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A JOINT UNHCR-WFP PROJECT

MITIGATING RISKS OF ABUSE OF POWER IN CASH ASSISTANCE IN UGANDA

This document outlines lessons learned from a joint UNHCR/WFP project in Uganda with the aim to identify and mitigate the risks of abuse of power in cash assistance through the main delivery mechanisms used in-country: mobile money, e-cards and cash delivered through mobile vans.

Conducted in February 2019, the UNHCR-WFP mission engaged a wide range of stakeholders from the private sector (banks, mobile money providers and specialized financial institutions), the public sector (Uganda Central Bank, Uganda Telecommunication Commission), as well as donors, and national and international humanitarian organizations including members of the cash working group.

Focus group discussions with women and men receiving cash assistance were held in Oruchinga and Rwamwanja refugee camps.

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

- Reinforce communication at each step of the cash assistance process to mitigate abuses of power.
- Improve agent liquidity management.
- Incentivise good customer service within agent networks.
- Improve data protection.
- Manage the transition from cash distribution through mobile van to agent banking.
- Encourage reporting of inadequate behaviour.
- Capitalise on a favourable context for financial inclusion beyond cash transfers.
- Support the development of a digital economy and encourage competition.

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KEY FINDINGS

1. REINFORCE COMMUNICATION AT EACH STEP OF THE CASH ASSISTANCE PROCESS TO MITIGATE ABUSES OF POWER

Agencies should ensure beneficiaries are aware of key steps related to cash assistance such as when they should expect a transfer, the amount of the transfer, the fee they will have to pay to private sector agents, the information they should provide to the agents and what they need to verify before signing the receipt. Messages should be disseminated through a variety of methods and agencies should work along with financial service providers (FSPs) to ensure coordinated messaging and the understanding of the diverse community members.

Members of the Uganda cash working group may share the tools being developed for their respective cash assistance programmes to spread key messages related to the mitigation of abuses of power as well as other abuses including swindle of money.

Private sector partners should provide the main phone menus in multiple languages to ensure access to financial services by refugees who might not speak the national languages.

2. IMPROVE AGENT LIQUIDITY MANAGEMENT

FSPs should ensure liquidity is available in their distribution network when cash is being transferred to refugees' accounts. All cash recipients want to cash-out the whole amount received at the same time. This creates a real pressure on liquidity in given geographical areas on specific days.

Money agents mitigate liquidity issues on their side by slicing cash-out: beneficiaries are consequently charged several withdrawal fees and only the first withdrawal is free as per many cash assistance contracts between humanitarian agencies and FSPs. In line with existing contracts, beneficiaries should however not be charged if the issue of liquidity management is the reason behind their withdrawal in tranches. Refugees should not receive reduced assistance as a consequence of inadequate liquidity management by FSPs.

Liquidity management becomes even more problematic when humanitarian agencies are using third parties managing their cash transfers with different types of financial service providers and are not in direct contact with mobile money operators or banks. They should ensure that information on the disbursement day actually trickles down to the operators, which seems not always to be the case.

Scarce liquidity puts agents in a position of power: refugees report sometimes being treated with rude manners or being asked to travel to a remote location if they are not happy to pay undue fees. This negatively impacts on their dignity and self-esteem. FSPs could provide refugees with a map of available agents around their settlement and encourage a Trip-Advisor approach ranking agents in terms of liquidity availability and quality of service. This approach is being implemented by mobile money operators in other countries.

In the medium term, humanitarian agencies and FSPs may brainstorm on the best approaches to encourage people to save. Could withdrawal fees be waived for a specific period or for up to a set amount of transactions per year to encourage people to withdraw only the amount they need and keep the rest on their account? After experiencing the convenience of doing so for a while, fees could be reintroduced as for any other client.

3. INCENTIVISE GOOD CUSTOMER SERVICE WITHIN AGENTS NETWORKS

FSPs should ensure that the following measures are in place to mitigate the risks of abuses of power in their agents' networks:

- Agents should sign a code of conduct that mentions appropriate behaviour with all types of clients including people with specific vulnerabilities. It should be displayed at the agent outlet, along with the FSP hotline number and the cash-out fees.
- Agents' remuneration structure should encourage respectful attitude and good customer service. Often, abuse is reduced when agents receive their commissions immediately for each transaction rather than waiting until the end of the month. Banks that are currently considering monthly disbursement of agents' commissions should first check whether such practice would increase abuses of power.
- Official charges should be reflected on the withdrawal slip as well as on the paper logbook that is signed by clients.
- Agents should be trained on client protection principles and FSPs encouraged to adhere to standards such as the Smart Campaign, GSMA Mobile Money certification or Better than Cash Alliance guide for responsible digital finance. FSPs should stipulate sanctions and incentives related to adequate behaviour and put in place appropriate systems to ensure their reinforcement.
- FSPs should brainstorm further on how to deal with abuses committed by handlers (a family member or a person working for the agent) who do not have a direct contract with the FSP.

Agencies should ensure that:

- Their contracts with FSPs reflect clear terms for service for clients and penalties for non-compliance.
- Costs to deliver and monitor quality customer service is factored in the FSPs' budgets.

Respecting procurement rules, members of the cash working group should come together during the negotiation with FSPs to ensure that the final clients benefits from the best offer, not only in terms of price but also in terms of the quality and agents' behaviour.

4. IMPROVE CLIENT DATA PROTECTION

FSPs should brainstorm on the minimum information requested in their paper logbook for internal accountability and adapt paper trails accordingly: in the settlements visited, logbooks currently capture sensitive details such as name, ID number, amount withdrawn, date of withdrawal, signature and sometimes phone number. This could lead to security issues for the most vulnerable refugees. Agencies should sensitize FSPs on the reasons why the identity of cash assistance beneficiaries should not be disclosed in a non-secure system such as a paper trail.

Humanitarian agencies should consider the targeted and needs-based distribution of phones along with SIM cards. Without a phone, refugees are exposed to risks of exploitation as multiple people are using the same hardware: beneficiaries might have to pay for the usage of someone else's phone, they often have to share their PIN. Their SIM card might get scratched and faulty which would lead to delays in receiving cash assistance. In the medium term, beneficiaries do neither benefit from additional protection benefits related to the phone usage nor from financial inclusion, as they cannot use their cash assistance and other financial services independently.

Humanitarian agencies along with FSPs should ensure sufficient awareness raising around the importance of keeping the PIN safe. Some FSPs are providing PINs in addition to biometric identification. Having a PIN enables beneficiaries to access their entitlements at other points of sale than the ones equipped with biometric identification close to the settlements: choosing their agents more freely contributes to reducing the risk of abuse of power.

5. MANAGE THE TRANSITION FROM CASH DISTRIBUTION THROUGH MOBILE VAN TO AGENTS BANKING

Many beneficiaries are currently getting cash through mobile vans in a very controlled and organised process. While there is little possibility for abuses of power with all the supervision and checks on site, beneficiaries expressed the preference of getting funds on mobile money accounts or on bank cards to avoid being pushed around in the long queue before entering the distribution site.

The transition from mobile van banking to agents' banking and mobile money should be accompanied with awareness raising on both clients' and agents' sides coupled with reinforced monitoring and compliance checks. FSPs and humanitarian agencies should pilot hybrid approaches to accompany beneficiaries in the transition phase and release the initial pressure on agents related to liquidity management.

6. ENCOURAGE REPORTING OF INADEQUATE BEHAVIOUR

Cash recipients must be made aware of their rights vis-à-vis FSPs. They often fear to lose their right to assistance if they report abuses of power, such as undue charges, rude behaviour, use of counterfeited money or confiscation of means of payments. Fearing retaliation, they also do not inform other refugees or the humanitarian team on site that they have been mishandled by a specific agent.

Humanitarian agencies and FSPs should highlight the importance of providing feedback and complaints in case of abuse and how to do so: cash recipients should feel they have the same rights as any other client. While cash recipients were actively using litigation desks during cash distribution, none of the recipients we met in Orunchinga knew about agencies' suggestions boxes and hotlines, or banks' hotlines. In Rwamwanja, refugees feared that feedback might impact negatively on their cash assistance and explained that language was a barrier.

Agencies and FSPs should provide visual support clarifying the feedback and complaint process, and the different channels available. The management of complaint boxes should be strengthened. Customer line phone numbers should be clearly displayed and regular checks carried out of their functioning. Call centres should have the capacity to receive complaints in foreign languages.

7. CAPITALISE ON A FAVOURABLE CONTEXT FOR FINANCIAL INCLUSION BEYOND CASH TRANSFERS


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Refugees in Uganda have the legal opportunity to access full-fledged bank accounts in their own name. Some cards used in cash assistance are however limiting operations to withdrawal and only on distribution days. Some contracts stipulate that cash recipients should withdraw the whole amount within 14 days.

In addition to cash transfers, accounts should be unlocked to other operations such as savings, receiving or sending remittances, and transferring money on refugees' e-wallets. Beneficiaries should be enjoying all bank services that are offered to any other client and not be restricted to cash out operations only. Agencies should communicate accordingly and clarify that cash recipients are indeed encouraged to use the account for their savings and other financial transactions. Refugees should not fear they will be removed from the next targeting exercise if they have savings on their accounts: they must be reassured that agencies – as per the national regulatory framework- have no access to their accounts. Only dormant accounts with no transactions reported over a few months will be notified to agencies.

8. SUPPORT THE DEVELOPMENT OF THE DIGITAL ECONOMY AND ENCOURAGE COMPETITION

FSPs are developing initiatives to promote a cashless eco-system: It would decrease FSPs' largest cost, which is related to agents' remuneration, and it would ease liquidity management. It would also reduce opportunities for abuses of power on beneficiaries of cash assistance as most abuses happen when using physical cash instead of e-money. FSPs are encouraging uptake of e-money by local merchants through subsidized point of sale devices and waiving fees for e-payments. Cash recipients could pay with their cards or mobile phones and withdraw a limited amount of cash only. The national regulator could also play a role in incentivizing the use of e-money by economic operators. The current 0.5 per cent tax on mobile money cash withdrawal seems however to discourage the uptake of e-money.[1]

Agencies should be careful when setting up contracts with single FSPs for specific geographical areas, seeing that the monopoly it creates is prone to increased abuses of power. They should brainstorm medium term possibilities to present different options to cash recipients and let them choose their preferred provider. Such action could help change the current situation where FSPs consider the humanitarian agencies as their client, and not the final cash recipients.

[1] "While the 0.5 per cent tax on mobile money withdrawals could incentivize the circulation of mobile money and deter cash-outs, the digital marketplace in rural Uganda is not mature enough for people to keep digital money. It may even prevent rural people from going digital in the first place for fear of losing money at the point of withdrawal." https://bit.ly/2IzJ8wv

NEXT STEPS

1.

WFP and UNHCR recruited a consumer protection and financial inclusion specialist consultant who conducted training sessions for humanitarian staff (UNHCR, WFP and partner NGOs), government staff from the Office of the Prime Minister, FSP staff and agents in Mbarara and Rwamwanja settlements as well as in Kampala. The consultant also developed awareness raising and financial education messages targeted at cash recipients in the same settlements to address the recommendations presented during the half day roundtable in Kampala on 21 February 2019, especially those related to improving programme communication with communities as well as reporting of inappropriate behaviour. These awareness raising and training sessions, which were positively received by participants, will be replicated in settlements and sub-offices throughout the country. An independent third party will be deployed within the next six months to monitor the impact of the joint project including through surveying changes in the perceptions of cash recipients.

2.

UNHCR and WFP will implement a targeted action plan reflecting outstanding activities to ensure that the key recommendations will be implemented. Follow up will be done with each stakeholder on these recommendations with particular attention paid to advocacy for a financial ecosystem supportive of the financial inclusion of the most vulnerable, strengthening accountability to affected people and supporting FSPs to improve their operations.

3.

The lessons learned in Uganda will inform the next pilot countries, such as Chad, Afghanistan and others. They 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 abuse of power are systematically mitigated in ongoing and future cash assistance.

MORE INFORMATION

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WFP
World Food Programme