

**A JOINT UNHCR-WFP PROJECT**

# MITIGATING RISKS OF IMBALANCE OF POWER IN CASH ASSISTANCE IN RWANDA

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This document outlines lessons learned from a joint UNHCR-WFP project in Rwanda aimed at identifying and mitigating the risks of imbalance of power in cash assistance. The cash transfer mechanism reviewed during the project was a bank card, proposed to the overwhelming majority of refugees receiving cash assistance.

Conducted in March 2019, the UNHCR-WFP mission engaged a wide range of stakeholders, including financial service providers (FSPs), the central bank and other government entities, the national payment switch, development actors, and humanitarian organisations. The UNHCR-WFP mission held consultations in Kigali and with cash recipients in Gihembe and Kigeme refugee camps where both agencies operate.

The key findings were discussed at a roundtable at the end of the mission. They include:

- Ensure cash recipients maximise the purchasing power derived from their cash assistance
- Enforce agent compliance with transaction protocols and code of conduct
- Foster competition between traders
- Improve overall communication on cash assistance
- Strengthen the complaint and feedback/response system
- Promote diversification of transactions including promotion of access to financial tools, and
- Strengthen opportunities for financial inclusion



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While humanitarian agencies have put in place strong processes to support cash transfers to vulnerable groups, specific risks associated with interacting with FSPs and their agents can still arise. During a workshop between humanitarian actors and FSPs, some of these risks were mapped throughout cash recipient user journey.

## EXAMPLE OF USER-JOURNEY WITH A BANK CARD

	1	2	3	4
Step	<b>Awareness raising:</b> <ul style="list-style-type: none"> <li>The cash recipient is informed about the specific features of the card, etc.</li> </ul>	<b>Account opening:</b> <p>The cash recipient is:</p> <ul style="list-style-type: none"> <li>Issued an activated card</li> <li>Sensitised that this is an ordinary debit card (e.g. Visa/Mastercard)</li> <li>Handed out communication material on the card</li> </ul>	<b>Credit the account:</b> <ul style="list-style-type: none"> <li>The humanitarian agency transfers cash on the account of the cash recipient who receives an SMS notification and further sensitisation</li> </ul>	<b>Transactions:</b> <ul style="list-style-type: none"> <li>The cash recipient can either cash out his/her entitlement from an affiliated agent or purchase goods using the card</li> </ul>
Risks	<p>Do I understand the information well?</p> <p>- Wrong information</p>	<p>Can I trust this card?</p> <p>Resistance to use the card due to lack of familiarity with the card</p> <p>Who is registered as the household representative? Is there an alternate registration?</p>	<ul style="list-style-type: none"> <li>Erroneous information due to false homonyms.</li> <li>Household conflict over deciding on how to spend the cash entitlement. Disagreement on how to use the money</li> <li>Sharing PIN in the household and with the agent, possibly others- who could assist the refugee in withdrawing</li> <li>Disempowerment of men, particularly those with no other source of income.</li> </ul>	<ul style="list-style-type: none"> <li>Sharing PIN with the agent</li> <li>Misuse of the card by agent</li> <li>Theft or loss of the card that precludes access to the entitlement until it is replaced</li> <li>Bias from provider</li> </ul>
Aggravating factors	<p>Resistance to change</p> <p>Dependence on the humanitarian assistance</p>	<p>Low level of understanding of digital transactions</p>	<p>Illiteracy (I don't know when the money has arrived)</p> <p>Unpredictability of the disbursements times of cash for NFIs</p>	<p>Use of the card as collateral by the agent when debts are contacted and the high interest rates charged.</p>

## 1. ENSURE CASH RECIPIENTS MAXIMISE THE PURCHASING POWER DERIVED FROM THEIR CASH ASSISTANCE THROUGH FINANCIAL EDUCATION AND COMPLEMENTARY PROGRAMMES

- Unrestricted cash assistance is provided indiscriminately to all refugees to cover basic food and non-food needs. However, recipients have developed transactional habits that gradually deplete the purchasing power of their cash entitlement. Due to competing basic needs, recipients use the cash assistance they receive from humanitarian agencies to cover additional needs to the ones originally intended be catered for. Then, to cover their food needs during any given month, they will at some point purchase food (at a higher price) on credit. To build a relationship that they can later leverage to access food on credit if needed, cash recipients tend to always go to the same agent/trader, even if it means paying a higher price. When the cash assistance arrives on their account, the first thing they do is to set off their debt. In the case of cash for food (or energy) assistance, they then spend the remaining amount at once at the agent/trader on staple foods. Some refugees have commented during focus group discussions, when they need cash, they would then resell part of these staple foods at a lower price on the local market. Cash recipients engage in this behaviour because it enables them to use the earned cash to cover needs beyond food. However, there is a gradual loss in value, which ultimately risks jeopardising the intended nutritional intake expected from the initial cash transfer. It is imperative to continue providing cash recipients with recurring financial education and increasing their awareness of their customer rights (access to cash or goods when they want and where they want). Indeed, with more efficient financial management, the cash assistance they receive may last longer than is now the case. This can be done through champions and training of trainers. The periodical national financial education campaigns of the National Bank of Rwanda can be capitalised upon, in addition to the existing financial literacy initiatives promoted by development actors in Rwanda such as the United Nations Development and Capital Fund (UNCDF).
- Humanitarian agencies could enhance activities and continue to strengthen partnerships already in place aimed at providing refugees with livelihoods opportunities so that they may be able to cover their needs for the entire period, diversify their income sources and no longer resort to purchasing goods on credit from traders-agents. This will also support the ambition of the Ministry in Charge of Emergency Management (MINEMA) to make all refugees self-sufficient.
- Community-based savings and loans channels could be streamlined, supported and linked with formal structures so that they deliver higher return for their members. Over time, the poor social performance of these informal groups may undermine the financial gains derived from participation.

## 2. ENFORCE AGENT COMPLIANCE WITH TRANSACTION PROTOCOLS AND CODE OF CONDUCT

- Continuous awareness raising with cash recipients around the options of withdrawing cash transfers in several instalments and of using different traders is recommended. This, combined with more awareness around basic household economy training and awareness around project objectives (such as nutritional objectives) may contribute to a more efficient use of transfers at household level, and ultimately yield better effectiveness towards programme objectives. Indeed, the benefit of having access to a debit card on which value can be stored is to allow recipients to spread purchases over time and to diversify expenditure in accordance with the type of assistance received.
- All actors must promote the application of responsible finance principles and reward strong customer service. Attention must be paid to continuously ensuring the safety of the payment instruments. For example, bank cards should not be used as collateral to obtain credit from an agent and the practice of PIN disclosure to the agent must be avoided. Humanitarian agencies could consider including humanitarian code of conduct principles in their contract with FSPs. Humanitarian agencies and FSPs should then collaborate to ensure these principles are disseminated during the periodical agent training sessions organised by FSPs.

- FSPs must be prepared to apply sanctions on non-complying agents (including contract termination). In this context humanitarian agencies have a role to play in monitoring agent behaviour including through regular assessments.

### 3. FOSTER COMPETITION BETWEEN TRADERS

- In a given market, competition promotes the provision of high-quality products and customer service. Because cash assistance recipients represent a captive audience, if there are limited alternatives in and around the camps, agents can take advantage of this situation. FSPs must continuously ensure there are enough agents to support the cash assistance programme. This will ensure that time spent at the agent for making transactions is kept to a minimum.
- FSPs must equip their agents and build the capacity to offer more financial services beyond the existing ones. Deposit taking, capped-value funds transfers and other options can be offered to afford cash recipients greater financial inclusion. As mentioned above, the more different types financial transactions cash recipients are allowed to carry out the more they build their formal financial capabilities.
- Humanitarian agencies are encouraged to continue their market price monitoring activities carried out regularly to protect cash recipient against inflation in the camp and price fixing.
- Humanitarian agencies are also encouraged to continue their collaboration with traders to optimise their supply chain management to reduce prices for customers.

### 4. IMPROVE COMMUNICATION ON CASH ASSISTANCE

- Humanitarian agencies should continue to keep cash recipients regularly informed of their entitlements for assistance and of disbursement times so that unpredictability of assistance does not lead to negative coping strategies.
- Continuous sensitisation will raise awareness of cash recipients on the potential benefits of having bank accounts. For example, communication about assistance should emphasise that the bank card is first and foremost a financial instrument linked to a bank account and not just an entitlement card and that both the card and the PIN are personal and should never be given to anyone else (thus, leaving the card as collateral with traders or disclosing PIN to agents/traders should be discouraged). Financial literacy can also be improved through financial education and training. In particular, to support awareness raising on the financial inclusion opportunities afforded to cash recipients by the bank card, its very design may need to be rethought. While on one hand, branding the card with humanitarian logos afford them financial access with special provision (preferences as refugees), this branding on the other hand reinforces mental association with assistance provision. Offering cash recipients the same financial instrument as other customers can possibly go a long way in making them feel like any other customer.
- Humanitarian agencies and FSPs should work together to increase awareness of cash recipients on the suite of financial services available to them (bank, mobile money, savings groups, etc.). There is a need to ensure that there is enough contact time between the bank and cash recipients during the registration process so that the latter can better familiarise themselves with the specifics of the card and its associated accounts.

## 5. STRENGTHEN THE COMPLAINT AND FEEDBACK/RESPONSE SYSTEM

- Communication efforts are best supported by a strong complaint and feedback/response system, which cash recipients trust and can access easily. While, humanitarian agencies already have complaint and feedback mechanisms in place, to make the process slimmer and smoother, coordination is recommended between the feedback and response systems of humanitarian agencies and the customer helpline of FSP for transactional and protection issues regardless of the type of assistance received (for food or for NFIs). Special needs groups such as youths and accompanied minor should be given dedicated service to ensure appropriate lodging and resolution of complaints (in line with the application of the Age, Gender and Diversity (AGD) approach).
- FSPs should invest more in customer service to speed up issue resolution. In particular it is recommended that interactions between refugees and FSPs be improved. For example, there should be clear communication on the visiting times of FSP representatives at the camps. One cash recipient commented on the positive impact of resolving an issue by speaking directly with the FSP. The type of complaints, their rate and speed of resolution should all be tracked and communicated back to cash recipients.

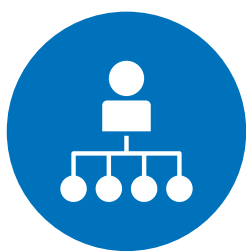
## 6. PROMOTE DIVERSIFICATION OF TRANSACTIONS

- To help refugees feel like true customers of the FSP, there is tremendous value in creating an ecosystem favourable to accommodating diversified transaction options. Too often, cash-out is the default transaction type to the detriment of others, such as merchant payment or bank-to-wallet that capitalise on already acquired skills as many refugees are regular mobile money users. It is by being given the opportunity to carry out more financial transactions that clients build their formal financial capabilities.
- The costing structure of different transactions may have an impact on traders/agent's Cash-based intervention consultant willingness to offer transaction types they may feel financially disincentivised by. For example, when traders are not merchants acquired by the bank, they cannot accept card-based payments with their point-of-sale devices. As a result, they use the cash-out function even for payment transactions and collect commission on the cash-out fee, or cash recipients pay cash out fees without the benefit of having cash in hand. Therefore, there is value in exploring how to align merchant payment and cash out incentives to provide equivalent remuneration to agents.
- FSPs must collaborate with humanitarian agencies to ensure that any performance targets they put on the agents (where applicable) do not negatively impact customer experience.
- Liquidity shortage could bring agents to prioritise some customers over others or to push goods onto customers. Where needed, the FSP must support agent liquidity management.
- To support a change of mindset also on the side of refugees, the benefits of carrying out diversified transactions can be showcased through research, in particular, by using such methodologies as financial diaries.

## 7. STRENGTHEN OPPORTUNITIES FOR FINANCIAL INCLUSION

- To capitalise on the financial inclusion opportunity afforded to them by the bank card, cash recipients should be able to easily use the account to manage their personal finances. Actively promoting the default account for personal transactions can go a long way in increasing refugees' sense of ownership of the card as a financial instrument.
- Overall, FSPs should ensure that there are enough access options for cash recipients (e.g. bank branches that cash recipients can access to carry out transactions, ATMs at locations or banking service vans inside the camps and POS options).

# NEXT STEPS



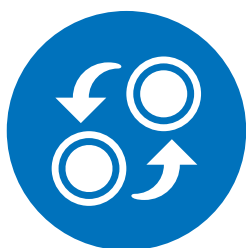
**1.**

WFP and UNHCR will deploy an expert to Rwanda who, in coordination with key stakeholders, will support in addressing the above-mentioned recommendations.



**2.**

WFP and UNHCR in collaboration with the above-mentioned key stakeholders, will implement a global solid monitoring framework in Rwanda that keeps track of progress against the mitigation measures and risks of imbalance of power.



**3.**

These lessons will form the basis for developing guidance and a toolkit for FSPs and humanitarian stakeholders to be disseminated at global level, to ensure risks of imbalance of power are systematically mitigated in ongoing and future cash assistance.



## MORE INFORMATION

For more information please contact the UNHCR-WFP joint Project Coordinator Astrid de Valon [devalon@unhcr.org](mailto:devalon@unhcr.org)

