



# ASSESSMENT OF DELIVERY MECHANISMS for Cash and Voucher Assistance in Lebanon and Jordan

CGAP Photo Contest

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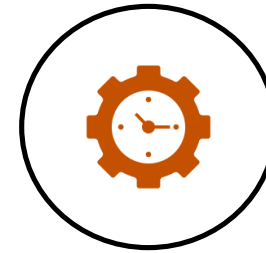
# Assessment Objectives

WBG and CGAP commissioned an assessment of humanitarian and government cash and voucher assistance (CVA) programs in Lebanon and a comparative case study with Jordan.

The assessment focused on two key research questions:



How can linkages between CVA and financial inclusion be strengthened?



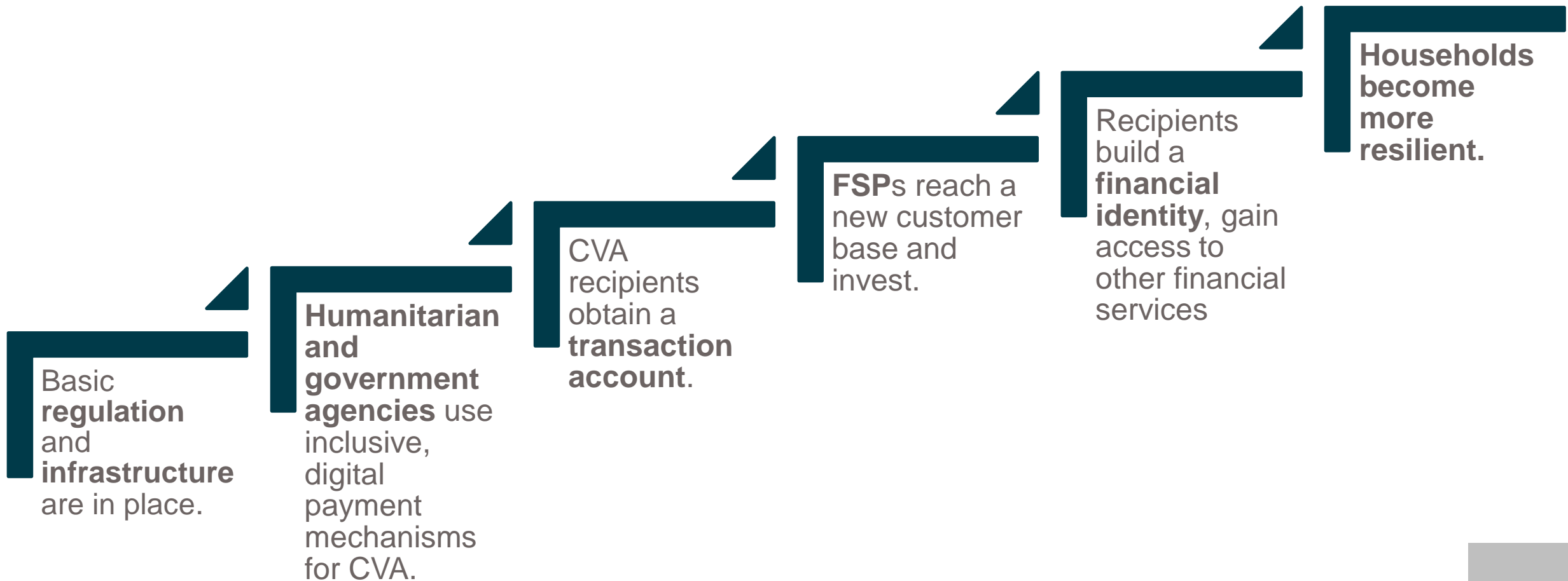
When designing operating models for CVA delivery, how can humanitarian and government agencies and FSPs enhance efficiency and effectiveness?

# How can linkages between CVA and financial inclusion be strengthened?



# Pathway to Resilience: A Causal Model

## *Pathway to Resilience via CVA and financial inclusion: A Causal Model*



# Lebanon and Jordan have the largest CVA programs in the world.






In Lebanon and Jordan, the value of CVA as a proportion of total humanitarian assistance far surpasses global figures.

*Amount spent on CVA as a proportion of total humanitarian assistance, 2016 (USD)*



# Both countries are using digital solutions for CVA delivery.

The majority of CVA programs in Lebanon and Jordan are already digital; pre-paid cards and iris scans are most used for CVA delivery in Lebanon and Jordan, respectively

Instrument	Pre-paid cards 	Biometrics (iris scan) 	Mobile wallets 	Cash 	Cash 
Channel	<ul style="list-style-type: none"> <li>ATM</li> <li>POS</li> </ul>	<ul style="list-style-type: none"> <li>ATM</li> <li>POS</li> </ul>	<ul style="list-style-type: none"> <li>Mobile phones</li> <li>PSP agents</li> </ul>	<ul style="list-style-type: none"> <li>MTOs</li> <li>Post office</li> </ul>	<ul style="list-style-type: none"> <li>Direct / in-hand</li> </ul>
Lebanon	<ul style="list-style-type: none"> <li>Accepted at any ATM in the country</li> <li>For CTPs of WFP and NPTP, accepted at select merchants</li> </ul>	<ul style="list-style-type: none"> <li>Not used</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Preferred by some NGOs, particularly those with smaller CTPs</li> </ul>	<ul style="list-style-type: none"> <li>Not commonly used</li> </ul>
Jordan	<ul style="list-style-type: none"> <li>Used by WFP and several NGOs</li> <li>Used by the Common Cash Facility (CCF) for Jordanians</li> </ul>	<ul style="list-style-type: none"> <li>Used by the CCF and WFP for refugees</li> </ul>	<ul style="list-style-type: none"> <li>Used in limited pilots with UN agencies and NGOs</li> </ul>	<ul style="list-style-type: none"> <li>Used by some NGOs, as well as for camp settings where ATMs are not allowed</li> </ul>	<ul style="list-style-type: none"> <li>Used in camp settings where ATMs are not allowed</li> </ul>

# Digital CVA ≠ financial inclusion

Despite the size and digitization of the CVA programs in Lebanon and Jordan, they have not been drivers of financial inclusion in either country.

For the pathway to be realized, several factors must be in place:

- 1. Established core national payments infrastructure.**
- 2. A proportional regulatory environment**, which balances financial integrity, stability, and inclusion.
- 3. FSPs are willing to have a direct relationship** with CVA recipients and other underserved host community segments.
- 4. Humanitarian and government agencies proactively** choose to use inclusive, digital payment solutions for CVA.
- 5. Donors and governments consider financial inclusion** in their funding decisions based on financial inclusion objectives.

Each of these factors contributes to one key constraint hindering financial inclusion: **refugees are rarely allowed to have an account in their own name.**

# 1. Core national payments infrastructure is established.

In Lebanon and Jordan, the central banks and market actors have made important investments to build the national core payments infrastructure including **real-time gross settlement (RTGS)**, **automated clearing houses (ACH)**, **ATM networks** and **shared mobile payment platforms**.

Because these systems exist and are safe and reliable, humanitarian and government agencies in Lebanon and Jordan depend on them to process CVA transactions.



## Lebanon

- ✓ BDL-RTGS
- ✓ BDL-CLEAR (ACH)
- ✓ Three privately-owned interoperable ATM switches



## Jordan

- ✓ RTGS -JO
- ✓ Retail payment systems: ACH,

Yet, national ID and efficient systems for customer due diligence (CDD) are still a constraint in both countries.



## 2. Enabling regulatory environment is in place.

For digital CVA to lead to financial inclusion, **an enabling regulatory environment for financial inclusion must first be in place.** The Central Bank of Jordan has established a regulatory framework that reflects a proportional approach.



Permits non-bank actors to participate in the national payment system



Establishes a clear licensing framework for payment system participants.



Permits e-money and mobile money to facilitates a range of digital products.



Establishes risk-based transaction limits.



Allows refugees to open mobile money accounts with Interior ID cards.

Regulators must strongly signal a willingness to accept a risk-based approach (RBA) so that FSPs feel confident serving clients from high-risk countries.

### 3. CVA providers proactively choose inclusive payment solutions.

There may be trade-offs for humanitarian agencies between efficiency and choosing inclusive payment solutions— thus, financial inclusion may not occur if it is not a stated priority.

#### An inclusive, digital payment solution for CVA:



*is offered by local FSPs that can serve recipients beyond the response effort*

Lebanon



Jordan



*provides beneficiaries with an account in their own name*



Providing beneficiaries with an account in their own name is not as efficient as pre-paid cards/wallets where the only relationship is between the iNGO and the bank.



*enables the building of a transaction h*

## 4. FSPs are willing to serve CVA recipients.

FSP willingness and ability to serve CVA recipients is also a critical factor to enhancing links between CVA and financial inclusion. Current barriers include:



**Most banks in Lebanon and Jordan limit their outreach to low-income segments and refugees.**



**Non-banks can help fill the supply-side gap.**



**Most FSPs – banks or non-banks – do not understand this financial behaviors, needs and preferences of this segment well.**

## 5. Donors and governments need to prioritize financial inclusion.

To encourage CVA providers and FSPs to more proactively pursue inclusion objectives, donors and governments must also make financial inclusion a stated priority



**Donors can help make financial inclusion a priority by recognizing quality of service, not just cost efficiency.**



**Donors and governments can sharpen the business case for FSPs to serve CVA recipients, helping FSPs to understand the needs/behaviors and expand distribution networks.**

- This is being done in Jordan, for example, under GIZ's **Digi#ances program** and the Gates Foundation's **Mobile Money for Resilience (MM4R)** program.

# Still...digital CVA has been a channel for financial capability.

Digital CTPs in Lebanon have proven to be effective channels for building awareness and trust in digital payments.



## **Increase familiarity:**

- Beneficiaries' understanding of card, ATM, and POS usage have improved.
- Beneficiaries have cited satisfaction with digital solutions for CVA in many cases.
- WFP's CHOICE programme in Jordan showed that some recipients preferred e-vouchers redeemable at merchants to ATM cards due to the cost and time of reaching an ATM.



## **Systems to build upon:**

- Humanitarian agencies have systems for training and responding to customer questions (e.g. call centers) which are effective channels for raising awareness of digital payments.
- They may therefore be leveraged for additional financial capability / training initiatives.

**When designing operating models for CVA delivery, how can humanitarian and government agencies and FSPs enhance efficiency and effectiveness?**



Digitization and collaboration improve efficiency and effectiveness; but more work is needed to determine the best pricing and reconciliation models.

1. **Digitization allows for significant cost reduction** in administering CVA.
2. **Coordination with national systems goes both ways:** national systems are good to use for CVA; CVA can support the development of national cash transfer programs.
3. **Inter-agency collaboration** in Lebanon and Jordan has presumably resulted in efficiency and effectiveness gains for beneficiaries, agencies, and FSPs.
4. **When negotiating pricing for CTP services:**
  - **For FSPs:** Pricing must reflect an understanding of how CTP beneficiary behaviour differs from other banking segments.
  - **For humanitarian agencies:** When evaluating cost proposals from potential FSP partners, consider other financial incentives that allow FSPs to keep fees low, while still ensuring sustainable pricing for the FSP
  - The pricing structure (% commission vs flat fee) should also consider the impact on agencies with **small transfer values**.
5. **Providing beneficiaries with a common payment instrument for multiple agencies' transfers simplifies the beneficiary experience but complicates the reconciliation process.** CTP providers and FSPs must therefore establish strong yet flexible reporting and reconciliation systems that enable accurate tracking of funds.

# Conclusions



There have been substantial efforts to shift to digital, coordinated CVA.



However, refugees are rarely allowed to own an account in their own name, and therefore are not financially included.



All stakeholders: regulators, FSPs, humanitarian agencies, and donors have a role to play in changing this dynamic, if financial inclusion is an agreed upon priority.



**Next steps include:**

- 1) research, piloting, and experimentation;
- 2) streamlining the tradeoffs between reconciliation and coordination; and
- 3) strengthening infrastructure including ID systems, CDD repositories, and data sharing facilities.



# Thank you

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# Merci

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