This document outlines lessons learned from a joint UNHCR/WFP project in Iraq aimed at identifying and mitigating the risks of abuse of power in cash assistance. The cash transfer mechanisms reviewed during the project include mobile money, e-vouchers and cash delivered through money transfer agents.

Conducted in January 2019, the UNHCR-WFP mission built on the recommendations from the Humanitarian Policy Group-Ground Truth Solutions research Improving User Journeys for Humanitarian Cash Transfers, which identified challenges and risks from an end user perspective along different cash transfer mechanisms in Iraq.

WFP and UNHCR met with mobile money operators, national regulators and humanitarian actors, and held focus group discussions with women and men receiving cash assistance through mobile money and e-vouchers in the Darashakran refugee camp, where both agencies operate. The mission concluded with a roundtable during which key findings were discussed with partners from the private sector (banks, mobile money providers and specialized financial institutions), the public sector (the Central Bank of Iraq and the National Communications and Media Commission of Iraq), donors and national and international humanitarian and development organizations and agencies.

The key recommendations include:

- Reinforce communication with cash recipients to mitigate operational challenges and possible abuses of power;
- Clarify referral and responsibilities between existing complaints and feedback mechanisms;
- Recognise that quality cash assistance comes at a cost and necessitates detailed planning;
- Support existing efforts in place by mobile money operators to tackle abuse of power;
- Encourage competition between innovative approaches to cash delivery and foster financial inclusion;
- Work in a spirit of partnership to manage operational challenges.
LESSONS LEARNED

1. REINFORCE COMMUNICATION WITH CASH RECIPIENTS TO MITIGATE OPERATIONAL CHALLENGES AND POSSIBLE ABUSES OF POWER

➤ Recognizing the significant efforts made in the operation, agencies should continue using a variety of approaches to reinforce people’s understanding on receiving cash assistance, clarify what happens at each step of the cash assistance process, including expected duration of each step and frequency of assistance so as to manage expectations, and explain their rights vis-à-vis private sector service providers. Humanitarian cash recipients should also be clear on their responsibilities, such as swiftly complaining - without fear of retaliation - if agents abuse their position of power by claiming undue fees, or topping up SIM cards once a year to extend its validity and secure access to the e-wallet and to the mobile network operator hotline. Agencies should continually check the extent to which their messages are being understood and taken up by different groups in the communities.

➤ Efforts should also target outside of camp populations who are often the most in need of clarifications on the cash assistance process. The Cash Working Group (CWG) should finalise key messages with support from the Protection Cluster to ensure protection is mainstreamed in cash assistance, especially for refugees living outside of camps. Approaches complementary to face-to-face communications, such as community radio and WhatsApp groups, could be envisaged.

➤ The private sector should continue imposing and communicating on sanctions as a consequence of inappropriate behaviour. While there is a culture of giving tips or ‘rounding up’ uneven amounts and offering agents to keep the difference, people receiving cash assistance should never feel obliged to do so. At the same time, reinforcing the role of mobile agents in conveying messages will address operational challenges related to SIM card validity for instance. Mobile money operators have stronger control of their staff involved in the SIM registration process than of their subcontracted agents in charge of cash out. Hence, it is important to test if the latter follows the set procedures, including passing on messages without forcing sales of additional services.
2. CLARIFY REFERRAL AND RESPONSIBILITIES BETWEEN EXISTING COMPLAINTS AND FEEDBACK MECHANISMS

A variety of hotlines are being used by humanitarian agencies and private sector service providers in Iraq. The IDP call centre alone received 101,014 calls in 2018, many related to cash. While these hotlines provide different avenues for cash recipients to raise issues, agencies should clarify which stakeholder is responsible for solving what challenges and communicate accordingly. People using the hotline should not be referred in circles from one hotline to another, sometimes resulting in a cash recipient having to physically visit a financial service provider shop or an agency office in a different location to find a solution to their problem. Such accountability is important for raising people’s trust in the reporting mechanisms, which may potentially lead them to report on sensitive issues, including abuses of power.

Humanitarian agencies and private sector service providers should provide frequent updates to hotline operators on their operations and on the resolved complaints referred to them. Monthly dashboards should be shared in a transparent manner to track and tackle issues, and amend programmes as needed. The CWG could use hotline dashboards along with more qualitative approaches, such as Ground Truth Solutions’ users journey methodology to better understand people’s perspective on the cash assistance provided and adapt key messages around cash assistance accordingly.

3. RECOGNISE THAT QUALITY OF CASH ASSISTANCE COMES AT A COST AND NECESSITATES PLANNING

While we would never buy the cheapest jerry can or tarpaulin but would accept to pay more for quality items, why do we insist on buying the cheapest cash delivery mechanism? In the end, it is the people receiving cash assistance who will bear the cost.

Private sector service providers should reflect the value of quality customer service in the remuneration structure and contracts of their field agents. Agencies should work with their private sector partners to specify what is needed to deliver quality cash, including in cases of rapid operational scale up. This may include the consideration of criteria such as distance to the nearest agent, security, agent experience in delivering services, number of clients served by each agent, average lead-time to solve technical issues and frequency of field visits by management to the area of cash assistance. The procurement process must factor in such criteria.

Private sector service providers are encouraged to adhere to international standards, namely the GSMA Mobile Money Certification, the Smart Campaign Client Protection Principles or Better Than Cash Alliance Responsible Digital Payments Guidelines.

Agencies should advocate internally for additional visibility on budget allocations for cash assistance to avoid the end of the year spending rush, which often leads to poorly planned operations with increased risks of abuse of power.
4. SUPPORT EXISTING EFFORTS IN PLACE BY MOBILE MONEY OPERATORS THAT TACKLE ABUSES OF POWER

Mobile money recipients of assistance are registered by mobile money operators under a special profile in their customer database. Cash-out fees are paid upfront by humanitarian agencies and are thus not borne by humanitarian cash recipients. Before distribution, recipients are informed through SMS that they should not pay a fee at cash out. At the cash out, the mobile agent automatically gets the fee transferred to his/her account. Complaints related to agents asking for additional fees, when logged swiftly, lead to reimbursement to cash recipients. Feedback or complaints stemming from humanitarian cash recipients are generally treated as a priority in customer service hotlines. Redress processes exist and include warning letters, termination of agent contracts, legal action and blacklisting from the Central Bank. Mobile money operators have raised the remuneration of their agents: they are now paid up to 50% of the revenue, which is above average when comparing to other countries. These measures have generally led to a reduction of abuses of power.

- Private sector service providers could adopt the innovative approach developed by mobile money operators that discloses agent ratings by clients after cash out to encourage agent respectful behaviour, very similar to the TripAdvisor model.

- Private sector service providers should continue tackling the issue of agents distributing old notes or small notes available for a cheaper price on the cash market, which are worth less, preventing recipients from using part of their money to meet their needs. Providers should continue investing in quality control, monitoring and mystery shopping.

- Agencies should train the mobile agents (who are all men), in particular those deployed to camps, on codes of conduct, gender sensitive approaches and prevention of sexual exploitation and abuse.
5. ENCOURAGE COMPETITION BETWEEN INNOVATIVE APPROACHES TO CASH DELIVERY AND FOSTER FINANCIAL INCLUSION

The Iraq ecosystem is largely cash-based. Cash assistance recipients do not generally leave money in their e-wallets or on their e-vouchers but cash out their money or redeem their vouchers immediately. This emanates from their lack of trust in the formal banking system and their fear of not being targeted in coming distributions. This can lead to liquidity issues at the agent level, an important source of potential abuse of power. The banking sector is yet to develop considerably. With limited networks and higher prices, banks and ATMs are currently not considered for cash assistance.

- Agencies should continue planning registration and cash out in camp settings in stages to mitigate abuses of power linked to long waiting lines and liquidity issues.

- Agencies should clarify to what extent keeping money on an e-wallet impacts future targeting.

Several agencies are working with money transfer agents (hawalas), which have long existing networks of reliable access to liquidity, are registered with the government and can operate in remote places. Cash distribution through hawalas usually takes place under supervision of NGO staff to prevent issues of abuse of power. Challenges related to accountability and transparency, as well as difficulties to scale up with this model, led other agencies to channel their cash assistance through mobile money operators. There is however room for innovation, with information technology which could build on the strength of the hawala network in Iraq.

- Agencies and private sector service providers should help the government, including the Central Bank of Iraq, to build a digital financial ecosystem and encourage financial inclusion. For example, agencies could support the digitalisation of the economy in camp settings by encouraging camp merchants to accept mobile money and incentivize them to operate through e-wallets. This would also help solve SIM deactivation problems.

- Agencies should communicate to refugees and internally displaced people that there is a standard fee for cash out: while it is currently covered by agencies, cash recipients will have to pay for it, as any other subscriber, when they are using the services for their own financial needs.

6. WORK IN A SPIRIT OF PARTNERSHIP TO MANAGE OPERATIONAL CHALLENGES

- Agencies should capitalise on the proactive attitude of mobile money operators in Iraq to solve operational issues in a spirit of partnership beyond the mere contractual relation. Humanitarian cash recipients represent up to a third of the customer base of the operators and the efforts deployed to improving the quality of their offer in a nascent market will also have protection benefits for vulnerable regular subscribers.

- While agencies should improve their communication and planning regarding the services they request from the private sector, the private sector service providers should in turn be transparent on their actual capacity to deliver.

- Agencies, including those in the CWG, should build on the open attitude of national regulators to solve operational issues for humanitarian cash assistance, such as the exceptions granted to prevent the expiration of thousands of cash recipients’ SIM cards.

- Facilitating lighter Know Your Customer requirements for out of camp refugees is an important contribution given that the current registration process for obtaining SIM cards, which requires proof of residency, may lead to protection challenges.
NEXT STEPS

1. WFP and UNHCR will deploy an expert to Iraq who, in coordination with key stakeholders, will address the above recommendations.

2. WFP and UNHCR, in collaboration with key stakeholders, will implement a solid monitoring framework in Iraq that keeps track of progress against the mitigation measures and risks of abuses of power.

3. The joint UNHCR- WFP project will support exchanges between the Central Bank of Iraq and other central banks across the project pilot countries on how changes in the regulatory framework can mitigate abuses of power for humanitarian cash recipients and other vulnerable populations.

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

MORE INFORMATION
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