# DELIVERING MONEY

## CASH TRANSFER MECHANISMS IN EMERGENCIES


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HUMANITARIAN OUTCOMES

The Cash Learning Partnership (CaLP) works to improve the quality of cash and voucher transfer programming across the humanitarian sector. It does this by:

- building the capacity of practitioners
- carrying out evidence-based research in order to influence key stakeholders
- providing a platform to share knowledge and experience with practitioners and policy-makers.

CaLP was originally founded by the British Red Cross, Save the Children UK and Oxfam GB in 2006. Its steering committee has since expanded to include the Norwegian Refugee Council and Action Against Hunger USA.

Join the CaLP community of practice at: http://dgroups.org/directory/index.ashx?page=13

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This report has been commissioned and published by Save the Children UK on behalf of the Cash Learning Partnership (CaLP), a consortium made up of Oxfam, the British Red Cross and Save the Children UK. The report was funded by ECHO.

The aim of this report is to support the implementation of cash projects in emergencies. The report aims to share a range of previous and ongoing experience in the delivery of cash, in order to assist relief workers to efficiently and effectively undertake cash-based responses.

Research for the report was carried out during September–November 2009 by Humanitarian Outcomes. The Humanitarian Outcomes team was Paul Harvey, Katherine Haver, Jenny Hoffmann and Brenda Murphy.

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The authors wish to thank all the people who provided us with helpful information and were available for interviews during the research period.

# ABBREVIATIONS

| | |
|---|---|
| Agencies | International Aid Agencies |
| AA | ActionAid |
| ACF | Action Against Hunger |
| AML | Anti Money Laundering |
| ATM | Automated teller machine (bank machine or 'cashpoint') |
| BRC | British Red Cross |
| CaLP | Cash Learning Partnership |
| CGAP | Consultative Group to Assist the Poor |
| DFID | Department for International Development (UK government) |
| DRC | Democratic Republic of Congo |
| FEMA | Federal Emergency Management Agency |
| FMO | The development bank of the Netherlands |
| FSD | Financial Sector Deepening |
| GAA | German Agro Action |
| GoK | Government of Kenya |
| GoP | Government of Pakistan |
| GSM | Global System for Mobile Operators |
| GSMA | Global System for Mobile Operators Association |
| GTZ | German enterprise for technical cooperation |
| HSNP | Hunger Safety Net Programme |
| ID | Identification |
| IDP | Internally Displaced Person |
| IFC | International Finance Corporation |
| IFRC | International Federation of the Red Cross and Red Crescent Societies |
| KYC | Know Your Customer |
| LPS | Lesotho Postal Services |
| NGO | Non-government organisation |
| OVC | Orphans and Vulnerable Children |
| PDA | Personal digital assistant |
| PIN | Personal Identity Number |
| PoS | Point of Sale |
| SB | Standard Bank |
| SMS | Short message service |
| UNHCR | Office of the United Nations High Commissioner for Refugees |
| USD | United States dollars |
| WFP | World Food Programme |
| WSBI | World Savings Bank Institute |
| WV | World Vision |

# EXECUTIVE SUMMARY

## INTRODUCTION

There is growing use of the provision of cash as a mechanism to provide relief to people after disasters, on the part of international aid agencies and governments. The banking industry is also undergoing rapid changes, with new technologies providing different options for making payments and delivering banking services.

The use of cash, as opposed to 'in kind' assistance, remains a relatively new approach and aid agencies are at the early stages of developing guidelines, policies and organisational capacity to implement cash projects. Project managers lack support and guidance about the practicalities of how most efficiently and effectively to deliver cash to people. Too often that means that they have to start from scratch in assessing and choosing between different options for cash delivery.

This report documents lessons learned from previous experience and provides guidance for project managers needing to make choices about how best to deliver cash to people. It also explores the potential for stronger partnerships with private sector providers, and looks at potentially useful developments in the payments industry. It suggests the key questions that need to be asked in assessing the choice between different options. The report is based on a review of the relevant literature, project documents and interviews with aid agency staff and commercial providers. In total the team conducted 81 interviews with aid agencies, donors, commercial providers and investors.

## DELIVERY OPTIONS

When examining delivery options it is useful to look at: (a) who is involved in the delivery of cash (the delivery agent/s), and (b) how the cash is delivered (the delivery method). Delivery agents include governments, aid agencies, banks, post-offices, mobile phone companies, micro-finance companies, security companies, local traders or a combination of these. Delivery methods, whereby cash, vouchers or e-money is delivered, include: direct delivery (cash in envelopes); delivery through banking systems (either over the counter, from ATMs or other mobile banking technologies); and delivery using smart cards, debit cards, prepaid

cards and Point of Sale devices and/or mobile phone technologies. Different delivery methods and delivery agents have been used in various combinations.

In the review of recent experience carried out for this study, the agency directly delivering cash in envelopes using its own staff remained a common mechanism. This was used, for instance, by Save the Children in Myanmar (Burma), Southern Sudan and Vietnam (2009), and by Concern in DRC (2009). In several contexts, including Niger, agencies had partnered with local traders to assist in the direct delivery of cash.

Agencies worked with banks and post offices in several contexts including Chechnya, Kenya, Gaza and Pakistan. In some contexts they opened bank accounts for beneficiaries, and in others agencies distributed cheques that could be cashed at branches. The use of new technologies such as smart, prepaid or debit cards and mobile phones remains relatively rare, but examples from Kenya and Malawi show that they are starting to be used.

## OUTSIDE PROVIDERS

The delivery of cash can involve a variety of providers and other stakeholders, including governments, aid agencies, banks, post offices, mobile phone companies, security companies, micro-finance organisations, money transfer companies and local traders. Different providers have different interests and different motivations to get involved in the delivery of cash to people in emergency settings. Private sector motives are fundamentally to make a profit for shareholders or owners. Public sector organisations such as post offices exist to provide a sustainable service to the public. It is critical for partners working together in these types of projects to recognise and respect these differing motives. These motives may include:

- **Revenue**, in the form of that gained from transaction fees, contract fees, overhead costs, etc.
- A **'double bottom line'** approach – ie, a social mission combined with financial sustainability.
- The enhancement of their **reputation** with the market and the government, projecting a good image of helping fellow citizens, especially after disasters.
- **Expansion and marketing** through expanding customer base and market share and increasing exposure to a product.
- **Client retention** through deepening an existing relationship with an aid agency that is a client, including possibly extending their offering to include payroll services or payments to future programme recipients.
- Opportunity for **expansion** into a new geographic area, especially where doing so was already part of a long-term strategy.
- **Public sector-specific** motivations, such as service delivery to the public (eg, post office savings banks).

## PAYMENT SYSTEMS

In making choices between different mechanisms for getting cash to people, it is important for agency staff to understand the basic elements of a banking payments system. The key basic elements are described in the table opposite.

### The basic elements of a banking payments system

| Elements of payment process | Options |
|---|---|
| **Creation of database of eligible beneficiaries** | • Involves collecting names and sometimes identity numbers, photographs, fingerprints or other biometrics<br>• Can be collected manually or electronically (eg, with a PDA (personal digital assistant) or laptop) |
| **Identification methods** | • National IDs against government database, electoral rolls or other databases<br>• Identification by community members |
| **Method of authentication** | • Visual authentication at point of payment, by community member or photograph<br>• Biometric on chip card read by reader, fingerprint or 'eyeballed'<br>• Barcode on card produced when identified<br>• PIN<br>• Password |
| **Currency** | The value that can be exchanged for goods could be:<br>• Cash<br>• Voucher<br>• E-money |
| **Point of Payment (PoP)** | • Can be at specified times or at any time<br>• Can be money in envelopes, mobile pay out machine, mobile ATMs<br>• Can use existing infrastructure that accepts requests for payment (eg, ATM, bank branch, mobile phone receiving voucher, agents using a Point of Sale device) |
| **Reporting and reconciliations** | • Automated or automated with delay (daily, weekly)<br>• Internet real time, including 'internet banking' control over process<br>• Card management inventory |
| **Promotion, training, communication, customer support** | • Call centre<br>• Aid agency personnel at pre-agreed points<br>• Banners, posters, leaflets, videos, etc. |

## ASSESSMENT

Before undertaking a cash-based relief project, an assessment of the most appropriate delivery option should take place. The assessment should ideally include weighing the costs and benefits of different delivery options using clear criteria. It is important to examine benefits and drawbacks from the perspective of both the delivering agent and the recipient. Choosing which cash delivery option to use must always be a context-specific judgment. It is neither possible nor desirable to make inflexible recommendations about which delivery option is likely to be the most appropriate. Rather, in each context, it is important to assess the strengths, weaknesses and costs of as wide a range of options as possible. A full assessment checklist is provided in the main report.

## TIMING, PREPAREDNESS AND PARTNERSHIPS

It has tended to take agencies a relatively long time to get cash projects up and running, in part because the systems are often not in place to quickly deliver cash. Cash provision has not been included in contingency and preparedness planning, and agencies do not have the sort of preferred supplier arrangement for private sector cash providers that they have with private sector providers of in-kind goods such as food and tents. Our review of previous and ongoing cash projects revealed variation in the length of time taken to make a decision on which delivery option to use to get the chosen system up and running. Establishing direct delivery methods tended to be the quickest option. Setting up transfers with banks was the most variable option, in some instances taking several months, but in others being fairly quick.

The financial providers consulted for this report were keen to have further discussions with aid agencies about developing payment solutions that would be suitable in humanitarian crises. There certainly seems to be an opportunity to request proposals for appropriate payments solutions in areas of frequent emergencies, such as those prone to drought or typhoons. This would allow some 'in principle' discussion on costs, the practicalities of the implementation and the refinement of the solution in advance. Aid agencies in any country could perform a simple review of potential providers in their country, meeting with each to gauge their interest and to get an overview of services, likely costs and possible contract terms. Aid agencies could also solicit expressions of interest, and 'pre-qualify' certain providers. It would even be possible to establish 'pro forma' agreements, including service level agreements, which would only be finalised and activated in the case of an emergency. This would allow scenario planning to consider different options depending on the extent of infrastructure damage caused by the emergency, the allocation of roles and responsibilities, and controls and monitoring requirements.

There is also an opportunity to engage with global players such as banks (HSBC, Standard Chartered and Barclays), card associations (MasterCard and Visa), remittance agencies (Western Union and Moneygram) and payments technology providers to formulate a solution that could be implemented and replicated in multiple countries with multiple local partners.

## SCALE, FLEXIBILITY AND RESILIENCE

Cash delivery mechanisms will ideally be designed to be operated on a large-scale if needed, and be flexible enough to vary payment levels and the frequency of payments to adjust to changing needs. Delivery mechanisms also need to be resilient enough to be able to continue providing cash in the face of the disruption caused by emergencies, including physical damage and disruption following natural disasters, and insecurity in conflicts. Experience from existing cash projects suggested that current delivery mechanisms could flexibly respond to changing circumstances. Scaling up cash-based responses is an area where greater coordination is needed.

## COSTS

It is important for agencies to consider the costs and benefits of different delivery mechanisms to both the agency and the recipient. There were not any clear trends in comparing costs between different delivery options. Both direct delivery and working with banks and other financial providers could be relatively cheap and relatively expensive in different contexts, and most of the options seemed to be fairly demanding in terms of staff time. Unsurprisingly, regardless of the delivery option chosen, it is more difficult and more expensive to get cash to people in insecure and remote environments such as Somalia, northern Kenya and DRC. Provider charges, staff time, transport, security and communication costs all need to be taken into account. Bank charges and other transaction fees were generally borne by the agency, not the recipient, meaning that the main costs to be considered for beneficiaries were transport costs, travel and waiting times.

## VULNERABLE GROUPS

When choosing and designing a cash delivery system, it is important to cater for vulnerable groups within the recipient group. For example, elderly or ill people may have mobility problems getting to distribution points. Children may not be able to receive money through systems using bank accounts, and women may face additional challenges. Previous experience shows that vulnerable groups are catered for fairly well in existing cash transfer projects.

## CONCLUSION

Whether to give people money in envelopes, via bank accounts or through mobile phone vendors will always depend on the context, and there is no substitute for a strong, context-specific analysis and the integration of cash approaches into disaster preparedness and contingency planning. Which mechanism is chosen must be closely linked to and driven by the particular objectives of the intervention. Clearly defining programme objectives will help to guide the choice of payment systems.

This research has suggested that there is an appetite on the part of potential private sector providers for stronger partnerships with humanitarian aid agencies, in order to enable more timely, cost effective and efficient delivery of cash to people after emergencies. Agencies could build on this work, to take forward detailed discussions with these providers within concrete national and regional contingency planning processes.

The checklists and benchmarks in this report are intended to provide useful guidance to field staff in making choices between different mechanisms, and structuring contractual arrangements with private sector providers. An annex provides a shorter set of guidelines pulling these together.

# 1 INTRODUCTION

There is growing use on the part of international aid agencies and governments of the provision of cash as a mechanism to provide relief to people after disasters. Cash is increasingly being used as a complement or alternative to a range of in-kind assistance, notably food aid, shelter and wider support to livelihood recovery. The banking industry is also undergoing rapid changes, with new technologies providing different options for making payments and delivering banking services. There is an increasing focus on expanding financial access to people previously seen as too poor or too remote to be included in the banking system. A growing interest in the expansion of social assistance programmes to support chronically poor people is also opening up new opportunities.

The use of cash, as opposed to 'in kind' assistance, however, remains a relatively new approach, and aid agencies are at the early stages of developing guidelines, policies and organisational capacity to implement cash projects. This has meant that there has been a tendency to 'reinvent the wheel' each time cash projects are implemented. Project managers appear to lack support and guidance about the practicalities of how to most efficiently and effectively deliver cash to people. Too often that means they have to start from scratch in assessing and choosing between different options for cash delivery.

Whether it makes sense to give people money in envelopes, open bank accounts for them or develop mobile banking approaches depends on a context-specific analysis of the options available in each crisis. There is, however, scope for learning from past experience about how to assess different options, and the costs and benefits of various mechanisms to both the agency and the recipient. There is also scope to engage in a process of dialogue with potential private sector providers at national, regional and global levels to explore whether stronger contingency and preparedness plans could be put in place to produce more effective partnerships – able to get cash to people sooner and more effectively after disasters.

This report documents lessons learned from previous experience and provides guidance for project managers needing to make choices about how best to deliver cash to people. It also explores the potential for stronger partnerships with private sector providers, and looks at potentially useful developments in the payments industry. It suggests the key questions that need to be asked in assessing the choice between different options.

Sections 2 and 3 describe the main delivery options used and available to aid agencies. Section 4 examines the assessment process for choosing between different options. Section 5 examines issues around the timeliness of different options, embedding options in preparedness and contingency plans and what this implies for potential partnerships with providers of financial services. Section 6 focuses on issues relating to the scale, flexibility and resilience of different options. Section 7 examines the costs and benefits of different options, and Section 8 looks at how various mechanisms impact vulnerable groups and affect gender, conflict and power dynamics.

## SCOPE AND METHODOLOGY

The report is based on a review of the relevant literature and project documents, and on 81 interviews with aid agency staff, donors, commercial providers and investors. A list of people interviewed is attached as Annex B. A one-week field trip to Nairobi looked specifically at issues in Kenya, and interviews were also conducted in Senegal to look at cash programmes in the West Africa region. Every effort was made within the time available to gather information on as many cash transfer projects as possible, but there are inevitable gaps given the limited time available. The two main limitations are that it was not possible to gather much information about government cash projects, and that the budget information provided by agencies about their cash projects was limited and patchy.

Although the focus of this study is on cash provided after disasters, other forms of cash transfers, such as remittances and to a limited degree social assistance programmes, were also examined, since they provided relevant examples of small value payment mechanisms. It should be noted that in some contexts, such as in communities affected by recurrent drought, it can be difficult to draw a clear line between preparedness, prevention and emergency response programming.

# 2 DELIVERY OPTIONS

There are various options available to aid agencies planning to make cash payments to people. This chapter examines different ways of getting money to people, drawing on examples from previous and ongoing cash projects. It identifies the key profit and non-profit stakeholders in relation to cash transfer mechanisms and explores their motivations for dealing with the humanitarian and development sectors. While reviewing the technologies and transfer systems that are currently utilised in the delivery of cash, this chapter also examines the potential value of relevant technologies in the pipeline for future use.

One of the main concerns that agencies have when undertaking cash interventions in less developed countries is finding a safe and reliable mechanism for physically delivering cash into people's hands (Levine and Carrington, 2009). There are many ways in which money can be transferred to people. Previous experience in different contexts highlights this variety and the innovative methods that have been used to transfer cash (Harvey, 2007; Ahmed, 2005). Cash delivery methods include the direct delivery of cash (by an agency or a sub-contracted party); cash payments at banks or post-office branches (with or without using bank accounts); and payments into bank accounts or wallets, accessed using smart cards, ATMs, Point of Sale (PoS) devices or mobile phone technologies. There are a range of options, from operating entirely outside of the payments and banking systems to operating entirely within the banking system.

When examining delivery options it is useful to look at: (a) *who* is involved in the delivery of cash (the delivery agent/s); and (b) *how* the cash is delivered (the delivery method). Delivery agents include:

- governments
- aid agencies
- banks
- post offices
- mobile phone companies
- micro-finance companies
- security companies
- local traders.

A combination of these may be used for some interventions.

Delivery methods, whereby cash, vouchers or e-money is delivered, include: direct delivery (cash in envelopes); delivery through banking systems (either over the counter, from ATMs or other mobile banking technologies); and delivery using smart cards, debit cards, prepaid cards and Point of Sale devices and/or mobile phone technologies.

Different delivery methods and delivery agents have often been used in combination. For example, in **Kenya**, as part of the Hunger Safety Net Programme (HSNP), cash is delivered using a smart card system. Recipients have their fingerprints scanned and receive a smart card that they take to a local trader or agent to get their cash. The local trader or agent uses a Point of Sale device to verify recipients' identities. People are also able to get their cash from a branch of Equity Bank. In urban slum areas of Kenya, in response to food price increases and post-election violence, Concern and Oxfam in conjunction with the government of Kenya are using mobile phones to transfer cash. Recipients are provided with a SIM card

**Table 1: Selected cash delivery options**

| **Delivery method** | **Cash or voucher** | | | **E-wallet** | | **Bank account** | | |
|---|---|---|---|---|---|---|---|---|
| | Direct (cash in envelopes or voucher) | Cheque or bank draft | Mobile phone | Smart card | Prepaid card | Debit card | Mobile phone | Smart card |
| **Delivery agent** | | | | | | | | |
| Aid agency directly | Save the Children in Myanmar (Burma) | | WFP (World Food Programme) in Syria | | | | Concern, Oxfam in Kenya | |
| Government | | | | Kenya Hunger Safety Net (HSNP) | | Indian and Pakistani governments | | Kenya HSNP |
| Bank | DRC in Chechnya | Red Cross in Indonesia | | | | | | Concern in Malawi |
| Post office | Save the Children in Pakistan | | | | | Save the Children in Swaziland | | Mercy Corps in Pakistan |
| Micro-finance institution | ActionAid in Myanmar (Burma) | | | | | | | |
| Remittance company | Horn Relief in Somalia | | | | | | | |
| Security company | WV in Lesotho | | | | | | | |
| Local traders | Save the Children in Niger | | | Kenya HSNP | | | DRC ex-soldiers | |

Note: not all examples of each type of mechanism are included here.

(and sometimes a mobile phone, if they do not have one), and they can retrieve the cash at any participating M-PESA/Safaricom agent.

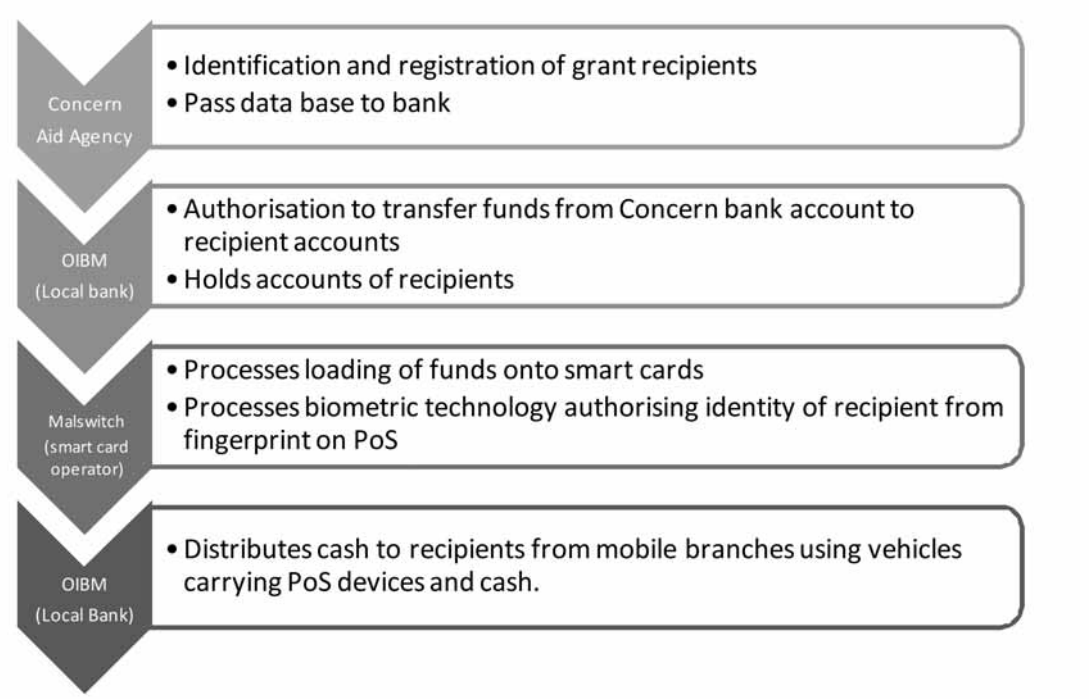
In **Malawi**, in 2006/2007, Concern implemented a biometrically identified cash disbursement system, which involved:

- Concern staff (who prepare a database of recipients and card numbers);
- OIBM Bank (which passed on an authorisation to transfer money from Concern to the smart card operator); and
- Malswitch, the smart card operator (which loaded money onto a smart card).

Mobile banks (in this case OIBM Bank vehicles, which had Point of Sale devices) were dispatched to distribution points where recipients were able to get their cash.

In **Swaziland**, in 2007 and 2008, as part of Save the Children's Food and Cash Transfer Programme, different mechanisms were used to transfer cash: (i) direct distribution was used for child-headed

**Concern in Malawi: Roles and process**




households; (ii) bank accounts were opened at Standard Bank (SB) with the support of Save the Children, where people could withdraw their cash using debit cards at ATMs; and (iii) SB sub-contracted the Post Office to handle the disbursement of cash from their branches. In **Afghanistan**, since 2005, as part of sustainable rural livelihood projects, GTZ have been combining a number of cash delivery mechanisms such as direct delivery, delivery of cheques to community heads for encashment in banks, and transfers through local money transfer Hawaala arrangements.

Interestingly, in the review of recent experience carried out for this study, the agency directly delivering cash in envelopes using its own staff remained a common mechanism. This was used, for instance, by Save the Children in Myanmar (Burma), Niger, Southern Sudan, and Vietnam (2009), by Oxfam in Mali and Bangladesh, by Oxfam and German Agro Action (GAA) in Kenya, and by Concern in DRC (2009). In several contexts, including that of Niger, agencies partnered with local traders to assist in the direct delivery of cash.

Agencies had worked with banks, post offices and micro-finance institutions in several contexts including Burundi, Chechnya, Gaza, Kenya and Pakistan. In some contexts they opened bank accounts for beneficiaries, and in others agencies distributed cheques that could be cashed at branches. The use of new technologies such as smart, prepaid or debit cards and mobile phones remains relatively rare, but the examples from Kenya and Malawi above show that they are starting to be used.

## OUTSIDE PROVIDERS

The delivery of cash can involve a variety of providers and other stakeholders, including governments, aid agencies, banks, post offices, mobile phone companies, security companies, micro-finance organisations, money transfer companies and local traders. Key commercial stakeholders include banks, and mobile phone, money transfer and security companies. In emergency and short-term responses, commercial stakeholders that have been involved in cash transfers thus far include banks such as Standard Bank in Swaziland and Uganda, and Equity Bank in Kenya, and mobile phone companies such as Safaricom (M-Pesa) in Kenya. Post offices have

also played central roles in many cash transfer projects, both in partnerships with banks and as agents for Post Banks.

Governments are key non-profit stakeholders. For example, the government is a partner in the Hunger Safety Net Programme (HSNP), and Orphans and Vulnerable Children (OVC) safety net programmes in Kenya, as well as in large-scale urban voucher and cash schemes now being developed in slum areas. The governments of many West African states are involved in designing and inputting to emergency/recovery cash transfers. The government of Niger actively promotes cash for work and does not allow NGOs (non-government organisations) to distribute food. In Pakistan and India, the governments have been involved in assisting recipients to open bank accounts in order to get cash to them in emergency settings. Other key non-profit stakeholders include international and local NGOs, UN agencies and the Red Cross movement.

## MOTIVATIONS OF KEY STAKEHOLDERS

When planning and designing a cash intervention programme, it is important to understand and respect the varying motivations of all stakeholders (Breswick 2008; Tooke 2008). Private sector motives are fundamentally to make a profit for shareholders or owners. Public sector organisations such as post offices exist to provide a sustainable service to the public. In Kenya, the aid agencies active in cash programming generally had a solid understanding of the multiple potential interests of different commercial sector providers. Motivations may include:

- A **'double bottom line'** approach – ie, a social mission combined with financial sustainability. Equity Bank in Kenya, for example, seeks to expand the availability of financial services. Roshan, the leading GSM cellular service provider in Afghanistan, also has a corporate social responsibility arm and, where potential benefits to communities in Afghanistan exist, would be interested in exploring possible involvement.
- The enhancement of their **reputation** with the market and the government, projecting a good image of helping fellow citizens, especially after disasters.
- **Revenue**, in the form of that gained from transaction fees, contract fees, overhead costs, etc.
- **Expansion and marketing** through expanding customer base and market share and increasing exposure to a product (eg, in Concern's programme in Malawi, OIB was a good partner as it had the objective of deepening access to mobile banking).
- **Client retention** through deepening an existing relationship with an agency that has previously been a corporate client, including possibly extending their offering to include payroll and payments to future programme recipients.
- Opportunity for **expansion** into a new geographic area, especially where doing so was already part of a long-term strategy (eg, Equity Bank in northern Kenya, Roshan in Afghanistan).
- **Public sector specific** motivations, such as service delivery to the public (eg, post office savings banks).

## KEY LESSONS

There are multiple options that aid agencies need to consider for delivering money to people, from bank accounts, to mobile phones, prepaid cards and delivery in envelopes, and multiple potential private and public sector providers.

Private sector actors are fundamentally motivated by profit, but motivations around reputation and expanding banking access to low-income households may provide opportunities for mutually beneficial partnerships with aid agencies and ways of driving down costs.

# 3 THE PAYMENT SYSTEM

In making choices between different mechanisms for getting cash to people it is important for agency staff to understand the basic elements of what makes up a payments system. The design of each of these elements involves selecting options, which can involve trade-offs between cost, complexity, resilience and risk management. The following table lists the elements, the key related risks that need to be managed, and examples of the options for managing those risks.

**Table 2: Elements of payment process**

| Elements of payment process | Risks | Options |
|---|---|---|
| **Creation of database of eligible beneficiaries** | • Incomplete register<br>• Inaccuracies<br>• Slow set up | • Involves collecting names and sometimes identity numbers, photographs, fingerprints or other biometrics<br>• Can be manual or electronic collection, eg, with a PDA or laptop |
| **Identification methods** | • Identity fraud<br>• Recipient lacks required documentation<br>• Slow process | • National IDs against government database, electoral rolls or other databases<br>• Identification by community members |
| **Method of authentication** | • Identity fraud<br>• Technology failure<br>• Recipient cannot operate technology (eg, forgets PIN) | • Visual authentication at point of payment, by community member or photograph<br>• Biometric on chip card read by reader, fingerprint or 'eyeballed'<br>• Barcode on card produced when identified<br>• PIN<br>• Password |
| **Currency** | • Invalid – unable to exchange for goods<br>• Theft | The value that can be exchanged for goods could be:<br>• Cash<br>• Voucher<br>• E-money |
| **Point of payment (PoP)** | • Fraud by merchant<br>• Lack of affordable accessibility – distance and opening hours | • Can be more or less flexible or convenient, depending on time and geography<br>• Can be at specified times or any time<br>• Can be money in envelopes, mobile pay out machine, taking cards, mobile ATMs<br>• Can use existing infrastructure, which accepts request for payment, eg, PoS in agent, ATM, bank branch, mobile phone receiving voucher |

*continued overleaf*

**Table 2** *continued*

| Elements of payment process | Risks | Options |
|---|---|---|
| **Reporting and reconciliations** | • Failure to follow up errors or fraud<br>• Failure to identify problems quickly<br>• Loss of funds/cards<br>• Inability to produce accurate and timely reports | • Automated or automated with delay (daily, weekly)<br>• Internet real time, including 'internet banking' control over process<br>• Card management inventory |
| **Promotion, training, communication, customer support** | • Recipients unable to receive funds due to lack of understanding, lack of confidence<br>• Distrust due to lack of transparency | • Call centre<br>• Aid agency personnel at pre-agreed points<br>• Banners, posters, leaflets, videos, etc. |

## CREATION OF DATABASE OF ELIGIBLE RECIPIENTS

A paper-based database of eligible recipients and their identification details is cheap and robust, but becomes more complicated and difficult to manage as the numbers of beneficiaries and payments increase. Registration data can be collected in a variety of ways:

- **By hand**, possibly along with a paper-based fingerprint, and later uploaded onto the electronic database when access is available. There is some potential for error when information is captured on paper and then later transferred to electronic format.
- With an **off-line device**, such as a PDA or laptop, and then transmitted later to the central database at a convenient time and place where there is a communication channel. This allows the capture of data immediately into the electronic format and could include a photograph and/or scanning a fingerprint. This requires access to a power source or battery, such as a lithium battery, which can last several days.
- Immediately **on-line** loaded into the central database using a laptop computer or a mobile phone, where there is power and mobile phone communications such as the GPRS.* This allows immediate centralisation of data, and speeds up the ability of the staff at the central point to be able to check eligibility against other databases, where available, such as a national ID database, or lists used for previous projects.

An electronic database allows for:

- **Scalability**: once it is set up, it is easy to add more records with a very small marginal cost or time.
- **Disaster recovery** back-ups on disks, servers, etc.
- **Interface with other systems** – eg, existing government programmes and banking systems.
- **Data validation** and standardisation of fields, which reduces input errors and duplication by the people doing the registration.
- **Rapid centralisation** of various parts or versions of the database to ensure completeness and lack of duplication of records.
- **Reporting and monitoring** of requests for payments and disbursements, facilitated by the ability to rapidly produce reports.
- **Transparency of access** (passwords) and **audit trails**, to improve controls.

* General Packet Radio Service, the system used by GSM mobile phones, the most common mobile phone system in the world.

# IDENTIFICATION AND AUTHENTICATION

The registration process needs to create a unique link between the properly targeted person and a unique identifier for that person. Each of these is then linked to a form of authentication. Authentication is usually provided by something you have and something you know, such as a form of ID and a password. The authentication process seeks to ensure that the person requesting funds is indeed the properly registered person at the point of payment. Once this test is passed, the person can receive the funds.

## Manual personal identification

Identification and authentication can be done using community members or committees, but these methods tend to be slow and lack flexibility, since the payment time and place has to be pre-arranged and fixed. In order to prevent duplications and omissions of records, it is preferable that the registration and identification take place at the same time. Due to anti-money laundering regulations, most countries require that anyone opening a bank account provide at least a form of identification, and in some cases a proof of residence.

## Official identification cards

In some countries, such as Pakistan, there are widely held national identity cards (NICs), which are linked to an online database. The cards give each adult a unique number and photograph and provide additional information such as the address and birth date. In many countries there is no national identity card system, or many people do not have identity cards. Following disasters, people may have lost key forms of identification. In such cases the government may sometimes be prevailed upon to provide a special and urgent registration, as happened in Swaziland in the Save the Children drought aid project (2008), and in Indonesia after the tsunami (Red Cross). In cases where there is no NIC or there is a child head of household who is not old enough to have an NIC, agencies have issued their own form of identity card, although this is not as secure. The card may contain a photograph and/or a copy of the fingerprint. It could also have a specially printed and unique bar code.

## Plastic card and PIN or bar code

Another option is to issue a prepaid card or bank card with a Personal Identity Number (PIN)* at the time of registration. It will not be loaded with funds until the registration has been validated, and therefore there is no risk of theft. The issuing of a card can also be combined with the taking of a fingerprint (using an electronic reader attached to a laptop), which is linked to that card and can be used later for authentication instead of a PIN. As a third alternative, the card could have a unique bar code that can be read by a portable bar code reader. The fingerprint, PIN and bar code are linked to the unique card number on either a central database or a database residing on the card reader, or Point of Sale (PoS) device. Typically, a card with a magstripe (such as a debit card or prepaid card) will require online communications from the reader to a central database, whereas a smart card can be authenticated offline by the card reader.

## Plastic card and biometrics

In the case of a smart card, the chip on the card itself holds the information on the fingerprint biometric. The transactions from a smart card are recorded both on the card and on the card reader, so that they can be updated when the reader is eventually linked to a channel of communications. It is important not to select a proprietary smart card system where the smart card can only be read by proprietary card readers, since this limits the infrastructure on which they can be used. This may be acceptable when the payments are one-off or for a short time in an area with poor banking infrastructure, but it does mean that recipients will not be able to use their cards at credit and debit

* The DECT project showed that when the fingerprint reader technology failed the beneficiaries were all able to either remember their PIN or had it with them.

card merchant PoS or ATMs. Since these cards and readers are usually supplied by the vendor, there is also a danger that the pricing may not be attractive, especially once the investment has been made into the technology and there is a need to expand or replicate the project.* There are smart cards that can be read by a wide range of PoS devices and ATMs, but this should be verified in the specific country. The cost of smart cards depends on the size of the memory on the chip, and therefore careful decisions need to be made about exactly what information is required.

### Mobile phone SIM

The unique identifier may also be linked to the mobile phone number of the beneficiary. This does not necessarily mean that they have to own a handset, but that they need to have access to a SIM card on which they will receive a password. This password can then be entered either into a PoS device at the point of payment or into a special application loaded onto the cell phone of the paying agent.

## POINT OF PAYMENT

### From branches to branchless banking

The point of payment is the place at which the recipient receives value, either as cash or in kind. They may have been alerted by local government or aid agency representatives that payments will be made at a particular time or place. Or they may have received a message on their mobile phone confirming that in exchange for providing a password they can receive a certain amount of cash or specified commodities from designated suppliers.

The traditional 'points of presence' for banks are branch counters and, increasingly, ATMs – both those of other banks and independent ATMs in streets, shops and transport stations. In order to deepen their outreach, banks in many countries are beginning to operate 'cash in/cash out points' in places like retail shops, pharmacists and lottery ticket sellers. Post Banks often have few of their own branches, but reach their clients mainly through agreements with the national post office and their branches, which are usually very widespread. These points may be in kiosks operated by bank employees, or as an additional service provided by the retailer's own staff.

## ADVANTAGES OF AUTOMATION: SPEED AND RISK MANAGEMENT

The automation of the authentication and payment process reduces the opportunity for fraud and error. It provides a clear audit trail for the agency to monitor. It also allows for greater speed and flexibility in where and when payments can be made, which can provide greater convenience to the recipient. Once the technology has been set up, the operating costs and human resource requirements will be low, on a per transaction basis, and it is therefore appropriate for large-scale payments.

* The Royal Holloway, University of London has made a proposal to design a smart card technology solution that would be written in an open source programme and housed in a non-profit entity available to humanitarian aid agencies.

The two main constraints relate to how to manage the risk (operational and reputational), and what the regulations of the country will permit. For example, in some countries all banking functions must be done in a branch; in others all banking functions must be done by a bank employee, and in others at least the account opening function must be done by a bank employee.

## Co-operation over payments infrastructure

Initially, banks tend to see their acquiring infrastructure, such as ATMs and PoS, as a competitive advantage, and allow their clients to only use their cards on their own bank's devices. This is frequently the case in developing countries. Often encouraged by the central bank and by client demand, the trend is now to understand that the more this infrastructure is used, the better the return. The more infrastructure clients have access to, the more likely they are to use their card. Therefore banks are moving to making arrangements with other banks, and sometimes to a national platform to which all approved banks can belong. In other words, one bank can issue a card that can be used on the infrastructure of all other banks. This is called 'interoperability'. It is particularly important in countries that do not have extensive payments infrastructure.

## New entrants

New players are coming into the payments industry, including mobile operators such as Safaricom in Kenya, GCash in the Philippines, or independent third parties such as Celpay in DRC and Zambia. This ability for non-banks to participate in the payments depends on the regulatory environment in that country. It usually leads to greater competition and better and cheaper services.

## New, simpler payments products

New payment products are being introduced that do not necessarily have to be linked to a bank account, but can be a store of value. These include prepaid cards or an electronic wallet on a mobile phone. The advantages are that they are easier to issue and should be cheaper to manage by the issuer. The regulator in each country will decide whether these products can be issued by non-banks and whether they require a lower level of Know Your Customer (KYC) information. (This is the information that the issuer is required to collect in order to minimise the risk of money laundering. It usually includes a reliable form of identification, proof of residence, source of funds, etc.) The risks of issuing these cards and requiring less KYC will depend on whether they only receive the funding from one known source, such as an employer or a government benefit, or whether they can be topped up by the holder. It will also depend on whether these cards can be used only on specific card readers, such as at one shopping centre or at one retailer, and on whether there is a maximum balance or maximum transaction size. Banks in many countries (for example India, Brazil and South Africa) are also being encouraged to provide a basic savings account and transaction account that is more affordable for poor unbanked potential clients.

The agent or kiosk is usually provided with a PoS device that, if online, will read the magstripe card of the client and check that there are funds, or print a receipt if the client is depositing funds. If the device cannot be online because communications are unreliable, the point of payment can be provided with a smart card reader – or the agent may just have a mobile phone with a special merchant application (as with M-Pesa in Kenya).

In countries where non-banks are permitted to provide money transfers, they may use a variety of agents at which money can be received. These are typically more convenient than the traditional banking infrastructure. For example, mobile phone operators usually use their airtime re-sellers to provide financial services, although they may also have arrangements with other businesses. Western Union and Moneygram operate from retailers in countries where this is permitted, but in many countries they may only operate from inside of

banks or Post Banks. In Zambia, for example, non-banks can set up their own payment network through agents.

### Speed of deployment

The roll-out speed of the points of presence will depend on whether there are any existing branches or agents, or whether new agents need to be identified and trained. If no such system exists, various options are available. The financial partner can decide to extend its footprint and set up new agents or place new ATMs in the designated areas. These points will be linked to the internal systems of the financial institution, and therefore be subject to their standards and controls such as full audit trails. They will be able to supply regular, if not real-time, reporting on the movement of funds. The process of deploying new agents can be sped up if the entire flow of funds happens within one institution, and recipients are therefore restricted from using their card (or other payment instrument) on the PoS or ATM of another financial institution. This would be a 'closed loop' system. In some cases, it may make sense to augment the number of agents with aid agency staff, for example, operating from a tent or other temporary location. The bank could still provide the cash, and the transactions would be linked to an automated database and recorded automatically, and therefore controlled as normal.

### Reporting and reconciliations

Any automation of registration and disbursement of funds will allow more rapid and accurate tracking of the flow of funds than would a manual system. Some systems will allow the agency to access reports in real time from a computer linked to the internet. This also provides greater flexibility in being able to decide when to download the reports. The agency will want, at the very least, to be able to reconcile the funds that left their accounts with the total that has been received by each of the recipients. Ideally, the agency will also be able to see the funds that have been withdrawn (if there is a bank account or e-wallet) against the funds still in the account, in order to ensure that there have been no problems for the recipients in getting their money out. These reports should show activity at each point of payment so that any problems can be easily identified.

## PROMOTION, TRAINING, COMMUNICATION, RECIPIENT SUPPORT

### Acceptability

There is a concern that grant recipients will be unable or unwilling to use technologies such as payment cards or mobile transfers in areas where these are unfamiliar. Using cards or mobile phones for receiving funds has been shown to be acceptable to recipients if there is adequate training at inception of the project and ongoing support. A cash disbursement seems to provide a strong motivation for recipients to learn how to use an unfamiliar system. There are many examples of recipients who are illiterate but who are more than capable of remembering and using a PIN. However, the process and concepts are likely to be novel and the service provider needs to provide clear and appropriate training materials and customer support, particularly for when something goes wrong. If it is decided to use agents as points of payment, it is important that these are trusted members of the community and that they are in secure and convenient places.

### Costs and skills

Projects introducing new technologies or indeed requiring any change of behaviour in the recipient frequently seem to underestimate the time and materials required to support the operation of the disbursement. It is also an important area to be dealt with in the planning stage of the project when deciding on roles and responsibilities. Some commercial service providers will have greater

skills and experience than others in communicating effectively to unsophisticated customers. In Swaziland, for example, the bank was expected to provide the explanatory materials such as leaflets, but finally Save the Children decided to do the training themselves, although the staff of the Swazipost provided useful support to recipients coming to their branches.

## IMPLEMENTATION PROCESS

It is useful in the implementation process to think through the steps needed to establish a payment system. These steps are presented in the list below. Any agency implementing a cash project needs to think through how it will implement each of these steps and the skills needed. If there has been no pre-disaster preparedness then there will be a need to carry out contract negotiations with potential providers following and/or in parallel with a post-disaster assessment.

### Pre-disaster

1. Consideration of cash-based programming included in **contingency and preparedness planning** at the global, regional and country levels. This should include identification of potential cash delivery mechanisms and possible financial service providers, and the testing of systems such as database development.
2. **Contract negotiations** with potential providers. During the tender process, it is important to have in place clear criteria for selection. Consider:
    - roles and responsibilities
    - information from recipients required for registration process, and how this will be collected
    - what reports will be provided, and when
    - legal liabilities of each party – who will bear what risks
    - pricing, including set up costs, transaction costs, cost per recipient, and the interest that the bank can expect to earn on the funds held by them
    - service level agreements, eg, time to deploy, time to replace cards, time to respond to queries/errors, reliability of system/up time, disaster recovery plan
    - other deliverables.

### Post-disaster

3. **Assessment** of available delivery options and selection of one of them.
4. **Contract negotiations** if not done as part of contingency planning.
5. **Project team** set up for implementation, to meet regularly throughout the project.
6. Identification of what information is required for the **database** (eg, ID number, mobile phone number, biometric information) and collection of this information.
7. **Cleaning data** for errors and duplication, checking for supporting documentation.
8. **Database sent to the partner** that is responsible for 'back office' work, eg, the bank or other third party operator.
9. **Payment instrument** produced, such as a voucher, card, bank draft, or application loaded on phones of merchants.
10. **Payment points** put in place and made functional, such as branches, PoS, ATMs, merchants agreements.
11. **Grievance and customer support** system in place and staff trained or briefed. This could include call centres, roving employees, community meetings and committees, or government offices.
12. **Promotion and explanations** to payers and payees, eg, through posters, leaflets, videos, road shows or meetings.
13. **Payments made**.
14. **Reports and reconciliations**.
15. Customer feedback maintained for monitoring and evaluation; debrief of all players and **learning or evaluation** conducted within the agency and with partners.

## RECENT TRENDS AND FUTURE TECHNOLOGIES

While a number of innovative technologies and transfer systems currently exist and are being used to deliver cash to people, this is a constantly evolving landscape. New technologies are continually being developed and refined. As Levine and Carrington remark in the context of Uganda, financial infrastructure for making money transfers is developing rapidly. An increasing number of bank branches are opening in smaller towns; ATMs are spreading even where there are no banks; 'village bank' or savings and credit associations are on the increase; and mobile phone companies are breaking into the money transfer market with simple and cheap technologies (Levine and Carrington, 2009). An understanding of some of the relevant trends in commercial banking will assist agencies in formulating their approach to potential commercial

## INNOVATIVE TECHNOLOGIES FOR CASH DELIVERY

The United Nations World Food Programme (WFP) has launched an electronic food voucher pilot project to aid 1,000 Iraqi refugee families in **Syria**. Iraqi refugees living in Damascus will receive a text message on their mobiles providing a unique number enabling them to cash in all or part of a 'virtual voucher' at selected government shops. They will be able to exchange their electronic vouchers for rice, wheat flour, lentils, chickpeas, oil and canned fish, as well as cheese and eggs – items that cannot usually be included in conventional aid baskets. Each family will receive one voucher per person, worth USD 22 every two months. After each transaction, families will receive an updated balance, also sent by SMS to their mobile numbers. This means that people will no longer need to queue at food distribution points or travel long distances to distribution centres.

WFP developed the project in collaboration with the General Establishment for Storing and Marketing Agriculture and Animal Products (GESMAAP), a Syrian Ministry of Economy and Trade body. GESMAAP will provide food items through their stores in those parts of Damascus where the majority of Iraqi refugees live. The mobile phone service provider MTN donated SIM cards for the project, which is expected to run for four months, but may be extended depending on the outcome of the pilot. Participating families received information and training sessions on how to use the electronic voucher programme (WFP 2009). In Somalia, WFP are developing a software package to support a mobile-based voucher system where beneficiaries will be issued with a voucher card that will enable them to collect full food rations in smaller tranches from traders using an SMS-based debit system (Lofvall 2009).

Action Against Hunger is currently involved in a cash project in northern Uganda in which recipients will be able to access their cash using solar-powered Point of Sale devices at local traders within their villages. There is a lack of power infrastructure and a lack of bank presence in these villages, making the agents and solar power particularly appropriate. As the system was not up and running in time for the first distribution to be made, armoured vehicles were used to deliver cash in envelopes. Currently, the local traders are waiting for the solar panels to arrive and it is hoped this will happen in time for the second distribution to take place via the solar-powered Point of Sale devices as planned.

service providers. The key drivers are changes in information and communications technology and changes in the regulatory environment, both of which have led to a new focus on the commercial opportunities of providing services to the low-income market.

Keeping abreast of this changing landscape can be achieved through developing ongoing relationships with professionals in the payments industry such as MasterCard and Visa, payments departments in banks, and the payments departments at the World Bank. They can be invited to provide regular briefings to groups and conferences on recent developments and examples of projects. The GSMA, World Bank payments unit and CGAP are among those who send out regular electronic newsletters that cover this area. An important lesson that emerged from the research is the importance of remaining up to date and flexible in order to be able to embrace new technologies that improve abilities to transfer cash safely and efficiently. What is not possible in one context today, may well become possible within a short period of time.

## Portable PoS

These Point of Sales can send data using a variety of data channels, depending on what is available in the country. They may be powered by long-lasting lithium batteries that can be re-charged using solar power.

- **Standard Bank** (branded Stanbic outside of South Africa) operates in 16 countries in Africa. They have set up a unit called 'Beyond Payments', which has been mandated to develop innovative and appropriate payments solutions to expand their footprint in their subsidiaries. The unit is based in Johannesburg but operates in partnership with the subsidiaries across Africa to test solutions. In Nigeria they are piloting a payment solution aimed at small businesses, whereby bank employees can go into markets to collect loan repayments or cash, entering the amounts immediately into a portable PoS and issuing a receipt.
- A similar solution is being used by the **National Savings Bank** in Sri Lanka.

## Smart cards

- **Standard Bank** and Beyond Payments are also piloting relatively low-cost smart cards that can be read on PoS that are connected to the national payments infrastructure, or on 'stand alone' devices. They are very interested in working with agencies to develop appropriate solutions.
- The **Botswana Post Bank** is currently piloting smart cards so that clients can transact in areas where communications are unreliable.
- In Kenya, **Equity Bank** is rolling out smart cards for the Hunger Safety Net Programme that are read on a PoS that is connected to the bank's accounts records via the mobile phone network. Transactions records are updated whenever the PoS device comes into an area with mobile phone coverage.

## Mobile payment platforms

Mobile payments platforms connect the financial institution and the mobile operator, allowing the user to use their phone to make financial transactions and link to an account or a wallet.

- In Kenya, **Safaricom** has launched a nationwide mobile banking service called M-Pesa, which allows users to transfer money via SMS text messages. Bank accounts are not required. Users can buy digital funds at any of thousands of M-Pesa agents across Kenya and send the cash electronically to any other mobile phone user, who can retrieve it at any agent. This system has been used by Concern, and will be further rolled out by Concern, Oxfam and WFP in a programme providing cash support to poor urban slum-dwellers.
- **Monitise** is a technology company that has developed a mobile payments and banking platform that connects to multiple banks and mobile operators. They provide the transaction management and mobile banking applications for most banks in the United Kingdom, and have licensed a platform in the United States. However, they recently signed an agreement with an East African partner to enter that region, beginning with Uganda. They are also to enter

the Indian market. They would be able to offer a transfer of funds to existing or specially created wallets within one or more partner. They would manage all the transaction processing, reconciliations and reporting. This could be done both in countries where they already have partnerships and where they would work with partners proposed by the aid agency.
- **Celpay** is a mobile payments platform that links to banks and mobile operators. They provided the solution in the DRC that allowed demobillised military personnel to receive 12 monthly payments in exchange for surrendering their arms. The recipients used a fingerprint biometric and received the payments information on their cell phones. They could withdraw their money at agreed retail agents, identifying themselves by giving a PIN and having their fingerprint read on the PoS. The main problem in the DRC was to ensure that the agents had sufficient funds; Celpay found that it had to employ armoured cash in transit companies to provide cash to their agents.

## Debit cards

- The government of Pakistan and **UBL** bank provided ATM cards to Internally Displaced People (IDPs), which they could use to withdraw money at ATMs or PoS at a bank branch. The accounts were held at UBL but the money could be withdrawn from several of the banks in the region. Visa International assisted with donating PoS devices to merchants and providing financial literacy materials. One of the unique points in Pakistan is that there is a national identity system (NADRA) on which most of the adult population is registered, and which can be accessed remotely by banks to check the identification of people opening accounts.

## Biometrics

- The **Indonesian Red Cross** experimented with using the iris as the identifying biometric in order to ensure that households did not register more than once for assistance in the aftermath of the tsunami. However, they found that the technology was not reliable enough in the field, and was time consuming to implement. Fingerprints can sometimes be difficult to use when the recipient has been involved in manual labour, but the technology is increasingly sophisticated and the failure rate is usually low.
- Fingerprints and photographs together are being used by **Equity Bank** and Oxfam GB in the Hunger Safety Net Programme in Kenya. Fingerprints were also used by UNHCR to register people repatriating from Tanzania to Burundi, each household of whom received a cash grant.

## Automated registration of recipients

- The **MTN banking** and **Standard Bank Community Bank** uses an innovative method of registering and opening accounts. The employee or agent takes a mobile phone into the field and uses the phone to photograph both the account holder and the identification document. The details are entered into an application on the phone and the whole package is sent electronically to the bank's back office where the information is verified in accordance with anti-money laundering regulations, and the account opened. The process takes a few minutes. MTN Banking is operating in South Africa, Uganda, Rwanda, Senegal, Cameroon and Ivory Coast, and it is intended to deploy the service across all the 27 countries where MTN operate in Africa and the Middle East.

## Pre-paid cards

- The American Red Cross has been using this technology in national disaster relief operations since 2003, after several years of small-scale testing. They are working with MasterCard on a unique card for the industry. Michael Brackney of American Red Cross says that they "will contain a dumb/smart chip which will provide portability for the client's history. This will go with them

wherever they go, to the Red Cross or any other agencies. It can also be used as a vehicle of assistance, as money can be loaded onto the card". These cards are becoming increasingly available in developing countries for employers to pay people such as day labourers without bank accounts. Thirty five state government structures in the United States have started using them to pay social benefits to people who do not have a bank account. People receive a card and a PIN number (no photo) and can go to any ATM to withdraw their cash, or to a PoS agent located in a local shop. The employers pay a fee, which covers a limited number of 'free' transactions.

## KEY LESSONS

In order to negotiate successfully with potential commercial providers, aid agencies need to understand the basic elements of what makes up a payment system, the options available, and the key aspects of banking terminology.

Aid agencies need to keep abreast of the rapidly evolving technological landscape for making payments. There are an increasing number of innovative technologies available such as portable points of sale, mobile payment platforms and pre-paid cards, which should be considered, if available.

The automation of the authentication and payment process potentially reduces opportunity for fraud and error, provides an audit trail for monitoring, and allows for greater speed and flexibility. Automation is likely to be particularly appropriate for large-scale payments.

The use of banking agents, kiosks, and remittance agents may add significant flexibility and coverage, increasing the choices for payments points to those more convenient to grant recipients. However, there may be country specific regulations that restrict the use of certain agents.

# 4 ASSESSMENT

This section examines how choices between different cash delivery mechanisms are made. It explores how these choices have been made in previous cash projects and recommends certain key questions that agencies should ask when making such decisions. It is neither possible nor desirable to make inflexible recommendations about which delivery option is likely to be the most appropriate in different contexts, and it is important to assess the strengths, weaknesses and costs of as wide a range of options as possible (Harvey 2007).

Before undertaking a cash-based relief project, an assessment of the most appropriate delivery option should take place. The assessment should ideally include weighing the costs and benefits of different delivery options, using clear criteria. When assessing a delivery mechanism, it is important to examine benefits and drawbacks from the perspective of both the delivering agent and the recipient. Much of this assessment process should take place prior to an emergency as part of preparedness and contingency planning, allowing a rapid post-disaster assessment of pre-identified options. It may also be possible to assess options on a regional basis and to begin to build relationships in advance. Relevant cluster-lead agencies at global, regional and national levels may also have a role to play in stronger preparedness and contingency planning.

Drawing on existing guidance in the literature and on our review of previous projects, the table opposite sets out a suggested assessment checklist for agencies to follow when planning and designing cash interventions in emergencies. It is recommended that this analysis is documented where possible. This will encourage the development of greater institutional memory and learning in this area.

## Table 3: Key criteria for assessing cash delivery options

| Criteria | Assessment questions |
|---|---|
| **Objectives**<br>If the main objective is to provide immediate life-saving relief, then speed and reliability may be the key factors | What are the key objectives of the programme?<br><br>Are there secondary objectives such as providing access to financial services? |
| **Delivery options and existing infrastructure**<br>If only one feasible delivery channel exists, the assessment process will be more limited and should largely focus on identifying and choosing the most appropriate delivery agent/s | What delivery options are available in the area (banks, postal service, mobile operators)? How does the local population transfer money (eg, remittances, social transfers)?<br><br>What proportion of the population have access to the banking system, use remittance providers and mobile phones?<br><br>Do mobile operators provide money transfer services? Is there mobile phone coverage?<br><br>Does the agency have existing links with potential providers or other humanitarian actors that they could leverage to encourage co-operation and coordination?<br><br>What are the motivations of potential providers (eg, financial gain, social mission, image-boosting)?<br><br>Is the government providing cash support for social protection or emergency relief? If so, is it appropriate to work together with, or independent of, governments? |
| **Cost**<br>The cost of different options to both the agency and the recipient | What are the costs of different options for the agency (provider charges, staff, transport, security and training costs)?<br><br>What are the costs for the recipient (charges, travel costs, waiting time)? |
| **Security**<br>Level of physical safety for staff and recipients | What are the security risks associated with each delivery option for the agency and recipients? |
| **Controls/risks**<br>Systems that are needed to manage risks such as fraud and error. Consider the level of automation, security in the system and at the point of disbursement, ability to monitor and rapidly correct, and security in the reporting and reconciliations process | What are the key risks that need to be managed?<br><br>What corruption risks are associated with each delivery option?<br><br>What fiscal controls and standards are in place? Are mechanisms in place to meet them? |
| **Human resources**<br>Numbers of staff required and their level of skills, education and ability to provide training for recipients | How many staff are required for each option?<br><br>What level of skills and training would need to be provided for each option? |
| **Speed**<br>Time taken to roll out solution | How long is it likely to take to get each delivery option up and running?<br><br>What are the regulatory requirements for the recipients in respect of each option? |

*continued overleaf*

**Table 3** *continued*

| Criteria | Assessment questions |
|---|---|
| **Acceptability and vulnerable groups**<br>Comfort with use as expressed by recipient and 'on the ground' providers, need for support, convenience | What transfer options are people already using? Which options would they prefer and why?<br><br>Is the level of literacy and numeracy in the area adequate for this mechanism to be used?<br><br>Will women, children, the elderly, people with illnesses or disabilities and minority ethnic groups be able to access each delivery option?<br><br>How will the agency manage the following problems to ensure accessibility for people who, for example:<br>• Do not have a national ID card<br>• Have difficulty recording their fingerprint, perhaps because their hands are worn out from age or manual labour<br>• Lose their card/mobile phone/PIN number<br>• Cannot use their card or access the system due to illiteracy or lack of numeracy<br>• Do not have a mobile phone<br>• Cannot get to the distribution point? |
| **Resilience**<br>Ability to recover data, ability to continue when environment is difficult or changes suddenly | How **resilient** are the potential options in the face of possible disruptions to communications and infrastructure following disasters?<br><br>How reliable and stable are potential commercial providers? |
| **Scale**<br>Effectiveness of different options at operating on a large scale | What is the target population, how large are the payments and how frequently will they be made? How will each delivery mechanism be likely to cope?<br><br>Do you plan to **scale up or replicate** this programme and, if so, what mechanism can help you do this most easily? |
| **Flexibility**<br>Ease with which chosen option can be adjusted to vary payment amounts or make other changes | How flexibly can the different options adjust the timing and amount of payments? |

Some existing cash guidelines, such as Oxfam's and ECHO's (European Commission Humanitarian Aid), include tools to help assess the advantages and disadvantages of different delivery mechanisms. Drawing on these guidelines and our review of previous and ongoing projects, Table 4 sets out some of the key issues to consider when looking at the advantages and disadvantages associated with different cash delivery options. As with any table setting out pros and cons, it needs to be approached with caution. Potential disadvantages may not apply in some contexts or can be simply overcome, and what is appropriate in one context will be inappropriate in another.

## Table 4: Advantages and disadvantages of different cash delivery options

| Cash delivery option | Advantages | Possible disadvantages |
|---|---|---|
| **Direct delivery (cash in envelopes)** | Speed, simplicity, and cost.<br>Flexible if recipients move location. | Security and corruption risks.<br>Often labour intensive, especially in terms of staff time.<br>For recipients a lack of flexibility in when they receive cash and possible long waiting times. |
| **Delivery using bank accounts** | Reduced workload for agency staff.<br>Corruption and security risks may be reduced if institutions have strong control systems.<br>Flexibility and convenience for recipients who can choose when to withdraw cash and avoid queues.<br>Access to financial system for previously unbanked recipients.<br>Can link to existing social protection programmes that pay into bank accounts. | Time needed to negotiate roles, contractual terms and establish systems.<br>Reluctance to set up accounts for small amounts of money.<br>Bank charges may be expensive.<br>Recipients may be unfamiliar with financial institutions and have some fears in dealing with them.<br>Possible exclusion of people without necessary documentation and of children. |
| **Without accounts using cheques** | As above and can avoid delays that can be caused by having to verify transfers. | As bank accounts are not opened, recipients do not gain access to the banking system. |
| **Delivery using sub-contracted parties (remittance companies)** | Sub-contracted parties accept some responsibility for loss.<br>Security risks for agency reduced.<br>Remittance companies may have greater access than agencies to insecure areas.<br>Recipients may be familiar with these types of systems.<br>Flexibility and access – these systems may be near to where recipients live and may offer greater flexibility in receiving their cash | The system may require greater monitoring for auditing purposes.<br>Reduced control over distribution time frame.<br>Credibility could be at risk if the transfer company cannot provide the money to the agreed time schedule.<br>Recipients may be more removed from aid agency and so less able to complain if things go wrong. |
| **Delivery via pre-paid cards or mobiles** | As with banks, possible reduced corruption and security risks, reduced workload for agency staff, greater flexibility for recipients.<br>Greater flexibility in where cash can be collected from (eg, mobile Points of Sale, local traders).<br>A mobile phone (individual or communal) can be provided at low cost to those who don't already have them. | Systems may take time and be complex to establish.<br>Risks of agents or branches running out of money.<br>Costs and risks of new technology such as smart cards.<br>Recipients may be unfamiliar with new systems.<br>Form of identity required to use payment instrument depends on local regulations and may exclude some people |

## PREVIOUS EXPERIENCE ON HOW CHOICES ARE MADE

A review of previous experience in cash projects illustrates variations around the process of how choices of delivery options have been made. In some projects, particularly longer-term (social protection/safety net) programmes, a detailed assessment of payment options is usually conducted. This includes calls for proposals and competitive bidding processes. Examples of projects in which this kind of assessment was conducted include the HSNP and OVC in Kenya. In shorter-term programmes, the process of assessing delivery options has generally been fairly quick and informal

## BOX 1: ASSESSMENT OF DELIVERY OPTIONS IN LESOTHO – CASH, BANKS, SMART CARDS, POSTAL SERVICES OR PRIVATE SECURITY COMPANY?

In World Vision's Cash and Food Transfers Pilot Project (CFTPP) in 2007/2008 in Lesotho, cash was delivered by a private company to pay-points that were within walking distance for the majority of cash recipients. Choosing the most appropriate delivery mechanism was one of three critical steps during the programme design phase. A number of delivery options for cash transfers were considered. These included:

1. *Direct payment to beneficiaries by World Vision staff*: Direct payments were ruled out because of their demands on accountability, logistics and security.
2. *Bank transfers to beneficiaries' accounts*: Bank transfers were ruled out since banks are generally distantly located and very few beneficiaries had bank accounts. The Baseline Study found that only 22% of rural households surveyed held bank accounts. Most of these were well-off households that would not have qualified for assistance under the project.
3. *Issuing smart cards to beneficiaries*: The smart-card system was not suitable because it required too much time and money to establish.
4. *Disbursement through the Lesotho Postal Services (LPS)*: This delivery mechanism was considered close to ideal. During the design stage, LPS was found to have the capacity to deliver cash to large numbers of beneficiaries. It was already delivering pensions to 78,000 people through 192 pay-points spread throughout the country. Most of its branches were easily accessible on foot or by public transport. Unfortunately, negotiations with LPS stalled at the end of November after a promising start, when the Ministry of Communication expressed doubts about the capacity of LPS to manage the project.

The delivery mechanism that was therefore adopted by World Vision was delivery by a private company called Group 4 Securicor (G4S). World Vision entered into an agreement with G4S, an international company that was already positioned as a contingency institution and had a proven track record in Lesotho in the management and handling of cash-in-transit.

Source: Devereux, Stephen & Mhlanga, Michael, 2008. *Cash Transfers in Lesotho: An evaluation of World Vision's Cash and Food Transfers Pilot Project*.

and is not necessarily documented as part of the overall assessment process. Examples of projects in which this was the case include Oxfam's projects in Mali and urban Kenya, Save the Children's projects in Niger and Bangladesh, ActionAid's project in Myanmar (Burma) and Oxfam's project in India (Tamil Nadu).

In some cases, the assessment process has been documented after the fact, in evaluations or lessons-learned documents. Examples of projects where this was the case include Save the Children's projects in Kenya in 2005, ACF's projects in Kenya, and Concern's projects in Malawi. In some short-term but recurring programmes there is a continual re-assessment of possible options, but this is also not formalised. Examples where this was the case include Oxfam's project in Northern Kenya, GAA's project in Kenya, Concern's projects in the DRC and GTZ's projects in Afghanistan. Even where the process was not documented, interviewees were generally able to explain why a particular cash mechanism was chosen over others. For most of the programmes, especially the more recent ones, mechanisms other than direct cash delivery had been considered.

In certain contexts a genuine **lack of delivery options** exist, making an assessment of 'alternatives' impossible. Where banking and mobile phone options do not exist, direct delivery of cash in envelopes is sometimes the only feasible option available. This was the situation in a number of the previous cash projects we reviewed, including Save the Children's projects in Southern Sudan, Niger and Bangladesh; as well as ActionAid's project in Myanmar (Burma); and Concern's projects in the DRC.

In a few cases, however, programmes seem to have made **untested assumptions** that direct cash delivery was the only or best option, without a clear rationale. Sometimes assumptions were made that using a bank or other mechanism would be more costly, would entail greater **accountability**-related risks or was not possible in the area of operations without necessarily testing these assumptions. Sometimes, delivery choices were made simply based on following systems that had been used before and thus were **familiar**. This was the case in Oxfam's project in Tamil Nadu in India, where direct delivery of cash for a cash-for-work programme was done largely because this was a common way of distributing cash in the area. This was a tried and tested method with which everyone was comfortable. Different agencies working towards the same objectives and within the same contexts have sometimes chosen different mechanisms. The culture of the agency involved, how the agency operates, and particularly the transfer of institutional experience and learning within the agency have played influential roles in making decisions about delivery mechanisms in cash projects to date (Nicholson, 2009).

In situations where direct cash delivery is the only feasible cash delivery method, the assessment process is limited to deciding which (if any) delivering agents to involve in the process. **Security** is often the determining factor in these settings. For example, in Save the Children's project in Southern Sudan, the main criteria considered when choosing how to carry out the direct delivery of cash in envelopes was security. A security assessment was carried out that identified the main risk to be the transfer of cash (by car) between the Save the Children district office and the villages. It was decided that local traders would be commissioned to transfer the cash on behalf of the agency.

Security factors can be very influential in the process of choosing a cash delivery mechanism. For example, in Oxfam's livelihoods programme in Haiti, security concerns ruled out the direct delivery of cash. A previous Oxfam project (supported by WFP) delivering food had encountered problems, including looting of a van and insecurity at distribution points. There was a need to approach distributions differently in order to minimise security risks. This led to the use of vouchers exchangeable for cash in local shops, which ensured that the agency did not have to handle cash at all. The **political environment** also has a strong influence on feasible cash delivery options. All agencies operating in Myanmar (Burma), for

## ASSESSMENT OF DELIVERY OPTIONS IN SWAZILAND – BANKS OR CASH?

In Save the Children's programme in Swaziland, one of the initial choices made was to use banks rather than the more tried and tested methods of cash distribution. It is important to note the context under which this choice was made.

Geographically, Swaziland borders South Africa, and the two countries have close economic ties. South African banks have entered the market in Swaziland and have brought with them a full suite of up-to-date electronic banking options. In addition, the small size of the country and the excellent road and transport infrastructure meant that it was possible for beneficiaries to easily get to banks, ATMs and post offices.

Given this set of externalities, it was felt that the banking system would present an effective solution in terms or cost and efficiency. It should be noted that the conditions in place in Swaziland may not be present elsewhere and that using banks with more archaic systems in larger countries with poor infrastructures would probably not be a viable alternative.

Source: Tooke, D. 2008. *Working with Private Sector Banks – Lessons Learnt from the Swaziland Emergency Drought Relief Programme 2007/8.*

example, were limited in their options due to a political environment that was not supportive of the giving of cash.

Where secure banking systems are available and widely accessible, these are often favoured as the preferred delivery method. The Red Cross have described transfers through banks as their preferred default position in environments where secure financial institutions exist and where the banks are within reasonable distances from recipients. Before deciding to use banks as a delivery method in Pakistan, Mercy Corps conducted an assessment that weighed up different options before concluding that using commercial banks was the best option where banking systems are available and working, as they offered the benefits of security, ease of access, greater coverage and lower expenses.

While banking delivery options are often favoured, they can take a considerable amount of time to set up. The issue of timing (and complexity) was identified as a reason for not following the banking route in some of the projects reviewed. For example, in Bangladesh, certain authorisations that have to come from the national to the local level in some banking systems have been known to take about two months to occur. This time is often not available in emergency settings. The decision as to whether to choose a bank account or an e-wallet will be guided largely by the local banking regulations. In many countries the documentary

requirements for opening a prepaid card will be far less onerous and less expensive than for a full banking account, but this is not always the case. The choice of a full bank account may also be driven by the long-term objective of assisting people to become banked.

Based on his experience with Save the Children's project in Swaziland, Dave Tooke commented that the time taken to initiate payments to recipients and the heavy workload required to physically open bank accounts and maintain them may well indicate that the banking option is more suited to long-term development projects than to emergency relief (Tooke, 2008). After hurricane Katrina, the government FEMA (Federal Emergency Management Agency) tried to issue prepaid cards to flood victims, but stopped after three days as people were unable to obtain the documentation required by regulation for registration.

Where formal banking systems do not exist, agencies have turned to other innovative ways to distribute cash. These methods are often based on local, traditional systems and thus require a good knowledge of the local context (Gentelini, 2007). Mercy Corps in Afghanistan and various agencies in Somalia, including ACF, Oxfam and Horn Relief, have distributed cash through local money transfer systems, which companies usually used for distributing remittances.

## KEY LESSONS

It is not possible to categorically state that any one delivery option is preferable to another, and a context specific assessment is always necessary.

It is important to assess delivery options against the objectives of the programme. If the main objective is life-saving relief then speed and reliability are likely to be the main criteria. There may be secondary objectives such as increasing access to financial services.

Where a financial infrastructure exists for banking or mobile payments, then partnerships with private sector financial providers and the use of new payment technologies provide clear advantages in terms of the ability to scale up, stronger financial and reporting controls, expertise, and security for the agency and recipients.

The main drawback of private sector partnerships has been that they are sometimes slow to be established. This strengthens the argument for identifying and assessing potential providers as part of contingency planning and preparedness processes.

# 5 TIMING, PREPAREDNESS AND PARTNERSHIPS

It has tended to take agencies a relatively long time to get cash projects up and running. This is in part because the systems are often not in place to quickly deliver cash, cash provision has not been included in contingency and preparedness planning, and agencies do not have the sort of preferred supplier arrangement for private sector cash providers that they have with private sector providers of in-kind goods such as food and tents. We explored what scope there might be for improving the speed of deployment. This chapter sets out our findings from previous and existing experience and recommends steps that can be taken to improve timing, preparedness and partnerships.

Our review of previous and ongoing cash projects revealed variations in the length of time taken to make decisions on which delivery option to use, and to get chosen cash delivery systems up and running. The table below sets out examples of the length of time this has taken in previous cash projects. The time taken is always context-specific. Establishing

**Table 5: Time taken to get cash projects up and running**

| Type of delivery | Project examples |
|---|---|
| **Through banks** | Save the Children in Swaziland took more than two months to get bank accounts opened, and five months to get debit cards issued.<br><br>In Pakistan, it took Mercy Corps approximately ten days to identify the chosen cash delivery mechanism. There were ten days between the first field visit/assessment of needs, and registration of recipients for cash assistance. During this time Mercy Corps reached an agreement and signed an MOU (memorandum of understanding) with its banking partner (the Allied Bank of Pakistan). |
| **Direct delivery** | In Myanmar (Burma), it took Save the Children less than two weeks to identify and establish the chosen delivery mechanism of cash in envelopes after Cyclone Nargis.<br><br>In Niger, it took Save the Children a few days to identify and establish the chosen cash delivery mechanism (of cash in envelopes). This was a quick and easy internal process made easier by an absence of alternatives in the area. |
| **Private company** | In Lesotho, World Vision's negotiations with the post office (which subsequently failed) were protracted, lasting more than a month. However, once the post office route had failed and World Vision contracted the private company Group 4 Securicor, it took one week to reach a contractual agreement and to establish the cash transfer mechanism. |
| **Remittance companies** | In Somalia, it took Horn Relief approximately one month to complete a fairly elaborate process required to contract money transfer businesses (known locally as Hawaala) to deliver cash. The process involved signing contracts and waivers for liability. |
| **Governments** | In Pakistan, it took the government less than two months to identify and implement the delivery of cash to recipients using banks. |

direct delivery methods tended to be the quickest option, since the agency is likely to have greater control over the process. Setting up transfers with banks was the most variable option – in some instances taking several months, but in others being possible relatively rapidly. It is particularly in this area that there are opportunities for establishing long-term relationships, and for testing scenarios in order to ensure a common understanding of what needs to be done in the event of an emergency, and so deploy the solution as rapidly as possible.

In urban areas in Kenya, agencies and private sector providers (such as Equity Bank, Safaricom, Paynet and Kenswitch, etc.) agreed that the set-up time to use the private sector mechanisms was not very long, often taking a matter of days or weeks. Printing several thousand prepaid cards, for instance, would take only a few days. Similarly, transferring money to a list of mobile phone numbers can be done in less than a day. What takes longer is the identification, targeting and registration of recipients – tasks carried out by the aid agency that would have to be done regardless of the form of payment (although there are increasing opportunities to automate the latter two tasks). Ensuring that agents have the required liquidity does take effort, but not necessarily more time, on the part of commercial sector providers. The exception is if many more agents are required for a particular programme, which would presumably take a few weeks or months to put in place.

In Kenya, the time it takes to get cash delivery systems up in rural areas can differ substantially from urban settings. For example, in very rural areas in Kenya where there is a lack of infrastructure, the set-up time can be much longer, as the process may involve opening new bank branches and identifying and/or training new agents. Interestingly, Equity Bank feels it now has the infrastructure in place to handle an emergency scale up or an additional safety net programme almost anywhere in northern Kenya.

The review of experience for this study suggests that there is no consistency in what types of mechanisms are faster or slower than others. Both delivering cash directly or working through banks or other commercial providers can be quick or slow. Whatever mechanism is used, having identified and developed options as part of preparedness and contingency planning is key to being able to quickly set up systems for cash delivery.

## ENTRY POINTS FOR ENGAGEMENT BETWEEN NGOS, UN AGENCIES, GOVERNMENTS AND ORGANISATIONS INVOLVED IN CASH DELIVERY

This section examines the basis for engagement by NGOs, UN agencies and governments with private sector companies and organisations providing financial services. Both humanitarian actors and private sector financial providers are inhibited by a lack of knowledge and familiarity with how each other's sector works. Banks do not know who to talk to or what the opportunities for engagement are in the humanitarian sector, and vice versa. This mutual lack of comprehension is not something that will be tackled overnight, and the preliminary enquiries made as part of this report could only scratch the surface of what would need to be a more sustained process at national, regional and international levels.

Some of the key variables in the time taken to develop systems with a commercial provider are:

- Agency understanding of potential options.
- Existing distribution infrastructure (often an urban/rural issue) such as branches, agents, and trained staff.
- Entry point into organisation – appropriate level and skills of counterparty in commercial provider.
- Willingness and motivation of commercial provider.
- Prior experience of similar projects.

In addition to speaking directly to country level potential service providers, the consultants spoke to a range of what could be termed 'second level' institutions whose positions meant that they had

relationships with a number of potential providers, sometimes over several countries or regions. These second level institutions included:

- Investors such as the International Finance Corporation (IFC) and Shorebank Capital, both of whom invest in financial institutions (and in the case of IFC also mobile operators), and have a double bottom line approach to business. There are other similar investors such as Triodos or the national development finance banks (FMO in the Netherlands or KfW in Germany) that could also be approached.
- Industry associations such as the GSM Association (whose membership consists of all the GSM mobile operators. They have a unit especially set up to facilitate and fund initiative to encourage banking the unbanked) and the World Savings Banks Institute (WSBI), whose membership includes most Post Banks around the world. The local banking associations could play a similar role.
- The payments units of head offices of global players, such as Barclays and regional banks with subsidiaries in multiple countries in Africa (Standard Bank and Nedbank Africa). There are of course many examples of this kind of actor, but the team's initial engagements showed that a regional, rather than a global, approach is more likely to be fruitful, at least in the medium term.
- Global payments network providers such as Western Union and Moneygram or the card associations (MasterCard and Visa). These businesses tend to work with local partners that for regulatory reasons are usually financial institutions that handle the cash in and out, and they provide the transaction processing, marketing and product design. Visa was involved in the UBL Pakistan government project for IDPs, providing PoS devices and financial literacy training. The American Red Cross is working with MasterCard on a card that will provide identification for people who are verified to have been affected by a particular mass-casualty event.
- A multi-donor facility – Financial Sector Deepening (FSD) – which was set up to promote the development of inclusive financial markets in Kenya. FSD has done general scoping of the demand and supply for financial sector solutions and has led the tender process for selecting a payment agent for the Kenya Hunger Safety Net Programme (HSNP).

The investors and industry associations to whom we spoke all expressed an interest in, at the least, referring agencies to their investees or members in the relevant countries or regions. The WSBI and GSMA were also interested in being part of a process to disseminate learning from these projects among their membership, so that delivery could better evolve and improve. The WSBI saw these kinds of humanitarian projects as having a very good fit with the mandate of their members as a national service.

The two regional banks are interested and currently involved in developing payments solutions that would be appropriate for humanitarian cash payments, and that could be deployed through any of their subsidiaries. Stanbic operates in 16 countries in Africa. Nedbank has five of its own subsidiaries and has formed a strategic alliance with Eco Bank, originally a West African bank that now has operations in 27 countries in Africa.

In Kenya, the research found that there were several commercial providers that were readily available and willing to discuss possible joint work with aid agencies. These included banks as well as non-bank commercial providers, including mobile phone companies and ATM networks. Another important resource is Financial Sector Deepening (FSD), a non-profit multi-donor facility set up by DFID, which can assist aid agencies in seeking to understand the pros and cons of various commercial financial payment systems. For example, Oxfam consulted FSD when deciding how to administer its urban cash scheme.

There are advantages and disadvantages in forming relationships with global or regional partners:

Advantages of approaching global or regional partners:
- one relationship for multiple countries
- opportunity to build a standardised technology solution
- speeds up a regional response
- mitigates lack of capacity of country level staff.

Advantages of approaching local partners:
- more credibility at the local level
- greater understanding of local market
- every country has its special circumstances
- motivation usually beyond business, such as commitment to local economy and people
- potential to work with entities with double bottom line cultural fit, such as micro-finance banks or post office savings banks
- decisions on the ground can be quicker, depending on the delegated powers.

Management in the global and regional banks tended to feel that while a strategic discussion at the head office level may be useful in order to help them understand the potential needs of agencies, and for the agencies to understand their capabilities, the important relationships were always at the country level. A long-term, two-pronged approach is therefore necessary.

Within a bank, the primary relationship is likely to be with the relationship manager for the agency as a corporate client. However, it is important that the agency ensures that the payments department and probably the 'transactional account' (or the equivalent for that institution) are included in planning, so that communications are clear.

It is difficult to highlight specific institutions with whom to engage, since each region has innovative and progressive institutions, some of whom the team was unable to contact. However, overall we would recommend that engagement is prioritised with institutions that have clearly expressed an interest in meeting the payments and other financial needs of the low-income members of the population, and have demonstrated this in the design of their products, delivery channels and communications. Examples of this type of institution include Standard Bank in sub-Saharan Africa, ANZ bank in South-East Asia, Equity Bank in East Africa, Tameer Bank in Pakistan and many of the Post Banks around the world. Many of the new, non-bank participants in payments are also involved, such as mobile operators and third-party service providers, including Safaricom in Kenya and GCash in the Philippines. Aid agencies will need to dedicate time and effort to this kind of engagement ahead of planning a specific response, in order to reap the benefits.

## PREFERRED SUPPLIER TYPE ARRANGEMENTS

Aid agencies have sometimes struggled to provide timely cash payments because the arrangements and systems for delivering cash to people have been set up only after an emergency has occurred. It would clearly be preferable for different options for cash delivery to have been explored as part of disaster preparedness and contingency planning. Were this the case, it might be possible to establish arrangements, prior to a disaster, with potential providers to provide or quote for the delivery of cash in the event of a disaster. This could work in much the same way that agencies currently have arrangements with 'preferred suppliers' to provide in-kind goods such as tents or food in the event of a disaster. This section examines whether there is scope for having preferred supplier-type arrangements with cash providers, whilst at the same time ensuring fair and competitive practice between providers.

There certainly seems to be an opportunity to request proposals for appropriate payments solutions in areas of frequent emergencies such as those prone to drought or typhoons. This would allow some 'in principle' discussion on costs, the practicalities of the implementation, and the refinement of the solution in advance. Aid agencies in any country could perform a simple review of potential providers in their country, meeting with each to gauge their interest, get an overview of services, likely costs, possible contract terms, etc. They could also take this one step further and solicit expressions of interest and 'pre-qualify' certain providers.

It would even be possible to establish 'pro forma' agreements including service level agreements, which would only be finalised and activated in the case of such a project materialising. This would allow scenario planning to consider the different responses related to the extent of the impact of the emergency on the infrastructure, the allocation of roles and responsibilities and the controls and monitoring requirements.

Drawing on his experience with Standard Bank in Swaziland, Dave Tooke recommends that a strong agreement detailing the responsibilities of both parties is signed prior to the start of the programme. In addition, strong monitoring of the bank is necessary to ensure that all aspects of the agreement are being adhered to. It would be a good idea to prepare a draft agreement setting out these roles and responsibilities in advance. This would ensure that agencies' interests are covered and that bank lawyers cannot easily impose unfavourable terms. It would also save time in the negotiation process, as the starting point would be agreed in advance of an emergency (Tooke, 2008).

In Kenya, some aid agencies showed interest in entering into a standard contract with a specific commercial provider, particularly one with whom they had already worked. However, there was also some doubt expressed. One major donor, for example, noted that the industry was still very much in flux, and thought that if an agency entered into a preferred supplier agreement, it would have less leverage in negotiations on costs once the emergency strikes. There was no consensus on whether entering into such discussions prior to a humanitarian response had clear advantages. In Kenya, small micro-finance institutions in particular were seen to sometimes lack internal capacity, and to carry more risk of going out of business.

## KEY LESSONS

Establishing cash delivery systems takes time, and the more that can be done as part of contingency planning and preparedness processes the better.

Private sector financial providers are keen to engage with humanitarian actors and would welcome further discussions about developing payment solutions at international, regional and national levels.

There is scope for exploring further the potential for developing 'preferred supplier' type arrangements where service level agreements are negotiated in advance of disasters.

# 6 SCALE, FLEXIBILITY AND RESILIENCE

Cash delivery mechanisms will ideally be designed to be operated on a large-scale if needed, and be flexible enough to vary payment levels and the frequency of payments to adjust to changing needs. Delivery mechanisms also need to be resilient enough to be able to continue providing cash in the face of the disruption caused by emergencies, including both physical damage and disruption following natural disasters and insecurity in conflicts. This chapter explores how well existing (and possible future) delivery mechanisms can cope with the challenges of scale, flexibility and resilience.

## PREVIOUS EXPERIENCE

Our review of previous experience highlighted some examples of how cash transfer systems have either been designed or adapted to be resilient and flexible. In various contexts agencies have put in place **nomination** systems, whereby account holders could nominate someone else (with checks and controls in place) to collect cash on their behalf.

In Malawi, Concern's system of delivering cash to people (using smart cards) encountered some problems that tested its resilience. The delivery mechanism coped well with some issues that arose. For example, as many recipients had worked hard with their hands all their lives, their fingerprints were hard to read. This was dealt with by adjusting the requirement from ten fingers' prints to five. The reports indicate that this only drops the certainty from 100% to 99.2%. In Swaziland, problems arose when bank account holders (who tended to be elderly heads of household) died and the legal process required to release the funds in the account was lengthy and cumbersome.

In Southern Sudan, the delivery mechanism used by Save the Children (direct delivery) is fairly resilient, in that the location of the distribution sites can be shifted based on the outcome of ongoing discussions with the recipients. Systems have also been put in place to provide for later distributions for people who did not make the initial distribution date.

In Kenya, Action Against Hunger demonstrated the flexibility in its chosen delivery mechanism (transfer through banks), by allowing and facilitating ten elderly women (out of 1,000 recipients) to opt out of getting bank accounts, and instead to receive their cash directly (they wanted to deposit with a micro-finance organisation that they knew and trusted). These women were uncertain about the banking system and were allowed to receive their cash according to this preference.

In Kenya, Equity Bank provides its agents for the Hunger Safety Net Programme (HSNP) with solar panels in areas where electricity supply is irregular. This support could be expanded if wider power problems were experienced – eg, after a flood.

## SCALABILITY

This section examines how considerations of scalability might be borne in mind when designing systems for making payments over time. It looks at how existing systems would be able to scale up in different kinds of emergencies.

In many contexts examined, the payment mechanisms chosen by agencies would not have been conducive to an easy scale up. Mercy Corps in Pakistan (conflict/IDPs) distributed cheques and postal orders to more than 20,000 families for encashment at selected banks and post offices. They found that while post offices were a good option for remote locations and on a small scale, it would not have been able to handle larger distributions. In Kenya and West Africa, no agency consulted had developed a payment mechanism that could scale up quickly in the face of a large, sudden-onset emergency (such as a flood, or widespread violence or displacement). For those projects already using electronic payment systems (eg, HSNP, OVC and urban cash transfers in Kenya), however, it should be possible to quickly increase the frequency or amount of payments to existing recipients. This assumes that key infrastructure (eg, bank branches, post offices, and shops of small traders) are still present. It also assumes being able to communicate with existing recipients to tell them that additional money is available, which can be difficult in remote rural areas, especially if roads or telecoms infrastructure is damaged.

Given that scaling up also involves internal challenges for an NGO (such as limited staff capacity and management issues), the broader aid community in these contexts (governments, donors, aid agencies) could possibly benefit from an exercise where they conducted more detailed contingency planning together on how cash transfers could be carried out quickly and on a large scale. In Kenya, these discussions could be first amongst aid agencies themselves, and then secondly involving a few commercial providers as relevant. Such planning with the private sector would still be very useful, even if it remained on a general level and did not involve specific commitments or agreements, since it would allow everyone to know the different options available.

## ASSESSING THE FLEXIBILITY AND RESILIENCE OF DELIVERY MECHANISMS

This section recommends ways to assess the resilience of transfer mechanisms/systems in the face of emergency situations to deliver cash following a natural or man-made disaster. It also looks at the flexibility of different systems in (i) varying payment levels as needs increase or decrease; and (ii) varying payment frequency over time.

In terms of flexibility, the research team did not come across any projects where payment frequencies varied over time, so it was difficult to directly compare mechanisms in this regard. For some projects, the mechanism chosen was decidedly not flexible and it would have been difficult to change payment frequency. Save the Children's response in Pakistan-administered Kashmir after the earthquake in 2005, for example, distributed cheques to people that could be cashed at a bank without the need to open bank accounts. The delivery mechanism made sense for one-off payments, but it was heavy on staff time, requiring 5,000 cheques to be double-signed by senior management. In many other projects, such as Oxfam's 2009 Mali response and Save the Children's response in Southern Sudan, the inflexibility was due to budgetary and project restrictions on the number of recipients to be targeted.

Some of those interviewed felt that direct delivery of cash by agencies allowed for more flexibility and resilience than using an outside provider. As long as

budgets and other project guidelines were adhered to, then changing circumstances could be adapted to fairly easily. For example, agency staff could amend recipient lists, move distribution points, and deploy additional staff as needed. These steps can be more difficult and more complicated if an outside provider is involved. On the other hand, using electronic registration and distribution systems (which usually involves an outside provider) allows one to easily vary the amount and frequency of payments, as long as this can be communicated to the recipient.

In Kenya, the research sought to compare which payment mechanism would be most resilient in the face of a sudden-onset emergency. It found that mobile phone transfers and prepaid cards are likely to be the easiest to resume in the case of a flood or other event where infrastructure was destroyed. For mobile phones, all that is required is the phone number of the recipients and enough agents (local traders) with sufficient liquidity (ie, even if some were destroyed, the others could still function). If aid agencies were willing to outsource the process of identifying and registering recipients (eg, to local authorities) or use a less strict, inclusive and transparent process, it is possible to imagine simply collecting a list of phone numbers and performing the transfer in a matter of weeks. Communication with recipients or potential recipients regarding additional payments could be done via SMS messages. The mobile phone company's masts may be destroyed, but it is also possible for them to rapidly bring in temporary masts equipped with antennae and generators, and re-route to undamaged masts. In the aftermath of the tsunami and after the earthquake in Bam in Iran the mobile operators were able to provide a service within one–five days. Service level agreements with third-party providers would include agreed standards for reliability of the system and business continuity plans in the event of different types of failures. These plans should ideally be agreed by all parties to the agreement.

## KEY LESSONS

It is important to be able to implement cash transfers on a large scale, and for mechanisms to have the flexibility to adjust payment amounts and timings to respond to changing circumstances.

Partnerships with banks and other financial sector providers have clear advantages for large-scale programmes where automation and strong financial controls are necessary.

Co-operation between agencies in identifying and evaluating payment options as part of a joint contingency planning process could improve their ability to scale up payments programmes, as well as avoiding duplication of effort.

# 7 COSTS AND BENEFITS

This section explores the costs and benefits of different delivery mechanisms to both the agency and the recipient. It recommends the key factors that should be considered in making comparisons between the cost efficiency of different systems between locations over time. We had hoped to be able to suggest benchmarks for key aspects of cost efficiency. However, the available documentation did not provide sufficient financial details to enable this to take place.

Few agencies have attempted to compare cost-efficiency of different delivery options in the project planning phase (see Lor-Mehdiabadi & Adams, 2009). As discussed in Table 4, assessing the relative cost-effectiveness of different delivery options should form an important part of the assessment and selection process. Different cash delivery mechanisms will incur different costs. Drawing on previous experience, this section examines how different cash delivery mechanisms vary in cost efficiency. Case studies are used to illustrate differences in cost efficiency. The tables below summarise examples of costs associated with different delivery mechanisms in some of the cash projects reviewed, both from an agency and a recipient perspective. Possible ways of calculating the cost efficiency of different delivery mechanisms are explored later on in this chapter.

A common theme that recurred in our interviews was the difficulty of disaggregating costs associated with the delivery of cash from other (sometimes related and sometimes unrelated) project costs. Agency staff often play dual roles; having some cash delivery related duties and other project duties. Sometimes these roles require a staff member to make the same trip to the same village, making it difficult to apportion the transport cost, for example, to the chosen cash delivery mechanism.

There is no consensus on whether direct cash deliveries are generally more expensive than outsourcing to a commercial or other provider. Many NGOs have found that, where they are already working in a given area and have the staff and community relationships in place – and where they wish to complement the cash with other, more time-intensive activities, such as awareness raising or livelihoods development – it will often be most cost effective to do direct delivery of cash themselves. Outsourcing is viewed as adding another layer, and increasing costs. Direct delivery, however, does impose clear limitations on the ability of agencies to implement cash transfers on a large scale.

Much depends on the costs within a given context, which can vary significantly even in the same country. In rural Kenya, for example, Oxfam and GAA continue to deliver payments themselves directly, in part because this is viewed as the cheapest option. By contrast, for its new urban programme, Oxfam finance and logistics staff have noted that the cost of delivering cash via M-Pesa/Safaricom will be much less than it costs to deliver the same amount in rural areas, where the major costs for Oxfam are insurance payments, security escorts and vehicles.

## PREPAID CARDS AND THE US RED CROSS

"We had a very large paper-processing group. For a hurricane relief operation, it was not unusual for me to bring in up to 300 temp workers, two–three shifts a day, for weeks on end to process paper. From the time we rolled out the card programme to just before Katrina, we realised savings of over $7 million by not having that paper-processing group."

**Michael Brackney**

One benefit of using a commercial provider is that it is possible for an aid agency to stipulate in the bidding process exactly what service standards are required (eg, frequency of payments, maximum recipient waiting and travel times), and then to compare the bottom-line costs of the different options. This kind of detailed bidding process may only be realistic for longer-term programmes, however.

## MEASURING COST EFFICIENCY IN SWAZILAND

In response to the ongoing drought in Swaziland, Save the Children implemented a Food and Cash Transfer Programme in 2007/2008. Save the Children's programme utilised the existing private sector banking infrastructure in Swaziland and formed a short-term partnership with Standard Bank. The intention of the partnership was to open individual bank accounts and to provide full banking facilities for the registered recipients, not just for the life of the project but for the foreseeable future. The costs of managing and delivering the transfers in this programme were carefully documented, making it possible to calculate the overall cost of the delivery process on Save the Children (namely E29.55/ USD 3.96 per household per month). The overall costs were broken into bank charges (E20.04/USD 2.69), training (E4.58/USD 0.61), staff costs (E3.31/USD 0.43) and transport costs (E0.88/USD 0.11). Measuring each of these costs enables the overall cost of the delivery process on the agent to be quantified, enabling useful cost comparisons to be made.

Source: Devereux, S. & Jere, P. (2008) *Choice, Dignity and Empowerment? Cash and Food Transfers in Swaziland: An evaluation of Save the Children's Emergency Drought Response 2007/2008*. Institute of Development Studies.

## CHARGES BY THE PROVIDER

Provider charges may include fees or charges charged by banks, mobile phone companies, local traders, micro-finance organisations or money transfer companies. They may also include any set up costs charged by a provider. Providers generally charge the agency either a percentage of the transfer or a flat fee. Provider costs range fairly significantly from context to context. Horn Relief paid 11% of the amount transferred to local money transfer companies (Hawaala) assisting with cash transfers in Somalia; while in Uganda, Oxfam pays 0.25% of the amount transferred to local micro-finance organisations assisting with the cash transfers. In Pakistan, the Post Office charged Save the Children USD 0.60 per transaction. WFP, Oxfam and Concern will pay either Safaricom or a local micro-finance organisation USD 0.74 per transaction (around 4% of the total amount transferred) to deliver vouchers or cash to households in urban areas of Kenya.

Bank charges can also vary significantly. For example, the Allied Bank of Pakistan, and BCA and BNI banks in Indonesia waived all their charges; Standard Bank in Swaziland charged Save the Children approximately USD 2.70 for each transaction; commercial banks in Uganda charge a monthly fee of approximately USD 1.20 per account and an additional variable withdrawal fee on top of this; banks in the DRC charge 1.5% of the amount transferred; and Israeli banks charged Save the Children in Gaza approximately USD 2.65 per transaction. These charges have almost always been borne by the agency implementing the programme, not the recipient.

A simple comparison between different options can also prove useful in certain settings. In Uganda, Oxfam elected to use local micro-finance organisations instead of commercial banks to transfer cash to recipients and were able to make some clear cost comparisons that informed this decision in advance.

**Table 6: Measuring cost efficiency in Uganda**

| | Commercial bank charges | Micro-finance organisation charges |
|---|---|---|
| 1. | Minimum balance requirement of 15,000–20,000 shillings (approximately USD 7.9–USD 10.64). | Minimum balance requirement of 10,000 shillings (approximately USD 5.32). |
| 2. | Account holder needs references prior to being able to open an account. | No references required. |
| 3. | Variable withdrawal fee payable for each withdrawal made. | No withdrawal fee. |
| 4. | Monthly fee of 1,290 shillings (approximately USD 0.68). | Annual fee of 500 shillings (approximately USD 0.26). |

Source: Interview with Darius Ekwang, Oxfam.

## AGENCY STAFF TIME NEEDED TO SET UP AND ADMINISTER THE MECHANISM

Utilising commercial providers may, on the face of it, appear to be more expensive, as the costs they charge are generally clear, discrete and explicit. However, although sometimes less obvious, the total costs on agencies in implementing a particular delivery option can be significant. For example, implementing Concern's FACT project in Malawi (where cash was delivered in envelopes) proved to be an extremely time-consuming and labour-intensive project for the agency. Heavy demands were made on Concern staff at all levels, from management and finance to fieldworkers (Devereaux et al., 2006). In terms of process, once recipients were identified, their details were entered into an Excel spreadsheet, which became the database that was used to generate information for ration cards and recipient distribution lists, and to print labels for the envelopes. As an illustration of how heavy the staff load was, it took approximately 40 person days to complete recipient details on 5,050 ration cards. As Atchell (2006) points out, this was a highly inefficient process that should either have been sub-contracted or, better still, automated.

Instead of asking recipients to queue up and receive their cash by counting off banknotes (which was considered impersonal and demeaning), Concern took the approach of delivering a personalised sealed envelope addressed to each recipient with the correct amount of cash inside. Partly because of this laborious process and partly to minimise the risk of errors or corruption, each envelope was handled no less than seven times before the recipient received it (Atchell, 2006; Deveraux et al. 2006). Three people were involved in filling each envelope (a counter, a checker, and a stuffer), which contributed to an impressively low error rate but an extremely high input of staff time and cost.

Staff costs can be increased for a particular delivery mechanism when staff are not familiar with the requirements. This is true for cash programmes in general, which have tended to require new skills and ways of thinking from logistics, finance and even legal staff. WFP, for instance, has had to adapt its financial arrangements that have in the past been oriented towards delivering commodities; it has also had to make special efforts with its internal legal department at headquarters. There are also positive benefits to this adaptation: for example, in Kenya, some NGO finance staff appreciated the chance to get into the field and participate in the delivery of cash payments. There is therefore a need to provide adequate training to back office staff as well as to those involved directly in the payments delivery.

## TRANSPORT COSTS

Whether transport costs are significant or negligible is largely determined by the distances that need to be travelled. However, transport costs on the agencies tend to be higher when distributing cash in envelopes. For example, in Southern Sudan, Save the Children pays 4% of the amount transferred towards the cost of an aeroplane trip needed to transport the money. In its cash for work project in northern Kenya, Oxfam GB pays around 6% of the amount transferred to cover vehicle hire (not including security vehicles), local flights, fuel, maintenance and depreciation.

In Afghanistan, GTZ permanently maintain a fleet of ten cars, although this is not solely for cash transfer purposes, but for wider project purposes. Transport costs are also sometimes difficult to disaggregate as being solely attached to the delivery mechanism chosen. For example, Concern in the DRC use an aeroplane to transport the cash to the villages. However, this aeroplane is never used solely to transport the cash, and timing of cash transfers are based around agency staff piggy-backing on flights that are taking place for other project purposes.

## SECURITY

Depending on the context and security situation, security costs can be significant or negligible. Security costs come in a number of forms, including additional vehicles or trips made, the employment of a security company, or the use of local police escorts. Security concerns around cash transfers are often a significant reason that agencies choose one transfer mechanism over another. For example, although Horn Relief in Somalia could have delivered the cash in envelopes at half the cost of the local money transfer (Hawaala) companies, they chose to follow the Hawaala route as it was more secure. Similarly, in Niger, security concerns led Save the Children to pay local traders a commission of 5% to transport cash from local to village Save the Children offices. In Mali, by contrast, Oxfam was able to make local leaders responsible for transporting the cash (for security reasons) without paying them. In Southern Sudan, additional security measures were taken and it was decided that transporting the cash via road was not sufficiently secure, so it was flown in by aeroplane instead. In areas that are secure or relatively secure these costs are insignificant or nil. In its cash for work programme in northern Kenya, Oxfam uses a required police escort that costs 1.7% of the total amount of cash delivered. This is one area where electronic transfers may be able to some extent to reduce both the risk and the cost. For this reason the US military in Iraq are working on introducing mobile phone banking for recipients of development grants and small-scale procurement contracts.

## EDUCATION AND TRAINING

Education and training is of importance when electing banking or other technological delivery options, especially in contexts in which recipients are unfamiliar with these systems. Experience has highlighted the importance of agreeing on roles and responsibilities between agencies and banks when it comes to training (for example, in the use of bank accounts). Save the Children's experience in Swaziland illustrated that training can be an area where the capacities of agencies and commercial providers can diverge. In general, banks are not always good at communicating with poor or marginalised communities. It was a core component of the Save the Children project that recipients were trained in how to use bank accounts in specific areas (ie, ATM machines) and more broadly (the need for savings and investments, etc.) (Tooke, 2008). Training is an expensive activity and in this project Save the Children and its donors, not the banks, bore the cost of this. Tooke (2008) recommends that future programmes detail the kinds of community training (for example, specifying the quality and content of materials) expected from the bank, and include this in the agreement.

## OTHER MECHANISMS

There are of course a number of factors that should be taken into account that are not easily quantified. A number of mechanisms have benefits beyond that of the cash itself. For example, providing cash through bank accounts and incorporating recipients into the financial sector has received enormous positive feedback in a variety of settings. Recipients in Lesotho, Swaziland and Kenya have all expressed feelings of empowerment by this form of cash delivery, some commenting that it makes them feel like 'proper' citizens. The HSNP programme is likely

to have the indirect effect of increasing the range of financial services available in northern Kenya. Similarly, Save the Children has piloted and hopes to expand voucher programmes in Kenya that aim not just to assist direct recipients, but to expand the cash economy and improve the range of goods available on the market.

When calculating costs it is worth noting that human resources are generally set in terms of the programme, and not in terms of the delivery mechanism. This can be problematic as the staff time that may be needed to implement a certain delivery mechanism may not be available. When this happens, other project duties tend to slip.

**Table 7: Examples of agency costs**

| Delivery option | Examples of agency costs |
|---|---|
| **Direct delivery** | Examples of charges by private security companies, traders and remittance companies were 4% (WV in Lesotho), and 11% (remittance companies in Somalia) of the amount transferred.<br><br>Transport costs could be as high as 4% of amount transferred (Save the Children using a plane in Southern Sudan) or 6% (Oxfam in northern Kenya).<br><br>Security cost of mandatory police escorts in northern Kenya was 1.7% of the amount transferred.<br><br>Staff time: projects often required several staff. For example, WV in Lesotho had nine national and two international staff involved in system development. |
| **In banks or post offices without accounts** | Post Office charged Save the Children in Pakistan $0.60 per transaction and $2.75 per transaction in Gaza.<br><br>Mercy Corps in Pakistan had a ten-person field team, plus local temporary hires and volunteers who all spent considerable time on the cash project. |
| **Delivery using bank accounts** | In projects BRC implemented in Bangladesh and Indonesia, the bank waived all charges.<br><br>In Swaziland Save the Children's costs of managing and delivering the cash transfers were $3.96 per household per month (made up of a bank charge, training, staff and transport costs). |
| **Delivery using smart or prepaid cards** | In Malawi, Concern paid $0.35 per withdrawal made using smart cards.<br><br>Oxfam has found the process of registering, verifying and fingerprinting beneficiaries to receive Hunger Safety Net Programme smart cards very labour-intensive, and feels this level of staff effort would not be justified for a short-term cash transfer. |
| **Delivery using mobile phones** | Charges by Safaricom and a local micro-finance institution per transaction in Kenya are 4% of the amount transferred. |

There were no clear trends in comparing costs between different delivery options. Both direct delivery and working with banks and other financial providers could be relatively cheap and relatively expensive, given the context, and all of the options seemed to be fairly demanding in terms of staff time. Unsurprisingly, regardless of the delivery option chosen, the insecure and remote environments such as Somalia, northern Kenya and DRC make it more difficult and more expensive to get cash to people.

As in any project a balance needs to be sought between minimising costs and ensuring an effective and accountable delivery mechanism. In making comparisons between different payment options, Table 8 provides a good starting point for comparing costs. Wherever possible agencies should benchmark costs against previous cash projects in that country or in similar contexts.

## BOX 2: MEASURING COST EFFICIENCY IN KENYA

A good example of a methodology to measure the cost-effectiveness of different cash transfers can be drawn from a recent evaluation of six ECHO-funded post-election violence projects in Kenya. In this methodology the following two denominators were used: the cost each project incurred to: (i) transfer each unit of Ksh1,000 to recipients; and (ii) to undertake cash transfer (regardless of the voucher or grant amount) to each recipient (without including the transfer itself and without including unrelated costs such as agricultural or small business training). This calculation does not differentiate between projects that might have incurred additional costs for the sake of timeliness, security, choice or quality, and costs associated with capacity building have been excluded where they are unrelated to the delivery of cash transfer (Nicholson, 2009: 17). In other words, the cost of delivery was calculated by taking the overall project budget (including all overheads) and subtracting the total value of the transfer achieved and unrelated training costs.

The most cost-effective project was found to be voucher redemption through registered suppliers conducted by CRS, primarily due to the fact that this project applied the highest value of cash transfer to each recipient, and also because working through the Catholic Dioceses, which had existing capacity, kept staff costs low. CARE (Christian Action Research and Education) was found to be the least cost-efficient because their voucher value was low and they invested considerably in staff capacity at both field and national levels.

Source: Nicholson, N. (2009) *Lessons Learned from the Post Election Violence Early Recovery Programme in Kenya 2008–2009*. European Commission – Humanitarian Aid.

**Table 8: Costs to consider**

| | Cost type | Option A | Option B |
|---|---|---|---|
| 1. | Internal costs (direct) | | |
| 1.1 | Staff | | |
| 1.2 | Transport | | |
| 1.3 | Training | | |
| 1.4 | Other | | |
| 2. | External costs | | |
| 2.1 | Bank charges | | |
| 2.2 | Security | | |
| | **Total costs** | | |
| 3. | Number of transfers | | |
| 4. | Total value of transfers | | |
| 5. | Total costs/number of transfers | | |
| 6. | Total value of transfers/total costs | | |

## COSTS FOR RECIPIENTS

It is also important to assess the costs of a potential delivery option from the perspective of the recipients receiving the cash. This section examines the direct and indirect factors or opportunity costs affecting the poorest and most in-need when interacting/receiving cash through these systems. It aims to help decision-makers designing or assessing cash-based humanitarian interventions to choose between mechanisms that are most appropriate for the variety of people in need in different humanitarian contexts.

The main costs from a recipient perspective are time and cost of travel, waiting times and any charges. Generally, agencies seem to carefully consider the costs of the chosen mechanism for recipients. The time and cost for recipients to travel to points where they can access their cash usually have to fall within local levels of acceptability before an agency will carry through a delivery option. Agencies work hard to minimise waiting times at these points too. Bank charges or other fees are not usually paid by recipients. When fees are paid by recipients, this is often because a programme aims to empower people by integrating them in the normal banking system, where fees are charged. For some examples of average opportunity costs on recipients in the projects reviewed, refer to Table 7 above.

One 'hidden cost' for recipients comes when they are forced or encouraged by their families or peers to share the cash with others. In the cases examined in Kenya and West Africa, this was not seen to be a

significant problem – however, some types of people were especially exposed to this, such as women and elderly or infirm people (see section below on vulnerable groups). Many interviewees noted that recipients were less likely to share cash assistance than food assistance.

Recipients are also exposed to security risks when they receive cash. In many cases, avoiding such security risks (for both agency and recipient) has been one reason why indirect payment mechanisms, such as vouchers or mobile phone banking, have been chosen. In Kenya and West Africa, all interviewees reported that recipients experienced very few or no security incidents after receiving their cash or vouchers. Electronic payments, such as those via smart cards and mobile phones, were seen to be especially safe for recipients. The HSNP in Kenya has also sought to further increase recipient security by assigning people different days during which they can access their cash at the local trader. For direct deliveries (cash in envelopes), security risks for recipients were sometimes minimised by scheduling distributions near markets or on market days, so that money could be spent right away.

## KEY LESSONS

In assessing costs there is a need to take into account those that will be incurred by the agency and those by the recipient.

Agency costs will include provider charges, staff time, transport, security, and education and training costs. Some costs may be marginal as existing resources may be used for multiple purposes.

Recipient costs will be primarily transport and time.

Wherever possible, agencies should benchmark costs against previous cash projects in similar contexts and comparable payment services already available.

# 8 VULNERABLE GROUPS

This section examines how the needs of children and other vulnerable groups, as identified in the section above, might be catered for in these systems (particularly where child-headed and elderly headed households proliferate). When choosing and designing cash delivery systems, it is important to cater for vulnerable groups within the recipient group. For example, elderly or ill people may have mobility problems getting to distribution points. Children may not be able to receive money through systems using bank accounts, and women potentially face additional challenges. Previous experience shows that vulnerable groups are catered for fairly well in cash transfer projects, although room for improvements does exist. A brief overview of the challenges pertinent to vulnerable groups that have arisen, as well as how these have been dealt with, should be instructive for designing future cash interventions.

Many issues relating to vulnerable groups are indeed dealt with in the targeting stage of the project, prior to finalising the cash delivery mechanism. For example, women are the recipients, or the majority of recipients, in a large number of the cash projects reviewed. In Niger, CARE specifically decided to target particularly vulnerable women who have been left out of other livelihoods interventions because they are marginalised in some way. Their receiving cash has helped to integrate them into the community; CARE involves these women in meetings with other women – for example, where they can decide to buy things like small animals. In this case, the fact that CARE distributed the cash directly allowed it to ensure that this programme aim was being met.

In Kenya, community-based targeting (ie, delineating different vulnerability groups and being transparent about who was eligible and why) was seen to mitigate the risk that other community members would be angered by or jealous of others receiving cash payments.

Agencies have come up with a number of ways to accommodate vulnerable groups within their programmes. In Save the Children's cash project in Swaziland, vulnerable groups were catered for in various ways within the distribution process. Children received their cash transfers directly instead of at the post office or the bank. A nomination system was put in place whereby account holders could (with certain checks and controls) nominate someone else to collect cash on their behalf. A recommendation from the community feedback for future programming was to do direct cash distribution to elderly and infirm people within the community. Future programming could explore this as an option in addition to nomination systems more frequently in place. Women were registered as cash recipients and bank account holders in 90% of households as a deliberate strategy to empower women and vulnerable children.

In Southern Sudan and Kenya, agencies have set up nomination systems to deal with issues surrounding vulnerable groups. For Save the Children in Southern Sudan, an issue arose when the elderly were not able to cross rivers due to flooding. In such cases, elderly recipients were allowed to send their recipient's card with a nominated family member who could be paid

on their behalf (after verification by the project committee monitoring the cash distribution at the distribution points). In Malawi, Concern put nomination systems in place for nominated recipients to receive cash grants (using smart cards) on behalf of elderly and unwell recipients.

Although children did not usually directly receive cash payments, in several cases there were steps taken to ensure that children access their 'portion' of the household cash, or that child-headed households could access cash. In Kenya, the OVC programme allows child-headed households (usually aged 15 plus) to receive cash payments when they are suitable. This is a very small number of overall families, however. In Burundi, special procedures were put in place to allow unaccompanied minors to receive the cash payment once they were reunited with their families or placed in another appropriate setting (UNHCR, 2009, p.36).

## GENDER, CONFLICT AND OTHER POWER DYNAMICS

This section examines how different transfer systems might affect gender, conflict and other power dynamics. It sets out findings relating to existing preferences among different groups in communities.

In West Africa and Kenya, several programmes distributed cash to the women in the household (eg, CARE and Save the Children in Niger) or had a majority of women as recipients (eg, Oxfam in northern Kenya, and ACF in urban Kenya). The majority of local traders (agents) in the HSNP programme in northern Kenya are women. In both contexts, women were often able to spend the money quickly at local markets or shops where they received the cash, which was thought to help to minimise potential inappropriate use by men, although this was not noted as a major problem. In Niger, Save the Children found that women gave some of the cash to men to buy cereals traditionally bought by men in markets, while women retained the rest of the money to buy quality food items – thus finding that there were no substantial gender problems. Oxfam has found that in northern Kenya, women in informal marriages receive less protection than those in formal marriages, but also have more independence, including in how to use the cash they receive. In Mali, Oxfam found that there was a need to better understand household gender dynamics, since monitoring teams found that men generally control both food and money in the household (Oxfam, 2009, p.14). The British Red Cross in Indonesia found that a government stipulation required bank accounts to be held jointly by male and female household heads.

In the HSNP programme in northern Kenya, the nomination system in place poses some problems in terms of the power dynamics between different kinds of individuals. An eligible individual is allowed to appoint one or two other people to be able to use his or her card to receive the cash, if he or she is unable to – for example, because they are too elderly or infirm to travel. These persons' fingerprints are also recorded. However, there is some concern that this may expose these people to having some of their payment 'skimmed off the top'. The smart card payment system has experienced some difficulty with reading around 5% of all fingerprints, due to technical difficulties that are sometimes related to having very old or worn-down finger pads. These issues are still being resolved. In urban Kenya, Oxfam chose to use Safaricom to distribute the cash via small local traders, rather than a large supermarket chain, in part because this allowed old or chronically ill people to retrieve their money much more easily, without having to rely on others to do so (who they might have to pay).

In a general sense, giving cash has been seen as a way to alter the traditional power dynamics between an aid agency and recipients (Harvey, 2007). More specifically, different kinds of payment mechanisms were seen to have varying side effects in terms of how they empowered recipients. As mentioned above, giving people bank accounts often helped them feel like 'real citizens', for example. Examples where this kind of positive feedback was reported include Save the Children's project in Swaziland, World Vision's project in Lesotho, and Concern's project in Malawi.

## KEY LESSONS

Agencies should put in place mechanisms to ensure key potentially vulnerable groups (women, children, the elderly, people with illnesses and disabilities) are not discriminated against by the chosen delivery mechanism.

This might mean addressing mobility problems, putting in place nomination systems whereby a named person can collect cash on someone else's behalf, or having special procedures for particular groups.

If the chosen system is unfamiliar or if the target population has high levels of illiteracy and lack of numeracy, then particular attention may need to be given to systems for training and familiarising people with the system and providing support for anyone facing difficulties.

# 9 CONCLUSIONS

Whether to give people money in envelopes, via bank accounts or through mobile phone vendors will always depend on the context, and there is no substitute for strong context-specific analysis and the integration of cash approaches into disaster preparedness and contingency planning. Which mechanism is chosen must be closely linked to, and driven by, the particular objectives of the intervention.

This research, however, has shown the constantly increasing range of options to deliver cash to people. It has suggested that there is an appetite on the part of potential private sector providers for stronger partnerships with humanitarian aid agencies to enable more timely cost effective and efficient delivery of cash to people after emergencies. Agencies could build on this work to take forward detailed discussions with these providers within concrete national and regional contingency planning processes.

The checklists and benchmarks provided in this report are intended to provide useful guidance to field staff in making choices between different mechanisms and structuring contractual arrangements with private sector providers.

It is recommended that in order to build on the existing experience and the opportunities to develop more effective methods of cash delivery to people in the aftermath of a disaster, the following actions should be considered by the Cash Learning Partnership (CaLP), individual NGOs, UN agencies, the Red Cross and Red Crescent Movement, donor governments and disaster affected states:

1. Compile a searchable and updated database of project documents, including budgets.
2. Compile a database of commercial and semi-commercial institutions that have regional presence and that could provide potential solutions for payments, and that may become preferred suppliers.
3. Compile a database of referral partners, including a current list of members, investees, and the relevant contact person or department.
4. Compile a database of contracts and templates negotiated with any 'wholesale' partners.
5. Conduct an evaluation of the benefits of working with technology/operating partners, such as Monitise or Royal Holloway College, to design and test a replicable solution that either automates and improves stand-alone 'envelope' solution, or links to third-party suppliers.
6. Conduct an evaluation of the benefits of long-term relationships with global partners such as consortium of Barclays, Standard Chartered and HSBC.
7. Conduct scenario planning in key areas with identified potential partners/suppliers and aid agency staff.
8. Enter into negotiation of latent relationships with potential partners in high-risk countries and regions, possibly leading to pre-approval.
9. Look for opportunities, including within clusters, to improve co-ordination among agencies to avoid duplication and achieve cost-effective economies of scale.

## SUMMARY OF ISSUES

The following table provides a summary checklist of key issues that should be dealt with in deciding on and designing a cash delivery option. Some of these might be covered in initial rapid assessments and, ideally, during disaster preparedness and contingency planning exercises. Others would need to form part of the process of project design.

| Key issues | Implications |
|---|---|
| **Environment of affected region** | |
| • Levels of security<br>• Level of corruption<br>• Roads (ability to travel by road)<br>• Communications – data and voice (availability and reliability of mobile phone coverage) | Electronic methods of sending payments become more attractive when roads and security are poor but communications are in place or can be repaired rapidly. In some cases directly delivering cash may remain the only solution. Resilience and reliability are key criteria for choosing a solution. |
| **Programme parameters** | |
| • Number of recipients<br>• Number of payments per recipient<br>• Rural or urban environment<br>• Dispersed or concentrated population<br>• Likelihood of need to replicate programme<br>• Likelihood of need to expand programme | The larger the number of payments and the likelihood of needing to increase its scale will increase the benefits of automation. Large numbers and replication will also justify the investment of the agency and the partner in technology. A dispersed population is more likely to benefit from the use of local agents and mobile phones to reduce their need to travel. However, there is less likely to be existing payments infrastructure in rural areas, and emergency points may need to be rolled out. |
| • Payments channels (existence of bank branches, ATMs, remittance agents, bank agents, government programmes)<br>• Money transfer businesses | Speed of deployment will usually be enabled by using existing and tested infrastructure managed by experienced partners. |
| **Partnerships** | |
| • Relationship with financial service providers<br>• Relationship with government<br>• Relationship with non-bank payments provider (remittance business, mobile operator, MFI)<br>• Relationship with other aid agencies with existing payments solutions/partnerships | There may be one or a few potential partners to be assessed. Government may be planning their own response. Assessment will be based on experience of prior relationship – eg, as corporate client, motivation for offering service, experience of similar projects, servicing similar market as well as offering price, functionality, service levels. Commitment of appropriate and adequate management and staff. |
| **Acceptability to recipients** | |
| • Payments methods being used by recipients<br>• Level of financial inclusion – accounts, credit unions, micro-finance<br>• Preferences of recipients<br>• Levels of literacy and numeracy<br>• Level of ownership or access to mobile phones<br>• Costs to recipients (time, travel, fees) | Recipient acceptability will relate to their level of familiarity with the technology, sense of security and trust, level of convenience provided, value they feel they are receiving, available training and support. Important that recipients express their own preferences rather than assumptions made by agency or service provider. Different recipients may prefer different methods – eg, women, child-headed households, disabled people – which may need to be provided separately. |
| • Existing payment instruments available or experienced (payments cards, mobile payments, bank orders, vouchers)<br>• Existing appropriate products (low-cost bank account, electronic wallet on card or phone) | The existence of appropriate products that may need to be modified will increase speed of deployment, increase resilience, since systems already in place, and set benchmark for pricing for start of negotiation. It is not recommended that new methods are introduced without testing in a non-emergency environment. |

*continued overleaf*

## Summary of issues *continued*

| Key issues | Implications |
|---|---|
| **Registration requirements** | |
| • Regulatory requirements to issue payment instruments<br>• Partner's risk management requirements for identification and authentication | Information that will need to be collected from recipients for registration data base and how this will be done – eg, ID number, mobile phone number, photograph, biometric information.<br>What to do if normal requirements not available – eg, ID, fingerprints not readable. |
| **Contract negotiations: costs and operational standards** | |
| • Costs of services to agency as provided by partner: set up costs, method of pricing – eg, per recipient, per transaction, who receives interest earned on unpaid funds, providing SIM cards or phones, providing service to those who cannot be serviced by main solution | Benchmark to local payments products, experience of other agencies and government. |
| • Contract and service level agreement (SLA) agreed (criteria that can be used to compare different providers) | Time to deploy – issue cards, train merchants.<br>Roles and responsibilities: eg, registration, data cleaning, recipient training and support, recruiting and managing agents, security.<br>Disaster recovery and resilience of system.<br>Legal liabilities of each partner – who bears what risks?<br>Time to follow up errors, grievance procedures, re-issue lost cards, forgotten PINs, etc.<br>Communications to recipients: leaflets, call centre, roving staff, local committees, government officials.<br>Technology availability – uptime.<br>Frequency and content of reports provided and method of access to reports (electronic, manual, internet). |
| **Human resources** | |
| • Numbers of internal staff<br>• Agency staff training<br>• Recipient training<br>• Ongoing customer support | Back office and front line staff will need to be trained.<br>Recipients will need training in how they will access their funds, and support when they have problems. |
| **Communications from and to recipients** | |
| • Communication of how, when and where payments to be made<br>• Customer feedback | The choice of posters, leaflets, videos, radio, road shows, and meetings will depend on the environment and the preferences of the recipients. |

# ANNEX A: PEOPLE INTERVIEWED

In the following lists, the countries refer to the location of the projects that interviewees gave information about.

## AGENCY INTERVIEWS

Saikouba Ahmed, WFP, Kenya
Carlos Alviar, UNICEF, Kenya
Nancy Balfour, IFRC, Eastern Africa
Jerome Bernard, Save the Children, Zimbabwe
Helen Berton, Save the Children, Niger
Cynthia Burton, Independent, Bangladesh
Josie Buxton, Oxfam, Kenya
Pantaleo Creti, Independent, ex-Oxfam, Haiti
Matthew Croucher, Save the Children, Southern Sudan and Kenya
James Davey, Concern, Zambia
Junas Davids, World Vision, Lesotho
Darius Ekwang, Oxfam, Uganda
Catherine Fitzgibbon, Save the Children, Kenya
Kate Hart, British Red Cross, various
Mark Henderson, Save the Children, Gaza, Pakistan, Zimbabwe
Yves Horent, ECHO, Kenya
David Isaak, Save the Children, US
Sushma Iyengar, ODR shelter projects/Kutch Nov Nirman, India
Rosie Jackson, Save the Children, Pakistan
Iris Krebber, German Agro-Action, Kenya
Nupur Kukrety, Oxfam, India
Nicolas Lamede, GTZ, Afghanistan
Aichatou Laouali, CARE, Niger
Simon Levine, Independent, prepared report for WFP, Uganda and various
Mads Lovfall, World Food Programme, various
Sue Mark, Save the Children, Myanmar (Burma)
Claudie Meyers, Oxfam, Kenya
Sara McHattie, ECHO, Kenya
Peter McNichol, Concern, Congo
Fiona McSheehy, British Red Cross, Indonesia, Philippines, Sri Lanka

Sumananjali Mohanti, Oxfam, Kenya
Frederick Mukholi, Save the Children, Southern Sudan
Emma Mumsford, Save the Children, Niger
Natasha Nadazdin, WFP, Kenya
Leo Nalugen, Oxfam, Pakistan, IDP response
Mia Neuman, Danish Refugee Council, Chechnya
Moira O'Leary, ActionAid, Myanmar (Burma)
Anne O'Mahony, Concern, Kenya
Patrizia Papinutti, WFP, West Africa
Silke Pietzche, Action Against Hunger, Kenya, Uganda
Alex Rees, Save the Children, Swaziland
Khodadad Hossain Sarker, Save the Children, Bangladesh
Bakari Seidou, Save the Children, Sahel region
Paul Sitnam, World Vision, West Africa
Agnes Shihemi, Hornrelief, Somalia
Leigh Stubblefield, DFID, Kenya
Dave Tooke, Save the Children, Swaziland, Vietnam, Myanmar (Burma)
Joanna Walsh, Mercy Corps, Pakistan
Alexandros Yiannopoulos, Oxfam, Mali
Joerg Yoder, GTZ, Afghanistan

## COMMERCIAL PROVIDERS/INVESTORS

Armine Benjelloun Toimimi, Poste Maroc, Morocco
Leslie Davis, Shorebank Capital Fund, Multiple investee countries
Seema Desai/Paul Leishman, GMSA, Multiple membership countries
David Ferrand, Financial Sector Deepening, Kenya
Leon Isaacs, Ex-Moneygram
Brad Jones, Wing, Cambodia
Coenraad Jonker, Standard Bank, SA, South Africa
Baboucarr Khan, Reliance Financial Services Company Limited, The Gambia
Zahir Khoja, Roshan Afghanistan, Afghanistan
Alphonse Kihwele, Tanzania Post Bank, Tanzania
Nyambura Koigi, Kenyan Post Bank, Kenya
Anna Kuriakose, Montise, UK
Anne-Francois Lefevre, World Savings Bank Institute, Global
Jonathan Maltman, Barclays, Global
Bernard Matthewman, Paynet, Kenya
Miyanda Mulambo, Celplay, Zambia, DRC
Shahid Mustafa, Tameer Bank, Pakistan
Harish Natarajan, IFC (World Bank), Global
Patricia Myamurwa Njoroge, Stanbic, Uganda
SDN Perera, National Savings Bank, Sri Lanka
Barry Ryan, Kenswitch, Kenya
Riccardo Rademeyer, Beyond Payments, Standard Bank, South Africa, South Africa
Douglas Sabo, Visa, Global

Alan Samuels, Beyond Payments, Standard Bank, South Africa, South Africa
Andrew Sematimba, Nedbank, SA, South Africa
Landrick Oteng Sianga, Botswana Savings Bank, Botswana
Allan Waititu, Equity Bank, Kenya
Paul Waihumbu, HSNP, Equity Bank, Kenya
Mina Zhang, World Savings Bank Institute, Global

## OTHER

Adnan Zafar, Pakistani government, Pakistan
Angus Kirk, DFID (Financial Sector), UK
Henry Narangui, Hunger Safety Net Programme, Kenya
Veronicah Njoki Njoroge, Hunger Safety Net Programme, Kenya

# ANNEX B: GUIDELINES FOR PRACTITIONERS

## INTRODUCTION

There is growing use of the provision of cash as a mechanism to provide relief to people after disasters on the part of international aid agencies and governments. Whether it makes sense to give people money in envelopes, open bank accounts for them or develop mobile banking approaches depends on a context-specific analysis of the options available in each crisis. There is, however, scope for learning from past experience about how to assess different options and the costs and benefits to both the agency and the recipient of various mechanisms. There is also potential to engage in a process of dialogue with potential private sector providers at national, regional and global levels, to explore whether stronger contingency and preparedness plans could be put in place to produce more effective partnerships that are able to get cash to people sooner and more effectively after disasters.

The use of cash, as opposed to 'in kind' assistance, however, remains a relatively new approach, and aid agencies are at the early stages of developing guidelines, policies and organisational capacity to implement cash projects. This has meant that there has been a tendency to 'reinvent the wheel' each time that cash projects are implemented. Project managers appear to lack support and guidance about the practicalities of how most efficiently and effectively to deliver cash to people. Too often that means that they have to start from scratch in assessing and choosing between different options for cash delivery. These guidelines aim to help to fill that gap.

## IMPLEMENTATION PROCESS

It is useful to think through the steps needed in the implementation process to establish a payment system. These are presented in the list below. Any agency implementing a cash project needs to think through how it will implement each of these steps, and what skills will be needed. If there has been no pre-disaster preparedness then there will be a need to carry out contract negotiations with potential providers following and/or in parallel with a post-disaster assessment.

### Pre-disaster

1. Consideration of cash-based programming included in **contingency and preparedness planning**. This should include identification of potential cash delivery mechanisms and possible financial service providers and the testing of systems such as database development.
2. **Contract negotiations** with potential providers. During the tender process, it is important to have in place clear criteria for selection. Consider:
   - Roles and responsibilities;
   - What reports will be provided, and when;
   - Pricing, including set up costs, transaction costs, cost per recipient, and the interest that the bank can expect to earn on the funds held by them;
   - Service level agreements – eg, time to replace cards, time to respond to queries/errors, reliability of system/up time, disaster recovery plan; and
   - Other deliverables.

### Post-disaster

1. **Assessment** of available delivery options and selection of one of them.
2. **Contract negotiations** if not done as part of contingency planning.
3. **Project team** set up for implementation, to meet regularly throughout the project.
4. Identification of what information is required for the **database** (eg, ID number, mobile phone number, biometric information) and collection of this information.
5. **Cleaning data** for errors and duplication, checking for supporting documentation.
6. **Database sent to the partner** responsible for 'back office' work – eg, the bank or other third party operator.
7. **Payment instrument** produced, such as a voucher, card, bank draft, or application loaded on phones of merchants.
8. **Payment points** put in place and made functional, such as branches, PoS, ATMs, merchants' agreements.
9. **Grievance and customer support** system in place and staff trained or briefed. This could include call centres, roving employees, community meetings and committees, or government offices.
10. **Promotion and explanations** to payers and payees – eg, through posters, leaflets, videos, road shows or meetings.
11. **Payments made**.
12. **Reports and reconciliations**.
13. Customer feedback maintained for monitoring and evaluation; debrief of all players and **learning or evaluation** conducted within the agency and with partners.

## PREPAREDNESS

Aid agencies have sometimes struggled to establish timely cash payments because of the need to establish arrangements and set up systems for delivering cash to people after an emergency has occurred. It would clearly be preferable for different options for cash delivery to have been explored as part of disaster preparedness and contingency planning. It is recommended that potential partnerships with commercial, government and aid agencies are identified in advance of emergencies. This allows time for relationships to be bedded down and for potential technologies to be tested in a non-emergency situation.

Agencies should request proposals for appropriate payments solutions in areas of frequent emergencies, such as those prone to drought or typhoons. This would allow some 'in principle' discussion on costs, the practicalities of the implementation and the refinement of the solution in advance. Aid agencies in any country should perform a simple review of potential providers in their country, meeting with each to gauge their interest, get an overview of services, likely costs, possible contract terms, etc. They could also take this one step further and solicit expressions of interest, and 'pre-qualify' certain providers. This could work in much the same way that agencies currently have arrangements with 'preferred suppliers' to provide in-kind goods such as tents or food in the event of a disaster.

It would even be possible to establish 'pro forma' agreements, including service level agreements, which would only be finalised and activated in the case of such a project materialising. This would allow scenario planning to consider the different responses related to the extent of the impact of the emergency on the infrastructure, the allocation of roles and responsibilities and the controls and monitoring requirements.

## DELIVERY AGENTS AND METHODS

Aid agencies should, prior to an emergency and in an assessment process, map the range of ways that money can be delivered to people. Delivery agents include governments, aid agencies, banks, post-offices, mobile phone companies, micro-finance companies, security companies, local traders or a

combination of these. The delivery methods that these providers can use may be limited by the regulatory requirements and their business strategy. Different agents may use a variety of methods that include: direct delivery (cash in envelopes); delivery through banking systems (either over the counter, from ATMs or other mobile banking technologies); and delivery using smart cards, debit cards, prepaid cards and PoS devices and/or mobile phone technologies.

Agencies had worked with banks, post offices and micro-finance institutions in several contexts including Burundi, Chechnya, Gaza, Kenya and Pakistan. In some contexts they opened bank accounts for beneficiaries, and in others agencies distributed cheques that could be cashed at branches. The use of new technologies such as smart, prepaid or debit cards and mobile phones remains relatively rare, but the examples from Kenya and Malawi show that they are starting to be used. Combinations of different delivery methods and delivery agents have often been used. For example, in Kenya, as part of the Hunger Safety Net Programme (HSNP), cash is delivered using a smart card system. Recipients have their fingerprints scanned and receive a smart card that they take to a local trader or agent to get their cash. The local trader or agent uses a PoS device to verify recipients' identities. People are also able to get their cash from a branch of Equity Bank.

Interestingly, in the review of recent experience carried out for this study, the agency directly delivering cash in envelopes using its own staff remained a common mechanism. This was used, for instance, by Save the Children in Bangladesh, Myanmar (Burma), Niger, Southern Sudan, and Vietnam (2009), by Oxfam in Mali, by Oxfam and German Agro Action (GAA) in Kenya, and by Concern in DRC (2009). In several contexts, including Niger, agencies partnered with local traders to assist in the direct delivery of cash. It shouldn't be assumed that more technologically complex methods are necessarily more effective and efficient.

## KEY STAKEHOLDER MOTIVATIONS

When planning and designing a cash intervention programme, it is important to be aware of, and understand the varying motivations of, all stakeholders. Private sector motives are fundamentally to make a profit for shareholders. Public sector organisations such as post offices exist to provide a sustainable service to the public. It is critical for partners working together in these types of projects to recognise and respect these differing motives and to work together to help each partner realise their aims. Such motivations may include:

- A **'double bottom line'** approach – ie, a social mission combined with financial sustainability. Equity Bank in Kenya, for example, seeks to expand the availability of financial services. Roshan, the leading GSM cellular service provider in Afghanistan, also has a corporate social responsibility arm and, where potential benefits to communities in Afghanistan exist, would be interested in exploring possible involvement.
- The enhancement of their **reputation** with both the market and the government, projecting a good image of helping fellow citizens, especially after disasters.
- **Revenue**, in the form of that gained from transaction fees, contract fees, overhead costs, etc.
- **Expansion and marketing** through expanding customer base and market share and increasing exposure to a product (eg, in Concern's programme in Malawi, OIB was a good partner as it had the objective of deepening access to mobile banking).
- **Client retention** through deepening an existing relationship with an agency that has previously been a corporate client, including possibly extending their offering to include payroll and payments to future programme recipients.

- Opportunity for **expansion** into a new geographic area, especially where doing so was already part of a long-term strategy (eg, Equity Bank in northern Kenya, Roshan in Afghanistan).
- **Public sector**-specific motivations, such as service delivery to the public (eg, post office savings banks).

The non-profit motivations of private sector providers may provide opportunities for humanitarian actors to establish mutually beneficial partnerships and to minimise costs. Private sector actors might be willing to waive or reduce charges in order to enhance their reputation for altruistic support to fellow citizens after disasters.

## ASSESSMENT OF THE PAYMENT INSTRUMENT AND DELIVERY CHANNEL OPTIONS

Choosing which cash delivery option to use must always be a context-specific judgment, to be assessed on a case-by-case basis. While it is neither possible nor desirable to make inflexible recommendations about which delivery option is likely to be the most appropriate, it is important to assess the strengths, weaknesses and costs of as wide a range of options as possible (Harvey 2007). The criteria that should be considered are suggested in the table below.

**Key criteria for assessing cash delivery options**

| Criteria | Assessment questions |
|---|---|
| **Objectives**<br>If the main objective is to provide immediate life-saving relief, then speed and reliability may be the key factors | What are the key objectives of the programme?<br><br>Are there secondary objectives such as providing access to financial services? |
| **Delivery options and existing infrastructure**<br>If only one feasible delivery channel exists, the assessment process will be more limited and should largely focus on identifying and choosing the most appropriate delivery agent/s | What delivery options are available in the area (banks, postal service, mobile operators)? How does the local population transfer money (eg, remittances, social transfers)?<br><br>What proportion of the population have access to the banking system, use remittance providers and mobile phones?<br><br>Do mobile operators provide money transfer services? Is there mobile phone coverage?<br><br>Does the agency have existing links with potential providers or other humanitarian actors that they could leverage to encourage co-operation and coordination?<br><br>What are the motivations of potential providers (eg, financial gain, social mission, image-boosting)?<br><br>Is the government providing cash support for social protection or emergency relief? If so, is it appropriate to work together with, or independent of, governments? |
| **Cost**<br>The cost of different options to both the agency and the recipient | What are the costs of different options for the agency (provider charges, staff, transport, security and training costs)?<br><br>What are the costs for the recipient (charges, travel costs, waiting time)? |
| **Security**<br>Level of physical safety for staff and recipients | What are the security risks associated with each delivery option for the agency and recipients? |

*continued overleaf*

## Key criteria for assessing cash delivery options *continued*

| Criteria | Assessment questions |
|---|---|
| **Controls/risks**<br>Systems that are needed to manage risks such as fraud and error. Consider the level of automation, security in the system and at the point of disbursement, ability to monitor and rapidly correct, and security in the reporting and reconciliations process | What are the key risks that need to be managed?<br><br>What corruption risks are associated with each delivery option?<br><br>What fiscal controls and standards are in place? Are mechanisms in place to meet them? |
| **Human resources**<br>Numbers of staff required and their level of skills, education and ability to provide training for recipients | How many staff are required for each option?<br><br>What level of skills and training would need to be provided for each option? |
| **Speed**<br>Time taken to roll out solution | How long is it likely to take to get each delivery option up and running?<br><br>What are the regulatory requirements for the recipients in respect of each option? |
| **Acceptability and vulnerable groups**<br>Comfort with use as expressed by recipient and 'on the ground' providers, need for support, convenience | What transfer options are people already using? Which options would they prefer and why?<br><br>Is the level of literacy and numeracy in the area adequate for this mechanism to be used?<br><br>Will women, children, the elderly, people with illnesses or disabilities and minority ethnic groups be able to access each delivery option?<br><br>How will the agency manage the following problems to ensure accessibility for people who, for example:<br>• Do not have a national ID card<br>• Have difficulty recording their fingerprint, perhaps because their hands are worn out from age or manual labour<br>• Lose their card/mobile phone/PIN number<br>• Cannot use their card or access the system due to illiteracy or lack of numeracy<br>• Do not have a mobile phone<br>• Cannot get to the distribution point? |
| **Resilience**<br>Ability to recover data, ability to continue when environment is difficult or changes suddenly | How **resilient** are the potential options in the face of possible disruptions to communications and infrastructure following disasters?<br><br>How reliable and stable are potential commercial providers? |
| **Scale**<br>Effectiveness of different options at operating on a large scale | What is the target population, how large are the payments and how frequently will they be made? How will each delivery mechanism be likely to cope?<br><br>Do you plan to **scale up or replicate** this programme and, if so, what mechanism can help you do this most easily? |
| **Flexibility**<br>Ease with which chosen option can be adjusted to vary payment amounts or make other changes | How flexibly can the different options adjust the timing and amount of payments? |

## COSTS

As in any project a balance needs to be sought between minimising costs and ensuring an effective and accountable delivery mechanism. In making comparisons between different payment options, the table below would provide a good starting point for comparing costs. Wherever possible agencies should benchmark costs against previous cash projects in that country of similar contexts.

It is also important to assess the costs of a potential delivery option from the perspective of the recipients receiving the cash. The main costs from a recipient perspective are time and cost of travel, waiting times and any charges. Generally, agencies seem to carefully consider the costs of the chosen mechanism for recipients.

## VULNERABLE GROUPS

When choosing and designing cash delivery systems, it is important to cater for vulnerable groups within the recipient group. For example, the elderly or ill may have mobility problems getting to distribution points. Children may not be able to receive money through systems using bank accounts, and women potentially face additional challenges. Previous experience shows that vulnerable groups are catered for fairly well in cash transfer projects through mechanisms such as allowing people to nominate people to collect cash on their behalf.

**Costs to consider**

| | **Cost type** | **Option A** | **Option B** |
|---|---|---|---|
| 1. | Internal costs (direct) | | |
| 1.1 | Staff | | |
| 1.2 | Transport | | |
| 1.3 | Training | | |
| 1.4 | Other | | |
| 2. | External costs | | |
| 2.1 | Bank charges | | |
| 2.2 | Security | | |
| | **Total costs** | | |
| 3. | Number of transfers | | |
| 4. | Total value of transfers | | |
| 5. | Total costs/number of transfers | | |
| 6. | Total value of transfers/total costs | | |

## THE PAYMENT SYSTEM

In making choices between different mechanisms for getting cash to people it is important for agency staff to understand the basic elements of what makes up a payments system. The key basic elements are described in the table below.

### Elements of payment process

| Elements of payment process | Risks | Options |
|---|---|---|
| **Creation of database of eligible beneficiaries** | • Incomplete register<br>• Inaccuracies<br>• Slow set up | • Involves collecting names and sometimes identity numbers, photographs, fingerprints or other biometrics<br>• Can be manual or electronic collection, eg, with a PDA or laptop |
| **Identification methods** | • Identity fraud<br>• Recipient lacks required documentation<br>• Slow process | • National IDs against government database, electoral rolls or other databases<br>• Identification by community members |
| **Method of authentication** | • Identity fraud<br>• Technology failure<br>• Recipient cannot operate technology (eg, forgets PIN) | • Visual authentication at point of payment, by community member or photograph<br>• Biometric on chip card read by reader, fingerprint or 'eyeballed'<br>• Barcode on card produced when identified<br>• PIN<br>• Password |
| **Currency** | • Invalid – unable to exchange for goods<br>• Theft | The value that can be exchanged for goods could be:<br>• Cash<br>• Voucher<br>• E-money |
| **Point of payment (PoP)** | • Fraud by merchant<br>• Lack of affordable accessibility – distance and opening hours | • Can be more or less flexible or convenient, depending on time and geography<br>• Can be at specified times or at any time<br>• Can be money in envelopes, mobile pay out machine, cards, mobile ATMs<br>• Can use existing infrastructure, which accepts request for payment, eg, PoS in agent, ATM, bank branch, mobile phone receiving voucher |
| **Reporting and reconciliations** | • Failure to follow up errors or fraud<br>• Failure to identify problems quickly<br>• Loss of funds/cards<br>• Inability to produce accurate and timely reports | • Automated or automated with delay (daily, weekly)<br>• Internet real time, including 'internet banking' control over process<br>• Card management inventory |
| **Promotion, training, communication, customer support** | • Recipients unable to receive funds due to lack of understanding, lack of confidence<br>• Distrust due to lack of transparency | • Call centre<br>• Aid agency personnel at pre-agreed points<br>• Banners, posters, leaflets, videos, etc. |

## Creation of database of eligible recipients

Any delivery mechanism requires the agency to create a database of eligible recipients. A paper-based database of eligible recipients and their identification details is cheap and robust but becomes a problem as the number of beneficiaries and payments increases. An electronic database allows for:

- Scalability: once it is set up, it is easy to add more records with a very small marginal cost or time.
- Disaster recovery back-ups on disks, servers, etc.
- Interface with other systems – eg, existing government programmes and banking systems.
- Data validation and standardisation of fields, which reduces input errors and duplication by the people doing the registration.
- Rapid centralisation of various parts or versions of the database to ensure completeness and lack of duplication of records.
- Reporting and monitoring of requests for payments and disbursements, facilitated by the ability to rapidly produce reports.
- Transparency of access (passwords) and audit trails, to improve controls.

## Identification and authentication

The registration process needs to create a unique link between the properly targeted person and a unique identifier for that person. Each of these is then linked to a form of authentication. Authentication is usually provided by something you have and something you know, such as a form of ID and a password. The authentication process seeks to ensure that the person requesting funds is indeed the properly registered person at the point of payment. Once this test is passed, the person can receive the funds. This can be done manually through members of the community, but wherever possible other options should be explored, including:

- official identification cards;
- agency issued ID cards;
- PIN numbers linked to prepaid cards;
- chips on smart cards;
- mobile phone SIMs; and
- passwords.

The automation of the authentication and payment process reduces opportunity for fraud and error. It provides a clear audit trail for the agency to monitor. It also allows for greater speed and flexibility in where and when payments can be made, which can provide greater convenience to the recipient. Once the technology has been set up, the operating costs and human resource requirements will be low on a per transaction basis. It is, therefore, appropriate for large-scale payments.

## Point of payment

This is the place where a recipient receives their cash. This could be at a traditional distribution centre where people have to gather at a set point on a set day. Wherever possible, however, alternatives should be explored. Options include banks, ATMs, mobile ATMs, and places such as shops where people can collect cash from nominated agents that have PoS devices.

## Reporting and reconciliations

Agencies need to be able to track and report on funds being disbursed. Any automation of registration and disbursement of funds will allow more rapid and accurate tracking of the flow of funds than will a manual system. Some systems will allow the agency to access reports in real time from a computer linked to the internet. The agency will want, at the very least, to be able to reconcile the funds that left their accounts with the total that has been received by each of the recipients. Ideally, the agency will also be able to see the funds that have been withdrawn (if there is a bank account or e-wallet) against the funds still in the account, in order to ensure that there have been no problems for the recipients in getting their money out. These reports should show activity at each point of payment so that any problems can be easily identified.

## Training and support

Recipients will need to be informed about the payment system being used, and whether a new technology being introduced requires recipients to have support and training in accessing it. The agency

and service provider must ensure that clear and appropriate training materials and support are provided. Systems should also be put in place to enable beneficiary feedback and complaints to be made and acted upon if problems arise.

### Monitoring and evaluation

The effectiveness of the payment system should be monitored to ensure that it is working smoothly and that people are receiving their money as planned. The payment system chosen should be evaluated against the assessment criteria (cost, speed, acceptability, flexibility, resilience, scalability) to ensure that lessons are learnt for future projects.

## SUMMARY OF ISSUES

The following table provides a summary checklist of key issues that should be dealt with in deciding on and in designing a cash delivery option. Some of these might be covered in initial rapid assessments and, ideally, during disaster preparedness and contingency planning exercises. Others would need to form part of the process of project design.

**Summary of issues**

| Key issues | Implications |
|---|---|
| **Environment of affected region** | |
| • Levels of security<br>• Level of corruption<br>• Roads (ability to travel by road)<br>• Communications – data and voice (availability and reliability of mobile phone coverage) | Electronic methods of sending payments become more attractive when roads and security are poor but communications are in place or can be repaired rapidly. In some cases directly delivering cash may remain the only solution. Resilience and reliability are key criteria for choosing a solution. |
| **Programme parameters** | |
| • Number of recipients<br>• Number of payments per recipient<br>• Rural or urban environment<br>• Dispersed or concentrated population<br>• Likelihood of need to replicate programme<br>• Likelihood of need to expand programme | The larger the number of payments and the likelihood of needing to increase its scale will increase the benefits of automation. Large numbers and replication will also justify the investment of the agency and the partner in technology. A dispersed population is more likely to benefit from the use of local agents and mobile phones to reduce their need to travel. However, there is less likely to be existing payments infrastructure in rural areas, and emergency points may need to be rolled out. |
| • Payments channels (existence of bank branches, ATMs, remittance agents, bank agents, government programmes)<br>• Money transfer businesses | Speed of deployment will usually be enabled by using existing and tested infrastructure managed by experienced partners. |
| **Partnerships** | |
| • Relationship with financial service providers<br>• Relationship with government<br>• Relationship with non-bank payments provider (remittance business, mobile operator, MFI)<br>• Relationship with other aid agencies with existing payments solutions/partnerships | There may be one or a few potential partners to be assessed. Government may be planning their own response. Assessment will be based on experience of prior relationship – eg, as corporate client, motivation for offering service, experience of similar projects, servicing similar market as well as offering price, functionality, service levels. Commitment of appropriate and adequate management and staff. |

*continued opposite*

## Summary of issues *continued*

| Key issues | Implications |
|---|---|
| **Acceptability to recipients** | |
| • Payments methods being used by recipients<br>• Level of financial inclusion – accounts, credit unions, micro-finance<br>• Preferences of recipients<br>• Levels of literacy and numeracy<br>• Level of ownership or access to mobile phones<br>• Costs to recipients (time, travel, fees) | Recipient acceptability will relate to their level of familiarity with the technology, sense of security and trust, level of convenience provided, value they feel they are receiving, available training and support. Important that recipients express their own preferences rather than assumptions made by agency or service provider. Different recipients may prefer different methods – eg, women, child-headed households, disabled people – which may need to be provided separately. |
| • Existing payment instruments available or experienced (payments cards, mobile payments, bank orders, vouchers)<br>• Existing appropriate products (low-cost bank account, electronic wallet on card or phone) | The existence of appropriate products that may need to be modified will increase speed of deployment, increase resilience, since systems already in place, and set benchmark for pricing for start of negotiation. It is not recommended that new methods are introduced without testing in a non-emergency environment. |
| **Registration requirements** | |
| • Regulatory requirements to issue payment instruments<br>• Partner's risk management requirements for identification and authentication | Information that will need to be collected from recipients for registration data base and how this will be done – eg, ID number, mobile phone number, photograph, biometric information.<br>What to do if normal requirements not available – eg, ID, fingerprints not readable. |
| **Contract negotiations: costs and operational standards** | |
| • Costs of services to agency as provided by partner: set up costs, method of pricing – eg, per recipient, per transaction, who receives interest earned on unpaid funds, providing SIM cards or phones, providing service to those who cannot be serviced by main solution | Benchmark to local payments products, experience of other agencies and government. |
| • Contract and service level agreement (SLA) agreed (criteria that can be used to compare different providers) | Time to deploy – issue cards, train merchants.<br>Roles and responsibilities: eg, registration, data cleaning, recipient training and support, recruiting and managing agents, security.<br>Disaster recovery and resilience of system.<br>Legal liabilities of each partner – who bears what risks?<br>Time to follow up errors, grievance procedures, re-issue lost cards, forgotten PINs, etc.<br>Communications to recipients: leaflets, call centre, roving staff, local committees, government officials.<br>Technology availability – uptime.<br>Frequency and content of reports provided and method of access to reports (electronic, manual, internet). |
| **Human resources** | |
| • Numbers of internal staff<br>• Agency staff training<br>• Recipient training<br>• Ongoing customer support | Back office and front line staff will need to be trained.<br>Recipients will need training in how they will access their funds, and support when they have problems. |
| **Communications from and to recipients** | |
| • Communication of how, when and where payments to be made<br>• Customer feedback | The choice of posters, leaflets, videos, radio, road shows, and meetings will depend on the environment and the preferences of the recipients. |

# ANNEX C: INTERVIEW TEMPLATE – AGENCY INTERVIEWS

## REVIEW OF CASH TRANSFER MECHANISMS – INTERVIEW GUIDE AND CHECKLIST OF KEY ISSUES

| **Date** | | **Interviewee** | |
|---|---|---|---|
| **No.** | **Key issue** | **Question** | **Answer** |
| 1. | Context | What is the location and context[1] of the cash project? | |
| 2. | Time period | Has the project been completed or is it current? | |
| 3. | Method of transferring cash | How was the cash transferred?[2] | |
| 4. | Frequency of payments | Was the cash transferred in a lump sum or in a number of payments? | |
| 5. | Stakeholders | What parties were involved in the cash transfer process?[3] | |
| 6. | Type of payment instrument | What type of payment instrument was used?[4] | |
| 7. | Assessment of delivery options | Were different options for delivery assessed? | |
| 8. | | If the answer to Question 7 is yes: how was the assessment carried out, what questions were asked, was any of the analysis documented? | |
| 9. | Time taken to identify and establish a cash transfer mechanism | How long did the process of identifying and establishing a cash transfer mechanism take? | |

*continued opposite*

[1] eg, drought, cyclone, earthquake, conflict, etc.

[2] eg, direct delivery by agency, direct delivery by sub-contracted private sector actor such as a bank or remittance company, government offices or other parastatal distribution points, indirect delivery via payment instruments to offices of the above or via other agency points.

[3] eg, agency plus bank or remittance company, etc.

[4] eg, debit cards, mobile phones, smart cards, prepaid cards, either linked to a bank account or a wallet, vouchers, cash in envelopes, etc.

| **Date** | | **Interviewee** | |
|---|---|---|---|
| **No.** | **Key issue** | **Question** | **Answer** |
| 10. | Costs of delivery mechanism for the agency | What were the costs of the chosen delivery mechanism for the agency in terms of:<br>• Charges by the provider (eg, % fee charged by a bank)?<br>• Set up costs charged by the provider?<br>• Staff time needed to set up and administer the mechanism?<br>• Transport costs?<br>• Security?<br>• Education and training? | |
| 11. | Costs of delivery mechanism for the recipients | What were the costs of the chosen delivery mechanism for the recipients in terms of:<br>• Any charges – eg, bank charges for individual accounts?<br>• Travel time and costs to and from where money is distributed or collected?<br>• Waiting times at the distribution points? | |
| 12. | Comparison of costs | How did these costs compare to other available cash mechanism options? | |
| 13. | Rating of delivery mechanism | How did the chosen delivery mechanism rate in terms of:<br>• Reliability – recipient ability to receive cash as expected?<br>• Resilience – ability of mechanism to cope with the disruption of a disaster and with changing circumstances – eg, more recipients, changing locations?<br>• Accountability – were there any corruption risks associated with the mechanism? If so, how were these dealt with?<br>• Security – did recipients feel safe while receiving the cash?<br>• Vulnerable groups – were there any issues particular to vulnerable groups (such as women, the elderly, children) associated with the mechanism? If so, how were these dealt with? | |
| 14. | Planned cash projects | Is the agency that implemented the programme planning any further cash projects? | |
| 15. | Re-use of delivery mechanism | If the answer to question 14 is yes: would it use the same delivery mechanism? If not, why not? | |
| 16. | Commercial providers | If the answer to question 14 is yes: has it identified any commercial providers that it is likely to work with? If so, which ones and why? | |
| 17. | | Are you able to provide any contact details of commercial providers you have worked with, or potential commercial providers you may work with? | |
| 18. | Contingency planning | Have you considered putting advance arrangements in place with potential cash delivery mechanisms as part of contingency planning for future responses? | |
| 19. | Contacts | Can you suggest any other contacts that you think would be useful for us to talk to? | |
| 20. | General | Any other comments? | |

# ANNEX D: INTERVIEW TEMPLATE – COMMERCIAL PROVIDER INTERVIEWS

## INTERVIEW GUIDE A – CHECKLIST OF KEY ISSUES – COMMERCIAL PARTNERS

| **Date** | | **Interviewee** | |
|---|---|---|---|
| **No.** | **Key issue** | **Question** | **Answer** |
| 21. | Experience | Has your organisation had previous experience with cash payments to victims after emergencies?[1] | |
| 22. | Future involvement | If the answer to Question 21 is no: would you be interested in possible future involvement? | |
| 23. | Time period | If the answer to Question 21 is yes: please describe this experience. Is this experience historic (eg, a completed project) or ongoing? | |
| 24. | Method of transferring cash | If the answer to Question 21 is yes: how was the cash transferred?[2] | |
| 25. | Frequency of payments | If the answer to Question 21 is yes: was the cash transferred in a lump sum or in a number of payments? | |
| 26. | Stakeholders | If the answer to Question 21 is yes: what parties were involved in the cash transfer process?[3] | |

*continued opposite*

[1] If the answer is no, proceed to Question 6.
If the answer is yes, continue to Question 3 and when you get to Question 8 onwards, adapt the question to also examine the existing/past experience within the organisation. (See suggested questions in italics within each of the relevant questions)

[2] eg, direct delivery by agency, direct delivery by sub-contracted private sector actor such as a bank or remittance company, government offices or other parastatal distribution points, indirect delivery via payment instruments to offices of the above or via other agency points.

[3] eg, agency plus bank or remittance company, security company, strategic partners possibly in other countries, etc.

| **Date** | | **Interviewee** | |
|---|---|---|---|
| **No.** | **Key issue** | **Question** | **Answer** |
| 27. | Delivery points | Does your institution have existing delivery points in potential needy areas and if so can you provide a map showing them? | |
| | | If not how would you roll them out rapidly and robustly? | |
| | | What would need to be in place in terms of infrastructure, partnerships, etc, for the solution to be workable? | |
| | | Do you already have the required technology or would you need to implement or adapt, and how long would this take? | |
| 28. | Role | How would you see your role and how would you deliver cash to disaster survivors in a given context? (eg, in addition to the core business, would you see a role in, for example, fraud controls, security, training, IT, management reports, communications and reconciliations?) | |
| 29. | Type of payment instrument[1] | What type of payment instrument could be used to provide cash payments in emergency contexts? | |
| | | Are these payment instruments already in place or would there need to be any further development and, if so, what would be the time and cost implications? | |
| | | *(Where previous experience exists, what type of payment instruments were used?)* | |
| 30. | Reporting | What reports would you be able to provide to an aid agency, and within what time period? For example, reconciliations of money received and money withdrawn, money in wallets. | |
| | | *(Where previous experience exists, what type of reports were provided?)* | |
| 31. | Assessment of delivery options | What would the criteria for selection of the solution be in terms of delivery points and payment instruments? | |
| | | *(Where previous experience exists, what was the process for assessing delivery options?)* | |
| 32. | Communication | Does your institution have experience of communicating effectively with this market segment to explain how to use the selected payment channels?[2] | |

*continued overleaf*

[1] eg, debit cards, mobile phones, smart cards, prepaid cards, either linked to a bank account or a wallet, vouchers, cash in envelopes, etc.

[2] eg, does the institution have experience of financial literacy training in order to be able to effectively explain the use of the selected payment instruments to the recipients?

| **Date** | | **Interviewee** | |
|---|---|---|---|
| **No.** | **Key issue** | **Question** | **Answer** |
| 33. | Costs of delivery mechanism for the aid agency (allocation of roles and responsibilities) | How would you structure your charges to an aid agency for the delivery of cash? | |
| | | What would the costs of the chosen delivery mechanism for the aid agency be in terms of:<br>• Charges by the provider (eg, % fee charged by you)?<br>• Set up costs charged by you?<br>• Security?<br>• Education and training? | |
| | | What would you see as a reasonable % benchmark in different contexts? | |
| | | *(Where past experience exists, what were these costs/ how were charges to aid agencies structured?)* | |
| 34. | Costs of delivery mechanism for the recipients | How would you structure the charges for this service? What would the costs of the chosen delivery mechanism for the recipients be in terms of:<br>• Any charges – eg, bank charges for individual accounts?<br>• Travel time and costs to and from where money is distributed or collected?<br>• Waiting times at the distribution point? | |
| | | *(Where previous experience exists, what were these costs?)* | |
| 35. | Basis for costs | How would these costs relate to other payments services you offer? Eg, to pensioners, mass market. | |
| 36. | Cost containment | How could we work to minimise costs? Eg, upfront investment, involvement of strategic partners, outsourcing. | |
| | | Would you be willing to waive charges on personal accounts? | |
| 37. | How would your solution rate in terms of the following criteria? | How would the proposed chosen delivery mechanism rate in terms of:<br>• Reliability – recipient ability to receive cash as expected?<br>• Resilience – ability of mechanism to cope with the disruption of a disaster and with changing circumstances, eg, more recipients, changing locations?<br>• Accountability – corruption risks associated with the mechanism?<br>• Other control issues?<br>• Security – safety of recipients while receiving the cash?<br>• Vulnerable groups – any issues particular to vulnerable groups (such as women or children) associated with the mechanism? | |
| | | *(Where previous experience exists, how did the chosen delivery mechanism rate in terms of the above criteria, and where there were any challenges, how were these dealt with?)* | |

*continued opposite*

| **Date** | | **Interviewee** | |
|---|---|---|---|
| **No.** | **Key issue** | **Question** | **Answer** |
| 38. | Organisational | Does your institution have a specific function or department that would handle such a function? Would this be at the country, regional or other international level? Where would the initial entry point be for an agency to enter into discussions with your institution? | |
| 39. | Form of relationship | Would you see this as an ad hoc project or as a possible ongoing relationship with one or more aid agencies on a regional or multi-country basis? If long term, what additional value add could you provide in terms of, say, contingency planning, improved pricing as a preferred supplier? | |
| 40. | Rapid delivery | What would you see as the most effective way of speeding up the delivery of cash to recipients after an emergency? | |
| 41. | Motivation | What would be the motivation for your organisation to be involved in this business? | |
| | | Are there certain contexts where you see particular potential for involvement? | |
| 42. | General | Any other comments? | |

# ANNEX E: INTERVIEW TEMPLATE – INVESTORS/INDUSTRY ASSOCIATION INTERVIEWS

## INTERVIEW GUIDE B – CHECKLIST OF KEY ISSUES – ORGANISATIONS THAT HAVE A RELATIONSHIP WITH MULTIPLE COMMERCIAL PROVIDERS (EG, AS AN INVESTOR OR INDUSTRY ASSOCIATION)

| **Date** | | **Interviewee** | |
|---|---|---|---|
| **No.** | **Key issue** | **Question** | **Answer** |
| 43. | Experience | Have any of your investees/partners/members had previous experience with cash payments to victims after emergencies? | |
| 44. | Future involvement | If the answer to Question 43 is no: would you be interested in getting involved in the future? | |
| 45. | Time period | If the answer to Question 43 is yes: has the project been completed or is it current? | |
| 46. | Method of transferring cash | If the answer to Question 43 is yes: how was the cash transferred? Delivery points, instrument, technology, partnerships, etc. Brief description. | |
| 47. | Contacts | Can you suggest any institutions we can talk to about their experiences and/or possible future interest? | |
| 48. | Relationship | How would you suggest that aid agencies should work with your organisation or your investees/partners/ members in order to develop robust, cost effective and rapidly deployed solutions? | |
| 49. | Role of investor/ industry organisation | What role do you see your organisation being able to play – referral, investment, specific skills, support to investee re additional capital, technical assistance – or even to other partners with whom you do not have an existing relationship, etc? | |
| 50. | Cost containment | Do you have ideas on how we could work to minimise costs? For example, upfront investment, involvement of strategic partners, outsourcing. | |

*continued opposite*

| **Date** | | **Interviewee** | |
|---|---|---|---|
| **No.** | **Key issue** | **Question** | **Answer** |
| 51. | Organisational | Does your institution have a specific function or department that would handle such a function? Would this be at the country, regional or other international level? Where would the initial entry point be for an agency to enter into discussions with your institution? | |
| 52. | Form of relationship | Would you see this as an ad hoc project or as a possible ongoing relationship with one or more aid agencies on a regional or multi-country basis? If long term, what additional value add could you provide in terms of, say, contingency planning, improved pricing as a preferred supplier? | |
| 53. | Rapid delivery | What would you see as the most effective way of speeding up the delivery of cash to recipients after an emergency and what role could your organisation play? | |
| 54. | Motivation | What would be the motivation for your organisation to be involved in this business? | |
| 55. | General | Any other comments? | |

# GLOSSARY OF TERMS

**Acquiring infrastructure**
This is the infrastructure that can read and authenticate the card or password provided by the client requesting payment. This includes PoS, ATMs and mobile phones with merchant applications.

**Authentication**
Authentication is the process of verifying a person's identity. In payments systems this is usually done by asking for a password or Personal Identity Number (PIN) and, if the person is physically present, sometimes a payments card or ID book. When the customer is not present there is a trend to ask for an additional password sent to their mobile phone (thus combining something they have with something they know).

**Closed loop**
This is a system in which the institution that issues the payment card is always the same institution that provides the acquiring infrastructure. The card or password can only be used on the acquiring infrastructure of that one institution.

**E-wallet**
This is the software that resides on a smart card or mobile phone SIM card, and holds or can receive electronic cash and a digital signature.

**E-money**
E-money, also known as digital cash, is currency that can only be exchanged electronically. A successful example of this is the use of the Oyster card on the London Underground.

**Know Your Customer**
This usually refers to the information that the local regulator requires banks to collect about any potential new customer in order to discourage financial products being used for money laundering or other crimes. Some countries allow banks greater flexibility than others as to the source of this information, and some countries allow lower levels of information for accounts that they deem to be 'low risk'.

**Mobile payments**
These are payments initiated from a mobile phone that need not necessarily involve a bank account. Typical usage entails the user electing to make a mobile payment, being connected to a server via the mobile device to perform authentication and authorisation, and subsequently being presented with confirmation of the completed transaction.

**Mobile banking**
Mobile banking is the ability to access a bank account and conduct transactions using a mobile phone as the channel. Functionality varies from getting an account balance to paying bills or sending money to someone else who may or may not have a bank account.

**Magstripe card**
A magnetic stripe card is a type of card capable of storing data by modifying the magnetism of tiny iron-based magnetic particles on a band of magnetic material on the card. The magnetic strip is read by physical contact and swiping past a reading head. Credit and debit cards comply with international standards so that they can be used on the acquiring infrastructure of all participating institutions.

**Smart card**
A smart card contains a 'chip' with memory and is typically used to hold customer account information and a 'balance' of money, similar to a checking account. The card is inserted into a device that can 'read and write to' it, updating information appropriately. A proprietary smart card has information that can only be read by devices containing software provided by the smart card system vendor. Therefore, the customer is tied in to one hardware and software provider and the end user can only use their cards on a limited infrastructure of card readers.

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# DELIVERING MONEY

## CASH TRANSFER MECHANISMS IN EMERGENCIES

Aid agencies and governments are increasingly using cash provision as a mechanism to provide relief to people after disasters. Nevertheless, it is a relatively new approach.

This report looks at the lessons learned so far, and provides guidance for project managers who need to decide how best to deliver cash to people. The research is based on a literature review; project documents; and interviews with aid agencies, donors, commercial providers and investors.