

LEVERAGING DIGITAL ID AND E-KYC TO DELIVER SOCIAL PROTECTION PROGRAMS AND ADVANCE FINANCIAL INCLUSION DURING THE COVID-19 PANDEMIC AND FUTURE CRISES

Lessons learned from Peru, India, Togo, Thailand, and Egypt



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ACKNOWLEDGMENTS

This collection of case studies is a product of the Global Standards Proportionality Working Group (GSPWG) and its members.

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Special thanks to Suhird Singh, Nikita Dhingra, and Anshul Pachouri from MicroSave Consulting (MSC) for their support in conducting research and drafting the report.

We would like to thank AFI member institutions, partners and donors for generously contributing to development of this publication.

1. EXECUTIVE SUMMARY

On 11 March 2020,¹ the World Health Organization (WHO) declared COVID-19 a pandemic and asked governments worldwide to take urgent and aggressive action to curb its transmission. In response, several countries began enforcing strict restrictions on people's movements and contacts such as stay-at-home orders, in addition to the closing of educational institutions, offices, markets, curfews, etc. By May, a large majority of countries had enforced restrictions in some form or the other, affecting more than five billion people around the world.

Informal workers were one of the most affected as many activities in informal sectors were stopped due to response measures that required social distancing. According to the International Labour Organization (ILO), approximately 1.6 billion² people under lockdown were informal workers.

90%

The ILO stated that in **low-income countries**, informal employees constitute 90 percent of the total workforce.

67%

In **middle-income countries**, the corresponding figure is 67 percent.³

These workers usually lack savings that they could rely on in a situation where they cannot continue to earn an income. As per the World Bank, the pandemic pushed between 88 million to 115 million people⁴ around the world into extreme poverty in 2020.

To protect the livelihoods of the most vulnerable sections of society, including informal workers, nearly 200 countries implemented or expanded existing social protection programs⁵ during the pandemic. Many of these programs made use of digital ID in their implementation. World Bank research indicates that more than USD800 billion was spent on social protection in 2020, impacting over 1.1 billion people.⁶ However, the lack of any identification by one billion people⁷ created a huge challenge for governments in identifying

these people in order to provide social protection benefits during the pandemic.

The implementation of these social protection programs faced many complex challenges such as the need for faster identification,⁸ the onboarding⁹ of beneficiaries, and transfer of cash assistance to financially excluded beneficiaries. Social distancing measures and fears of virus transmission made these serious challenges even more excruciating. These challenges were addressed using a range of interventions that include the expansion and restructuring of existing social protection schemes, design and implementation of new social transfers programs specifically for the pandemic, and changes in Know Your Customer (KYC) norms to open new mobile wallets and bank accounts in line with Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) norms. Many of these interventions were implemented using digital and emerging technologies, such as digital ID, satellite imagery, and machine learning.



Digital ID and electronic Know Your Customer (e-KYC) played a critical role during the pandemic by providing social protection and other benefits to low-income and disadvantaged populations.

- 1 BBC. 2020. Coronavirus confirmed as pandemic by World Health Organization. Available at: <https://www.bbc.com/news/world-51839944>
- 2 ILO. 2020. Covid-19 crisis and the informal economy - Immediate responses and policy challenges. Available at: https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/briefingnote/wcms_743623.pdf
- 3 As of May 2020.
- 4 World Bank. 2020. COVID-19 to Add as Many as 150 Million Extreme Poor by 2021. Available at: <https://www.worldbank.org/en/news/press-release/2020/10/07/covid-19-to-add-as-many-as-150-million-extreme-poor-by-2021>
- 5 UNSGSA. 2020. UNSGSA Remarks at ID4D Event during World Bank-IMF Annual Meetings. Available at: <https://www.unsgsa.org/speeches/keynote-remarks-identification-development-id4d-mission-billion-event-virtual-world-bank-group-international-monetary-fund-imf-annual-meetings>
- 6 World Bank. 2021. A game changer for social protection? Six reflections on COVID-19 and the future of cash transfers. Available at: <https://blogs.worldbank.org/developmenttalk/game-changer-social-protection-six-reflections-covid-19-and-future-cash-transfers>
- 7 World Bank. 2018. The global identification challenge: Who are the 1 billion people without proof of identity? Available at: <https://blogs.worldbank.org/voices/global-identification-challenge-who-are-1-billion-people-without-proof-identity>
- 8 Identification refers to the process of establishing or determining a person's identity by collecting and proving identity information.
- 9 On-boarding usually refers to establishing a business relationship between a financial services provider and a customer. However, in the context of social protection programs, it relates to the process of including a beneficiary.

Digital ID was crucial in identifying and pre-enrolling millions of beneficiaries for social protection programs as the pandemic progressed. Digital ID systems provide a mechanism for remotely authenticating the identity of individuals and delivering various services such as banking and social protection, among others, through web applications. The ability to remotely identify oneself during the pandemic was of particular significance due to the need for social distancing and people's fear of going to public places.

The linking of digital ID with various databases (tax, social security, and employment, among others) helped several governments to quickly identify beneficiaries for social transfer programs at the height of the pandemic. Some countries further cross-referenced these databases to screen applications for social transfers, which proved very useful in reducing the manual work required to process these applications during the pandemic.

To facilitate cash transfers of social assistance schemes during the pandemic, the governments of some countries temporarily lowered KYC and customer due diligence (CDD) requirements to allow for the faster opening of new bank or mobile money accounts for the financially excluded. The sudden outbreak of the pandemic also elevated AML/CFT concerns related to terrorism financing and potential exploitation of the financial system by criminals.¹⁰ However, many governments took these money laundering and terrorist financing (ML/TF) risks seriously and applied additional caution to comply with global AML/CFT standards while launching new KYC and CDD norms during the pandemic.

Taking note of the above considerations and developments, this report explains the role of digital ID and e-KYC in the design and implementation of social protection programs in Peru, India, Togo, Thailand, and Egypt during the pandemic to support low-income and disadvantaged populations. The government of Peru launched six cash transfer programs to support the needy in different phases of the pandemic. The programs were seemingly customized to support the neediest at any particular point in time as different people needed government assistance at varying time periods depending on their pre-pandemic socioeconomic situation. The beneficiaries of these cash transfer programs included those on low-incomes living in high-risk areas of COVID-19 transmission, households with self-employed or independent workers, and poor households in rural areas, among others.

The government of India launched a comprehensive social protection program called “Pradhan Mantri Garib Kalyan Yojana (PMGKY)” intending to help low-income and disadvantaged populations tackle the pandemic more effectively. This program was largely an extension of pre-existing social transfer scheme benefits that included free pulses and staples for low-income households, cash assistance for low-income women bank account holders, ex-gratia payments for persons with disabilities and senior citizens, and free LPG cylinders for households below the poverty line.

The government of Togo launched “Novissi”, a cash transfer program aimed at supporting informal workers in areas highly affected by the pandemic, and later expanded in rural areas. The government differentiated itself with the innovative use of Unstructured Supplementary Service Data (USSD) technology to deliver the cash transfer programs, in addition to satellite imagery and machine learning algorithms to identify the most vulnerable people.

The government of Thailand launched a cash transfer program that provided THB5,000 (USD153) per month to its three million informal workers, for 3-6 months. The government used the existing unique personal identification number (PID) to identify eligible beneficiaries. Databases on farmers and fishermen were used for verification and to determine the eligibility of beneficiaries since the number of registrations exceeded the initial target. Payments for this program were made through either direct bank transfers or the interoperable platform- PromptPay wallet.

The government of Egypt offered a one-time cash allowance, consisting of three payments of EGP500 (roughly USD32) per month, to informal workers who had lost their jobs due to the pandemic. Approximately 160,000 new beneficiaries were added to the pre-existing Takaful and Karama social transfers program. Additionally, financial assistance was provided to employees who were not receiving salaries from companies that risked closure due to the pandemic.

10 FATF. 2020. The importance of allocating sufficient resources to AML/CFT regimes during the COVID-19 pandemic. Available at: <https://www.fatf-gafi.org/publications/fatfgeneral/documents/covid-19-impact-oct-2020.html>

2. KEY OBJECTIVES AND POLICY IMPLICATIONS

These case studies are based on extensive secondary research and expert interviews with stakeholders representing financial regulators, central banks, and individual ministries and departments dealing with Digital ID, e-KYC, and social protection programs in Peru, India, Togo, Thailand, and Egypt during the COVID-19 pandemic.

The key objectives of the report are:

1

TO HIGHLIGHT the crucial role of Digital ID and e-KYC in supporting low-income and disadvantaged populations during the pandemic.



2

TO UNDERLINE the key lessons and learnings in using Digital ID and e-KYC when implementing social protection programs and advancing financial inclusion during the pandemic.



3

TO PREPARE financial policymakers and regulators in tackling the next pandemic or crisis with an aim of leaving no one behind.



Based on the detailed assessment of the five focus countries and other examples, the report discusses various social protection strategies and social transfer programs adopted by different countries during the pandemic, giving a thorough account of how Digital ID and e-KYC enabled their faster implementation which would otherwise have been very difficult to deploy.

The report presents the key lessons and ideas that national governments can adopt to leverage Digital ID and e-KYC to help disadvantaged and vulnerable groups during any crisis situation arising from a pandemic, climate change, conflict, or other crises.

The actionable and practical recommendations showcased in the report can greatly assist financial policymakers and regulators, as well as their national governments in preparing well in advance to support the disadvantaged and those on low-incomes more effectively during any future crisis.

3. COUNTRY CASE STUDIES

3.1 PERU



INTRODUCTION - STATE OF THE ECONOMY AND WORKFORCE

Peru reported its first case of COVID-19 on 6 March 2020 in Lima.¹¹ The number of cases started steadily increasing after 10 March, and by the end of the month, there were over 1,000 cases in the country. On 15 March, the President of Peru declared a state of national emergency, and a quarantine was put in place for 15 days from 16 March. International borders were closed and the general movement of people was severely restricted, with an exception for people who were involved in the supply of essential goods and services. After multiple extensions, the state of emergency and quarantine measures remained in effect until 30 June. Peru's GDP fell by 11.15 percent in 2020,¹² the biggest fall since 1989, when the country faced a macroeconomic crisis.

56%

According to the International Labour Organization (ILO), approximately 56 percent of Peru's working population¹³ was employed in the informal sector as of May 2020.

44%

According to a telephone survey conducted by Ipsos¹⁴ in Peru, 44 percent of informal sector employees were not receiving any income during the pandemic.

53 percent were receiving a reduced income, and only 3 percent were receiving their income as usual. Reversing the recent trend, the International Monetary Fund (IMF) projected that Peru's GDP would increase by 8.5 percent in 2021.¹⁵

DIGITAL ID AND THE FINANCIAL INCLUSION LANDSCAPE IN PERU

Documento Nacional de Identidad¹⁶ (DNI) is the national identity card in Peru (first issued in 1997), which is issued by the Registro Nacional de Identificación y Estado Civil (RENIEC)¹⁷ (National Registry of Identification and Civil Status). It is the only identity card that is recognized by the government of Peru in all situations in which a person might be required to

identify themselves, and is therefore, compulsory for all Peruvian adults. According to the World Bank's ID4D Country Diagnostic for Peru from 2018, DNI covers 99.2 percent of the adult population.

For adults, the DNI card is blue and contains a photo and details such as the given name(s), surname(s), date and place of birth, sex, civil status, address, signature, a unique identification code, the date of issue and expiry, the voter group and whether or not the person is an organ donor. The card is valid for eight years. While it is not compulsory, minors can also apply for a DNI for easy access to public health, education, sport, food, and safety services. Minor cards are yellow and do not contain any voter information. However, it is mandatory to apply for an adult DNI card after reaching the age of 17. Data privacy is a constitutional right in Peru, and the Personal Data Protection Law (LEY N° 29733)¹⁹ provides citizens with control over their personal data, including the use of the information contained in the DNI card.

In 2013, the Documento Nacional de Identidad electrónico (DNle)²⁰ (Electronic National Identity Document) was introduced to gradually replace the earlier paper-based DNI cards. The DNle card contains the same information in addition to a chip that stores the data electronically for faster identification and data processing, along with safety and security features. It is a form of digital ID and enables the use of digital services offered by the government.

11 Reuters. 2020. Peru records first confirmed case of coronavirus, President Vizcarra says. Available at: <https://www.reuters.com/article/health-coronavirus-peru-idUSE6N29R02T>

12 World Bank. 2022. Available at: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=PE>

13 ILO. 2020. Rapid response to COVID-19 under high informality? The case of Peru. Available at: https://www.ilo.org/wcmsp5/groups/public/-/-ed_emp/documents/publication/wcms_746116.pdf

14 Ipsos is a multinational market research and consulting firm headquartered in Paris.

15 IMF. 2021. Peru: Staff Concluding Statement of the 2021 Article IV Mission. Available at: <https://www.imf.org/en/News/Articles/2021/02/12/mcs021221-peru-staff-concluding-statement-of-the-2021-article-iv-mission>

16 Single digital platform of the Peruvian State. 2022. Documento Nacional de Identidad (DNI). Available at: <https://www.gob.pe/235-documento-nacional-de-identidad-dni>

17 Unique digital platform of the Peruvian State. 2022. Registro Nacional de Identificación y Estado Civil. Available at: <https://www.gob.pe/reniec>

18 World Bank. 2018. ID4D Country Diagnostic: Peru. Available at: <https://documents1.worldbank.org/curated/en/245571518449918214/ID4D-Country-Diagnostic-Peru.pdf>

19 El Peruano. 2013. Peruvian Law 29733 for Personal Data Protection. Available at: <https://diariooficial.elperuano.pe/pdf/0036/ley-proteccion-datos-personales.pdf>

20 DNI Electronico Peru. 2022. Available at: <https://dnielectronico.pe/>

RENIEC operates the Portal del Ciudadano (Citizen Portal)²¹ where various digital services can be accessed with the use of the DNle. These digital services allow DNle holders to view their personal data and registration records. They can also view this information for their children; update DNI data, photographs, and view the status of any procedures for their DNI; and request certified digital copies of registry records and certificates. DNle can only be obtained after reaching the age of 18 and is valid for eight years. The Decreto Legislativo N° 1412 (Legislative Decree No. 1412),²² published in September 2018, approved the Digital Government Law, allowing the use of DNle for administrative procedures and digital services at public administration entities. The law also dictates that public administration entities need to guarantee that technical and legal measures are adopted for the protection of personal data within the design of the digital services offered to citizens.

The Comisión Multisectorial de Inclusión Financiera (CMIF) (Multisectoral Commission for Financial Inclusion) has been implementing the Estrategia Nacional de Inclusión Financiera (ENIF) (National Strategy for Financial Inclusion) since 2015. Considering the low level of financial access and lack of use of financial services in the country, the CMIF, in collaboration with the Centro Nacional de Planeamiento Estratégico (CEPLAN) (National Center for Strategic Planning), published the Política Nacional de Inclusión Financiera (PNIF)^{23,24} (National Policy for Financial Inclusion) in August 2019, to improve the economic well-being of the population through their inclusion in a formal financial system, taking into account intercultural, territorial, and gender approaches.

As per the Asociación de Bancos del Perú (Association of Banks of Peru) (ASBANC), 9.91 million adults used at least one financial product or service in the third quarter of 2019.²⁵ This accounts for 43 percent of the adult population, an increase of 9 percent from the same period in 2015 when the corresponding figure was 34 percent.

In 2015, a project known as Modelo Peru²⁶ was started as a collaboration between financial institutions, telecom companies, and the government. The goal was to launch a mobile money platform to increase financial inclusion, targeting the underbanked and unbanked populations. According to Banco Central de Reserva del Perú (BCRP) (Central Reserve Bank of Peru), as of 2017, approximately 90 percent of transactions in Peru were made in cash²⁷ even with a mobile subscriber rate at 66 percent. Considering the crucial role of mobile

money in financial inclusion, the Association of Banks of Peru (ASBANC) launched Pagos Digitales Peruanos (PDP) (Peruvian Digital Payments) to design and run a nationwide mobile money platform called Billetera Móvil (BiM).²⁸



Opening a mobile wallet on BiM is free of charge. It requires the user to enter their DNI number but importantly, does not require that a user have a bank account.

The platform works with the three largest telecommunication companies in Peru: Movistar, Claro, and Entel, which together cover roughly 90 percent of mobile subscribers. BiM's features include cash-in and cash-out (through agents), P2P transfers, purchase of airtime, and paying for services, etc. The adoption of the BiM platform was initially very slow, due to a high level of distrust of financial institutions. However, the use of electronic wallets increased by 66 percent during the COVID-19 pandemic,²⁹ with BiM having more than 1.4 million users as of August 2021.

In 2017, Peru's largest bank, Banco de Crédito del Perú (BCP), launched a P2P app called Yape. Initially, it could

21 Citizen Portal. 2022. Available: <https://serviciosportal.reniec.gob.pe/portalcidudano/>

22 El Peruano. 2018. Legislative Decree No. 1412. Available at: <https://cdn.www.gob.pe/uploads/document/file/353216/decreto-legislativo-que-aprueba-la-ley-de-gobierno-digital-decreto-legislativo-n-1412-1691026-1.pdf>

23 The PNIF consists of five priority objectives:

- PO1: Increase the level of trust in the financial system among all population segments.
- PO2: Provide financial services that are sufficient to meet the needs of the population.
- PO3: Reduce friction in the functioning of financial markets.
- PO4: Develop telecommunications infrastructure and digital platforms to expand the coverage of financial services.
- PO5: Strengthen mechanisms for coordinating institutional efforts.

24 El Peruano. 2019. Supreme Decree No. 255-2019-EF. Available at: <https://www.mef.gob.pe/es/por-instrumento/decreto-supremo/20676-decreto-supremo-n-255-2019-ef/file>

25 Andina. 2019. Financial inclusion: 9.91 million adults have a product or service. Available at: <https://andina.pe/agencia/noticia-inclusion-financiera-991-millones-adultos-tienen-algun-producto-o-servicio-782223.aspx>

26 IFC. 2018. Modelo Peru: A Mobile Money Platform Offering Interoperability Towards Financial Inclusion. Available at: https://www.ifc.org/wps/wcm/connect/d4960527-29d3-42ae-91e3-488b4011edb2/New+note+54+EMCompass_Note_54-ModeloPeru_FIN+2.pdf?MOD=AJPERES&CVID=mdFTwJZ

27 Central Reserve Bank of Peru. 2017. Information about the use and knowledge of cash for management in central banking. Available at: <https://www.bcrp.gob.pe/docs/Publicaciones/Revista-Moneda/moneda-169/moneda-169-06.pdf>

28 Banco de la Nación. 2022. Mobile Wallet. <https://www.bn.com.pe/clientes/servicios-adicionales/billetera-movil.asp>

29 Andina. 2021. Use of the electronic wallet grew 66 percent during the pandemic. Available at: <https://andina.pe/agencia/noticia-uso-de-billetera-electronica-crecio-66-durante-pandemia-857621.aspx>

only be used by BCP accountholders but in 2018, Yape's network was expanded and could be used by customers of other banks to receive P2P payments. Subsequently, in 2019, Yape was made available for use in making payments to merchants using QR codes and widely adopted by small merchants such as coffee shops and taxi drivers. During the pandemic, new users of Yape increased from 200,000 to 350,000 per month,³⁰ and as of December 2020, Yape had more than five million users.³¹

500%

During the pandemic, the use of digital wallets grew by approximately 500 percent,³² with Yape getting more than 25,000 new users daily.

The BiM, Tunki,³³ and Yape wallets were also used for the disbursement of some of the cash transfers during the pandemic.

BACKGROUND ON SISTEMA DE FOCALIZACIÓN DE HOGARES (SISFOH) - HOUSEHOLD TARGETING SYSTEM AND THE JUNTOS CASH TRANSFER PROGRAM

The Household Targeting System (SISFOH)³⁴ is maintained by the Ministerio de Desarrollo e Inclusión Social (MIDIS)³⁵ (Ministry of Development and Social Inclusion). SISFOH manages a General Household Register (Padrón General de Hogares - PGH) which contains socioeconomic information on citizens that is used to identify beneficiaries of social programs and subsidies. The identification of households living in situations of poverty or vulnerability is done through a system known as a Clasificación Socioeconómica (CSE) (Socioeconomic Classification). The system itself is not responsible for declaring people as eligible or ineligible for social programs but instead, provides information that can be used to find those who qualify.

The CSE, a measure of household well-being, is valid for three years, and classifies a household as not poor, poor, or extremely poor. The CSE is mandatory for a household to be covered by the PGH under SISFOH. Households that do not have a CSE need to apply for it at their Unidad Local de Empadronamiento (ULE)³⁶ (Local Registration Unit) in their respective municipalities.

To apply for a CSE, an applicant (any representative of the household of legal age) must carry the DNI (National Identity Document) of all members of their household, along with a water bill and an electricity bill, and

complete an application form. The result of the CSE application is made available approximately 25 business days after submission. Various factors are considered while classifying a household, which include: The duration of stay in the house; education level of the household head; the number of people in the household under the age of 17; materials used in the construction of the house; possession of appliances such as a washing machine, television, refrigerator; the number of rooms in the house; the employment status of the household head, and so forth.

During the pandemic, applications for new CSEs and the updating of existing CSEs could be done online through the Sistema para la Generación de Ticket de Atención en Línea (SiGTAL)³⁷ (Online Service Ticket Generation System) in a majority of ULEs. In the first stage, SiGTAL was available for ULEs in 1,444 provincial and district municipalities across the country and could only be used by beneficiaries (having a CSE that expired until 31 July 2021) of the Juntos, Pensión 65³⁸ or Contigo³⁹ social programs; the Fondo de Inclusión Social Energético (FISE) of the Ministry of Energy and Mines; and the Seguro Integral de Salud (SIS) of the Ministry of Health. SiGTAL was not available for use in 430 ULEs in the first stage, and face-to-face services were still being provided for households in these municipalities.

SISFOH has played a crucial role in the targeting and disbursement of cash transfers during the pandemic, as the eligibility criteria for the cash transfer programs includes the CSE.

30 Americas Market Intelligence. 2020. Winning in P2P in Latin America: How traditional banks can stay in fold. Available at: <https://americasmi.com/insights/winning-in-p2p-in-latin-america-how-traditional-banks-can-stay-in-the-fold/>

31 Next Billion. 2021. How incumbents are getting their mojo back. Available at: <https://nextbillion.substack.com/p/how-incumbents-are-getting-their>

32 Andina. 2020. Digital wallets: their use registered a 500 percent growth due to the pandemic. Available at: <https://andina.pe/agencia/noticia-billeteras-digitales-su-uso-registro-crecimiento-500-pandemia-823281.aspx>

33 Interbank. 2022. Tunki. Available at: <https://interbank.pe/canales-digitales/tunki>

34 Unique digital platform of the Peruvian State. 2022. SISFOH. Available at: <https://www.gob.pe/437-sistema-de-focalizacion-de-hogares-sisfoh>

35 Single digital platform of the Peruvian State. 2022. MIDIS. Available at: <https://www.gob.pe/midis>

36 The ULE is the office of the provincial and district municipalities that is in charge of processing applications for CSE by collecting information from households and sending it to the Ministry of Development and Social Inclusion (MIDIS).

37 Single digital platform of the Peruvian State. 2022. SiGTAL. Available at: <https://www.gob.pe/11761-acceder-al-sistema-para-la-generacion-de-ticket-de-atencion-en-linea-sigtal>

38 The Pension 65 program protects senior citizens 65 years of age or older lacking basic conditions for their sustenance, granting them an economic subsidy of PEN250 bi-monthly to help them meet their needs.

39 The Contigo Program grants a non-contributory pension to severely disabled people living in poverty throughout the country to contribute to the improvement of their quality of life.

Programa Nacional de Apoyo Directo a los más Pobres - Juntos⁴⁰ (National Program of Direct Support to the Poorest) is a conditional cash transfer program that was created in 2005 through the Supreme Decree No. 032-2005-PCM. The program is run by MIDIS and aims to guarantee health and education in households experiencing very poor financial conditions. The monetary incentives offered by the program to households are contingent on them sending their children to school, taking care of their health, and ensuring that pregnant women in the household attend their prenatal check-ups. The program targets the poorest households located in districts where more than 40 percent of the population live below the poverty line. The selection of households is done through

geographic targeting (to select districts) and through household targeting (to select households based on the poverty level according to SISFOH). Additionally, households need to have at least one target member: a pregnant woman, a child or an adolescent until they complete their secondary education. The monetary incentive is approximately USD50 (PEN200⁴¹) paid once every two months.

As of February 2019, the program had approximately 720,000 beneficiary households. Over 80 percent of beneficiaries were receiving their funds through direct transfers in their Banco de la Nación accounts, while the remainder were receiving their funds in cash.

RESPONSE TO COVID-19

BONO YO ME QUEDO EN CASA⁴²

An allowance of USD97 (PEN380) meant for 2.7 million households classified as either poor or extremely poor, primarily in areas with the highest risk during the pandemic.

BONO INDEPENDIENTE⁴³

An allowance of USD195 (PEN760) meant for 780,000 households with self-employed workers.

BONO RURAL⁴⁴

An allowance of USD195 (PEN760) targeted at 830,000 households in rural areas that are classified as either poor or extremely poor, and not beneficiaries of any other cash transfer program during the pandemic.

SOCIAL AND CASH TRANSFER PROGRAMS

BONO FAMILIAR UNIVERSAL⁴⁵

An allowance of USD195 (PEN760) targeted at vulnerable households classified as poor or extremely poor that were not beneficiaries of any of the first three cash transfer programs during the pandemic.

BONO 600⁴⁶

An allowance of USD152 (PEN600) targeted at households living in vulnerable regions of Peru having an extreme alert level due to COVID-19, covering approximately 4.7 million people.

YANAPAY⁴⁷

An allowance of USD89 (PEN350) granted nationwide for people of legal age living in situations of poverty or vulnerability, as well as beneficiaries of the Juntos, Pensión 65 and Contigo programs.

40 Single digital platform of the Peruvian State. 2022. Juntos. Available at: <https://www.gob.pe/juntos>

41 PEN is the currency code for the Peruvian Sol, which is issued by the Central Reserve Bank of Peru.

42 <https://www.gob.pe/8782-acceder-al-bono-yo-me-quedo-en-casa>

43 Single digital platform of the Peruvian State. 2022. Consultar si te corresponde el Bono Independiente. Available at: <https://www.gob.pe/8883-consultar-si-te-corresponde-el-bono-independiente>

44 Single digital platform of the Peruvian State. 2022. Acceder al bono rural. Available at: <https://www.gob.pe/9070-acceder-al-bono-rural>

45 Single digital platform of the Peruvian State. 2022. Conoce cómo cobrar el Bono familiar universal - BFU. Available at: <https://www.gob.pe/10979-conoce-como-cobrar-el-bono-familiar-universal-bfu>

46 Single digital platform of the Peruvian State. 2022. Consultar si tu hogar recibirá el Bono 600. Available at: <https://www.gob.pe/12554-consulta-si-tu-hogar-recibira-el-bono-600>

47 Single digital platform of the Peruvian State. 2022. Consultar si recibes el apoyo económico Yanapay. Available at: <https://www.gob.pe/14565-consultar-si-recibes-el-apoyo-economico-yanapay>

ELIGIBILITY CRITERIA AND DISBURSEMENT OF CASH TRANSFER PROGRAMS

BONO YO ME QUEDO EN CASA

To check eligibility, citizens went to [YoMeQuedoEnCasa.pe](https://yomequedoencasa.pe) and entered their DNI details, such as the identification code and date of issuance. Eligible beneficiaries were given a date and slot along with a method for collecting the allowance, which included:

- 1) Deposit into Banco de la Nación, Interbank, BCP, Interbank, BBVA, Banco de Comercio, and Caja Metropolitana bank accounts;
- 2) Tunki mobile wallet;
- 3) Banco de la Nación cellular banking; and
- 4) Money order through the window.

Eligible beneficiaries were given an option to opt out of collecting their allowance if warranted based on their financial condition. In such cases, they could report this through the website and the funds would then be disbursed to other households.

BONO INDEPENDIENTE

This allowance was implemented by the [Ministerio de Trabajo y Promoción del Empleo \(Ministry of Labor and Employment Promotion\)](#) and was meant for independent workers only, and therefore, not applicable to households having a member registered as a dependent worker in the public or private sectors. Households eligible for this allowance must be classified as “not poor” according to SISFOH, while household members should not have an income of more than USD295 (PEN1,200). In addition, households that are beneficiaries of the Juntos or Bono Yo me quedo en casa program are ineligible for this allowance. To check on eligibility, citizens went to bonoindependiente.pe and entered their DNI number and date of birth. Moreover, this allowance could only be collected through Banco de la Nación (Bank of the Nation). Beneficiaries who did not have an account with the bank needed to access Banco de la Nación mobile banking on their mobile phones where they were given instructions on how to receive the allowance.

BONO RURAL

This allowance was primarily targeted at agriculture households in rural areas that were not beneficiaries of any other cash transfer program during the pandemic. Apart from SISFOH, records of agencies and special programs of the [Ministerio de Agricultura \(Ministry of Agriculture\)](#) were also taken into account to prepare the list of beneficiaries. Citizens could go to bonorural.pe and enter their DNI number and its date of issue to check their eligibility. There were three different

methods for collecting payment:

- 1) Bank account with Banco de la Nación, Banco de Crédito del Perú, Banco Interbank, Caja de Arequipa, Caja del Santa, Caja Huancayo, Caja Los Andes, Caja Raíz and Financiera Compartamo;
- 2) Banco de la Nación's mobile banking system which allowed beneficiaries to withdraw the allowance through an ATM; and
- 3) Distribution of cash using pay carts at venues near the homes of beneficiaries residing in remote areas.

Pay carts were also used to deliver the allowance directly to the homes of senior citizens and severely disabled beneficiaries in urban areas. For this purpose, a schedule was published in advance, including dates and venues for collecting the cash distributions.

BONO FAMILIAR UNIVERSAL

This allowance was introduced to target rural and urban households that had not received any of the other allowances. Many households claimed that they had been unfairly excluded from the beneficiary lists, and in response, the government gave such households a chance to apply for CSE or to request an update to their previous classification in order to be eligible for this allowance. After processing updates and new applications requests, 3.8 million households were made eligible for this allowance. Recipients could go to consultas.bfu.gob.pe and enter their DNI number to check their eligibility. One individual recipient from each eligible household was assigned and eligibility could be checked for that individual's DNI with the allowances delivered in five different phases from October to December 2020. The five phases had their own schedules and payment methods for delivery. Most transfers were carried out digitally, including through the BiM, Tunki, and Yape mobile wallets. However, households in the most remote areas of the country were paid in cash, using pay carts. In the fifth phase of delivery, the allowances were paid to households that did not have savings accounts or cell phone numbers. For this phase, Banco de la Nación published a cash collection payment schedule based on the last digit of the recipient's DNI number.

BONO 600

This allowance is targeted at vulnerable households in regions of the country with an extreme alert level due to the pandemic. The allowance was delivered in two stages, and each time it was aimed at new beneficiary households in areas with an extreme alert level. To be eligible, households: 1) Must be classified as either “poor” or “extremely poor” under SISFOH; 2) Should

either be affiliated with the Juntos program or have a member who is part of the Pensión 65 or Contigo programs; 3) Must not have any member registered as workers in the public or private sectors; and 4) Must not have any member earning a monthly income of more than USD730 (PEN3,000). There are five delivery modes used for payment of this allowance:

- 1) Direct deposit into bank accounts;
- 2) Banco de la Nación's mobile banking system;
- 3) Through BiM, Tunki, and Yape digital wallets;
- 4) Pay carts that deliver the cash allowance in remote areas; and
- 5) Collection of the allowance at branches of Banco de la Nación according to a payment schedule, meant for households without bank accounts or cell phone numbers.

YANAPAY

This allowance was launched nationwide by the government for all people of legal age in situations of poverty or vulnerability. Households that have only one person of legal age, with at least one minor living in their care, are eligible to receive an additional USD89 (PEN350). The disbursements for this allowance started on 13 September 2021 with multiple payment modes used for disbursement, including account deposits, digital wallets, DNI accounts, and pay carts.

MEASURES TAKEN DURING THE PANDEMIC TO FACILITATE THE DELIVERY OF CASH TRANSFERS INTO BANK ACCOUNTS

The government of Peru undertook several policy measures to facilitate the direct transfer of cash allowances into the bank accounts of beneficiaries. These measures were also taken to simplify the procedures for opening bank accounts and are as follows:

EMERGENCY DECREE DU N° 056-2020⁴⁸

Issued on 16 June 2020 - Measures for the payment of funds granted or released by the government through accounts in companies in the financial system and companies issuing electronic money in view of the emergency caused by COVID-19, and other provisions.

This policy measure allowed financial companies (including banks) and electronic-money issuers to open accounts in the names of beneficiaries identified by state or private entities, without needing prior approval of a contract by the holders. Originally announced to be in effect until December 2020, this measure was extended multiple times until December 2021.

This Emergency Decree indicated that funds provided by the government were intangible for one year after receipt of payment, and therefore not subject to legal or contractual compensation, retention or any other affectation, determined by judicial and administrative order. Kindly refer to Appendix A (Modalities of Urgent Decree DU N° 056-2020) for more details.

SUPREME DECREE DS N° 141-2020-EF⁵⁰

Issued on 12 June 2020 - Amendment to the statute of Banco de la Nación.

This amendment allowed Banco de la Nación to open basic bank accounts⁵¹ for citizens throughout the country, in compliance with applicable regulations and within the framework of the PNIF (National Policy for Financial Inclusion).

On 14 April 2020, the Superintendencia de Banca, Seguros y AFP (SBS Peru⁵²) (Superintendency of Banking, Insurance, and AFP) extended the limits that apply to basic accounts⁵³ through Resolution SBS No. 1286-2020 to facilitate the use of such accounts for beneficiaries of funds granted by the government in response to the pandemic. The daily limit on deposits and withdrawals was increased from PEN1,000 to PEN3,000, the maximum permissible balance was increased from PEN2,000 to PEN10,000, and the cumulative monthly limit on deposits and withdrawals was increased from PEN4,000 to PEN15,000.

48 El Peruano. 2020. Emergency Decree DU N° 056-2020. Available at: https://cdn.www.gob.pe/uploads/document/file/1201083/DU_056-2020-1866391-1.pdf

49 While these funds have an intangibility period of one year, certain funds that are received from private pension fund administrators are permanently intangible.

50 El Peruano. 2020. Supreme Decree DS N° 141-2020-EF. Available at: https://cdn.www.gob.pe/uploads/document/file/833427/DS141_2020EF.pdf

51 A basic account is a savings deposit account opened by financial companies that are authorized to take deposits from the public. Such accounts were introduced in 2011 and have certain restrictions.

52 SBS Peru is responsible for the supervision of the financial, insurance, private pension, and cooperative savings and credit systems, as well as for the prevention and detection of money laundering and financing of terrorism.

53 Gestión. 2020. SBS extends daily deposits and withdrawals from basic savings accounts to S/3,000. Available at: <https://gestion.pe/tu-dinero/sbs-cuentas-basicas-sbs-amplia-a-s-3000-los-depositos-y-retiros-diarios-de-las-cuentas-basicas-de-ahorros-noticia/>

LAW NO. 31120 (LEY N° 31120)⁵⁴

Issued on 7 February 2021 - Law Regulating the National Identity Document Account (CUENTA-DNI)

This law establishes the regulatory framework for the National Identity Document Account Cuenta-DNI⁵⁵ (DNI account), in accordance with the priority objectives and guidelines of the PNIF (National Financial Inclusion Policy).

The DNI account is a savings account opened by Banco de la Nación, which is responsible for its administration, and used for the payment, reimbursement, or transfer of any benefit, subsidy, or economic benefit granted by the state to the holder, as well as for other operations that promote access to and use of financial services by the population. To activate DNI accounts, users must enter their DNI number, e-mail and cellphone number on a platform, after which Banco de la Nación validates the user's identity with information from RENIEC and Organismo Supervisor de Inversión Privada en Telecomunicaciones (OSIPTEL) (Supervisory Agency for Private Investment in Telecommunications).

Currently, DNI accounts allow withdrawals through ATMs and the BiM mobile wallet, and will be extended to Yape and Tunki mobile wallets in the near future.

Initially, Banco de la Nación opened 4,500 DNI accounts for its employees as part of the “DNI Account Ambassadors Strategy”, to familiarize them with these accounts and ensure that all bank employees go through the experience of activating DNI accounts to better guide customers regarding their use. Since October 2021, the bank has been opening DNI accounts for beneficiaries of Yanapay and is expected to open 2.1 million DNI accounts by December for this purpose.

The implementation of DNI accounts has presented some operational challenges and Banco de la Nación is adjusting its processes to improve its user experience. Similarly, other financial institutions also have to adapt their computer systems so that they do not charge regular fees.

Kindly refer to
**Appendix B (Modalities
of Law No. 31120)**
for more details.

AML/CFT CONSIDERATIONS

The Financial Action Task Force of Latin America, GAFILAT, is the FATF Style Regional Body (FSRB) for Latin America and oversees compliance with the FATF Recommendations by its 17 member countries. Peru, as a GAFILAT member, largely complies with FATF recommendations. As per the 2019 Mutual Evaluation Report, Peru was classified as compliant for 16 and largely compliant for 18 of the FATF 40 Recommendations.

Additionally, the Unidad de Inteligencia Financiera del Perú (UIF) (Peru Financial Intelligence Unit) was created in 2003 through Law No. 27963 (LEY N° 27963).⁵⁶ The UIF is responsible for analyzing, investigating, evaluating, and transmitting financial information to detect money laundering and the financing of terrorism. The UIF was incorporated into Superintendencia de Banca, Seguros y AFP (SBS Peru) as a specialized unit in 2007 through Law No. 29038 (LEY N° 29038).⁵⁷

Under Emergency Decree DU N° 056-2020, bank accounts could only be opened for beneficiaries of various programs, and was therefore, very restricted. Due to these strict limitations, violations of AML/CFT regulations did not occur.

Under Supreme Decree DS N° 141-2020-EF, basic accounts that are opened have maximum limits on transactions and balances, which helped minimize the risk of ML/FT. The pre-existing regulations on basic accounts are included in the simplified regime rules, which already comply with AML/CFT regulations.

Under Law No. 31120 (LEY N° 31120), DNI accounts are opened by Banco de la Nación, which applies its usual standards on these accounts, which include provisions for AML/CFT regulations. The bank also has the authority to close any DNI account if it suspects or detects (with evidence) that it is being used for fraud or other illegal activities.

⁵⁴ El Peruano. 2021. Law No. 31120 (LEY N° 31120). Available at: <https://cdn.www.gob.pe/uploads/document/file/1661664/Ley%2031120.pdf.pdf>

⁵⁵ El Comercio. 2021. DNI account: What is it for and who can access it? Available at: <https://elcomercio.pe/respuestas/cuenta-dni-que-es-para-que-sirve-y-quienes-podran-obtenerla-cuenta-documento-nacional-de-identidad-banco-de-la-nacion-revltli-noticia/>

⁵⁶ El Peruano. 2003. Law No. 27963 (LEY N° 27963). Available at: <http://biblioteca.unmsm.edu.pe/redlieds/recursos/archivos/Descentralizaci%C3%B3nRecursosEcon%C3%B3micos/ley27963.pdf>

⁵⁷ El Peruano. 2007. Law No. 29038 (LEY N° 29038). Available at: <https://leyes.congreso.gob.pe/Documentos/Leyes/29038.pdf>

3.2 INDIA



INTRODUCTION - STATE OF THE ECONOMY AND WORKFORCE

The first case of COVID-19 in India was reported on 30 January 2020⁵⁸ in Thrissur, Kerala, and by 3 February, there were a total of three cases, all of which were students who had returned from Wuhan. There were no new cases reported in February. However, the number of cases began to steadily increase in March, and by the end of the month, there were almost 1,400 reported cases in the country. A 21-day nationwide lockdown started on 25 March to curb the spread of the virus. Lockdown restrictions were gradually lifted beginning on 1 June. The country's GDP fell by 7.3 percent in the 2020-21 financial year (FY),⁵⁹ the largest annual percentage reduction since India gained independence. The GDP contractions in the second and third quarters of 2020, at 24.4 and 7.4 percent, were particularly significant.

90%

According to the International Labour Organization (ILO), almost 90 percent of the Indian workforce⁶⁰ is employed in the informal sector, with 400 million workers who were at risk of falling deeper into poverty during the pandemic, especially while lockdown restrictions were in place.

The ILO notes that the manufacturing sector employs 22 percent of unprotected workers, construction employs 12 percent of all workers, and 40 percent of the casual labor force.⁶¹ The lockdown had a direct impact on these two sectors in particular, as these activities were completely stopped to a large extent.

FOUNDATIONS OF DIGITAL ID (AADHAAR) AND SOCIAL TRANSFERS IN INDIA

India has been using its foundational digital identity system called Aadhaar⁶² since 2013 to provide social transfers directly to the intended beneficiaries, commonly known as Direct-Benefit-Transfers (DBT). The digital nature and in-built privacy-by-design features enabled Aadhaar to be used for multiple purposes such as targeting, deduplication, and e-KYC.

The Aadhaar digital identity system is managed by the Unique Identification Authority of India (UIDAI) which is a statutory authority under the Ministry of Electronics and Information Technology. The enrollment process for Aadhaar was initiated in 2010 and more than 1.3 billion individuals were issued an Aadhaar ID up to August 2021.⁶³ The Aadhaar ID is essentially a unique identification number (commonly referred to as the Aadhaar number) that is linked to the personal identifiers of an individual, such as name, date of birth, gender, facial photograph, and address, together with biometric information, such as fingerprints and IRIS scans.

During the COVID-19 pandemic, around 38 million Aadhaar IDs were issued between April 2020 and June 2020 indicating Aadhaar's strong role in helping the poor manage the economic crises that emerged due to the pandemic. The strong role of Aadhaar during COVID-19 is rooted in its interlinkages with the bank accounts and mobile numbers of the intended beneficiaries, which is often referred to as the Jan Dhan-Aadhaar-Mobile (JAM) trinity.

The JAM trinity encompasses Jan Dhan Yojana⁶⁴ (the government of India's financial inclusion program which started in 2014), Aadhaar, and mobile phones. Under Jan Dhan Yojana, the Aadhaar as a KYC has enabled the opening of more than 425 million bank accounts between 2014 and 2021.⁶⁵ The tele-density in India has crossed 86 percent and there were an estimated 1.18 billion mobile phones in the country as of March 2021.⁶⁶

58 The Hindu. 2020. India's first coronavirus infection confirmed in Kerala. Available at: <https://www.thehindu.com/news/national/indias-first-coronavirus-infection-confirmed-in-kerala/article61638034.ece>

59 IMF. 2022. Policy tracker - Policy responses to Covid-19: India. Available at: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#>

60 ILO. 2020. ILO Monitor: COVID-19 and the world of work. Second edition. Available at: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_740877.pdf

61 ILO. 2020. Rapid Assessment of the Impact of the COVID-19 Crisis on Employment. Available at: https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new_delhi/documents/publication/wcms_748095.pdf

62 Unique Identification Authority of India (UIDAI). 2022. Aadhaar. Available at: <https://uidai.gov.in/my-aadhaar/about-your-aadhaar.html>

63 Unique Identification Authority of India (UIDAI). 2021. Aadhaar Dashboard. Available at: https://uidai.gov.in/aadhaar_dashboard/india.php

64 In August 2014, the Ministry of Finance launched the Pradhan Mantri Jan Dhan Yojana (PMJDY) as a national mission on financial inclusion. The mission consists of six pillars: Universal Access to Banking Facilities, Providing Basic Banking Accounts, Financial Literacy Program, Creation of a Credit Guarantee Fund, Micro-Insurance, and Unorganized Sector Pension Schemes. These pillars were designed to accelerate financial inclusion in the country.

65 Pradhan Mantri Jan Dhan Yojana. 2021. Available at: <https://www.pmjdy.gov.in/account>

66 Telecom Regulatory Authority of India (TRAI). 2021. Highlights of Telecom Subscription Data as on 31 March, 2021. Available at: https://www.trai.gov.in/sites/default/files/PR_No.33of2021.pdf

The foundation of the DBT in India, the JAM trinity allows the government to transfer cash benefits directly into the bank accounts of beneficiaries using Aadhaar as an identifier. The beneficiaries, whose mobile numbers are linked with the bank accounts and the government schemes, receive prompt updates on the cash transfers. The DBT system has played a huge role in plugging in gaps in the delivery of social transfers and cutting out any intermediaries leading to enormous cost savings for the government.

Over 400 government schemes targeting 700 million people were implemented in the DBT model by February 2020. The largest scheme currently implemented in terms of both benefits and coverage is the Public Distribution System (PDS)⁶⁷ which is aimed at providing food security to the poor.



Under the PDS,⁶⁸ food grains, especially wheat and rice, are provided to poor households at highly subsidized costs every month through designated fair price shops.

The ration cards of PDS beneficiaries are linked to their Aadhaar numbers which helps in identifying eligible and genuine beneficiaries using biometric authentication. The beneficiaries authenticate themselves using their fingerprints at biometric-enabled point of sale (PoS) devices available at fair price shops. The beneficiary's fingerprint is sent along with their Aadhaar number to the UIDAI server through the Aadhaar Authentication API,⁶⁹ and the UIDAI server replies with a binary yes or no response as an authentication acknowledgment. As of July 2021, there were a total of 236.3 million ration cards covering 792.6 million beneficiaries. Of these, 210.9 million ration cards (89.2 percent) were linked with Aadhaar and the linking of the rest of the ration cards is underway.

Before the seeding of Aadhaar numbers with specific social protection schemes, there was a huge leakage problem due to duplicate entries of names, wrong information, and non-removal of the deceased from the beneficiaries list, among others. The adoption and linkage of Aadhaar in the social protection schemes enabled its use by the government as a unique identifier (since no two persons can have the same biometrics) to remove duplicate or fraudulent beneficiaries. For instance, in November 2020, the Ministry of Consumer Affairs, Food & Public Distribution removed 4.39 crore in bogus ration cards due to deduplication.⁷⁰

Another important pillar of the DBT system in India is the Public Finance Management System⁷¹ (PFMS), which is used to prepare the beneficiary lists for different social sector schemes focused on cash transfers, digital signing and approval of the beneficiary lists, and the processing of payments into the bank accounts of beneficiaries using the Aadhaar Payment Bridge of the National Payments Corporation of India (NPCI).⁷² The payment to the beneficiary is made using their Aadhaar which is linked to the bank account, removing all intermediaries in between. Kindly refer to Appendix C for a detailed process flow of the PFMS.

RESPONSE TO COVID-19 PANDEMIC - SOCIAL AND CASH TRANSFER PROGRAMS

On 26 March 2020, the Ministry of Finance announced a comprehensive social protection program called "Pradhan Mantri Garib Kalyan Yojana" (PMGKY) to help the poor tackle the COVID-19 pandemic. The package had a total budget of INR1.7 trillion and was designed to impact roughly 60 percent of India's total population. This social protection program extended the benefits under many of the existing government social sector schemes to provide prompt support to the identified poor households and vulnerable individuals. This immediate extension was possible due to the mandatory linkage of Aadhaar with different social protection schemes, saving huge identification and onboarding costs for the government during the pandemic.

The key benefits and social protection measures announced under PMGKY were: a) Five kilograms of wheat and one kilogram of pulses (preferred choice) provided for free to 800 million people for eight months (also known as Pradhan Mantri Garib Kalyan Anna Yojana

67 National Food Security Portal. 2022. Public Distribution System (PDS). Available at: https://nfsa.gov.in/portal/PDS_page

68 The people eligible for purchasing subsidized grain from the PDS are covered by two different categories of ration cards under the National Food Security Act (NFSA), 2013:

- Priority Households (PHH) - This type of card is issued to households based on eligibility criteria set by the state governments. Eligible households are entitled to receive five kilograms of food grain per person per month at the subsidized rates.
- Antyodaya Anna Yojana (AAY) - This type of card is issued to the poorest of the poor households that have no stable income, including the unemployed, women, and senior citizens. Households under this category are entitled to a total of 35 kilograms of food grain per month at the subsidized rates.

69 Unique Identification Authority of India (UIDAI). 2019. Aadhaar Authentication. API specification - Version 2.5. Available at: https://uidai.gov.in/images/resource/aadhaar_authentication_api_2_5.pdf

70 Press Information Bureau, Government of India. 2020. 4.39 crore bogus ration cards weeded out since 2013 for rightful targeting of beneficiaries under NFSA-Department of Food & Public Distribution. Available at: <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1670547>

71 Public Finance Management System. 2022. Available at: <https://pfms.nic.in/NewDefaultHome.aspx>

72 National Payments Corporation of India (NPCI). 2022. Available at: <https://www.npci.org.in/>

(PMGKAY).⁷³ This scheme was implemented again in May 2021, and continued until November; b) Cash assistance of INR500 for three months to 200 million women accountholders (applicable only for accounts opened under Jan Dhan Yojana); c) Ex-gratia payment of INR1,000 to senior citizens, widows, and the disabled; d) Advance cash benefit payment of INR2,000 to roughly 87 million farmers under the PM-KISAN⁷⁴ government scheme; e) Provision of a free LPG cylinder for three months for 83 million poor households (below the poverty line) under the Ujjawala⁷⁵ scheme; f) Provision of collateral-free loans of up to INR20 million to 6.3 million women self-help groups; and g) Increase in the wage rate of public works programs (Mahatma Gandhi National Rural Employment Guarantee Act⁷⁶) from INR182 to INR202.

In addition, many state governments also provided free food grains and cash assistance to individuals without Aadhaar and to households that were not covered under any social protection scheme. Haryana launched a “distress ration token” facility to provide rations to poor households that did not possess ration cards. Andhra Pradesh provided cash assistance of INR10,000 to barbers and washermen, while Karnataka provided INR5,000 to auto and cab drivers. Tamil Nadu provided cash assistance of INR1,000-2,000 to hairdressers, weavers, platform vendors, cine-workers, and ration cardholders, whereas Assam made a one-time payment of INR25,000 to residents who were suffering from diseases and stranded in other states. Uttar Pradesh provided cash assistance of INR1,000 to destitute people and arranged for their treatment, while Tamil Nadu provided essential commodities to transgender citizens who did not possess a family card required for obtaining a ration.

During the COVID-19 pandemic, the government of India used the DBT system to transfer USD3.9 billion⁷⁷ (INR282 billion) to 318 million beneficiaries within two weeks from the announcement of the PMGKY program.



Overall, the government deposited USD9.3 billion (INR680 billion) in the bank accounts of over 420 million beneficiaries⁷⁸ under PMGKY, not only demonstrating the robust nature of the cash transfer system in India but also ensuring timely, efficient, and convenient transfers⁷⁹ during the pandemic.

However, people have different abilities and preferences regarding how they access or withdraw their cash benefits. Doorstep delivery of cash benefits

has been instrumental in providing a safety net to those who cannot travel to access points, particularly senior citizens, differently-abled, and women customers who are constrained due to safety concerns or regressive social norms. Demand side research conducted by MSC in 2020⁸⁰ found that only 77 percent of respondents withdrew or accessed their PMGKY cash benefits. Of these, 67 percent went to a cash withdrawal point while the other 10 percent received cash through a home delivery service. Cash was delivered through banking correspondent (BC) agents, village council officials, or mobile ATM vans. Interestingly, the state governments did 55 percent of all the home delivery of cash during the pandemic using village-level officials. For instance, in some regions in the state of Andhra Pradesh, pension payments were home delivered to senior citizens, the disabled, and widows. In the state of Kerala, the state government collaborated with post offices, bank agents, and village officials to enable doorstep delivery of cash⁸¹ to all Aadhaar-linked bank accounts.

This model of doorstep delivery of cash by local governments has largely been successful, as seen in Andhra Pradesh. With technology-enabled delivery and authentication infrastructure, state governments are able to deliver money to beneficiaries without any leakage in transmission. However, such a model of physical cash delivery defeats the purpose of financial

73 Press Information Bureau. 2020. Finance Minister announces Rs 1.70 Lakh Crore relief package under Pradhan Mantri Garib Kalyan Yojana for the poor to help them fight the battle against Corona Virus. Available at: <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1608345>

74 PM-KISAN is a government scheme that provides income support of INR6,000 per year in three equal instalments to small and marginal farmer families having combined land ownership of up to two hectares.

75 Pradhan Mantri Ujjwala Yojana (PMUY) is a scheme that has provided over 70 million LPG connections to families living below the poverty line (BPL) since May 2016.

76 The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is a social security measure that aims to enhance livelihood security in rural areas by providing at least 100 days of wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

77 India Brand Equity Foundation. 2020. Robust Digital Payment Infrastructure Enables Prompt Transfer of Cash Payment under Pradhan Mantri Garib Kalyan Package. Available at: <https://www.ibef.org/news/robust-digital-payment-infrastructure-enables-prompt-transfer-of-cash-payment-under-pradhan-mantri-garib-kalyan-package>

78 The Hindu Business line. 2020. PMGKY: Over 42 crore beneficiaries got financial assistance of over INR68,000 crore. Available at: <https://www.thehindubusinessline.com/economy/pmgky-over-42-crore-beneficiaries-got-financial-assistance-of-over-68000-crore/article32551979.ece>

79 MicroSave Consulting. 2018. Lessons from the Digitization of Government to Person (G2P) Programmes in India. Available at: <https://www.microsave.net/2018/06/06/lessons-from-the-digitisation-of-government-to-person-g2p-programs-in-india/>

80 MicroSave Consulting. 2021. A review of the effectiveness of India's direct benefit transfer (DBT) system during COVID-19: Lessons for India and the world. Available at: <https://www.microsave.net/wp-content/uploads/2021/10/Covid-publication-Effectiveness-of-Indias-DBT-system-during-COVID-19-1.pdf>

81 Business Standard. 2020. Door delivery of cash in lockdown: govt tie up with postal dept. Available at: https://www.business-standard.com/article/pti-stories/door-delivery-of-cash-in-lockdown-govt-tie-up-with-postal-dept-120040600920_1.html

inclusion and prevents beneficiaries from participating in the larger digital financial services (DFS) ecosystem.

84%

In a study conducted by MSC in Andhra Pradesh,⁸² 84 percent of respondents preferred cash distributions through village officials rather than through a bank or BC-led delivery method. They cited easy and timely cash disbursements as their preference.

USE OF AADHAAR IN THE DISBURSEMENT OF SOCIAL BENEFITS DURING THE PANDEMIC

The distribution of free grains and pulses under the PMGKAY scheme during the pandemic was done using the existing PDS infrastructure, making the whole process efficient.

Since Aadhaar (and the JAM trinity as a whole) was already being used to disburse social benefits pre-pandemic, the government continued this practice during the pandemic, which was highly beneficial for both the government as well as beneficiaries. Biometric authentication (fingerprint) is the primary mode of authentication used for disbursing food grains under PDS during the pandemic.



In August 2019, the government of India announced the One Nation, One Ration Card (ONORC) scheme⁸³ that enables migrant workers and their family members to buy a subsidized ration from any Fair Price Shop (FPS) anywhere in the country.

Previously, ration cards from one state could not be used in other states. The scheme also has a provision for migrant workers to claim part of their allowance at their place of work, allowing their families to claim the remaining allowance back home. ONORC makes use of technology that utilizes the beneficiary's ration card, Aadhaar number, and electronic Point-of-Sale devices (ePoS) while the identification of beneficiaries is verified using Aadhaar biometric authentication on the ePoS device. Aadhaar seeding with ration cards is also essential to ensuring nationwide portability as the government sought to expedite the rollout of the scheme due to the pandemic as many migrant workers were forced to travel to their villages. Cash disbursements for the various schemes during the pandemic were continued using the pre-existing Public Finance Management System (PFMS).

E-KYC CONSIDERATIONS DURING THE PANDEMIC

India's e-KYC journey started in May 2013 when the UIDAI launched an e-KYC (paperless) service to reduce the risk of identity fraud and document forgery. By using the e-KYC process, various agencies can verify a person's identity and address, and individuals can authorize service providers to receive an electronic copy of their proof of identity and address, eliminating the need for physical copies.

Subsequently, in September 2013, the Reserve Bank of India (RBI) issued a notification⁸⁴ to all banks allowing the use of e-KYC for KYC verification. The RBI also instructed banks to treat information such as demographic details and photographs made available from UIDAI during the e-KYC process as an 'Officially Valid Document' for opening a bank account. In order to open a bank account using e-KYC, a customer needs to provide their 12-digit Aadhaar number which is then authenticated biometrically (typically through fingerprint scans). On successful matching of the Aadhaar number with biometrics, the UIDAI sends encrypted demographic information to the bank for processing. These provisions coupled with higher Aadhaar enrollments led to the rapid opening of bank accounts at scale under Jan Dhan Yojana.

Continuing with this momentum, in February 2016, the RBI issued the Know Your Customer (KYC) Master Direction⁸⁵ which allowed the use of one-time passwords (OTPs) on mobile phones linked to Aadhaar to be used as e-KYC to open bank accounts, providing a further boost to financial inclusion. An amendment in the Prevention of Money-laundering Act, 2002 passed in June 2017⁸⁶ made the linking of Aadhaar with bank accounts mandatory. As a result, the RBI also amended its KYC Master Direction in April 2018⁸⁷ and made Aadhaar mandatory to open new bank accounts.

Following the Supreme Court's judgment on Aadhaar in September 2018,⁸⁸ the RBI made another amendment⁸⁹

82 Center for Global Development. 2019. Digital Governance: Is Krishna a Glimpse of the Future? Available at: <https://www.cgdev.org/sites/default/files/digital-governance-krishna-glimpse-future-working-paper.pdf>

83 Indian Express. 2021. Explained: Ration card reform, so far. Available at: <https://indianexpress.com/article/explained/one-nation-one-ration-card-benefits-implementation-supreme-court-modi-govt-7381857>

84 Reserve Bank of India. 2013. KYC Norms/AML Standards/Combating Financing of Terrorism (CFT)/Obligation of Banks under PMLA, 2002 - e-KYC Service of UIDAI - Recognizing online Aadhaar authentication to be accepted as an 'Officially Valid Document' under PML Rules. Available at: <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8357&Mode=0>

85 Reserve Bank of India. 2016. Master Direction - Know Your Customer (KYC) Direction, 2016. Available at: https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566

86 The Gazette of India. 2017. Notification. Available at: <https://egazette.nic.in/WriteReadData/2017/176407.pdf>

87 Reserve Bank of India. 2018. Master Direction - Know Your Customer (KYC) Direction, 2016. Available at: <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=10292&Mode=0>

to its master direction on KYC norms in May 2019 mentioning that Aadhaar e-KYC cannot be used to open bank accounts without the customer's consent. However, the same Supreme Court judgment made the linking of Aadhaar with bank accounts mandatory in cases where an account is used to receive the benefits of any welfare scheme. This provision has continued since then and proved to be very useful to identify vulnerable people and provide them with immediate cash assistance during the pandemic. The Prevention of Money-laundering Act, 2002 was also further amended in August 2019⁹⁰ to make the linking of Aadhaar to bank accounts voluntary.

The RBI made another amendment to its Master Direction⁹¹ in January 2020 to permit banks to use "Digital KYC", which involves capturing a live photo of the customer and an officially valid document or the proof of possession of Aadhaar, along with the coordinates of the location where the live photo is being taken. This is useful in situations where offline verification cannot be carried out, especially during the COVID-19 pandemic.

The above provisions played an important role in ensuring that more than 80 percent of people in India had bank accounts by the end of 2017. On 5 May 2021,⁹² the RBI instructed all banks and financial institutions to refrain from taking any punitive measures on customers who failed to update their KYC until 31 December 2021. This was announced in response to Covid-19 related restrictions in various parts of the country.

AML/CFT LANDSCAPE IN INDIA

India enacted a dedicated law to address AML/CFT concerns in the form of the Prevention of Money Laundering Act, 2002.⁹³ The Act has undergone multiple revisions, as recently as 2019, since its enactment in 2002. The Act and its rules impose obligations on banking companies, financial institutions, and intermediaries to verify the identity of clients and maintain records. In addition, India, as a member of the Financial Action Task Force (FATF), also adheres to the FATF guidelines on AML/CFT considerations.

In 2020, as part of an amendment⁹⁴ of its Master Direction on KYC, the RBI issued guidelines on ML and TF risk assessment for Reporting Entities (REs).⁹⁵ The guidelines require REs to: a) carry out 'ML and TF Risk Assessment' exercise periodically; b) record the risk assessment in proportion to the nature, size, or complexity of activities and structure of the RE; and c) apply and monitor a risk-based approach (RBA) for mitigation of the identified risks. As part of the risk-

based approach, REs need to categorize customers into low, medium, and high-risk categories based on various factors such as the customer's identity, social and financial status, nature of the business activity, location, and customer's business information. These guidelines are targeted at mitigating ML/FT money risk for REs arising from different clients, geographic areas, products, services, and transactions, etc.

An amendment in the Prevention of Money Laundering rules⁹⁶ was passed in August 2019 to equip the RBI to allow the use of a video-based KYC. Subsequently, the RBI amended its Master Direction on KYC in January 2020⁹⁷ that allowed REs to use video-based KYC. In another amendment in its Master Direction in May 2021,⁹⁸ the RBI allowed REs to undertake video-based KYC for risk-based periodic updates and for changes in KYC information for customers. The periodic update will be carried out at least once every two years for high-risk customers, once every eight years for medium-risk customers, and once every ten years for low-risk customers from the account opening date or the last KYC update.



The proactive E-KYC and AML/CFT measures taken by the RBI over the past few years played a crucial role in assisting poor and vulnerable households to access government subsidies and cash transfers during the pandemic.

88 Unique Identification Authority of India (UIDAI). 2018. Supreme Court judgement on Aadhaar. Available at: https://uidai.gov.in/images/news/Judgement_26-Sep-2018.pdf

89 Reserve Bank of India. 2019. Amendment to Master Direction (MD) on KYC. Available at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11565&Mode=0>

90 The Gazette of India. 2019. Notification. Available at: <https://egazette.nic.in/WriteReadData/2019/210818.pdf>

91 Reserve Bank of India. 2020. Amendment to Master Direction (MD) on KYC. Available at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11783&Mode=0>

92 Reserve Bank of India. 2021. Periodic Updation of KYC - Restrictions on Account Operations for Non-compliance. Available at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12083&Mode=0>

93 Department of Economic Affairs, Government of India. 2002. Prevention of Money Laundering Act, 2002. Available at: <https://dea.gov.in/sites/default/files/moneylaunderingact.pdf>

94 Reserve Bank of India. 2020. Internal ML/TF risk assessment by REs - Amendment to Master Direction (MD) on KYC. Available at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11873&Mode=0>

95 "Reporting entity" means a banking company, financial institution, intermediary, or a person carrying out a designated business or profession.

96 The Gazette of India. 2019. Notification. Available at: <https://egazette.nic.in/WriteReadData/2019/210818.pdf>

97 Reserve Bank of India. 2020. Amendment to Master Direction (MD) on KYC. Available at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11783&Mode=0>

98 Reserve Bank of India. 2021. Amendment to the Master Direction (MD) on KYC. Available at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12089&Mode=0>

3.3 TOGO



INTRODUCTION - STATE OF THE ECONOMY AND WORKFORCE

Togo reported its first case of COVID-19 on 6 March 2020⁹⁹ followed by the detection of nine new cases on 20 March and seven new cases on 21 March. There were 34 confirmed cases of COVID-19 by the end of March 2020. As a result, the government closed its international borders and on 1 April 2020, the President of Togo declared a state of health emergency, and put certain restrictions on the movement of citizens, which included a daily curfew from 20:00 to 06:00 in major cities. The daily income of the informal working population was severely affected or lost due to these restrictions. The informal sector in Togo contributes to nearly 20 to 30 percent of national GDP and employed approximately 92.8 percent of the working population, as of 2018.¹⁰⁰

A significant decline in production and sales was seen in multiple sectors, especially where remote work was not possible,¹⁰¹ such as manufacturing, construction, and tourism, following the restrictions.

62%

Approximately 62 percent of jobs were affected and more than 30 percent of the small and medium enterprises in Togo reported a 75 to 100 percent decrease in sales.

BACKGROUND ON IDENTITY SYSTEMS IN TOGO

The Carte Nationale d'Identité¹⁰² is the national ID card issued in Togo by the Direction Générale de la Documentation Nationale (DGDN) (General Directorate of National Documentation). This plastic card, which is not electronic, contains a personal ID number and a tamper-proof seal.

Any Togolese national can apply for a national ID card, though it is not mandatory to have one. To apply, citizens need to provide their birth certificate, Togolese nationality certificate, proof of profession, and a blood group certificate. A payment of XOF5,000 (USD9) is also required as an application fee. However, like many other countries, a significant portion of Togolese residents do not possess a birth certificate, which is

a major challenge for providing a legal identification document. According to World Bank data for 2017, Togo's birth registration rate was 82.9 percent at the country level (urban + rural) and 76.1 percent for rural areas.¹⁰³

One of the primary reasons for the low number of birth registrations is that parents are unaware of the importance of obtaining a birth certificate.¹⁰⁴ The required payment of USD9 to obtain a national ID card is also deemed too expensive¹⁰⁵ for part of the population. As a result, only 15-20 percent of Togolese are in possession of a national ID card, as per estimations.

To overcome this complication, the government of Togo is in the process of designing a digital national ID system, called "e-ID Togo."¹⁰⁶ The objective of this project is to assign an NIU (numéro d'identification unique or unique identification number) to every person who is either of Togolese nationality or a resident of Togo, based on geographic and demographic data. This combination of geographic and demographic data with the NIU is expected to facilitate the establishment of a central, secure, and reliable database that will serve as a reference for the verification of the identity of beneficiaries of various public, private, or social services. One of the major considerations for providing a unique proof of identity to a larger population is to simplify access to cheaper credit, as banks and credit institutions currently charge high interest rates on loans due to the lack of any formal proof of identity. Additionally, there are also plans to leverage the digital identity system to allow universal health coverage in the future.

99 Reuters. 2020. Togo confirms first case of coronavirus. Available at: <https://www.reuters.com/article/us-healthcare-coronavirus-togo/togo-confirms-first-case-of-coronavirus-idUSKBN20T125>

100 ILO. 2018. Women and men in the informal economy: A statistical picture. Available at: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_626831.pdf

101 World Bank. 2020. Economic Update for Togo: The Coronavirus Is Exerting Pressure on the Economy. Available at: <https://www.worldbank.org/en/country/togo/publication/economic-update-for-togo-the-coronavirus-is-exerting-pressure-on-the-economy>

102 Directorate General of National Documentation. 2022. Carte Nationale d'Identité. Available at: <https://dgdn.gouv.tg/page/document/identite#:~:text=La%20carte%20nationale%20d'identit%C3%A9,Lom%C3%A9%20et%20dans%20les%20Pr%C3%A9fectures.%20>

103 World Bank. 2022. Completeness of birth registration (%) - Togo. Available at: <https://data.worldbank.org/indicator/SP.REG.BRTH.ZS?locations=TO>

104 UNICEF. 2019. What is birth registration and why does it matter? Available at: <https://www.unicef.org/stories/what-birth-registration-and-why-does-it-matter>

105 Citizenship Rights in Africa Initiative. 2020. Carte nationale d'identité au Togo: Parlons-en !!! Available at: <https://citizenshiprightsfrance.org/carte-nationale-didentite-au-togo-parlons-en/>

106 Ministry of the Digital Economy and Digital Transformation. 2022. e-ID Togo. Available at: <https://numerique.gouv.tg/projet/e-id-togo/>

The project is being supported by the World Bank through the West Africa Unique Identification for Regional Integration and Inclusion (WURI)¹⁰⁷ program.

In March 2007, the government of Togo awarded a contract to Zetes¹⁰⁸ for a complete biometric election solution, which included biometric enrollment, storage of data in a centralized database, verification of biometric data, and publication of electoral rolls for the legislative elections in Togo that were held in June 2007. A national census of approximately three million voters was also conducted to establish a new electoral register which was integrated with biometric data (photos and fingerprints).

The election database was updated in December 2019, ahead of the 2020 Presidential Election, to reflect new eligible voters, deaths, people who have relocated, and lost or duplicated voter cards. The government again used Zetes mobile enrollment kits for this update process, and many of the old mobile enrollment kits used in previous elections were renewed for use in the process.

To determine if a citizen is already registered, demographic data was checked against the existing database, followed by a biometric check using fingerprint recognition, which could be performed on the mobile enrollment kits. Citizens received their voter cards after the completion of this two-step verification process. The voter cards were printed on secure paper supplied by Zetes to prevent fraud and identity theft. Pre-existing voters were also required to update their voter ID information, including their address and occupation. This updated election database covered 93 percent of the adult population.

Since a large portion of Togo's population has a voter card compared to the national ID card, the government of Togo decided to use the voter card as the identification document to target their cash transfer programs during the COVID-19 pandemic. The recent update of voter ID data as part of the election database also offered a crucial benefit over the national ID card.

RESPONSE TO COVID-19 - CASH TRANSFER PROGRAM

To provide financial aid to informal workers whose incomes were affected due to the measures taken in response to the COVID-19 pandemic, the government of Togo launched a cash transfer program called "Novissi"¹⁰⁹ on 8 April 2020.¹¹⁰ As part of Novissi, beneficiaries would receive cash transfers worth at least 30 percent of the minimum wage every month in

two installments as long as the measures in response to the pandemic remained in force allowing affected households to meet basic expenditures on essentials.

NOVISSI - ELIGIBILITY CRITERIA AND DISBURSEMENT

To check their eligibility, applicants were required to complete a simple registration process based on USSD. Applicants had to dial *855# after which they were asked to enter certain details from their voter cards, such as the voter card number and surname. Applicants also had to enter a security code¹¹¹ stamped on their voter cards. Eligibility was granted after validation with the voter database - inputted data was verified against the database to ensure that the occupation was that of an informal worker and the address was from an area eligible for Novissi.

Beneficiaries who were deemed eligible were also asked to enter the number for their mobile wallet where they wished to receive the financial aid. As the registration process made use of USSD, it could be completed using any basic phone, even without an internet connection. Therefore, people without smartphones or internet access were not excluded. The funds were transferred into the mobile wallets of eligible applicants almost instantaneously.



Mobile payments have become quite popular in Togo in recent years, and more than 4.7 million mobile wallets were already in use, accounting for 62 percent of the population at the time.¹¹²

There is an extensive network of mobile money distributors through whom people can cash out funds from mobile money accounts.

¹⁰⁷ The WURI program aims to provide unique government-recognized identification credentials to all individuals in participating countries, regardless of nationality, legal status, or place of residence.

¹⁰⁸ Zetes. 2007. The Government of Togo appoints Zetes sole operator for the biometric registration of its voters. Available at: <https://peopleid.zetes.com/en/news/government-togo-appoints-zetes-sole-operator-biometric-registration-its-voters>

¹⁰⁹ The word "Novissi" means "solidarity" in the Ewe language, which is the predominant language in the southern part of Togo, spoken by approximately 800,000 people.

¹¹⁰ Novissi. 2020. Togolese government gives support to informal workers affected by its measures against Covid-19. Available at: https://novissi.gouv.tg/wp-content/uploads/2020/09/20200408-CP-ENG-NOVISSI_v2.pdf

¹¹¹ This security code is called the NBF number which is different from the voter card number. It is not published on the electoral roll during elections and can, therefore, only be taken from the voter card itself, which works as a fraud prevention measure.

¹¹² Ash Center, Harvard University. 2021. 2020 State of Digital Transformation. Available at: <https://ash.harvard.edu/files/ash/files/2020-state-digital-transformation.pdf?m=1613751911>

To avoid gatherings of large numbers of people who would need to withdraw cash, the government deployed post office agents, who provided additional support to the existing network of mobile money distributors.

The government actively collaborated with mobile money operators¹¹³ to facilitate the use of mobile money accounts for the transfer of these funds under the Novissi program. The operators agreed to eliminate tariffs that normally apply to mobile money transfers so that beneficiaries could receive their funds without the need to pay any fees.



The Novissi system also integrated with the mobile operator's systems, which allowed the automatic opening of new mobile money accounts for beneficiaries who did not already have them.

In the first phase of the Novissi program, from 8 April to 8 June 2020, financial aid was transferred to approximately 567,000 informal workers living in and around the capital, Lomé. The program was soon expanded to Tchaoudjo Prefecture¹¹⁴ which covers the area around Togo's second-largest city, Sokodé. In this initial round, women were paid XOF12,250 (about USD22) per month whereas men were paid XOF10,500 (about USD19) per month. Women received a larger allowance because the government felt that women's expenses are more directly related to the needs of the household.

On 3 August 2020, the government imposed a daily curfew in the canton¹¹⁵ of Soudou, situated in Assoli prefecture in the northeastern part of the country, due to the spread of COVID-19 cases. In response to the curfew, the government deployed the Novissi program in the canton,¹¹⁶ with highly relaxed eligibility criteria. Financial aid was offered to all adults in the canton, irrespective of their profession, except for civil servants. A total of 5,850 beneficiaries in the canton received financial aid in two installments from 3 August to 1 September, while the amount of the monthly payout was the same as in the first round.

Similarly, the government launched a third round of the Novissi program on 22 February 2021 in the Savannah region,¹¹⁷ which consists of Kpendjal, Oti, Tandjouaré, and Tône prefectures. This was done after the region had been placed under curfew from 27 January to 21 February. Financial aid was offered to all adults in the region, except civil servants and persons registered

with the National Social Security Fund and the Togolese Pension Fund. In this third round, approximately 244,300 beneficiaries received financial aid, consisting of a single installment of XOF6,125 (about USD11) for women, and XOF5,250 (about USD9.50) for men.

EXPANSION AND TARGETING OF NOVISSI IN RURAL AREAS

Leveraging the success of the Novissi program in major urban centers, the government wanted to expand this cash transfer program in rural areas, especially those with a higher prevalence of extreme poverty. However, this was impacted by the lack of any robust data that would allow the government to identify areas with higher poverty rates.

The last census was conducted in 2011. To compound the problem, the census database did not contain any concrete or identifiable information that could have been used to determine the need for financial assistance. Additionally, it was nearly impossible to manually collect such data during the pandemic due to social distancing norms and regulations. Such an exercise would also have taken a long time to complete.

To address the above-mentioned challenges, the surveys that were previously conducted to provide poverty estimates at a national level were used as a base to increase the granularity of these estimates. A specialized research team comprising faculty and students from the University of California, Berkeley, Northwestern University, and Mannheim University used the estimates from these national-level household surveys to train a deep learning algorithm. This algorithm estimated the wealth of very small regions (tiles of 2.4 km² each), based on geographic characteristics, which were measured using data from satellite imagery.¹¹⁸

113 Mobile money services are provided by two telecom operators in Togo: Togocom and Moov, through their respective platforms, TMoney and Flooz.

114 Togo is divided into five regions which are subdivided into 35 prefectures.

115 Prefectures are subdivided into cantons. There are currently 393 cantons in Togo, which are further subdivided into villages.

116 Novissi. 2020. NOVISSI receives widespread adoption by the population of Soudou after first two weeks in canton. Available at: <https://novissi.gouv.tg/en/2020/08/18/novissi-receives-widespread-adoption-by-the-population-of-soudou-after-first-two-weeks-in-canton/>

117 Novissi. 2021. Exceptional round of NOVISSI cash transfers launched in the Savannah region. Available at: <https://novissi.gouv.tg/en/2021/02/22/exceptional-round-of-novissi-cash-transfers-launched-in-the-savannah-region/>

118 Innovations for Poverty Action. 2022. Using Mobile Phone and Satellite Data to Target Emergency Cash Transfers in Togo. Available at: <https://www.poverty-action.org/study/using-mobile-phone-and-satellite-data-target-emergency-cash-transfers-togo>

The algorithm was trained to derive certain patterns in the imagery that work as indicators of wealth or poverty.¹¹⁹ The wealth estimates of the tiles were compared with population density estimates (also derived from satellite imagery) to estimate the average per capita household consumption for all cantons in the country. The 100 poorest cantons were then chosen from this data covering approximately 580,000 citizens.

The government of Togo collaborated with GiveDirectly, a US-based non-profit organization, to expand the Novissi program in rural areas. This program was named “Givedirect-Novissi.”¹²⁰ Through this collaboration, the government raised funds to provide financial support to approximately 57,000 out of the 580,000 citizens living in the poorest 100 cantons identified by the algorithm. And to further narrow down the list of beneficiaries from these 100 cantons, the researchers developed an approach that made use of mobile phone metadata obtained from mobile phone operators in the country. They conducted a large-scale phone survey in September 2020 to find data on the living conditions of approximately 10,000 individuals.¹²¹ The survey design focused on ensuring that these 10,000 people were adequate representatives of the entire population living in the 100 poorest cantons, so that the people living in extreme poverty, as well as those living in remote areas, were adequately represented in the data.

The researchers compared data of all of the survey participants with their mobile phone metadata, which includes information about phone calls and texts (such as the date, time, duration, and cell tower), mobile data usage, and mobile money transactions. This raw data was processed to construct statistics for each subscriber’s mobile phone usage, including information that could be used to make conclusions about their income using indicators such as - airtime purchased, international phone calls, and average mobile money balance. Machine learning algorithms were trained using this data in an anonymized form,¹²² and these algorithms were then used to make a money consumption estimate for all mobile subscribers in the country.

Based on mobile consumption estimates, people who were most likely to be living on less than USD1.25 per day were prioritized for financial aid under the Givedirect-Novissi program. The registration process was started by dialing the same *855# USSD code, after which applicants needed to select the “GIVEDIRECT-NOVISSI” option by pressing 2. Following the registrations, the most vulnerable people were identified based on the mobile consumption estimates

as described above and were declared eligible. Citizens in the 100 cantons were advised to register for the program as early as possible as there were limited funds for only 57,000 beneficiaries.

Approximately 57,000 beneficiaries were then enrolled using a mix of survey data, satellite imagery, and machine learning algorithms. These beneficiaries received financial assistance in five monthly installments from November 2020 to March 2021. Each installment consisted of XOF8,170 (about USD15) for women and XOF7,000 (about USD13) for men.

AML/CFT CONSIDERATIONS

The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), the FATF Style Regional Body for West Africa, is an institution of the Economic Community of West African States (ECOWAS) which is responsible for ensuring compliance with AML/CFT standards for 16 member states in West Africa, including Togo.

The last available mutual evaluation report for Togo regarding its compliance with AML/CFT recommendations was published in 2011. As per the report, Togo was classified as non-compliant for 15, partially compliant for 20, and largely compliant for four of the FATF 40 recommendations.

The government made a determined effort to ensure transparency and traceability of transactions as part of the financial aid disbursement under Novissi. All payments made through Novissi were reconciled daily to ensure that they were completely traceable while the reconciliation was outsourced to an independent auditing firm, which helped instill confidence in the minds of stakeholders about the proper utilization of funds.

119 Patterns that may indicate wealth or poverty include quality of roads, certain types of terrain, weather, presence of water bodies, etc.

120 Novissi. 2022. Givedirect - Novissi. Available at: <https://novissi.gouv.tg/en/givedirect-novissi-2/>

121 Survey participants were asked to provide informed consent before participating.

122 The government only received a list of beneficiaries that were found to be eligible after the analysis was performed by the researchers. Data was strictly anonymized and encrypted before the analysis was performed.

3.4 THAILAND



INTRODUCTION - STATE OF THE ECONOMY AND WORKFORCE POST-PANDEMIC

Like many countries, Thailand's economy was hit hard by the pandemic. The country's GDP fell by 6.1 percent in 2020,¹²³ the largest contraction since the Asian financial crisis. The tourism sector, which accounts for about a fifth of GDP and 20 percent of employment, was especially affected in 2020 by the cessation of tourist travel. Low-skilled workers and informal and migrant workers were hit hard, particularly women and youth, who suffered disproportionately from diminished employment opportunities in contact-intensive sectors bearing a significant burden of the layoffs observed in the same year.

55.8%

More than half (55.8 percent)¹²⁴ of Thailand's workforce was informally employed as of 2020.

28.4%

In Bangkok, informal employment represents 28.4 percent of total employment.

Home-based workers alone constitute 10.7 percent of total employment in Bangkok, while street vendors represent 5.9 percent, motorcycle taxi drivers represent three percent, and domestic workers represent 1.9 percent of total employment. According to a survey conducted by WEIGO¹²⁵ and Homnet¹²⁶ in 2020, almost half of respondents were unable to work for even one day during April 2020. By June-July 2020, the daily average earnings for most worker groups were still only a portion of December 2019 levels.

82%

82 percent of respondents reported a reduction in household income compared to December 2019.

The financial sector has weathered the pandemic well thus far, but stress has been building up in the small and medium enterprises sector. Thailand's economy grew at 1.6 percent in 2021¹²⁷ and the IMF's latest annual assessment is for 2.8% growth in 2022,¹²⁸ though uncertainty looms due to the possible resurgence of infections and coverage of vaccinations, and economic impacts from the Russia-Ukraine conflict.

BACKGROUND ON ID SYSTEMS

Established in 1984, Thailand's foundational identification system¹²⁹ includes a digitized national population register based on household and civil registration. The national population register covers over 99 percent of the resident population. The ID system is managed by the Bureau of Registration (BORA) under the Ministry of Interior. Thai citizens and eligible migrants, stateless persons, and refugees in the 7-70 age group receive a 13-digit personal identification number (PID) at the time of their birth or first household registration. Thai citizens are issued a national ID card at the age of seven, while non-citizens receive a simple plastic card mentioning the PID at the age of 16. The card is used to prove the holder's identity and address for various purposes (e.g. to establish voting constituency and an address for official correspondence).

All government agencies collect the PID, which facilitates interoperability between systems. Other private services, such as applying for a mobile phone contract or opening a bank account, also require the production of a valid identity card.

In 2005, Thailand's Smart ID Card was first introduced which features the use of a microchip. Coverage of this 'Smart ID' was 47 percent¹³⁰ as of May 2016. Though this ID was expected to achieve the objectives of e-governance,¹³¹ it has mainly been leveraged to increase access to healthcare and enhance the efficiency of health systems in several ways.

123 IMF. 2021. Five Things to Know About Thailand's Economy and COVID-19. Available at: <https://www.imf.org/en/News/Articles/2021/06/21/na062121-5-things-to-know-about-thailands-economy-and-covid-19>

124 Women in Informal Employment: Globalizing and Organizing (WIEGO). 2021. COVID-19 Crisis and the Informal Economy: Informal Workers in Bangkok, Thailand. Available at: https://www.wiego.org/sites/default/files/publications/file/WIEGO_FactSheet_Bangkok_Final_web.pdf

125 WEIGO - Women in Informal Employment: Globalizing and Organizing is a global network focused on empowering the working poor, especially women, in the informal economy to secure their livelihoods.

126 HomeNet Thailand was founded in 1999 as an NGO to support home-based workers across Thailand. It is a membership-based organization composed primarily of home-based workers with 5,000 members across Thailand.

127 Masayuki Yuda. 2022. Nikkei Asian Review. Available at: <https://asia.nikkei.com/Economy/Thai-economy-grew-1.6-in-2021-despite-COVID-19-headwind>

128 International Monetary Fund. Thailand Country Data. Available at: <https://www.imf.org/en/Countries/THA>

129 World Bank. 2018. The role of digital identification for healthcare: The emerging use cases. Available at: <https://documents1.worldbank.org/curated/en/595741519657604541/The-Role-of-Digital-Identification-for-Healthcare-The-Emerging-Use-Cases.pdf>

130 ITU. 2016. Review of national identity programs. Available at: https://www.itu.int/en/ITU-T/focusgroups/dfs/Documents/09_2016/Review%20of%20National%20Identity%20Programs.pdf

131 University of Manchester. 2011. Challenges of e-government in developing countries: Actor-network analysis of Thailand's Smart ID card project. Available at: https://www.research.manchester.ac.uk/portal/files/54513213/FULL_TEXT.PDF

The ‘Smart ID’ synchronizes with the Universal Health Coverage Scheme (UCS) (guaranteeing subsidized healthcare to all citizens) and automatically separates citizens into one of three possible public health insurance schemes - a) the civil servant medical benefit scheme for government employees, spouses, and dependents under 20 years old, their parents and government retirees; b) the Social Health Insurance Scheme for private-sector employees, excluding their spouses and dependents; and c) the Universal Coverage Scheme for the 76 percent of the population not covered by a or b. The ID system also plays several other roles, from tracking vaccinations, producing vital statistics that guide public health policy, and monitoring health system performance, such as patient management and tracking at hospitals.

The Smart ID has also been instrumental in providing agricultural extension services to farmers,¹³⁰ and tracking harvests - progress and losses, particularly during calamities.



The smart ID database is linked to the farmer database, which holds information on household production, including crops, livestock, fish, and also contains basic household information (members and location).

The connection enables the government of Thailand to track and manage farm production, transfer knowledge, and support farmers in natural disasters. During the program’s rollout in 2013, farmers in Thailand were given a Smart ID embedded with information already contained in the farmer database. Knowing a farmer’s geographic location, crops, and livestock allows government officials to target assistance to farmers in the event of disease outbreaks, droughts, and other natural disasters.

DIGITAL ID AND E-KYC LANDSCAPE

In September 2018, the Digital ID Bill¹³² was passed by the National Legislative Assembly to set regulations for authentication using the digital ID of Thai residents. The bill also required the establishment of a national digital ID company - the National Digital ID Company Limited (NDID)¹³³ - that could build an ID platform and database. The NDID is testing the implementation of digital ID and aims to fast-track the country’s digitization progress to help build new creative services and businesses in the digital economy.

The NDID platform enables the secure exchange of a user’s data¹³⁴ after completion of blockchain and facial recognition verification requirements. As part of the data sharing process, a customer can allow an authorized company - usually a bank or the national credit bureau - to become their data trustee. When customers need to provide their personal information to a specific institution, they can authorize that institution to ask their trustee for the relevant data, through the NDID platform. Moving towards a “self-sovereign” digital identity management system, users are allowed to “control and manage” their own identity by sending only the relevant aspects of their personal information rather than their entire record.

Through the digital ID and e-KYC system, customers (only Thai nationals) are allowed to open a deposit account through an e-banking service without going to a physical bank branch. The e-KYC system uses facial recognition software to verify personal identity online when a user opens a new deposit account. In 2019, the Bank of Thailand allowed six commercial banks¹³⁵ - Bangkok Bank, CIMB Thai Bank, TMB Bank, Kasikornbank, Bangkok Bank, Siam Commercial Bank, and Bank of Ayudhya, to offer facial recognition using e-KYC technology to verify the identity of new customers under the regulatory sandbox when opening online deposit accounts.

In the first phase of e-KYC in 2019, only pre-existing customers of each bank were able to open a new deposit account through the digital channel without visiting a branch. In the second phase, from February 2020, customers with deposit accounts in a bank were able to open a digital account in any other bank, through cross-bank identity verification through the NDID platform. For instance, one bank could request the customer’s identity information from another bank where the customer already has an account using the NDID platform. In November 2020, the scope of the Digital ID was expanded to other financial services as well.¹³⁶

132 Open Gov Asia. 2019. Six digital bills passed in Thailand by NLA. Available at: <https://opengovasia.com/six-digital-bills-passed-in-thailand-by-nla/>

133 The NDID was established under the cooperation, support and acceleration among all related parties, including both the public and business sectors, to build a trusted digital identity and data sharing platform called the “NDID Platform” or NDID.

134 GovInsider. 2020. Exclusive: Thailand’s vision for trusted digital ID. Available at: <https://govinsider.asia/transformation/thailands-vision-for-a-self-sovereign-digital-id/>

135 Bank of Thailand. 2020. BOT Press Release No. 6/2020. Available at: <https://www.bot.or.th/English/PressandSpeeches/Press/2020/Pages/n0663.aspx>

136 Bangkok Post. 2020. 40m expected for NDID authentication. Available at: <https://www.bangkokpost.com/business/2016895/40m-expected-for-ndid-authentication>

These services included the opening of securities trading accounts, opening of investment fund accounts, purchase of insurance policies, and so forth. The Bank of Thailand expected around 40 million depositors to register for digital ID authentication under the NDID platform as a result of this expansion. With online verification starting November 2020, consumers, particularly the unbanked, could open new accounts, apply for loans online, take out new life insurance policies, and invest in new mutual fund companies through electronic means. Though the Digital ID is still in its pilot stages, this could be a valuable opportunity for the migrant population, informal workers, and the unbanked, to be included in the formal banking space, especially during the pandemic.



Though the recent developments have been encouraging, there is a need to focus more on privacy concerns.

Going forward, the Thai government, policymakers and other stakeholders will need to place safeguard mechanisms on privacy breaches through biometrics. This will be of the utmost importance in contingency scenarios, such as COVID-19 or other unforeseeable events.

RESPONSE TO COVID-19: THE CASH TRANSFER PROGRAM, ITS TARGETING, UPTAKE AND CHALLENGES

In March 2020, Thailand launched a cash transfer program¹³⁷ that provided THB5,000 (USD153) per month to three million informal workers - temporary employees, contract employees and self-employed individuals (who are not covered by the social security system) for 3-6 months. While the program initially targeted three million workers, 28 million workers registered for this allowance, and subsequently, the program covered all those who were eligible.

Registrations were done both through online and offline channels¹³⁸. Workers registered online through a mobile application developed by the government. However, workers registered themselves offline at various government banks such as the Government Savings Bangkok, the Bank for Agriculture and Agricultural Cooperatives, and Krungthai Bank. HomeNet, a membership-based organization of home-based workers, also supported the enrolment of 3,500 members to receive the emergency cash benefit.

Since the number of registrations exceeded the initial targeted number of three million, the government used a range of innovative tools to verify the applicant's authenticity and eligibility.¹³⁹ Various government registries based on specific occupational groups, such as farmers and fishers, were used to filter the applications. The government instituted a coding system using three colors - green, gray, and red: Green applications were approved automatically; gray applications required further verification through different means such as a request for a picture of the workplace and in-person verification by officials; while red applications were rejected for not meeting the eligibility criteria. This coding system was also based on the use of the unique PID - in particular the code on the back of the card was used to authenticate the applicant (a process similar to how credit card transactions use the code on the signature panel to authenticate the holder). The mapping of the 'Smart ID' linked to existing bank accounts was also used to expedite the cash transfer payments.

The payments for this program were made through either direct bank transfers or through the interoperable platform - PromptPay wallet.¹⁴⁰ This platform allows payments to be sent to the recipient's ID-linked bank account. Through PromptPay, money can be transferred using the recipient's mobile number, PID, corporate registration number or e-wallet number, via various electronic channels - e-banking, mobile banking and ATMs. Amid the COVID-19 pandemic, PromptPay has enabled the government of Thailand to provide social transfers directly to Thai citizens in a short period. The number of PromptPay users has grown rapidly to 56 million, as of April 2021.¹⁴¹ According to the Bank of Thailand, transactions made via PromptPay averaged 22.3 million per day in February 2021, up from 10.6 million per day in February 2020.¹⁴²

137 Bangkok Post. 2020. Cash handouts for informal workers. Available at: <https://www.bangkokpost.com/thailand/general/1885640/cash-handouts-for-informal-workers>

138 Women in Informal Employment: Globalizing and Organizing (WIEGO). 2022. Social Protection Responses to Covid-19 - The role of digital technology in COVID social protection responses. Available at: https://www.wiego.org/sites/default/files/resources/file/05_Social_Protection_Responses_to_Covid-19_ENG.pdf

139 World Bank. 2020. Scaling up social assistance payments as part of the COVID-19 response. Available at: <https://thedocs.worldbank.org/en/doc/655201595885830480-009002220/original/WBG2PxScalingupSocialAssistancePaymentsasPartoftheCovid19PandemicResponse.pdf>

140 Bangkok Bank. 2022. Bangkok Bank PromptPay Available at: <https://www.bangkokbank.com/en/Personal/Digital-Banking/PromptPay>

141 Bank of Thailand. 2021. Remarks by Governor Sethaput Suthiwartnarueput - PromptPay-PayNow. Available at: https://www.bot.or.th/Thai/PressAndSpeeches/Speeches/Gov/SpeechGov01_29Apr2021.pdf

142 Reuters. 2021. Thai digital payments double in Feb as outbreak spurs online activity. Available at: <https://www.reuters.com/article/thailand-economy-cenbank-idINL4N2MT2EQ>

However, since this program did not have the option of direct cash handovers to workers, a large section of the population that was not digitally equipped was left at risk of exclusion.

AML/CFT CONSIDERATIONS

Thailand enacted the Anti-Money Laundering Act (AML)¹⁴³ and the Counter-Terrorism and Proliferation of Weapons of Mass Destruction Financing Act (CTFA)¹⁴⁴ to adhere to the FATF's recommendation and strengthen its AML/CFT regulatory framework. In 2020, the Thai cabinet made key amendments¹⁴⁵ to the AMLA and CTFA to further align with the FATF standards. They are as follows:

KEY AMENDMENTS TO THE AMLA

1. The definition of “financial institution” is expanded to include operators of many financial technology services, including:

- > asset management and digital asset businesses
- > trustees in capital market trusts
- > derivatives businesses
- > authorized juristic persons under foreign exchange controls
- > personal loan businesses
- > nano and pico-finance businesses
- > peer-to-peer lending businesses
- > crowdfunding platforms
- > regulated e-payment systems and services
- > non-bank credit card service providers
- > additional businesses related to financial services or financial technology services at risk of money laundering

2. The definition of “professions” (formerly known as “section-16 professions”) is expanded to include additional occupations and businesses, such as accounting, auditing, auto-trading and leasing, legal consulting, and additional professions at risk of money laundering (by a further announcement in ministerial regulations).

For cash transactions exceeding the prescribed threshold, parties in the listed professions are assigned recordkeeping duties in addition to their current reporting duties.

3. The authority and power of the Anti-Money Laundering Office are expanded to include acting as a central financial intelligence agency to regulate, check, and rate the operations of companies and branches both within and outside of Thailand.

KEY DRAFT AMENDMENTS IN THE CFTA, 2016

1. A channel is established for section-6 designated persons (i.e. people who have been listed as a terrorist by the UN Security Council) to submit a petition for reconsideration and delisting to the UN Security Council via Thailand's Ministry of Foreign Affairs.
2. If a designated person's funds and assets are frozen, qualifying financial institutions and professions are given an exemption that enables them to deposit funds (e.g. due payments, interest, etc.) earned prior to the freeze into the frozen account.

According to the latest Mutual Evaluations Report 2021, Thailand was deemed compliant for three and largely compliant for 24 out of the 40 recommendations; and highly effective for zero and substantially effective for five concerning the 11 areas of effectiveness of its AML/CFT regime.

143 Bangkok Post. 2020. Cash handouts for informal workers. Available at: <https://www.bangkokpost.com/thailand/general/1885640/cash-handouts-for-informal-workers>

144 Clifford Chance. 2017. Thailand: Counter-Terrorism and Proliferation of Weapons of Mass Destruction Financing Act B.E. 2559 (2016). Available at: <https://www.cliffordchance.com/content/dam/cliffordchance/briefings/2017/02/thailand-counterterrorism.pdf>

145 Tilleke & Gibbins. 2020. Anti-Money Laundering Law in Thailand Due to be Updated. <https://www.tilleke.com/insights/anti-money-laundering-law-in-thailand-due-to-be-updated/>

3.5 EGYPT



INTRODUCTION - STATE OF THE ECONOMY AND WORKFORCE

Egypt reported its first case of COVID-19 on 15 February 2020.¹⁴⁶ On 24 March, the government of Egypt announced strict restrictions to curb the spread of COVID-19 which included a curfew from 19:00 to 06:00, closure of all shops from 17:00 to 06:00 except supermarkets, grocery shops, and pharmacies, and the cessation of operations of all restaurants, cafes, entertainment, gymnastics centers, and sports clubs. All of the restrictions were lifted after two weeks barring the nationwide curfew which was eventually lifted on 27 June 2020 after multiple extensions.

63%

As of June 2020, approximately 63 percent of Egypt's employed population¹⁴⁷ worked in the informal sector, which accounts for approximately 50 percent of the country's economy.¹⁴⁸

12%

The tourism sector which accounted for 12 percent of the nation's GDP and 10 percent of total employment¹⁴⁹ also suffered a sudden halt due to the pandemic.

As per a survey¹⁵⁰ conducted in June 2020 by Baseera (commissioned by the ILO), more than two-thirds of informally employed and self-employed workers suffered wage losses. The survey found that workers in tourism and transportation were most affected by wage reductions and two-thirds of informal workers feared losing their jobs in the short-term. To cope with income loss during the pandemic, approximately 30 percent of survey respondents reduced their food consumption, 14 percent reduced their non-food consumption, and six percent had to sell their assets.

However, despite the economic impact of the pandemic, Egypt achieved a positive GDP growth rate in 2020 and 2021, due to the government's timely response, a short lockdown period, and the country's diversified economic structure.

BACKGROUND ON ID SYSTEM AND FINANCIAL INCLUSION

The national identity card in Egypt is issued by the Civil Registry Authority, which is affiliated with the Ministry of Interior, and is the primary identification document in government and private institutions. Use of the national identity card is mandatory when applying for a passport or accessing official government documents such as a birth certificate.

The national identity card is governed by the Civil Status Law No. 143 of 1994. As per the law, every citizen has to apply for the national identity card within three months as soon as they attain the age of 16. The law also requires everyone to update their national identity card data within three months in case there is any change in their demographic and other information. The card is valid for seven years from the date of issue and contains information such as the person's full name, date of birth, gender, religion, marital status, residential address, issuing office, occupation, husband's name (for women), national number, photograph, date of issue, expiration date, and the card number.

The number specified in the national identity card is a unique 14-digit code that could be used to identify a specific individual. The first digit is the century of birth, the next six digits are the date of birth (YYMMDD), the subsequent two digits denote a governorate code in which the person is born, the next four digits are generated by the system and are unique for a particular day and county, and the last digit is used for verification purposes.

146 Egypt Today. 2020. Egypt announces first Coronavirus infection. Available at: <https://www.egypttoday.com/Article/1/81641/Egypt-announces-first-Coronavirus-infection>

147 Middle East Institute. 2020. Egypt's sizeable informal economy complicates its pandemic response. Available at: <https://www.mei.edu/blog/egypts-sizeable-informal-economy-complicates-its-pandemic-response>

148 Egypt Today. 2019. Informal economy exceeds 50 percent of Egyptian economy. Available at: <https://www.egypttoday.com/Article/3/68388/Informal-economy-exceeds-50-of-Egyptian-economy>

149 IMF. 2021. Egypt: Overcoming the COVID Shock and Maintaining Growth. Available at: <https://www.imf.org/en/News/Articles/2021/07/14/na070621-egypt-overcoming-the-covid-shock-and-maintaining-growth>

150 ILO. 2021. The Impact of COVID-19 On Employment and Wages in Egypt. Available at: https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-cairo/documents/publication/wcms_791076.pdf



In February 2016, the government of Egypt launched a national agenda called the Sustainable Development Strategy (SDS): Egypt Vision 2030,¹⁵¹ which listed national goals to attain by 2030, including “financial inclusion” as one of the key national priorities.

In line with this vision, the National Payment Council was established in February 2017 through Presidential Decree No. 89,¹⁵² with a main objective to reduce the use of banknotes outside the banking system and to support and promote the use of digital financial services as the primary payment method. The council envisaged developing a national payment system and achieving greater financial inclusion by integrating more citizens (including those working in the informal sector) in the banking system, reducing the cost of fund transfers, and increasing tax revenues. The key measures that have already been taken in this regard are as follows:

- > All government bodies and local administration agencies were obliged to pay their dues to suppliers exceeding EGP20,000,¹⁵³ through banks or checks, by July 2018.
- > All government agencies that provided services to the public were mandated to accept electronic payments within two years of the establishment of the council.
- > A national card program, called “Meeza Card”, was launched in December 2018. The program provides electronic payment services similar to Visa and Mastercard but can be used only in Egypt. These cards work similarly to ATM or debit cards and can be used by customers to withdraw cash, make payments, pay utility bills, and conduct e-commerce transactions.

TAKAFUL AND KARAMA CASH TRANSFER PROGRAMS

In 2015, the Ministry of Social Solidarity (MOSS)¹⁵⁴ launched the Takaful and Karama¹⁵⁵ cash transfer programs¹⁵⁶ with support from the USD400 million World Bank Strengthening Social Safety Net Project.

“Takaful” is a conditional program that aims to increase food consumption, reduce poverty, increase children’s enrolment in schools, and improve access to healthcare. Households that comply with the predefined requirements of the program receive a basic allowance of EGP325 (about USD20) every month. The compliance requirements for a household are:

- a. A minimum attendance of 80 percent for all children aged 6-18 years
- b. Four health clinic visits by mothers and children below the age of six years
- c. Maintenance of child growth monitoring records
- d. Participation in nutrition awareness sessions¹⁵⁷

In addition to the basic allowance of EGP325, eligible households also receive additional monthly support for every child based on their age or school level - EGP60 for a child aged 0-6, EGP80 for a primary school student, EGP10 for a preparatory stage student, and EGP140 for a secondary stage student. A maximum of three children per household are covered under Takaful and beneficiaries are recertified every three years. As of November 2018, there were approximately 1.96 million households enrolled in Takaful, covering approximately 8.3 million individuals.

“Karama” is an unconditional cash transfer program that protects poor senior citizens (aged above 65), citizens with severe disabilities and diseases, and orphans. Beneficiaries receive a monthly allowance of EGP450 (about USD28) without any conditions. As of November 2018, there were approximately 306,000 beneficiaries of Karama, of which 82 percent were disabled, 17 percent were senior citizens, and one percent were both disabled and senior citizens.

The Takaful and Karama programs covered a total of 2.26 million households as of November 2018, which accounts for approximately 9.4 million individuals, or 10 percent of the country’s population.

151 Arab Development Portal. 2022. 2030 Egypt Vision. Available at: https://www.arabdevelopmentportal.com/sites/default/files/publication/sds_egypt_vision_2030.pdf

152 State Information Service, Egypt. 2017. Presidential decree establishing the national council for payments. Available at: <https://www.sis.gov.eg/Story/107854?lang=en-us>

153 EGP is the currency code for the Egyptian Pound, which is issued by the Central Bank of Egypt.

154 MOSS is a government body in Egypt that is responsible for providing social safety networks to Egypt’s most vulnerable citizens, with the aim of reducing poverty in the country.

155 “Takaful” means solidarity and “Karama” means dignity in Arabic.

156 World Bank. 2015. USD400 Million Program to Support 1.5 million Poor Egyptian Families through Enhanced Social Safety Nets. Available at: <https://www.worldbank.org/en/news/press-release/2015/04/10/us400-million-program-to-support-15-million-poor-egyptian-families-through-enhanced-social-safety-nets>

157 These awareness sessions promote good child feeding practices, regular immunizations, and antenatal and postnatal care for women.

These two programs, initially launched in the poorest districts of the poorest governorates¹⁵⁸ in Egypt, were using a mix of geographic factors (poorest governorates) and a proxy means test (PMT)¹⁵⁹ mechanism for targeting. The PMT mechanism was used to identify and select the poor within the selected districts (poorest governorates) based on selection criteria and a pre-defined cut-off score. The PMT uses poverty indicators and predictors from the Household Income, Expenditure, and Consumption Survey, HIECS 2012/2013.¹⁶⁰ The formula used to calculate the score of households against the pre-defined cut-off score is based on criteria such as:

- a. Characteristics of the head of the household such as gender, marital status, age, education, and work status.
- b. Characteristics of household members such as the number of senior citizens, children, members enrolled in education, literacy, and employment.
- c. Monetary transfers received by the household such as pensions, remittances, and allowances.
- d. Characteristics of the housing unit such as type of unit, ownership, materials used, availability, and type of water connection.
- e. Ownership of assets such as a car, internet connection, refrigerator, etc.

For more precision in targeting, the exact PMT models used differ across the various geographic regions of Egypt.

The disbursement of funds under the Takaful and Karama programs is handled by MOSS through the Egyptian National Post Organisation (ENPO). For all new beneficiaries, MOSS provides beneficiary information¹⁶¹ to ENPO, which assigns a unique virtual postal account number to all beneficiaries. This account number is then used as a reference number for all subsequent communications between MOSS and ENPO. Beneficiaries are issued program-linked smart cards which are linked to their virtual accounts. MOSS sends a list of account numbers with the respective amounts to be paid for each beneficiary to ENPO which then credits the specified amounts in the respective virtual accounts. Beneficiaries have to visit post office branches and use their smart cards or national identity cards to collect their cash. More than 4,500 post office branches are available throughout the country and can be used to withdraw cash.

RESPONSE TO COVID-19 - SOCIAL AND CASH TRANSFER PROGRAMS

As part of the response to the COVID-19 pandemic, the government of Egypt took the following key measures to

protect vulnerable people such as the poor and informal workers:

- > A one-time cash allowance of EGP500 (about USD32) per month for three months to informal workers who had lost their jobs due to the pandemic. The Ministry of Manpower allocated EGP50 million for this purpose.
- > Increment in payments for women leaders in rural areas from EGP350 (about USD22) to EGP900 (about USD57) per month.
- > Addition of 160,000 new households in the Takaful and Karama programs. To accommodate this increase, the budget for this program in fiscal year 2020-21 was increased from EGP18.5 billion to 19.3 billion.
- > Activation of the Employees Emergency Fund¹⁶² to provide financial aid and subsidies to employees who had not been receiving salaries from companies that faced the risk of closure due to the pandemic.

DISBURSEMENT MECHANISMS DURING THE PANDEMIC

The payment of the cash allowance for informal workers was made through post offices and banks.¹⁶³ There were approximately 4.4 million applicants for this compensation, of which around 1.9 million individuals were working in construction, ports, agriculture, and as plumbers and electricians, who were found to be eligible. The first payment for this allowance was processed in April 2020 via post offices and the Agricultural Bank of Egypt. Some schools were also used as payment sites. Beneficiaries received a free ATM card along with their first payment which they could use to cash their second and third payment installments via post offices or banks. To avoid overcrowding, eligible beneficiaries were sent a location and time via SMS to collect their first payment and ATM card.

158 Egypt is divided into 27 governorates, which form the top tier of the country's jurisdiction hierarchy.

159 PMT is a test that is used to estimate the income or expenditure of a household in absence of precise measurements. The estimates are made based on certain household characteristics (proxies) that are correlated with welfare.

160 Economic Research Forum, Central Agency for Public Mobilization & Statistics. 2014. Household Income, Expenditure, and Consumption Survey, HIECS 2012/2013. Available at: <http://www.erfdataportal.com/index.php/catalog/67>

161 Beneficiary information consists of the national ID number, name, gender, date of birth, address, and mobile phone number.

162 The Employees Emergency Fund was established in Egypt in 2002 and aims to provide financial aid and subsidies to employees who stop receiving salaries from companies due to the economic crisis or decline in production. The fund is managed by the Ministry of Manpower.

163 World Bank. 2020. Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures. Available at: <https://documents1.worldbank.org/curated/en/454671594649637530/pdf/Social-Protection-and-Jobs-Responses-to-COVID-19-A-Real-Time-Review-of-Country-Measures-July-10-2020.pdf>

New beneficiaries of the Takaful and Karama programs received their funds through virtual postal accounts and were issued smart cards which they could use to collect their cash. There were no specific measures adopted for this purpose during the pandemic, enrollment and delivery was handled in a similar manner as with any pre-existing beneficiary of the program. By January 2021, the Takaful and Karama programs covered a total of 3.6 million households.¹⁶⁴



By January 2021, the Takaful and Karama programs covered a total of 3.6 million households.¹⁶⁴

The financial aid provided through the Employees Emergency Fund required that struggling companies or labor unions submit an application to the Chairman of the Fund.¹⁶⁵ The application also required the submission of a report on the company's financial situation and the reasons for its inability to pay salaries to its employees. Company employees whose applications were approved received financial aid equivalent to 100 percent of their basic insurance, at a minimum of EGP600 per month. This assistance was paid for up to six months, or until appropriate resumption of the company's operations or until the employee found an alternative job. By the end of April 2020, nearly 48,000 employees had received payments through the Employees Emergency Fund.

AML/CFT CONSIDERATIONS

Egypt is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), which is responsible for overseeing the compliance of AML/CFT measures in 21 member countries in the Middle East and North Africa region. The last Mutual Evaluation for Egypt was conducted by MENAFATF in 2021, and as per the report, Egypt was classified as compliant for nine and largely compliant for 23 of the FATF 40 recommendations.

In May 2002, the government of Egypt passed the Anti-Money Laundering (AML) Law No. 80 of 2002.¹⁶⁶ This law criminalized the laundering of funds obtained through narcotics, trafficking, terrorism, antiquities theft, and arms dealing, among others.

The AML Law also established the Egyptian Money Laundering and Terrorist Financing Combating Unit (EMLCU)¹⁶⁷ as Egypt's Financial Intelligence Unit, which began operating on 1 March 2003. The EMLCU

is responsible for analyzing information received from financial institutions and other organizations regarding financial operations that are suspected of being linked to money laundering or terrorism financing, and reporting any detections of such crimes to law enforcement authorities. In 2014, a Presidential Decree gave the EMLCU jurisdiction over investigations of all acts of terrorism, in addition to financial crimes.

164 IMF. 2021. Arab Republic of Egypt: First Review Under the Stand-By Arrangement and Monetary Policy Consultation-Press Release; Staff Report; and Statement by the Executive Director for the Arab Republic of Egypt. Available at: <https://www.imf.org/en/Publications/CR/Issues/2021/01/07/Arab-Republic-of-Egypt-First-Review-Under-the-Stand-By-Arrangement-and-Monetary-Policy-49993>

165 Riad & Riad. 2020. Employees Emergency Fund in Egypt and its Expected Role during COVID-19 Outbreak. Available at: <https://riad-riad.com/employees-emergency-fund-egypt-and-its-expected-role-during-covid-19-outbreak/>

166 Central Bank of Egypt. 2002. Promulgating Anti-Money Laundering Law, Amended by Law No. 78 for 2003. Available at: https://www.cbe.org.eg/_layouts/download.aspx?SourceUrl=%2Fen%2FaboutCBE%2FBankingLawDL%2FAntiMoneyLaunderingLaw.pdf

167 EMLCU website. 2022. Available at: <https://mlcu.org.eg/ar/>

4. KEY LESSONS IN LEVERAGING DIGITAL ID AND E-KYC TO MANAGE THE PANDEMIC AND OTHER CRISES

These country case studies highlight the unique strategies and mechanisms adopted by different governments and regulators in leveraging digital ID and e-KYC towards implementing social protection programs that support low-income and disadvantaged populations. Many relevant lessons can be drawn from each of the focus countries which can be applied by others to ensure the proper level of preparedness and rapid response capacities when handling the next crisis.

DIGITAL ID AND SOCIAL PROTECTION STRATEGY

Higher digital ID coverage, particularly when linked with bank accounts and wider penetration of digital payments methods such as mobile wallets, is one of the key pathways to providing prompt cash assistance to the poor and vulnerable during crises such as pandemics

Countries that already have a comprehensive digital ID system had a much easier time identifying and targeting beneficiaries with minimal exclusion errors. Additionally, widespread digital means of payment, such as mobile wallets, have made it much easier to quickly transfer funds to beneficiaries, which is crucial in a crisis.

Direct linkage of the identity system with bank accounts or mobile money accounts in some countries has also greatly simplified transferring funds, as this eliminates the need to specifically collect details of bank or mobile money accounts from beneficiaries.

Expansion of existing social protection schemes is a good way to provide social assistance to vulnerable people during a crisis

Some countries expanded their pre-existing social protection schemes to support the poor and vulnerable

by adding more benefits, extending the time-duration of earlier benefits, and including new beneficiaries.

These strategies were particularly useful since pre-existing social protection programs often have robust infrastructure and delivery mechanisms that countries can use almost immediately in a crisis. The specific circumstances of a crisis may require some modifications such as a change in eligibility criteria and modification in the delivery mechanism, among others. However, it may still be prudent to use existing social protection measures in the interest of time and potential reach, depending on the local context.

Linkages of ID with other occupational databases can be used for faster identification and eligibility checks of beneficiaries

During the COVID-19 pandemic, many countries used their existing social registries or databases and ID systems to identify and target vulnerable segments. Some of these social registries are in occupational databases which also have information on the beneficiary's national ID.

For instance, databases on farmers and fishermen, linked with their 'Smart ID' database, were used by Thailand to identify its target beneficiary base. The Smart ID and Digital ID databases have been linked with health insurance schemes to ensure access to the best healthcare facilities for the population. The health insurance database is being used in Thailand to vaccinate the migrant population¹⁶⁸ as migrants registered for public health insurance programs are eligible for vaccination. The above-mentioned practices, leveraging the ID systems, can be instrumental in providing essential services - healthcare and the protection of livelihoods to marginalized groups, migrants, and farmers, especially during contingencies such as the COVID-19 pandemic. Using their digital ID models, these best practices could be scaled-up and replicated for other developing countries.

168 ANN English. 2021. ADRA Seeks to Minimize COVID-19 Risks Among Migrants in Thailand. Available at: <https://adventist.news/news/adra-seeks-to-minimize-covid-19-risks-among-migrants-in-thailand>

Thoughtful customization of an existing social assistance program could go a long way to support those in need in times of pandemics and other crises

When dealing with a pandemic or some other crises, such as natural disasters, the target segment and type of assistance in social transfer programs may vary from time to time depending on the progression of the disaster. Therefore, governments may need to customize existing social transfer programs to a particular group of people and geography to support the neediest during any crisis, as shown in the case of Peru.

The proactive adoption of this customization approach in social transfers programs during the crisis could go a long way to support affected people while maximizing the impact of the available fiscal resources.

DESIGN AND DELIVERY OF SOCIAL PROTECTION PROGRAMS

There is a real risk of exclusion for some vulnerable people who do not have access to digital payments and bank accounts

What was observed during the disbursement of various cash transfer programs directly in the mobile wallets or bank accounts of beneficiaries during the pandemic was that a significant portion of the intended beneficiaries did not have access to any digital payment channels. These beneficiaries, who are often the most vulnerable, consequently face a huge exclusion risk if there is no facility to collect cash in-hand or access open mobile wallets and bank accounts quickly to allow access to social transfers.

In addition, it is essential to provide easy-to-understand instructions to these vulnerable people to use mobile wallets or bank accounts.

Doorstep delivery could be an effective delivery mechanism for vulnerable and high-risk population segments during the pandemic

In a crisis, like the ongoing pandemic and resulting lockdowns, access to social transfers and financial services was enormously challenging for many vulnerable segments of the population. This includes senior citizens (who are at higher risk of contracting the virus), the disabled (particularly those facing mobility challenges), and women and transgender individuals (many of whom are constrained by safety concerns or regressive social norms). These unique constraints can leave these vulnerable groups excluded from social cash transfers and other monetary or non-monetary

assistance that the government provides during pandemic.

Doorstep delivery of cash benefits has been instrumental in providing safety nets to the vulnerable during the pandemic. Cash can be delivered to beneficiaries without any leakage with the help of technology-enabled delivery and authentication infrastructure.

Transaction failures require increased attention and warrant the adoption of an exception handling mechanism for such cases

Many countries used their social registry and payments infrastructure to quickly provide social transfers to the intended beneficiaries during the pandemic. Many of these social transfers are the extension of ongoing social protection programs. This familiarity with the modalities of social transfers (such as the timing of the transfer, amount, and mode of communication), therefore, provided beneficiaries with much-needed relief during the pandemic.

However, despite a robust social transfers system, transaction failures have been a persistent challenge. During the second quarter (April-June) of 2020-21, the Indian government processed more than 830 million PMGKY transactions, and 1.47 percent of these transactions failed. Transaction failures¹⁶⁹ (at the stage of biometric authentication, Aadhaar number verification, POS malfunctioning, etc.) occurred for various reasons during payment processing, including dormant or closed bank accounts, a mismatch in bank details, inactive ID numbers, and the lack of bank accounts mapped to IDs, among others. In a country like India, even a one percent transaction failure rate would mean hundreds of thousands of beneficiaries may be at risk of not receiving their social transfers in the absence of any exceptional handling mechanisms.

Alternative mechanisms for Aadhaar-based authentication, such as IRIS authentication and in-person verification through local government officials, have proven helpful in this regard. Other mechanisms such as facial recognition technology and nominee-based identification could also be highly effective in managing these exceptions.

¹⁶⁹ The Wire. 2020. COVID-19, Aadhaar-DBT and a Reminder of the Issues with Transaction Failure Data. Available at: <https://thewire.in/government/covid-19-aadhaar-dbt-and-a-reminder-of-the-issues-with-transaction-failure-data>

Prompt opening of mobile wallets in partnership with MNOs and the central bank allows countries to provide faster access to digital money for vulnerable people

As part of the rollout of cash transfer programs, the governments of some countries, such as Peru and Togo, introduced provisions for the rapid opening of new mobile wallets for beneficiaries in partnership with mobile network operators and the central bank. These provisions include a temporary relaxation of KYC requirements to facilitate the faster opening of mobile wallets. This is a good way to rapidly provide vulnerable people (previously excluded from the financial system) with a digital mode to collect payments.

OUTREACH AND GRIEVANCE RESOLUTION FOR INTENDED BENEFICIARIES

Effective and strategic communications are critical success factors for social transfers and other relief measures during the pandemic

During a crisis, governments and relevant stakeholders must be able to transparently and efficiently communicate with the public. Communications remains a weak link in the effective implementation of social protection programs, especially in a crisis, where there could be various internal and external barriers to communication. For instance, in India, only 41 percent of respondents⁸¹ knew of the benefits provided under PMGKY, and most beneficiaries had only macro-level information about measures announced by the government.

It is imperative that governments prioritize and emphasize communications and generate increased awareness while rolling out social transfer programs during a crisis.

Grievance redressal mechanisms are indispensable for the effective delivery of cash transfer payments, especially in a crisis

The payment architectures in some countries lack an effective mechanism for customers to resolve grievances. Beneficiaries and the personnel managing payments (at cash-out points) find it cumbersome to troubleshoot issues, such as the non-receipt of funds, as multiple stakeholders and systems are involved. Furthermore, a large section of the population lacks the cognitive skills and capabilities to access digital modes to register complaints. In a crisis, due to restrictions on mobility, safety concerns, and an incommunicado state, beneficiaries are reluctant to reach out to officials to

lodge complaints, given the inconvenience. In such situations, there is an urgent need to provide offline and more accessible methods to lodge complaints such as interactive voice response (IVR), helplines, and USSD, among others.

INVENTIVE USE OF TECHNOLOGY TO IMPROVE THE EFFECTIVENESS OF SOCIAL TRANSFER PROGRAMS

USSD is not an obsolete technology and could be a great means to serve the poor and vulnerable during the pandemic

USSD remains one of the best available communications technologies to deliver mobile financial services to low-income customers, deployed across the developing world, and can also be instrumental in onboarding beneficiaries (especially those who do not have access to smartphones) in social transfer programs launched during any crisis.

The registration of beneficiaries using mobile phones backed by USSD technology, as shown in Togo, could be a faster way to onboard the poor and vulnerable during any crisis. Beneficiaries can input their ID credentials using mobile phones that can later be verified on the backend using occupation databases and social registries.

In a crisis, where access and mobility are restricted, this method could prevent the exclusion of many poor and vulnerable people who do not have access to smartphones, internet connectivity, and banking services.

Use of technological advancements (satellite imagery and machine learning) could be a faster way to identify recipients in the absence of any credible database on intended beneficiaries

With the absence or lack of information that can help identify beneficiaries in a crisis, the use of technological innovations, such as satellite imagery in combination with machine learning, as demonstrated by Togo, could be a feasible option to quickly identify beneficiaries. This was of particular significance in the context of the pandemic when many governments often faced the lack of a credible database on the poor and vulnerable, the lack of time, and an immediate sense of urgency.

However, governments should also be mindful of potential exclusions that may arise by focusing solely on using such technologies in a crisis.

5. HIGH-LEVEL RECOMMENDATIONS AND A ROADMAP TO IMPLEMENT SOCIAL TRANSFER PROGRAMS DURING THE PANDEMIC AND OTHER CRISES

- 1) **Perform a rapid assessment of the coverage of digital ID, penetration of digital payments, mobile phones and smartphones, and a database of beneficiaries of social schemes.** This will help to set ground rules or conditions on which a crisis response strategy will depend.

- 2) **Create a dynamic social protection visualization or planning tool that is then integrated with a national disaster response plan.**

Taking a more proactive approach to support the poor and vulnerable, governments should develop a social protection plan for crisis situations in advance based on factors such as demographics, the risk of particular types of disasters (pandemic, climate change, and conflicts), geographic terrain to gauge the ease of mobility, and availability of local infrastructure.

Secondly, governments may also frame a social transfer delivery plan in advance based on the availability of operational cash-out points, tele-density, internet connectivity, post-offices, schools, and public offices. This exercise will greatly help to understand the likelihood of coverage and reach of the social transfer program in different regions while formulating the remedial strategies to address any gaps.

- 3) **Design and implement customizable social protection programs that allow flexibility to target different types of beneficiaries and use of multiple delivery mechanisms.**

Evolving situations like crises require the implementation of social transfers programs in multiple stages depending on timing and need. The target population and delivery modes may also change as the situation evolves as shown in the case of Peru.

- 4) **Consider using proxy indicators to estimate the level of vulnerability and identify the beneficiaries depending on the local context.**

Identifying the impacted segments who are not pre-existing beneficiaries of any social assistance programs in a crisis can be arduous. Governments can, therefore, use a range of indicators such as consumption expenditures, access to basic amenities like schools, hospitals, clean drinking water, hygiene and sanitation conditions, mobile consumption data, and other indicators based on the local context of the region to estimate the vulnerability level of a specific population group and area.

These estimates will help in informing and updating a government's social transfers and other relief responses implemented by other humanitarian agencies.

- 5) **Consider using a mix of technologies, such as satellite imagery, machine learning, and others to quickly identify beneficiaries in exceptional circumstances where it is difficult to do so otherwise.** However, carefully study and understand their limitations in terms of accuracy and coverage, and look to reduce any inclusion and exclusion errors that may arise.

- 6) **Use hybrid (online and offline) methods of registration for onboarding of beneficiaries.**

Governments should use a range of offline registration methods for onboarding to prevent the exclusion of beneficiaries who do not have access to digital means of communication (smartphones or computers).

Some of these methods could include on-ground or in-person registrations (for areas where mobility is possible), and self-registration through USSD, helplines, etc. On-ground registrations can also be vetted by community workers or government officials, as an exception handling mechanism, in the event of contingencies.

- 7) **Pay sufficient attention to ensure the protection and privacy of personal data while designing applications to onboard or identify beneficiaries.**

This may be overlooked in a crisis where time is short leading to data abuse, unauthorized disclosures, and discrimination at a later stage.

8) Adopt mechanisms that can help to spread financial literacy in a short period.

When a large number of mobile money or bank accounts are opened for a previously unbanked population, it is equally important to communicate financial literacy to enable this group to properly use these accounts. This could involve using radio and IVR calls, among various other channels.

9) Implement e-KYC measures to facilitate the quick opening of mobile money accounts or limited functionality accounts at scale while ensuring that these measures comply with AML/CFT regulations. Provisions for using and accessing mobile accounts via USSD can be made available.

This can be a very effective way to quickly include many vulnerable people in the financial system. Additionally, providing provisions for accessing these accounts via USSD would ensure that a smartphone is not an essential requirement for digital transactions.

10) Provide adequate incentives and develop agile structures to allow doorstep delivery of cash and other social benefits to the vulnerable population.

Governments should treat BCs and banking agents as frontline workers during a crisis, given their critical role in delivering last mile social assistance benefits in many countries. In addition, they should be provided with prioritized vaccinations, health insurance, mobility, and other amenities to facilitate the smooth delivery of last-mile social benefits and cash transfers to the poor and vulnerable.

These provisions would incentivize banking agents to deliver payments to those most in need while enhancing the state's capabilities and capacities to cope with such circumstances.

11) Use a hybrid model of digital payments and cash disbursements to the most vulnerable and unbanked populations.

In a crisis, where governments are racing against time to provide relief measures to vulnerable and impacted populations, opening bank accounts or mobile wallets for the unbanked is not always feasible. Even if accounts are opened for them during a crisis, the financial literacy needed to meaningfully use them can be quite challenging.

For this reason, governments must disburse cash to the most vulnerable and unbanked segments of the population in its physical form to provide them with immediate relief until there is 100 percent financial inclusion. Public institutions, such as post offices and schools, could be utilized for this arrangement, as demonstrated in Peru and Egypt. In lockdown situations, local authorities could set up time slots in advance, using SMS, USSD, and IVR services, to prevent overcrowding.

12) Create a robust last-mile payment infrastructure to quickly scale-up social transfer programs during crises.

The underlying payment system driving the social transfer program should be transparent and reliable. Beneficiaries should be able to conveniently access or use funds while the system should address common consumer risks, such as unreliable networks or service, complex user interfaces, and transaction failures that hinder the successful receipt of payments. If they remain unaddressed, these risks may significantly undermine the effectiveness and reach of social transfers and other cash-based interventions during a crisis.

13) Adopt beneficiary focused multi-channel communication strategies that permit two-way interactions.

Governments should design targeted communication channels to cover all segments of the population including the illiterate, disabled, women, and senior citizens.

Concerned stakeholders could use interactive voice response system (IVRS)-based methods or principles of orality¹⁷⁰ to design digital and non-digital information campaigns on the programs. Such efforts would enhance awareness among the illiterate population while public engagements tools such as the use of loudspeakers in schools, post offices, and places of worship, and engagement through campaigns roping in community and local leaders could also be effective communication sources.

¹⁷⁰ "Orality" refers to modes of thinking, speaking, and managing information in societies where most people are unfamiliar with technologies of literacy, especially writing and print. Orality encompasses not just speech but a wide range of modes for personal and collective information management that are preferred to text in oral cultures—from pictures, tallies, and cash, to apprenticeship, rituals, and songs.

14) Design a robust beneficiary-centric grievance resolution mechanism.

Governments should implement an agile and transparent mechanism that addresses the concerns of the intended beneficiaries on inclusion in specific programs, the non-receipt of social benefits, transaction failures, and other concerns. The prompt resolution of grievances must be emphasized to alleviate the helplessness faced by the poor and vulnerable during the pandemic.

Multiple methods such as helplines, IVRs, mobile and web applications, WhatsApp, social media, and help desks (if possible) could be used for faster resolutions.

15) Use a regulatory sandbox¹⁷¹ to test different models of financial products, mobile wallets, etc. that could be used and deployed at scale during any crisis.

Governments and financial services providers (FSPs) can use a regulatory sandbox to test new e-KYC measures and other provisions to quickly open mobile wallets and limited functionality accounts in a crisis. The testing of such provisions in the sandbox prior to a wider rollout will pre-empt any major hurdles or technical issues that may come later while doing appropriate modifications with respect to AML/CFT requirements. But governments should ensure that the regulatory sandbox is used in a time-bound manner so that innovators and product companies can mitigate the risk of losing out on time, which is especially critical in a crisis.

Governments and other stakeholders should also identify and address potential data protection privacy concerns during the testing process.

¹⁷¹ Regulatory sandbox (RS) refers to live testing of new products or services in a controlled and test regulatory environment for which regulators may permit certain relaxations for the limited purpose of the testing. The RS allows the regulator, innovators, financial service providers and customers to conduct field tests to collect evidence on the benefits and risks of new products and systems.

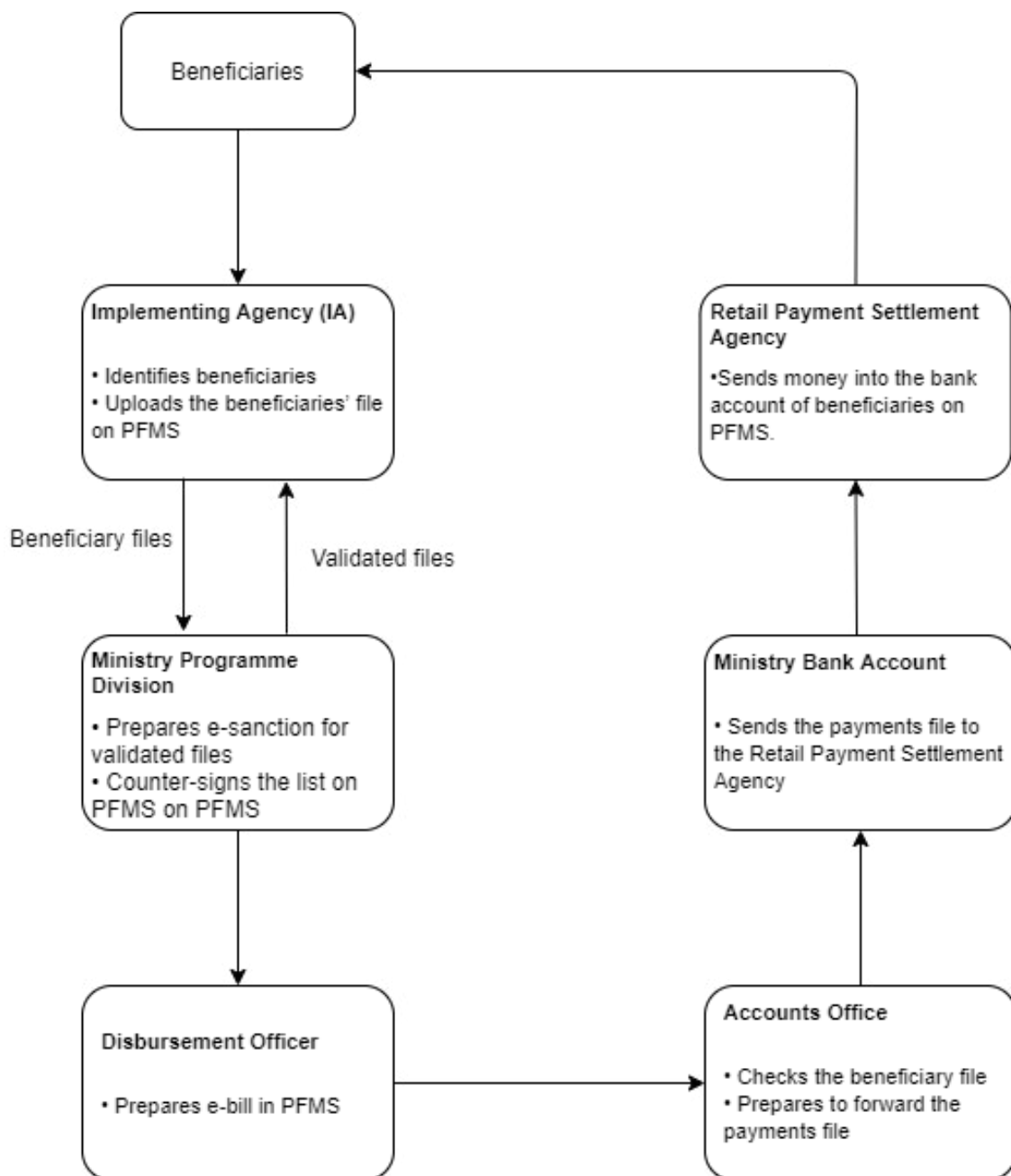
6. APPENDIX A: MODALITIES OF URGENT DECREE DU NO. 056-2020 OF PERU

- 1) Holders of these accounts may use them for purposes other than the deposit and withdrawal of these funds, but the accounts may also be closed by the financial companies if a balance is not maintained for six months, or at the request of the accountholder.
- 2) Financial companies and electronic-money issuers were asked to share with state or private entities that issued payment instructions, details of pre-existing account(s) of their respective beneficiaries. The state or private entities that issued instructions for payment were allowed to share the personal data of beneficiaries which was strictly necessary to carry out these payments.
- 3) State entities that issued payment instructions were asked to establish a protocol with a maximum period for accountholders to use all or part of the transferred funds. At the end of the maximum period, financial companies were required to return the funds to the corresponding state entities from the accounts that had no activity.
- 4) The state and private entities responsible for the transfer of funds were to establish their mechanisms and criteria for selecting financial companies for opening accounts and for making the subsequent deposits, as well as the terms and conditions associated with the allocation of funds and the costs of the service. Such mechanisms and criteria must seek to maximize the coverage of beneficiaries and effective use of funds, as well as to minimize the associated costs.

7. APPENDIX B: MODALITIES OF LAW NO. 31120 OF PERU

- 1) The DNI account is mandatory, opened automatically, linked to the DNI, and operates in a digital environment as a basic account according to current regulations.
- 2) Banco de la Nación uses the Plataforma Nacional de Autenticación de la Identidad Digital (ID-Perú) (National Digital Identity Authentication Platform) or Servicios de Verificación de la Identidad de Datos y Biométricos (Data and Biometric Identity Verification Services) provided by RENIEC to validate the identity of the accountholder of a DNI account.
- 3) To facilitate the opening of such accounts, RENIEC sends the accountholder's required personal identification data: name(s) and surname(s), DNI number, and address to Banco de la Nación.
- 4) Banco de la Nación does not require prior approval of a contract by the holder to open a DNI account. However, a contract is sent digitally to the holder when they want to activate their DNI account.

8. APPENDIX C: PUBLIC FINANCE MANAGEMENT SYSTEM (INDIA) PROCESS FLOW¹⁷³



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