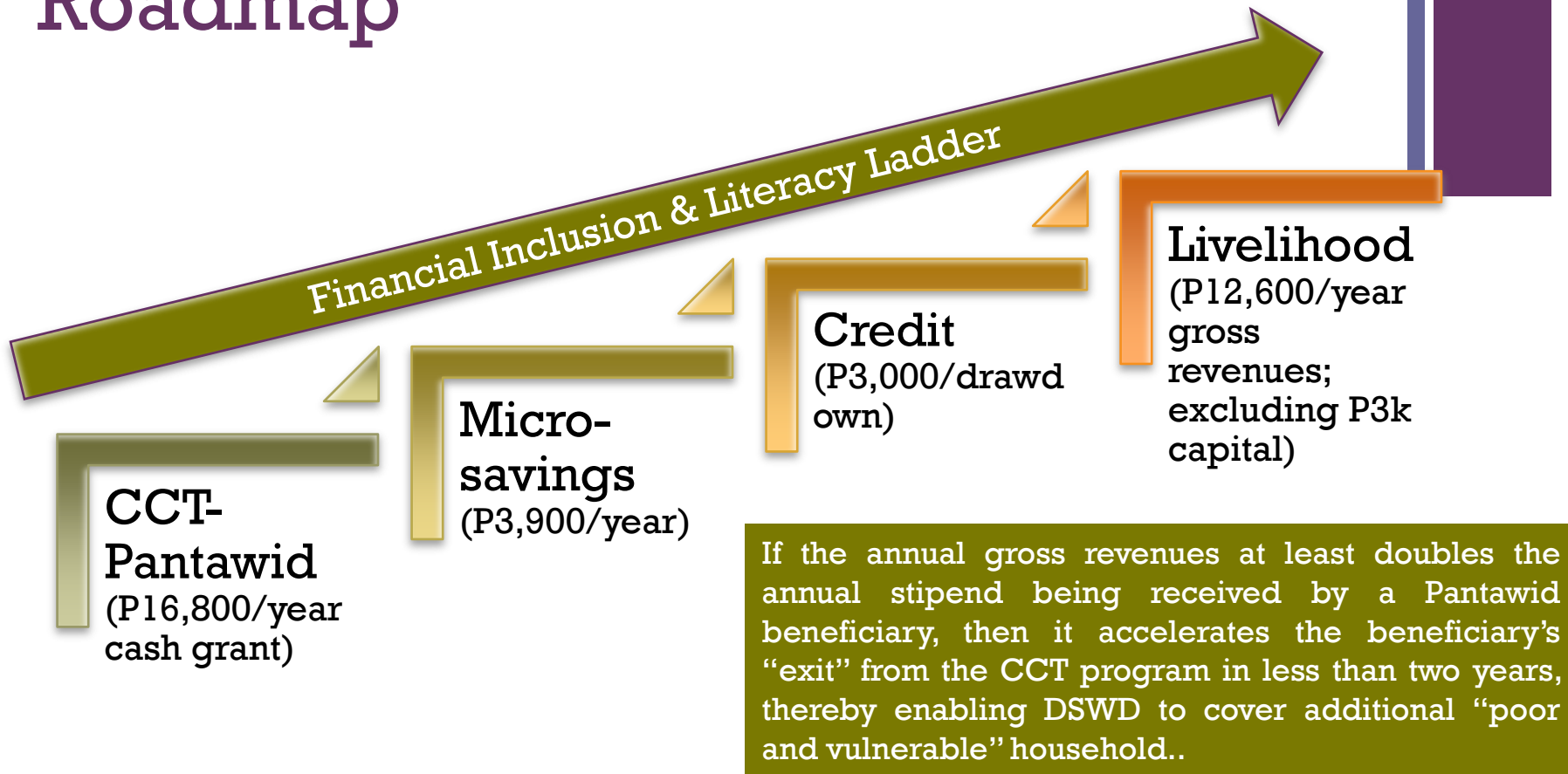


- Receives bi-monthly cash grant Less his monthly amortization and auto-savings





# + Roadmap



## Pantawid Beneficiary Journey



+

# Cash Flows

## Payout Schedule

- Dec-Jan.....P2,800
- Feb-Mar.... P2,800
- April-May...P1,000
- Jun-Jul.....P2,800
- Aug-Sep....P2,800
- Oct-Nov.....P2,800
- Total.....P15,000

## Passive Income

Auto-savings

Loan  
System

## Active Income

Retail Business  
Earnings

Php50-100 – AutoSaves &  
P113.22 – Loan Amortizations

20% Net Revenues  
From Retail Business



LBP / SMART  
ALKANSYA  
Virtual Account





# Optional year-end partial withdrawal facility

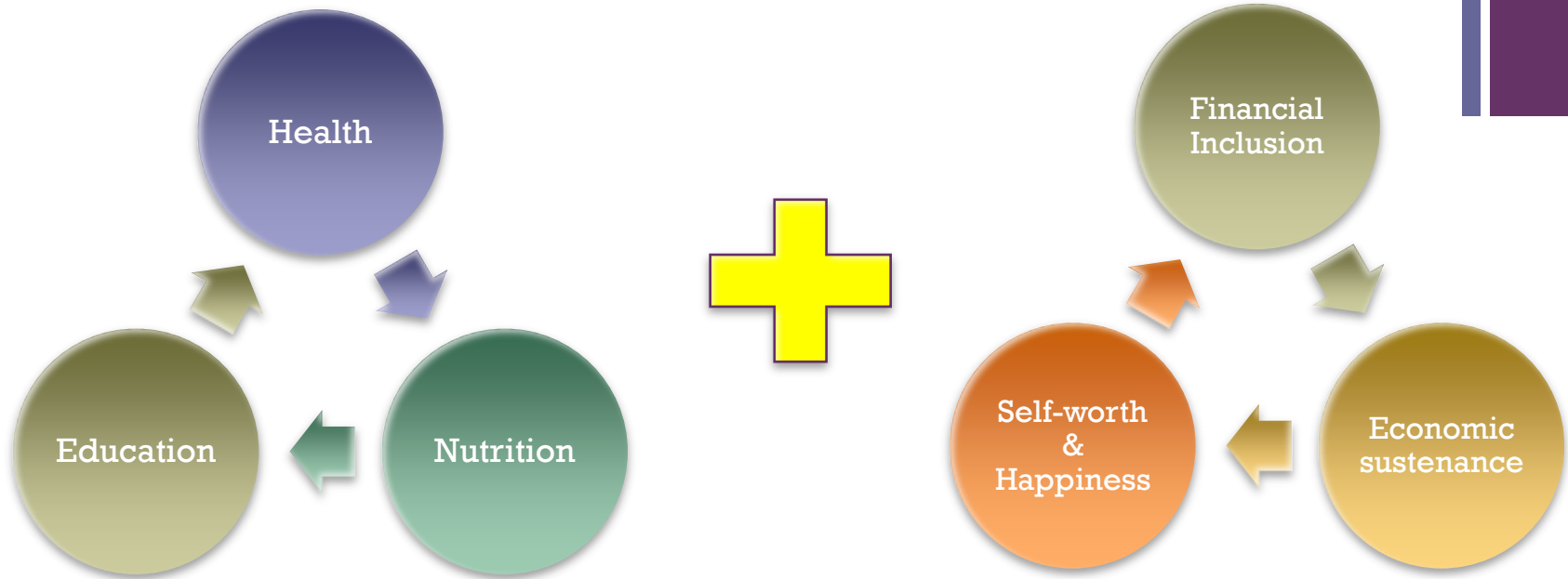


- Every December while still under the Panalo SIKAP Program, the beneficiary can have the option to withdraw as much as 30% of her accumulated savings (combined auto-save and 20% from gross sales contributed with interests earnings) to allow beneficiary to augment her preparation for Christmas celebration with her family

# + Features

- ☒ Incentivized Savings
- ☒ Access to Socialized Credit
- ☒ Jump-start Load Business
- ☒ Tax-exempt Savings Account
- ☒ Tax-exempt Business Income
- ☒ Mobile financial services

# + Outcomes



World-first credit, livelihood and savings-linked CCT program in deployment



# Role of partners



- Identifies the pilot areas for Project LIFT program
- beneficiaries enrolled with Project LIFT
- Trains municipal links about the program in partnership with Smart and Landbank
- Takes the lead in information dissemination campaign



- Assigns a Project LIFT virtual account with a provision of transferring the virtual account to a regular Landbank cash card to facilitate cash withdrawal
- Earmarks a credit facility for the livelihood program
- Provisions load business as the jump start livelihood under Project LIFT.
- Debits the amount set aside for savings opted by Pantawid
- Assists in the information dissemination campaign



- Facilitates the technical requirements and integration to operationalize the Project LIFT Program
- Provides free retailer SIM an subsidized starter phones to covered Smart Project LIFT participants
- Allows 7% commission for retailer load inventory under the Program and possible provision of cellphone for remote areas
- Assists in the training of Municipal Links on the Program
- Assists DSWD in creating a “dashboard” for M&E to monitor Panalo SIKAP Program activities





Thank you