ANNEX 4
OF THE MULTIPURPOSE CASH GRANT TOOLKIT:

Common Delivery Mechanisms
After identifying the best delivery mechanism, can delivery be more user-friendly and cost-efficient if we deliver together?

**What it is**

As the administration, management and technologies for Common Delivery Mechanisms (CDMs) are rapidly evolving, this section is meant to assist those agencies considering CDMs and describe some of the different models tried thus far. It assumes a basic knowledge of delivery terminology, technologies and tools. While the toolkit focuses on the delivery of cash rather than vouchers, a common “platform” has also been used to deliver cash and e-vouchers; as such, this advice will refer to possible linkages with delivery technologies that can accommodate both.¹

**Principles**

The decision to use a CDM needs to be driven by principles and an assessment of appropriateness and feasibility. Core principles include:

- Starting with an intent to make delivery services available to a larger number of agencies.
- Timeliness.
- Cost-efficiency and cost-effectiveness gains in line with scale and number of participating agencies.
- User-friendliness from both a beneficiary and agency perspective.
- The ability to meet agency and donor accountability, traceability and reporting requirements.

It is better to start together, but practically this is not always possible, as agencies have different start-up times, capacities, etc. However, if the agency which starts negotiating financial services does so with the intention of ensuring that others can benefit from the same service, this can help to avoid problems of duplicating or retrofitting services later on.

Estimating the cost-efficiency or cost-effectiveness of CDMs resembles cost-comparisons for other financial services, with some additional costs to consider. The basic assumption is that by working together, agencies can both achieve economies of scale and reduce start-up and recurrent costs, including negotiating better rates with service providers. Distinguish between agency-specific and shared costs. Essential costs to consider include:

- **Costs associated with using the same delivery mechanism**, e.g. one card,² that would normally be included in commercial contract(s) – such as cost of ATM cards, SIM cards, mobile phones, etc., uploading and withdrawing funds, the relative cost of one wallet versus multiple wallets if necessary, and the relative cost of having both ATM and POS capacity if required.³

- **Costs associated with managing the service**, e.g. administrative costs, including the cost of the FSP, single agency or multiple agencies managing data, data transfer, card issuance and management including replacement, and reporting. Programme costs, including the division of responsibilities that are not administrative and may include card distribution, cardholder verification, complaints and grievances, and monitoring.

¹ There is an ongoing discussion on all forms of digital delivery of humanitarian assistance, beyond MPGs. A more detailed synthesis of alternatives and comparison of delivery models, as well as the appropriate staging (crisis-recovery-development) is beyond the scope of this toolkit, not least as the humanitarian community is still in the experimental stage.

² Using mobile technologies, this may not be a card but rather a SIM-based account.

³ The costs incurred for e-transfers are detailed in CaLP (2013) E-transfers in emergencies: implementation support guidelines. See Resources for link.
Costs to beneficiaries. This considers both user-friendliness and ease of use from a technological perspective, and any costs borne by the beneficiary, including time and money. Consider the beneficiary’s perspective. In some cases, they may prefer a single delivery mechanism (be it a phone or a card) rather than several. In other cases, they may prefer having more than one delivery mechanism or more than one card, which may mitigate risk if, for example, a card is lost or not functioning.4

Cost-effectiveness analysis will most often be carried out retrospectively, but will include any demonstrable gains in reducing duplicate direct, administrative or programme-related costs, and any gains in increasing coverage, timeliness, reducing duplication in the provision of cash benefits, etc. It should also consider any losses due to potentially reduced flexibility of individual approaches.

Current accountability, traceability and reporting requirements are being challenged by the increasing use of cash-based interventions, not least of MPG. Innovative approaches using consortia, wallets, first-in first-out accounting principles (Box 2) are being experimented with.

**Essential Checklist**

**Is a CDM appropriate?** The decision to use a CDM should be made based on its appropriateness and not just because it is feasible. The decision as to whether a CDM is appropriate will be based in part on information from the Needs Assessments and Response Analysis (See Part 1 Situation and Response Analysis). It assumes the following:

- Unrestricted (multipurpose) cash is an appropriate cash modality to meet humanitarian objectives.
- Multiple agencies would employ this cash modality.
- The targeting strategy involves identifying individuals by name and other personal information, allowing for a unified beneficiary list.5
- The scale and duration of the intervention would result in efficiency and effectiveness gains if a CDM is used.
- There are no other programme objectives or design constraints that would make a CDM inappropriate, e.g. the use of conditionality, specific beneficiary privacy concerns, etc.

**Is a CDM feasible?**

Service providers should be capable of meeting the technical, legal, administrative and other procedure-related requirements for a delivery mechanism that is capable of accommodating multiple client-agencies and their donor requirements.6 There are several good macro and micro payment service provider assessment tools (see CaLP website). The combined agency and donor requirements should be defined from the beginning, ideally informing a joint tender or request for proposals (see examples below).7 Other compatibility or feasibility issues that must be considered from the outset include6 integrated or interoperable beneficiary information systems, common risk management strategies including data protection, and/or common monitoring systems.

Agencies should agree on payment of indirect support costs and other agency-specific overheads. This is particularly an issue where one agency manages the funds of another (commonly known as “pass through”)

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4 Lesson learned from the joint cash/voucher pilot in Lebanon (NGO Consortium, personal communication).
5 Even if different beneficiaries receive different amounts.
6 A detailed Micro Financial Sector Assessment would also take into consideration security requirements.
7 Alternatively, if an agency’s procurement procedure meets minimum standards, other agencies may be able to “piggyback” or use the same procurement outcome, e.g. sign up to the same terms and conditions without duplicating the process.
8 Programming issues of determining transfer value, rationalising the cash pipeline and beneficiary list, etc. are not considered here as these are not directly relevant to the service provider but may be a function of a platform manager if such a model is chosen.
or “contribution”). A good starting point for joint initiatives is defining what is called “terms of engagement” (see Box 3). These are not binding, but they put in black and white the negotiable and non-negotiable terms of working together.

**BOX 1. LESSONS (BEING) LEARNED**

Where CDMs or bulk payment products already exist, working with these services rather than in parallel has multiple benefits, e.g. reinforcing government safety net programmes, avoiding potentially negative consequences of competition for facilities such as ATMs, and facilitating quicker start-up.

When a CDM does not exist and a new product must be designed, experience thus far has demonstrated that it is easier to start together than to retrofit an existing service, because services and contracts negotiated by one agency may not meet the programme needs and administrative or financial requirements of others. Issues encountered included the addition of “wallets” and different payment mechanisms, for example point of sale (POS) versus ATM cards.

Developing bespoke services is easier (and less expensive) when the FSP owns and manages the distribution outlets.

If multiple agencies are considering CBIs at scale and demand is not coordinated, this can overwhelm existing capacity. The Logistics Cluster is developing tools for assessing aggregate demand and supply for payment services.

It is important to think beyond the lifespan of one agency or discrete programme. Specify who is the card “owner” (bank, account holder, card holder, etc.) to ensure that card and card services (e.g. issuance, replacement, cancellation) remain operational even if the card “manager” phases out. Specify what services will continue at what cost, and who will pay.

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9 Based on lessons being learned in Lebanon, Jordan, Egypt, Nepal and the Philippines.

10 Or “high volume payment mechanisms” – products that allow payments from one payer to multiple recipients. A CDM might use a bulk payment product.

11 Based on experience in Lebanon, Jordan and Egypt. However, continuous experience and evaluation will influence the final guidance on this issue.
BOX 2. MINIMUM STANDARDS FOR JOINT PAYMENT SERVICES IN LEBANON

- Any common payment services must respect agencies’ legal and financial rules and requirements, e.g. management of bank accounts, transaction instruction, the use of power of attorney, etc.

- Any common services, processes and procedures need to be clearly defined and validated to ensure they can produce accurate and complete accounting transactions compatible with agency and donor requirements and regulations. In most cases, this includes full traceability to meet financial reporting accounting and audit requirements, including reconciliation. Specific information required includes reporting on the number of transfer payments uploaded/available for collection at the due time, the number of payments uploaded/available but not collected by beneficiaries, and analyses of repeatedly uncollected payments.

- Agencies will provide transparent, full-cost reporting, e.g. costs charged by payment service provider including card issuance, uploads, withdrawals, any other costs, and any cost incurred by other intermediaries (e.g. the “platform manager”) such as staff and investment in hardware and software.

- Beneficiary information management both within agencies and between agencies and payment service providers must respect minimum standards in data privacy and agencies’ data-protection policies. This includes pre-defined data-sharing rules such as codes for anonymisation, data transfer protocols, e.g. a virtual private network12 or host-to-host communication, electronic signatory procedures for bank instruction and, if possible, encryption.

- A functioning grievance and complaints system exists in relation with the utilisation of cards, roles and responsibilities are well-defined, and capacity is guaranteed.

- A monitoring and evaluation framework exists that tests the assumptions of cost-efficiency and cost-effectiveness.

Select the CDM from different options, documenting the rationale and assumptions. There are several models being experimented with for common delivery of CBIs. These include:

**Bank-managed:** The same service provider providing several commercial contracts on the same negotiated terms, unless different services are provided (e.g. POS versus ATM). In this case, while a single entity “owns” the card (bank, account holder or card holder), the banking instructions and accounts are agency-specific.

**Agency-managed:** One commercial contract and several implementing partner contracts. This arrangement is also known as “pass through”. In this model, a lead agency owns a “common account”, is the designated liaison with the bank, and manages the banking instruction and cards, including authorising replacements, on behalf of many agencies.13

**Government-managed:** In some countries, governments provide payment services to pay civil servants or to provide social services such as cash safety nets to the poor. Agencies may contract governments to provide relief, often to disaster-affected persons.

In all cases, it is important to clarify in the contractual arrangements who assumes the risk for contracting a given service provider, particularly if the service provider is unable to fulfil its responsibilities or is involved in fraud and corruption.

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12 A virtual private network (VPN) extends a private network across a public network, such as the Internet. It enables users to send and receive data across shared or public networks as if their computing devices were directly connected to the private network, and thus are benefiting from the functionality, security and management policies of the private network.

13 See the example of Occupied Palestinian Territories and Lebanon.
BOX 3. EXAMPLE OF TERMS OF ENGAGEMENT BETWEEN MULTIPLE AGENCIES AND A THIRD PARTY SERVICE PROVIDER

1. System must be able to calculate fees and any remaining balance returns for common wallets. first-in-first out (FIFO) accounting standards will be used. 

2. Validation and identification of the funding entity by individual transactions:
   - Uploading individual transactions for each user (inbound).
   - Downloading individual transactions for each user (outbound).
   - Individual attribution of fees and charges to each user, based on individual transactions and differentiating payment modalities of ATM, POS and other electronic transactions.

3. Transactional data on the project must allow for detailed analysis and required audit record-keeping. This includes:
   - Ability to identify card’s status.
   - Ability to identify card balance.
   - Analysis for better refugee protection.
   - Analysis for better negotiations for future similar projects.
   - Analysis and detection of fraud-like behaviour.

4. Ability to receive reports on a daily basis to identify and respond to any problem as soon as it arises, with a maximum of one-day delay, and to have up-to-date records. Reporting includes transmission of transactions and card status reports that allow for matching and reconciling the case number with the card number.

5. Use hash SHA-256 minimum in any communication, report, file-sharing and authorisation letter among the participating agencies and the bank. Using hash match will guarantee that the files shared and the files processed are exactly the same. This will protect the system from human error and/or intervention and will be an essential part in solving any dispute.

6. Clear segregation of duties (e.g. between user receiving reports and users uploading files).

Define standard operating procedures (SOPs).

SOPs for a CDM should include specifics on procedures such as:

- Enrolling beneficiaries, including using biometrics if appropriate.
- Opening accounts, signatories, etc.
- Ordering and issuing individual phones/cards/accounts and PINs.
- Distribution of phones/cards/account information and PINs.
- Providing banking instruction and precursor steps for a unified banking instruction.
- Defining “unusual activity” (withdrawal limits, etc.).
- Defining “inactive accounts” and “unclaimed funds”, and SOPs for notification of beneficiary, closure of accounts and reclamation of funds.

14 See UNHCR, Cash Section (hqcash@unhcr.org) for examples
16 The SHA (Secure Hash Algorithm) is one of a number of cryptographic hash functions. A cryptographic hash is like a signature for a text or a data file. SHA-256 algorithm generates an almost-unique, fixed size256-bit (32-byte) hash. Hash is a one-way function – it cannot be decrypted back. See E-Lan for tip sheet on encryption.
ANNEX 4: COMMON DELIVERY MECHANISMS

- Cancelling cards/accounts.
- Account/card management, including lost cards and reissuing cards.
- Procedures for reclaiming and reimbursing uncollected funds.
- Type and periodicity of activity reporting and tracking, receipt and redistribution.
- Contingency planning and triggers for when a switch between different payment modalities is necessary, e.g. cash versus e-vouchers, phone versus ATM versus teller-based withdrawals, etc.

Monitor the effectiveness of the approach. A monitoring and evaluation framework should be established to determine cost-effectiveness, efficiency and user-friendliness of the CDM. If the CDM is implemented by multiple agencies from the beginning, a transition from single agency to multiple agencies is being made, or an existing service provision is being retrofitted, information should be collected at baseline and then periodically. If the CDM includes mixed modalities (e.g. one card provides both MPGs and e-voucher assistance), it is essential to be able to disaggregate the data between the two modalities for accountability and reporting purposes. Other possible indicators for monitoring performance include:

Cost and time necessary to set up agency-specific arrangement versus CDM. Take particular note of any cost savings achieved through economies of scale. Time considerations should include not only time for determining and signing contractual obligations of all parties concerned, but also time for finalising banking instruction, distribution of cards, uploading cards and dealing with problems, e.g. replacement of lost cards, etc.

Percentage of beneficiaries satisfied with CDM arrangements: Utilisation of card, ease of using separate wallets (if relevant), accessing funds, time savings/convenience, resolution of problems, intra-household use of card, intra-household decision-making regarding use of funds, etc.

Percentage of agency staff satisfied with CDM arrangements: Division of responsibilities between agencies, timeliness of delegated tasks, satisfaction with design and satisfaction with partner performance (agencies, payment service providers, etc.).

Define the exit strategy. What to do with card or account once programme is over? Often in humanitarian settings, the programme exit strategy or phase-out of a programme is overlooked at the beginning. The same can be true for payment mechanisms. However, payment systems offer enormous advantages in that they can promote financial inclusion and more equitable relationships between FSPs and recipients. Similarly, if existing public services can be reinforced during emergencies through capacity building of government entities, this will benefit all parties (agencies, governments and civil society) in both emergency and non-emergency contexts. Agencies can promote the sustainability of CDMs by including financial inclusion indicators in the FSP selection process, as well as anticipating when and how the exit and handover process can take place. This will also influence the analysis of cost efficiency and effectiveness.

RESOURCES


E-transfers learning network (E-Lan)