



A JOINT UNHCR-WFP PROJECT

MITIGATING RISKS OF ABUSE OF POWER IN CASH ASSISTANCE

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UNHCR and WFP are implementing a joint project to identify and mitigate risks of abuse by private sector service providers in their delivery of cash assistance to vulnerable populations. The project involves work with financial service providers, traders and other private sector stakeholders, as well as awareness raising of cash recipients about their rights and capacity-building on basic digital, numeric and financial literacy.

WHAT IS THE ISSUE?

The increasing reliance on cash as a transfer modality to refugees and other vulnerable populations potentially exposes them to higher risks of abuse of power by Financial Service Providers (FSP) in such programmes.

Regular customers can usually choose between several providers. People assisted by humanitarian agencies do not have this freedom of choice and cannot use this as a leverage to improve service provision. Such imbalance of power can lead to abuse of power.

Many also use financial services for the first time, making them particularly vulnerable to potential abuse through the cash transaction.

Risks for consumers with lower income and less experience in digital finance have already been documented by several institutions working on financial inclusion. The project, which started in July 2018 has collected anecdotal evidence related to risks that may emerge when channeling humanitarian cash through the private sector.

WHAT ARE THE RISKS IDENTIFIED SO FAR?

Since the project started in July 2018, WFP and UNHCR have conducted missions to the Democratic Republic of Congo, Cameroon, Iraq, Uganda, Rwanda, Chad, Afghanistan and Burundi. Risks were identified in each country in consultation with a wide range of stakeholders, including cash recipients, private sector financial services providers, Central Banks, telecommunication regulators, donors and humanitarian organizations. The main risks of abuse of power in cash assistance identified are described below:

- ➔ **Additional fees** are charged by private sector agents onto transactions made by displaced persons to compensate for low commission, transport cost, liquidity issues or security risks.
- ➔ **Risks around data protection:** Private sector agents sometimes encourage beneficiaries to use their date of birth as PIN, whilst beneficiary IDs, which include the date of birth, are needed to perform transactions. Agents logbooks capture numerous sensitive details.
- ➔ **Lack of respect of private sector agents vis-à-vis cash recipients:** Inappropriate behavior includes rude attitude, impatience and discrimination. Private sector agents often lack practical understanding of the application of humanitarian codes of conduct, including the prevention of sexual exploitation and abuse.
- ➔ **Lack of understanding of Complaints and Feedback Mechanisms:** Low awareness of the existence of helplines and complaint mechanisms. Most cash recipients fear retaliation or even losing their rights to assistance if they report abuses of power. Long delays in complaints management erode confidence in the system.
- ➔ **Weak national regulation** around customer protection, digital economy and financial inclusion in some countries. Know-Your-Customer requirements are not always favourable to the unbanked and underserved.
- ➔ **Liquidity issues:** Cash recipients want to cash out the whole transfer amount at the same time. Some private sector agents mitigate liquidity issues on their side by conducting multiple transactions to maximise fees or prioritizing some customers over others.
- ➔ **Poor quality banknotes:** Some agents distribute old notes or small notes available for a cheaper price in the cash market, which are worth less, preventing recipients from using their full transfer to meet their needs. Agents sometimes lack small change and demand that cash recipients find a solution among themselves. They may also use counterfeit money.
- ➔ **Lack of familiarity with the cash assistance process and tools:** People assisted do not feel confident in using (digital) delivery mechanisms such as phones and bank cards with which they are not necessarily familiar. Cash recipients should understand the timing, amount to be received, the fee to be paid to the agent, the information they are expected to provide to withdraw the money and what to verify before signing the receipt.
- ➔ **Corruption issues:** Risk of collusion between private sector agents and humanitarian organizations' staff when distributing cash.





WHAT WILL SUCCESS LOOK LIKE?

Recipients of cash assistance feel protected and empowered as real clients of financial service providers.

To achieve this vision, UNHCR and WFP will continue to:

- ➔ Promote appropriate behaviour by FSP agents and traders involved in the delivery of cash assistance. This includes :
 - Increasing awareness of the existing risks with private sector stakeholders, humanitarian agencies and national social safety net focal points.
 - Developing practical training for FSP agents on code of conduct anchored in the humanitarian principles.
 - Incentivising appropriate behaviour of FSP agents through tailored remuneration structures, certification and customer satisfaction tracking.
 - Developing a toolkit to improve customer service and communication from agents to clients.
- ➔ Ensure appropriate reflection of the FSP responsibility (and that of traders and other service providers) to prevent and follow up abuse cases in the UNHCR/ WFP contracts with FSPs. This includes:
 - Collaborating with national regulators to influence a favorable regulatory environment.
 - Developing standard contract clauses between humanitarian agencies and FSPs.
 - Documenting good practice of improved accessibility, governance and referral between various complaints and feedback mechanisms.
- ➔ Increase awareness of cash recipients on their consumer rights vis-à-vis FSP field agents and traders, and build their capacity in basic financial and digital literacy. This includes:
 - Developing innovative approaches to convey key messages related to cash recipient rights in cash assistance.
 - Strengthening capacity of cash recipients on data protection, digital and financial literacy, including for those with specific vulnerabilities related to gender, disability, ethnicity, religion, sexual orientation and age.



WHAT ARE SOME OUTPUTS OF THE PROJECT TO DATE?

- Eight joint missions and deployment of experts to support WFP and UNHCR Country Offices and their partners to address the major risks identified.
- A series of recommendation papers disseminated to key stakeholders in countries visited and on global platforms.
- Development of tools for FSPs, humanitarian agencies and national regulators. A comprehensive toolkit will be published in 2020.

Additional impact stems from the convening nature of the project, bringing together key stakeholders at decision making level in each country visited.

- Joint engagement of WFP and UNHCR in-country and collaboration with other agencies on cash assistance, in line with the Common Cash Statement by the Principals of WFP, UNHCR, UNICEF and OCHA.
- Increased spirit of partnership between the private sector and humanitarian agencies, with strengthened collaboration to solve operational issues.

PROJECT STEERING COMMITTEE



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