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HUMANITARIAN CASH TRANSFERS AND FINANCIAL INCLUSION

Lessons from Jordan and Lebanon

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Consultative Group to Assist the Poor

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Cover photo by Tareq Khlaf, 2014 CGAP Photo Contest.

CONTENTS

ACRONYMS

ATM	Automated teller machine
BDL	Banque du Liban (Central Bank of Lebanon)
BLF	Banque Libano-Française
CTP	Cash transfer programming
CAB	Cairo Amman Bank
CBJ	Central Bank of Jordan
CCF	Common cash facility
CDD	Customer due diligence
CGAP	Consultative Group to Assist the Poor
CVA	Cash and voucher assistance
FSP	Financial services provider
KYC	Know your customer
LOUISE	Lebanon One Unified Inter-Organizational System for E-Cards
MoPIC	Ministry of Planning and International Cooperation (Jordan)
MoSA	Ministry of Social Affairs (Lebanon)
MTO	Money transfer operator
NAF	National Aid Fund (Jordan)
NPS	National payment system
NPTP	National Poverty Targeting Program (Lebanon)
POS	Point of sale
PSP	Payment services provider
UNICEF	United Nations Children's Fund
UNHCR	United Nations High Commissioner for Refugees
WFP	World Food Program

EXECUTIVE SUMMARY

IN LEBANON AND JORDAN, HUMANITARIAN AND GOVERNMENT AGENCIES have been working hard to manage the on-going humanitarian crisis stemming from the Syrian civil war. Cash and voucher assistance (CVA) have been central to government and humanitarian agency response efforts, resulting in two of the largest CVA programs in history. The value of CVA as a proportion of total humanitarian assistance in these two countries far surpasses the global figure of 10.3 percent at 30–38 percent ($400–500 million) in Lebanon and 28 percent ($252 million) in Jordan (CaLP 2018).[1]

Furthermore, humanitarian agencies in both countries have made important investments to move away from in-kind assistance and to digitize CVA by using cards and biometrics to deliver cash and vouchers, which are maximizing the efficiency and effectiveness of cash programs. These actions mirror the widespread global move toward cash-based assistance,[2] as evidenced by commitments made during the High-Level Panel on Humanitarian Cash Transfers (2015) and at the World Humanitarian Summit (2016).[3]

Financial inclusion may help bridge the gap between cash transfers and long-term resilience.

Practitioners, donors, and governments recognize the benefits of cash assistance and are increasingly seeking to link cash transfer programs to a broader set of development interventions focused on building long-term resilience (CaLP 2018). Humanitarian crises, especially those that cause forced displacement, are becoming more frequent and protracted. At the same time, budgets for humanitarian programming, though increasing, remain insufficient to cover total funding needs with a 54 percent reported gap in funding needs in 2019.[4] Growing evidence on the role of financial services in humanitarian crises shows that households that have access to financial services, whether formal or informal, are more resilient against negative shocks than those that do not. Evidence also suggests that financial services help stimulate economic activity after a crisis.[5]

1 Development Initiatives (2019) estimates that cash represents 16 percent of global aid.

2 The Cash Learning Partnership (CaLP) defines "cash transfers" as "the provision of assistance in the form of money—physical currency or electronic cash—to recipients (individuals, households, or communities)." Cash transfers do not come with any restriction on use and, in that sense, differ from restricted transfers that include vouchers, electronic vouchers, and in-kind assistance. Unlike in most financial inclusion literature, CaLP's definition of "cash" includes digital transfers. For more, see "Glossary of Terms," https://www.calpnetwork.org/learning-tools/glossary-of-terms/.

3 The 2016 World Humanitarian Summit established the Grand Bargain—an agreement between some of the world's largest donors and aid providers to get more means into the hands of people in need. See "Grand Bargain," Agenda for Humanity, https://interagencystandingcommittee.org/grand-bargain.

4 "Global Humanitarian Overview," UN-OCHA, 2020, https://www.unocha.org/sites/unocha/files/GHO-2020_Abridged_EN.pdf.

5 For a synthesis of evidence on how financial services support crisis-affected populations, see El-Zoghbi et al. (2017).

The lack of financial inclusion is due to the fact that CVA programs do not link transfers to an account. CVA recipients often do not have financial accounts or accounts under their name.

Case studies from Lebanon and Jordan test how cash transfers could lead to such long-term resilience, looking specifically at financial account ownership, account use, and a broad array of financial services, including savings, insurance, and credit to support economic activity and resistance to shocks. However, data collected through field visits and interviews over 2018–2019 found that, despite the size and level of digitization, cash transfer programs in Lebanon and Jordan have not led to financial inclusion several years after the humanitarian response to the Syrian crisis. This is important for building a financial history. In addition, when credit or insurance was available, it was not connected to cash transfer programs.

The cases of Jordan and Lebanon highlight some of the key challenges governments, humanitarian agencies, and financial sector actors face in linking cash transfers to financial inclusion more broadly. These two countries have some of the largest, and likely most digital, humanitarian cash and voucher programs in history and more robust payments infrastructures than many other conflict-affected countries. They also have made considerable progress in digitization and collaboration among humanitarian agencies and the government. However, financial inclusion is not yet a reality for refugees and vulnerable host communities who receive cash assistance.

The audience for this paper includes governments, financial sector regulators, financial institutions, and humanitarian agencies on the front lines of crisis response. This paper delves into these issues and examines why the potential pathway to financial inclusion has not yet materialized in Jordan and Lebanon, outlines models for strengthening links between CVA and financial inclusion, and addresses how efficient and effective CVA programs could be created.

Key Findings

1. **An enabling environment for digital financial services (DFS) is a critical factor in connecting CVA to financial inclusion.**[6]

   - First, a country's regulatory framework **should enable widespread use of DFS.** Ideally, the regulatory framework supports financial inclusion, permits nonbank e-money issuance, allows use of third-party agents, encourages risk-based customer due diligence (CDD), and establishes consumer protection rules (Staschen and Meagher 2018). While such provisions are in place in Jordan, it is not the case in Lebanon, where regulations limit the role of nonbanks in the financial sector by specifying that transaction accounts may be offered only by banks. Hence, DFS through nonbanks do not exist in Lebanon today.

6 See, e.g., Staschen and Meagher (2018).

- Second, there is robust global evidence that an **adequate core national payments infrastructure** is the foundation for large-scale CVA delivery and subsequent financial inclusion.[7] A well-established core payments infrastructure allows CVA providers to leverage the financial system and distribution networks that already are in place. If the distribution network is weak, CVA programs can bring financial services access points to areas where recipients live. This can lead to continued access to financial services even after the program ends.
- Overall, Jordan and Lebanon have made considerable progress in leveraging infrastructure and technology to digitize cash transfers. Although they have yet to achieve financial inclusion, **their efforts have built awareness, use, and trust in digital payments**. Recipients gain awareness and trust from interacting with digital infrastructure, such as automated teller machines or point-of-sale devices.
- Yet, infrastructure is just part of the answer. To reach financial inclusion, recipients need to go beyond payment and cash-out transactions and use fully functional accounts. Interviews and market research suggest several other factors affect the ability to build financial inclusion through CVA programs, including **(i) leadership, resource mobilization, and clear prioritization by key decision makers and (ii) support to develop the market and build the business case for financial services providers (FSPs).**

2. Based on global best practices and the experiences of Jordan and Lebanon, we have identified the following factors that are critical to connecting CVA to financial inclusion and long-term resilience:

   - **Donors and governments must make financial inclusion a priority.** They need to provide adequate financial and technical resources to support innovation. Through development programs and smart subsidies, donors and governments can promote piloting and programs to link digital CVA and financial inclusion. They also need to invest in new skills training for the humanitarian assistance community—as it is, only 40 percent of organizations involved in humanitarian assistance have the capacity to implement CVA programs (CALP 2018).
   - **FSPs must be willing to have a direct relationship with cash transfer recipients,** who often are the poorest and most vulnerable people and who do not use formal financial services. Currently, most cash transfers are channeled through banks, which otherwise limit their outreach to low-income people because many believe that there is no business case in directly servicing these segments. The FSP revenue model thus mostly relies on fees for processing large humanitarian transfers. FSPs usually are contracted through a tendering process that often rewards the lowest bidder. FSPs that use this model do not see cash transfer recipients as potential clients who have an array of financial needs. Development finance institutions can play an important role in

7 According to the Bank of International Settlements and the World Bank, the overall national payments system is the foundation of a country's financial system and comprises all institutions, information, technologies, payment instruments, rules, and standards that enable exchange of monetary value. Key elements of a payments infrastructure can include automated clearing houses, large-value interbank settlement systems, and platforms for person-to-person transfers.

changing this perception by providing FSPs with targeted subsidies that support them as they gain a better understanding of and build relationships with CVA recipients. In time, these recipients may earn enough to become sustainable customers.

3. **Interagency collaboration** among humanitarian agencies **and coordination with national social safety net systems** that run efficient and effective CVA programs are important to building pathways to financial inclusion and resilience. To achieve financial inclusion through CVA, we recommend that stakeholders, including FSPs, humanitarian agencies, donors, and governments, do the following:

   - **Advocate** for financial inclusion and resilience to the organizations' senior leadership so that they understand the evidence behind financial inclusion and explicitly incorporate it as an objective funding consideration for humanitarian assistance.
   - **Ensure that regulation and infrastructure, key enablers of digital payments and financial inclusion, are in place:** allow e-money issuance, allow the use of third-party agents, establish consumer protection frameworks, introduce risk-based CDD requirements, and build the digital payment rails. These enablers help to keep cost of compliance in check and make it easier to onboard new customers.
   - **Increase piloting and experimentation** to develop new financial products and distribution channels and to increase trust among stakeholders through opportunities to learn, adapt, and scale. Humanitarian agencies and FSPs need donors' financial and technical resources to enable them to pilot and experiment.
   - **Support a dynamic market for CVA and other financial services** by advising FSPs on business strategy and segmentation, providing smart subsidies and financing tools to mitigate potential risks, and piloting innovative approaches to CDD. These elements can make FSPs more willing to serve low-income individuals by lowering the costs of onboarding and monitoring for suspicious transactions (Lyman et al. 2018).
   - **Look to global standard-setting bodies** for technical guidance for regulators and FSPs on financial integrity standards and policies related to CDD and identification requirements. These standard-setting bodies, including the Financial Action Task Force, provide a regulatory architecture that can guide the financial sector's response to forced displacement and balance financial integrity and stability priorities.

SECTION 1

THE SYRIAN REFUGEE CRISIS, DIGITAL CASH TRANSFERS, AND FINANCIAL INCLUSION

OVER 200 MILLION PEOPLE NEED HUMANITARIAN ASSISTANCE because of conflicts or disasters, and this number is growing (Development Initiatives 2018). From the civil war in Syria to the exoduses from Myanmar and Venezuela to the famine in Yemen, global humanitarian crises persist. Indeed, the United Nations Secretary-General in 2016 had already declared the situation to be unprecedented in terms of number of people affected. To quickly and decisively address these growing humanitarian needs, the international community has committed to increase the level of aid and improve its efficiency and effectiveness.

Cash and voucher assistance (CVA) has played a central role in the response to the Syrian refugee crisis and, starting in 2014, has been the primary aid delivery mechanism. (See Box 1 for a definition of cash transfers.) Subsequently, there has been a global shift to prioritize the use of cash in humanitarian crises. This led the Overseas Development Institute (ODI) to convene the 2015 High-Level Panel on Humanitarian Cash Transfers. In addition, the Grand Bargain—an agreement between the world's largest donors and aid providers—was launched at the 2016 World Humanitarian Summit.[8]

CVA has grown 40 percent from 2015 to 2016, peaking at US$2.8 billion globally and representing 10 percent of humanitarian funding (CaLP 2018).[9] Today, it is "widely recognized

8 The Grand Bargain is an agreement between more than 30 of the world's largest donors and aid providers who have committed to improve the effectiveness and efficiency of humanitarian action. It comprises 10 commitments, including "Increase the use and coordination of cash-based programming." See "Grand Bargain," Agenda for Humanity, 2019, https://interagencystandingcommittee.org/grand-bargain.

9 Statistics are available only for CVA, which includes both cash and vouchers. Estimates for 2018 put this figure at US$4.7 billion or 16 percent of humanitarian funding (Development Initiatives 2019).

as one of the most significant areas of innovation in humanitarian assistance, with huge potential to meet more needs, more efficiently and more effectively" (CaLP 2018).

Cash transfers, as opposed to in-kind assistance or vouchers, can help meet the many immediate needs, including food, shelter, water, sanitation, and hygiene, of refugees and forcibly displaced people. A study in Ethiopia found that unrestricted cash was 25–30 percent more efficient than in-kind assistance, meaning that cash transfers lead to faster delivery, lower cost, and improved transparency (High-Level Panel on Humanitarian Cash Transfers 2015). The study also found that the viability of local markets and businesses grew.

Cash also fosters recipient agency and choice: households can prioritize their needs and become empowered as they gain purchasing power. For example, a study in Iraq found that 60–70 percent of households sold or traded in-kind aid to get cash to pay for more pressing needs (UNHCR and REACH 2014). In Jordan, cash assistance increased purchasing power by 15–20 percent over vouchers, enabling households to buy more food (Boston Consulting Group 2017). Cash transfers finance basic expenditures, particularly for displaced people who do not have access to public services. They can help households respond to shocks, and they have multiplier effects in a local economy.[10] They are an important tool to promote resilience among refugees and forcibly displaced people.

As cash assistance grows, whether through humanitarian aid or government social safety nets, it is increasingly clear that it could lead to additional long-term benefits—in part because it is a critical link between the financial system and those traditionally excluded from it. In many cases, cash transfers are one of the few formal payment streams that reach households and individuals most affected by crisis. These households are most likely to have little to no access to formal financial accounts. A growing body of evidence shows that households that have access to financial services, whether formal or informal, are more resilient when faced with negative shocks and are better able to contribute to economic recovery after a crisis.[11] Several humanitarian agencies and development actors recognized the potential for cash assistance to build pathways to financial inclusion and as a result drafted the 2016 Barcelona Principles on Digital Payments in Humanitarian Response (Tholstrup et al. 2017).

BOX 1. **Cash transfers vs. cash and voucher assistance**

According to the Cash Learning Partnership (CaLP), CVA refers to programs where cash transfers or vouchers for goods or services are directly provided to recipients, in either physical or digital form. In the context of humanitarian assistance, the term refers to providing cash transfers or vouchers to individuals, households, or community recipients, not to governments or other state actors. While unrestricted cash provides more opportunity for linking to financial services (as the recipient can choose to save or spend funds, unlike with vouchers), there are no disaggregated statistics for unrestricted cash versus vouchers. Thus, data used in this paper related to "CVA" include both cash and vouchers. For more, see the Glossary of Terminology for Cash and Voucher Assistance (http://www.cashlearning.org/resources/glossary).

10 Researchers have calculated multiplier effects of up to 2.5 for vouchers and cash transfers, meaning that for every $100 in cash assistance, $250 is generated in the local economy. See Kagin et al. (2014).

11 See El-Zoghbi et al. (2017).

The Arab World has the lowest levels of financial inclusion globally—145 million adults do not have an account (Demirgüç-Kunt et al. 2018). The region is characterized by ongoing conflict and fragility, so linking cash transfers and financial services can be an important catalyst to reduce vulnerability and enhance the resilience of people affected by crisis. In Lebanon and Jordan, humanitarian and government agencies have exerted tremendous effort to manage the ongoing humanitarian crisis resulting from the Syrian civil war, which has displaced more than half of the Syrian population.[12] The two countries' experiences are particularly relevant for several reasons:

- CVA programs are central to the response efforts in both countries. This is because markets in Lebanon and Jordan have well-developed financial infrastructures, including distribution networks for digital payments, such as automated teller machines (ATMs). People also are able to access goods in local markets. At the time this study was launched, CVA represented 10 percent of humanitarian assistance globally (CaLP 2018). In the same year, CVA in Lebanon was 30–38 percent of humanitarian assistance, and in Jordan it was more than 28 percent (Bailey and Harvey 2017; Sikander and Cuna Weaver 2017). In other words, CVA programs in the two countries are among the largest in history.
- Humanitarian agencies in Lebanon and Jordan have made significant strides in digitizing CVA, with widespread use of cards and biometrics to deliver cash and vouchers.
- Agencies have pioneered models for interagency collaboration focused on CVA delivery and other functions in the CVA lifecycle.
- Many humanitarian agencies in Lebanon and Jordan have begun to use unrestricted cash transfers, which, unlike vouchers, present opportunities for financial inclusion.

Against this backdrop, the World Bank Group and CGAP commissioned a comparative assessment of humanitarian and government CVA in Lebanon and Jordan. This paper explores the results of the assessment, how the links between cash transfers and financial inclusion can be strengthened when designing models for CVA delivery, and how implementing agencies—government or humanitarian agencies responsible for the program—and financial services providers (FSPs) can maximize efficiency and effectiveness of such models. The paper then explores three building blocks for connecting cash transfers to financial inclusion: humanitarian and government prioritization of financial inclusion, enabling digital infrastructure and regulation, and a business case for FSPs. A fourth important building block, consumer demand, is not within the scope of this paper (see Box 2 on recipients' preferences in digital cash transfers).

12 According to the United Nations Refugee Agency (UNHCR), as of 2018, there were 13 million displaced Syrians—6.7 million refugees and 6.3 million internally displaced persons. The prewar Syrian population was 21 million according to the World Bank Development Indicators.

SECTION 2

LINKING CASH TRANSFERS TO FINANCIAL INCLUSION AND RESILIENCE

ALTHOUGH HUMANITARIAN AID IS UNLIKELY TO IMMEDIATELY LEAD to active use of financial accounts, humanitarian *cash transfers* could lead to financial account ownership and subsequently to account use and access to a broader array of financial services, including savings, insurance, and credit. Evidence shows that these services can support resilience and create a pathway to financial inclusion (see Figure 1).

Creating the framework for this pathway begins with the operational and financial infrastructure. Strategic decisions are needed to ensure cash assistance enables financial inclusion through open-loop transaction accounts offered by local FSPs—rather than through new closed-loop systems to deliver aid.[13] Tools and infrastructure that have survived a humanitarian crisis may include core telecommunications infrastructure, the national payment and settlement systems, an agent network facilitating digital payments, and government cash transfer systems such as social safety nets.

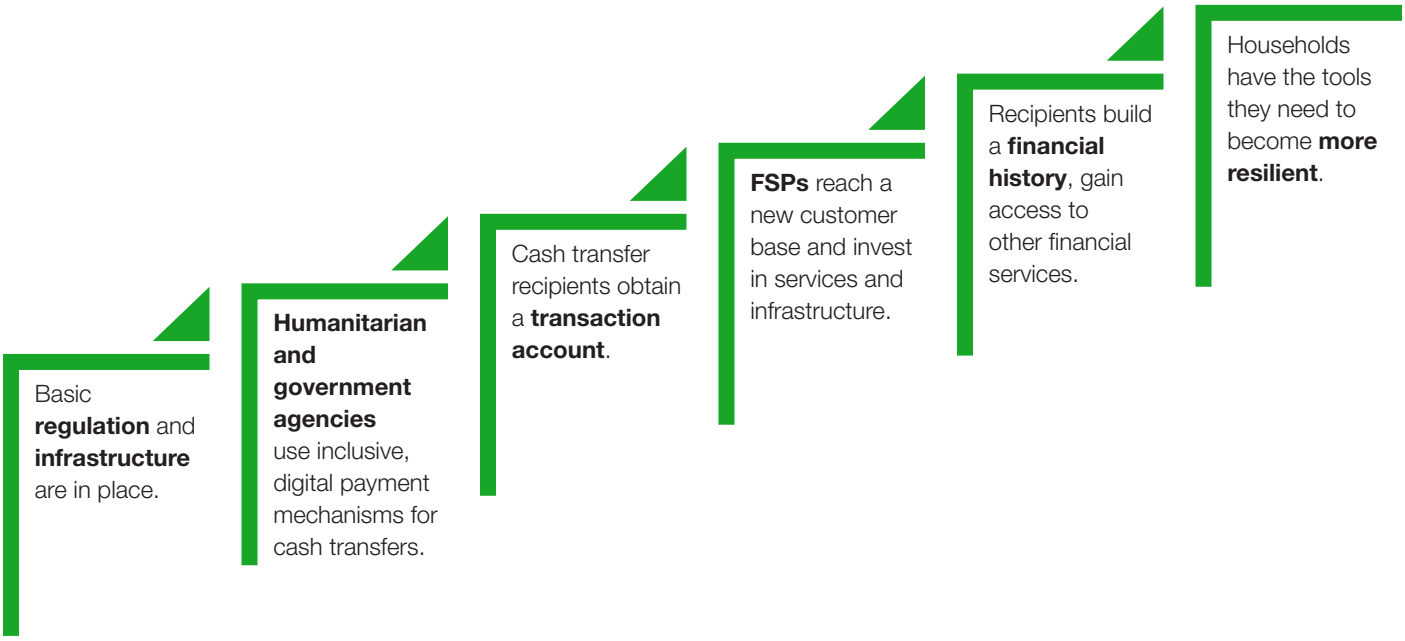
For cash transfers to lead to financial inclusion, a permissive regulatory environment needs to be in place—one that permits or at least does not preclude e-money issuance and digital transfers. In this environment, humanitarian and government agencies can select FSPs to disburse cash transfers through a transaction account in the recipients' own name or allow recipients to choose which account should receive the disbursement.

Cash transfer programs may be the incentives FSPs need to expand services and infrastructure to reach a large population that otherwise lacks access to financial services.[14] As recipients use their transaction accounts not only to access cash transfer funds but also for other payment needs, they build a financial history, which opens doors to financial services beyond payments. Savings, insurance, and credit eventually can play a role in meeting the financial needs of crisis-

13 Recognizing that this may not be possible or appropriate in all humanitarian crises.

14 See "The Barcelona Principles for Digital Payments in Humanitarian Response" (Tholstrup et al. 2017).

FIGURE 1. **Pathway from cash transfers to resilience**



affected populations in addition to contributing to economic growth.[15] Recipients can become more resilient to new economic and financial shocks and, in doing so, become more productive participants in the local economy. The rest of this paper explores the experiences of Jordan and Lebanon, analyzes their approach to financial inclusion, and highlights key obstacles and opportunities of the enabling environment, regulation, and market development.

15 See El-Zoghbi, Holle, and Soursourian (2019).

SECTION 3

LEBANON AND JORDAN: COUNTRY CONTEXT

LEBANON IS A SMALL OPEN ECONOMY OF HIGH MIDDLE-INCOME status with a resident population of 6.85 million people as of 2018.[16] It is considered a fragile country because of its recent history of sectarian conflict (the 1975–1990 civil war) and more recently because of regional conflict and geopolitical tensions in neighboring countries. However, it has long been known for its human capital, strong educational institutions, a vibrant private sector comprising mainly small and medium-sized enterprises, and large diaspora community around the world that provides financial, economic, and cultural links.[17]

Traditional drivers of economic growth include real estate, construction, finance, and tourism, all of which have been affected in recent years by ongoing regional instability. Real gross domestic product (GDP) was estimated to have grown by only 0.2 percent in 2018, reflecting contractions in these key sectors and policy-based liquidity tightening from heightened macro-financial risks (fiscal and balance of payment deficits, historically funded through debt, leading to a high debt-to-GDP ratio).[18] Before the large influx of refugees into Lebanon, the national poverty rate was 27 percent and was highly concentrated in the North and South and in dense pockets of certain urban areas. Unemployment (estimated at 25 percent) and the business climate remain key policy issues.[19] According to the 2019 World Bank's Doing Business Indicator, Lebanon ranks 142 of 190 economies and 15th among the 20 Middle East and North Africa countries in terms of ease of doing business.

The Kingdom of Jordan is a slightly larger country of nearly 10 million, as of 2018. While it has pursued structural reforms over the past 10 years in education, health, and the business environment (income tax, insolvency, regulation), a key challenge is reinvigorating its local economy in the context of a difficult external environment. Growth in GDP was estimated at 2 percent in 2018, somewhat lower than in 2017, and is muted because of the unprecedented influx of refugees, disruption of trade routes (notably those with Iraq), and decreased

16 Population data for both Jordan and Lebanon available from World Bank Development Indicators (https://data.worldbank.org/country/lebanon).
17 See Le Borgne and Jacobs (2015).
18 See World Bank (2019).
19 Producing consistent, timely, and reliable data is an ongoing policy challenge in Lebanon.

investment and tourism inflows. Structural unemployment is high (18 percent annual average in 2017 and 2018).

Jordan heavily depends on external financing, including foreign savings, foreign direct investment, and remittances. Ongoing challenges include creating conditions needed to increase private investment and improving competition to create job opportunities, particularly given that 55 percent of the population is under 24 years of age and that overall labor force participation is relatively low at 28 percent. According to the 2020 World Bank's Doing Business Indicator, Jordan ranks 75 out of 190 economies—29 ranks higher than in 2019. This is in part because it recently had implemented a unified legal framework for secured transactions and launched a collateral registry.

Lebanon and Jordan have been significantly impacted by the refugee crisis caused by the civil war in neighboring Syria. They rank the highest in the world by number of refugees per capita (UNHCR 2019). The rapid influx of refugees has strained their physical and social infrastructure, taking a toll not only on refugees themselves, but also on their host communities. Today, nearly one in every three people in Lebanon is a refugee. Similarly, Jordan has over 670,000 Syrian refugees, and while over 80 percent of them live outside of camps, just one camp, Zaatari, has become the equivalent of the fourth largest city in Jordan. Most refugees live below the poverty line in the two countries (see Table 1) (Verme 2016). Local economies are strained because of limited infrastructure and service access and an increase in supply of informal labor. This has placed great urgency on finding resilience-building interventions for both refugees and low-income host communities.

Lebanon and Jordan integrate humanitarian and development approaches to address the protracted humanitarian crisis. Humanitarian agencies in these countries generally are supervised by each country's ministry in charge of social affairs, with their corresponding central banks being informed on CVA operations.

The Lebanon Crisis Response Plan, covering 2017 to 2020, is led by the Ministry of Social Affairs (MoSA) and focuses on humanitarian assistance to vulnerable communities while it seeks to expand investments, partnerships, and delivery models to transition to longer term development strategies. Similarly, the Jordan Response Plan (JRP) for the Syria Crisis (2018–2010) is led by the Ministry of International Planning and Cooperation (MoPIC). It aims to integrate a resilience approach that focuses on service delivery and infrastructure resilience.

CVA plays a key role in response efforts in both countries—even more so than in humanitarian assistance in other parts of the world, as described in Section 2 and illustrated in Figure 2.[20]

Lebanon and Jordan also use CVA in national-level social safety net programs for local vulnerable households. Lebanon's social safety net is the National Poverty Targeting Program (NPTP). It was created in 2008 to provide health and education subsidies to the extreme poor. In 2015, it introduced food assistance to support Lebanese nationals using an approach like the one used for Syrian refugees.

In Jordan, the National Aid Fund (NAF) provides vulnerable Jordanian households with

20 Analysis conducted by Paysys using data from CaLP, UNOCHA, ODI, and the Bill & Melinda Gates Foundation.

TABLE 1. **The refugee crisis in Lebanon and Jordan in numbers**

	Lebanon	Jordan
Total resident population[a]	6.85M (2018)	9.96M (2018)
Adult population (15+ years)[a]	4.58M (2018)	6.17M (2018)
Refugees	Syrian: 1.5M (registered & recorded),[b, c] 919,974 (UNHCR registered)[d] Palestinian (from Syria + pre-existing in Lebanon): 311,985[b] Other (Iraqi, Sudanese, other): 18,228[e]	Syrian: 1.3M (registered & unregistered),[f] 654,192 (UNHCR registered)[g] Other (Iraqi, Yemeni, Sudanese, Somalian, other): 90,511[h]
Settlement inside refugee camps vs. outside camps	In line with government policy, there are no formal camps for Syrians; refugees often live in informal tented settlements and are scattered across urban and rural communities.[i]	Of Syrian refugees registered with UNHCR:[g] • 531,108 (81.2%) live outside camps • 123,084 (18.8%) live inside camps
Population below the poverty line[b]	• Lebanese: 27–28.5% • Syrian refugees: 76% • Palestinian refugees from Syria: 89%	• Jordanians: 14.4% • Syrian refugees: 89%

Note: UNHHCR = United Nations Refugee Agency

a. "World Bank Open Data," https://data.worldbank.org/.
b. Government of Lebanon and United Nations (2018).
c. Registered vs. recorded: As of May 2015, UNHCR Lebanon temporarily suspended new registrations per the government's instructions. Refugees arriving after this date are recorded, which means they are recorded in the UNHCR database and eligible for assistance, but do not receive a registration certificate and, therefore, have no legal recourse as refugees.
d. As of 31 October 2019, "Lebanon," UNHCR Operations Portal, https://data2.unhcr.org/en/situations/syria/location/71.
e. As of February 2019, "Lebanon," UNHCR Fact Sheet, http://reporting.unhcr.org/sites/default/files/UNHCR%20Lebanon%20Fact%20Sheet%20-%20February%202019.pdf.
f. "Jordan Crisis Response Plan for the Syria Crisis, 2018–2020," Ministry of Planning and International Cooperation, http://www.jrpsc.org/.
g. As of December 2019, "Jordan," UNHCR Operations Portal, https://data2.unhcr.org/en/situations/syria/location/36.
h. As of November 2019, "Jordan," UNHCR Fact Sheet, http://reporting.unhcr.org/sites/default/files/UNHCR%20Jordan%20Fact%20Sheet%20-%20November%202019_0.pdf.
i. "Lebanon," UNHCR Shelter, https://www.unhcr.org/lb/shelter.

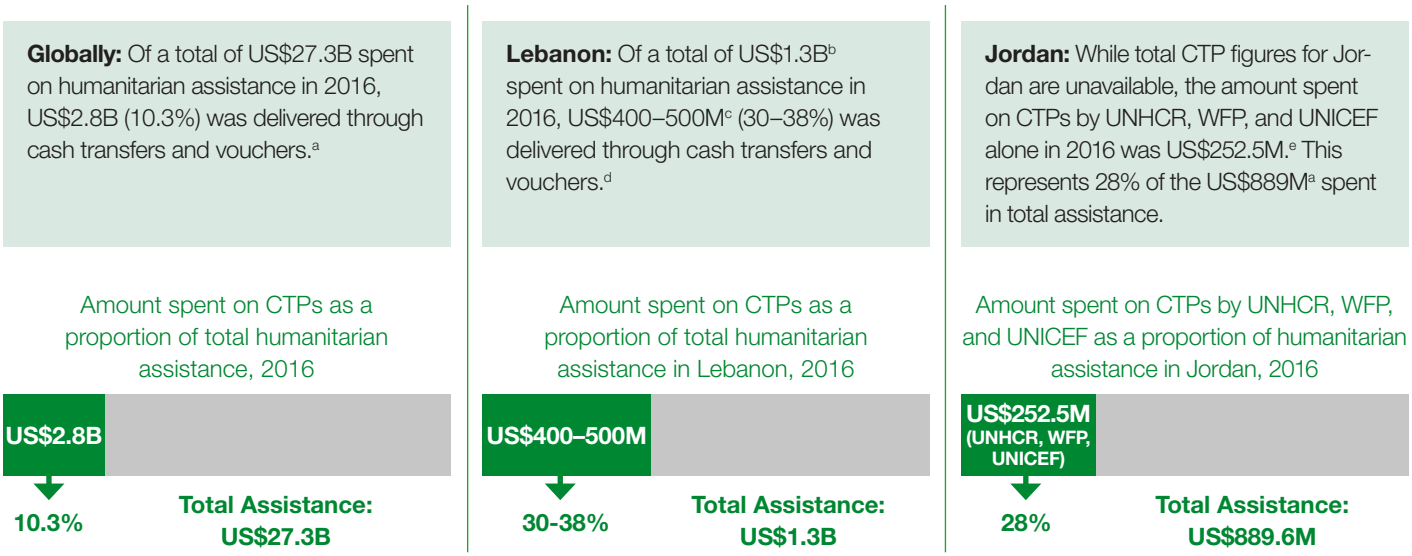
financial assistance for regular, emergency, and medical needs. Notably, NAF provides beneficiaries unrestricted cash, unlike Lebanon's beneficiaries who receive only e-vouchers for food purchases. Nonetheless, using CVA in social safety nets presents the opportunity for governments to expand financial inclusion.

In Lebanon, most vulnerable refugees receive CVA, for a total of US$400–500 million per year. While it is not possible to know the number of unique beneficiaries—households or individuals—the largest issuer, the World Food Program (WFP), reaches 140,000–190,000 out of an estimated 240,000 refugee households. The households comprise primarily Syrians who are living below the poverty line. NPTP reaches just 10,000 Lebanese households with food e-vouchers for a total in CVA of US$17 million (3–4 percent of total CVA in the country).[21] Voucher recipients are selected among the poorest of the 43,000 households who receive education and health benefits (as in Annex A), themselves a small fraction of households living below the poverty line. In Jordan, vulnerable refugees and nationals receive similar coverage.

21 NPTP recently was scaled up to 15,000 households.

The total estimated volume of CVA to refugees is US$247 million for 100,000–150,000 households. NAF has a little over 90,000 households that receive an estimated US$140 million—over half the population living below the poverty line.

FIGURE 2. **Comparison of humanitarian CVA globally and in Lebanon and Jordan**



Note: CTP = Cash transfer programming

a. The Cash Learning Partnership, "The State of the World's Cash Report: Cash Transfer Programming in Humanitarian Aid," http://www.cashlearning.org/resources/the-state-of-the-worlds-cash-2018. The figures for CTP values are for cash transfers and vouchers combined; disaggregated figures for cash transfers and vouchers are not available.
b. "Financial Tracking Service," UNOCHA, https://fts.unocha.org/.
c. Bailey and Harvey (2017).
d. Since 2017 figures are not available for CTP values globally or in Jordan; 2016 figures are used for Lebanon for comparison. However, in 2017, the proportion of CTPs as a percentage of total humanitarian assistance in Lebanon increased even further from 2016. Of a total of US$1.1 billion in assistance, nearly US$500 million (47 percent) was delivered through cash and vouchers (an increase of 30–38% in 2016).
e. Sikander and Weaver (2017).
f. "Financial Tracking Service," UNOCHA, https://fts.unocha.org/.

SECTION 4
LESSONS LEARNED

A **REVIEW OF THE CVA LANDSCAPE IN JORDAN AND LEBANON REVEALS** the importance of collaboration and the increasing use of technology to improve scale, efficiency, and transparency of programs. This section provides an overview of CVA in Jordan and Lebanon programming, highlights the benefits of collaboration within CVA delivery, and discusses why CVA failed to create a pathway to financial inclusion.

4.1 Benefits of Collaboration

Humanitarian CVA in both countries required implementing agencies to closely coordinate and collaborate with each other. In Lebanon, humanitarian CVA is mainly implemented through Lebanon One Unified Inter-Organizational System for E-Cards (LOUISE), which is managed by WFP. WFP contracts a local bank through a bidding process, the latest of which was won by Banque Libano-Française (BLF). BLF issues Common Card, the prepaid Mastercard-backed chip cards on which CVA transfers are made. The card can be used to withdraw cash at any ATM or to purchase goods from 410 WFP-selected merchants. WFP manages the relationship with BLF through a master banking agreement. Partner agencies either can have a direct relationship with BLF through a partnership agreement or they can contract WFP to manage the relationship on their behalf.

Humanitarian CVA in Jordan is mainly implemented by the Common Cash Facility (CCF) and is delivered through Cairo Amman Bank (CAB). CCF was spearheaded by UNHCR (the United Nations Refugee Agency) and has been used by up to 22 other partners. CCF uses iris-scan technology, EyeCloud (provided by the biometrics company IrisGuard), to authenticate the identity of refugees, so that they can make cardless withdrawals from ATMs.[22] UNHCR manages an overarching contract with CAB, but each humanitarian agency has a direct agreement with the bank. WFP also distributes cash and e-vouchers through a CAB-issued Mastercard prepaid card called OneCard and is piloting the use of iris scans in its 206 merchant locations throughout Jordan.[23] For a full list of CVA delivery mechanisms and an illustration of the main CVA programs in Jordan and Lebanon, see Annex A.

22 See UNHCR (2017).

23 OneCard is the CVA delivery platform managed by WFP in partnership with Jordan Ahli Bank and Middle East Payment Systems, a payment services provider.

CVA programs in Jordan and Lebanon are highly digitized compared to other CVA programs globally. Humanitarian assistance programs in Jordan and Lebanon have rapidly evolved from several uncoordinated cash transfers to coordinated digital payments, with prepaid cards that can be used at ATMs or selected merchants. The cards use cutting-edge technology, such as biometric iris scans, to verify identity and access delivery channels such as ATMs and point-of-sale (POS) devices. (See Table 2 for a detailed list of mechanisms.) This rapid evolution has improved national assistance programs. NPTP in Lebanon also has leveraged digital tools for food assistance, working in partnership with WFP to allow recipients to use their cards at WFP-selected merchants. NAF in Jordan is currently shifting payments from physical cash or check to basic bank accounts or mobile wallets. Both NPTP and NAF have modernization and digitization plans. However, those fall outside the scope of this paper.

TABLE 2. **Cash and voucher delivery mechanisms in Lebanon and Jordan**

Instrument	Prepaid cards	Biometrics (iris scan)[a]	Mobile wallets	Cash	Cash
Channel	**ATM, POS**	**ATM, POS**	**Mobile phones, PSP agents**	**Money transfer operators, post office**	**Direct/in-hand**
Lebanon	• Predominant CVA instrument for humanitarians and NPTP • Accepted at any ATM in the country • For WFP and NPTP, accepted at WFP-selected merchants	• Being piloted for some CVA programs	• Not allowed by regulation	• Preferred by some NGOs, particularly those with smaller programs	• Not commonly used
Jordan	• Used by UNHCR, WFP, and several NGOs • Used by CCF for Jordanians	• Predominant humanitarian CVA instrument, used by 9 organizations (UN agencies and NGOs)	• Used in limited pilots with UN agencies and NGOs	• Used by some NGOs and in camp settings where ATMs are not allowed • Predominantly used for social safety via NAF	• Used in camp settings where ATMs are not allowed

Note: NGO = nongovernment organization; UN = United Nations.

a. In this case, biometrics refers to the use of an iris scan as both a payment instrument and authentication mechanism.

Although coordination mechanisms used in Lebanon and Jordan were not created to explicitly advance financial inclusion, their resulting cost reductions and efficiency gains have enabled cash transfer programming to pave the way to financial inclusion. The collaboration frameworks illustrate several key benefits that can help overcome challenges to linking CVA to financial inclusion. For details on CVA collaboration frameworks in Lebanon and Jordan, see Annex D.

SIMPLIFIED PROCESS FOR RECIPIENTS

A shared cash delivery system enables people to receive transfers from several agencies through a single instrument, instead of having to go through several transfers and collection processes. Recipients and agencies benefit from this efficiency because everyone spends less time training, coordinating with multiple agencies, and managing different payments instruments. Recipients like consolidated payment instruments and streamlined operational processes (Creti 2015; Sikander and Weaver 2017).

LOWER COSTS WITH CASH DISBURSEMENT

Humanitarian agencies in Lebanon and Jordan have significantly reduced costs by sharing resources and increasing their negotiating power with FSPs. As a group, they have larger volumes of transfers and thus can negotiate discounted bulk pricing. For example, CCF in Jordan has negotiated lower bank fees by pooling CVA volume, which reduces costs from 2.5–5 percent to 1.32 percent of the value loaded onto the card (Gilert and Austin 2017). Additionally, collaboration appears to reduce the cost and administrative burden associated with each agency tendering, contracting, and managing an FSP. For example, CCF allows organizations with one-off or short-term payments to use the system without having to build their own cash delivery system. Furthermore, interagency collaboration enables FSPs to streamline their engagement with several agencies through a single, coordinated banking relationship. This is in addition to efficiency gains from collaborating on other functions such as beneficiary communication and training.

LESS DUPLICATION

Collaboration between agencies provides an overall view of recipients, allowing agencies to minimize overlaps in households reached and improve targeting to reach the intended beneficiaries. In doing so, they can reach a larger population more efficiently, thereby enhancing the effectiveness of the humanitarian response. For example, the six members of the Lebanese Cash Consortium, which preceded LOUISE, divided coverage geographically, which allowed them to individually focus their efforts and resources in discrete regions, while collectively maximizing their reach (for more on the Lebanese Cash Consortium, see Annex D). LOUISE partners agree that, although it is resource intensive in the short run, collaboration across broader functions, such as vulnerability assessments and targeting, is the right approach for an effective and efficient humanitarian response, particularly in the case of protracted crises.

In both countries, there has been some level of coordination between humanitarian agencies and the governments' respective social safety nets. This type of coordination is relevant in many

markets, as it can go both ways, with the humanitarian agencies leveraging existing safety nets and safety nets leveraging humanitarian agencies.

In markets where national systems for digital social payments are developed, they can be used for CVA. In markets where they are not in place, governments may adapt all or some aspects of platforms already established for humanitarian assistance to benefit safety nets. Both options save a lot of time and resources compared to setting up cash transfer delivery platforms from scratch. However, particularly in the case of adapting systems for government payments, maintaining a longer-term perspective is important to ensure that the government can take full ownership of the systems once crisis response ends.

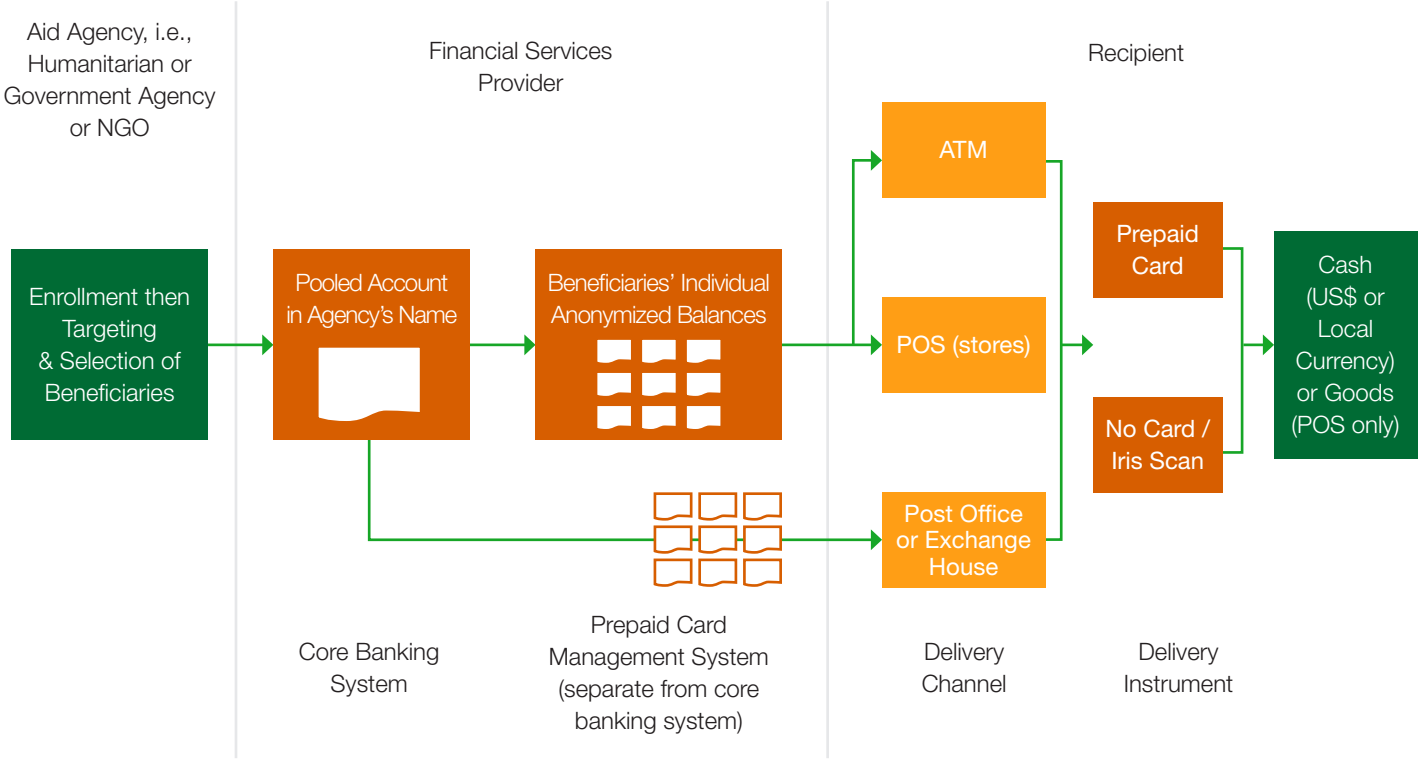
Lessons also can be learned from challenges in implementing CVA in both countries. First, comingling agency funds in the same wallet, while easier for the beneficiary who has to deal with only restricted and unrestricted funds on the same card, complicates the reconciliation process. The first-in-first-out method is used to calculate account balances, making accounting more complex as the number of agencies on the platform increases. Second, card management processes need to be streamlined to avoid lengthy delays. Under LOUISE, operations such as card blocking, activation, or re-issuance must be requested via WFP, and it may take up to two months to replace a card. During that time, beneficiaries may be forced to forgo their monthly assistance as funds get pulled back due to inactivity. However, using a single mechanism at the beneficiary level is a great starting point for programs that want to start linking to financial inclusion.

4.2 Why did CVA fail to create a pathway to financial inclusion?

The Syrian refugee responses in Lebanon and Jordan provide a large-scale experiment to test the pathway from CVA to financial inclusion.[24] Yet, despite their size and level of digitization, these cash transfer programs have not led to financial inclusion several years after the response to the Syrian crisis began. This is for one overarching reason: **transfers are not disbursed into an account held in the recipients' own name.** Rather, FSPs who facilitated the transfers opened a pooled account for the aid agency, which held the relationship with each individual recipient (see Figure 3).

24 There are non-Syrian refugees in both Jordan and Lebanon; however, this study focused on Syrian refugees and their host communities.

FIGURE 3. **Typical flow of funds in cash transfer programming in Lebanon and Jordan**



Note: In Lebanon, CVA disbursements are in U.S. dollars; however, the smallest amount in ATMs is US$50 and the standard value of transfer is US$175. This prevents beneficiaries from withdrawing the full cash transfer payment amount in one transaction. At the time of our study, the currency denomination was being reconsidered. Since then, CVA in Lebanon is disbursed in Lebanese pounds due to the deterioration of macroeconomic conditions.

Using pooled accounts is expedient because FSPs do not need to conduct the full range of CDD, including know-your-customer (KYC) requirements,[25] on thousands of refugees who may have limited identity documentation or accessible financial history. Benefits of a pooled-account approach include:

- Shortens the time that it takes to set up payments, helping to get aid to those who need it as quickly as possible.
- Allows agencies sending the cash transfers to negotiate lower fees for bulk transfers with the FSP.
- Documents cost-effective delivery for agencies to donors and for donors to their taxpayers.
- Lowers cost and risk for the FSP.

25 CDD describes the full range of actions required of FSPs to comply with anti-money laundering/combating the financing of terrorism (AML/CFT) standards as set by the Financial Action Task Force, the global standard-setting body largely responsible for AML/CFT. CDD requires that FSPs take steps to identify and verify the identity of customers as well as of person(s) on whose behalf a transaction is being conducted (beneficial owners), to understand the purpose and nature of the financial transaction and to conduct appropriate ongoing monitoring of the customer to ensure that the transactions are consistent with the customer's profile. While the term "KYC" is more often used, it does not cover the full scope of CDD obligations. See "Policy," CGAP, https://www.cgap.org/topics/policy and Staschen and Meagher (2018).

- Allows government and humanitarian agencies to see the amount of funds that remain in each recipient's account so that they have the option to pull back funds not used within a certain time period. This level of oversight is not available if funds are sent to an account held by the beneficiary, which is subject to banking privacy regulations and prevailing financial consumer protection rules.

While pooling accounts decreases short-term, upfront costs, aid recipients do not gain access to a fully functional account, which in turn would make them financially included. Even if the transfer is delivered to a prepaid card, the card's use is restricted to cash-out at ATMs and payment at POS devices. It cannot be used to save, send, receive, or store funds or to generate a transaction history necessary to access more complex financial services such as credit and insurance.[26] As a result, money transfer operators (MTOs) and traditional microfinance institutions, rather than FSPs delivering CVA, have been the main providers of financial services to refugees and low-income host households. However, MTOs cannot hold funds, and microfinance institutions in both Lebanon and Jordan are credit-only institutions that cannot accept deposits. Hence, there is a trade-off between short-term benefits—such as low costs, reporting capabilities, and fast delivery—and longer-term development outcomes of individual and household resilience.

Although there are no clear links between cash transfers and financial inclusion yet, the experiences of Lebanon and Jordan show that digital transfers are effective channels for building awareness and trust in digital payments, despite the limited functionality of prepaid cards. Agencies in the two countries noted improvements in recipients' understanding of card, ATM, and POS use over time. For example, the number of problems with personal identity numbers (PINs) and attempts to withdraw from empty accounts have declined as recipients have become more comfortable using their cards. Lebanese recipients, who are relatively new to using cards, encounter more problems than refugees. The systems humanitarian agencies have established to provide training and respond to customer questions on card use—for example, call centers—have raised awareness of digital payments and may be used for other financial capability initiatives.

Despite some early success, more needs to be done to achieve financial inclusion. In the following section we address three key building blocks for moving toward this vision:

- Humanitarian and government prioritization of financial inclusion and resilience.
- Enabling regulation and infrastructure.
- A business case for FSPs.

A fourth building block—recipient demand—is outside the scope of this paper; however, a brief description can be found in Box 2.

26 Financial account ownership is a key aspect of increasing financial access and is critical for the long-term endeavor of creating robust and active financial inclusion. See Bull (2018).

BOX 2. **The demand for digital cash transfers: What do recipients prefer?**

The preferences and needs of supply-side actors, including governments, humanitarian agencies, and FSPs, are important to consider. However, it is just as important, if not more so, to consider recipient experience and preferences. Research (unpublished) from the Bill & Melinda Gates Foundation's "Mobile Money Solutions for Cash-Based Transfers Assessment Report" in 2017 sought to understand the recipient experience with cash transfers and digital financial products. The study found that aid recipients in Jordan preferred cash (hard currency) over vouchers because the latter limited choice and was associated with the stigma of receiving welfare. Furthermore, it was believed that stores increased prices for goods redeemable with vouchers. Recipients generally were satisfied with the digital tools, including cards and biometrics (iris scans), but they did face some challenges such as limited number of acceptance networks or ATMs being out of service.[a]

These findings echo the results of three case studies from Ethiopia, Bangladesh, and Zimbabwe that looked at the effects of financial inclusion on emergency cash transfers issued to account-based payment mechanisms (Bailey 2017). In these cases, emergency transfers did not significantly change financial behaviors: at the end of the program, just 10 percent of recipients across all three countries were able to independently conduct mobile money transactions. Recipients still preferred cash—they withdrew funds from accounts before saving, borrowing, or making purchases.

In Zimbabwe, however, a significant minority did choose to continue using their mobile money account after the program was over. Although no recipient reported saving via mobile money before the project, 25 percent did so after it. Enabling factors that encouraged use of mobile money after the project ended included trust in service providers and agents, multiple transfers through the same project to increase exposure, and technical support provided by the implementing NGOs.

Similarly, user-centered research conducted in 2018 found that recipients were less concerned with financial inclusion than with features that improved the immediate cash transfer experience, such as feeling that their input was considered in the design of the cash transfer program, receiving transfers through trusted entities, and knowing how to troubleshoot potential problems that might arise (Sagmeister and Seilern 2018). Thus, the report recommended that programs be designed to maximize communication and net benefits—and thus value for money—rather than focused primarily on operational efficiency and lower costs.

These case studies provide important lessons and programming principles for donors and FSPs to consider when piloting DFS programs linked to cash transfers.

a. Such pain points could be solved with mobile money and a well-developed agent network. See Sikander and Cuna Weaver (2017).

SECTION 5

BUILDING BLOCKS: LINKING CASH TRANSFERS TO FINANCIAL INCLUSION AND RESILIENCE

5.1 Humanitarian and government prioritization

To encourage CVA providers and FSPs to pursue financial inclusion objectives, **donors and governments must make financial inclusion an explicit priority,** recognizing its importance in contributing to the resilience of recipients. High-level representatives and managers need to buy into this vision. This would allow programs on the ground to be developed with financial inclusion activities embedded from the beginning, which would prove particularly useful in protracted crises situations and for national social safety net programs. It also would allow agencies to align operational processes and make decisions that contribute to financial inclusion and longer-term resilience. For example, donors currently place a high priority on cost efficiency of humanitarian response efforts, which is important to ensure that as much funding as possible goes directly to recipients. However, if donors emphasize cost efficiency as a top priority, agencies may select an FSP purely based on cost, even if other providers may offer more sustainable or more inclusive payment solutions, improved data management platforms for beneficiaries, and better quality of service.

In terms of funds scarcity, humanitarian agencies tend to view idle funds in a recipient's account as a potential flaw in the targeting method, while an FSP would see any residual balance as a signal that the individual is trying to save. Current humanitarian processes incentivize recipients to withdraw the full transfer amount. However, this undermines potential savings and trust in digital services by reinforcing the belief that only hard cash, as opposed to an electronic balance, has permanent value. This is a missed opportunity, as illustrated by

a recent study that applied behavioral science to cash transfer programs. The study showed that an upfront investment of less than US$5 per beneficiary per year resulted in up to 41 percent more individual savings (Ideas42 2019).

Prioritizing longer term development and financial inclusion also means investing in new skills for the humanitarian community. Only 40 percent of humanitarian organizations have the capacity to implement CVA, let alone advance financial inclusion (CaLP 2018). Recipients also need training on, for example, budget management to help households build savings for when cash assistance is no longer available. All this requires longer term funding cycles for humanitarian response. Recent trends are encouraging in this regard: multiyear contributions have more than doubled in two years, from 7 percent of humanitarian funding in 2016 to 17 percent in 2018 (Development Initiatives 2019).

5.2 Enabling regulation and infrastructure

DFS can help overcome geographic and cost barriers to the formal financial sector.[27] Global experience suggests nonbank payment service providers (PSPs) specializing in low-value person-to-person and person-to-government payments may be an entry point for unbanked people to access formal and regulated financial services. PSPs can be particularly useful in markets such as Lebanon and Jordan, where on the one hand, commercial banking services are expensive and cater to high-income customers, and on the other, CVA programs offer an opportunity to capture cash flows into payment and savings products.

An enabling regulatory environment for digital financial inclusion needs to be in place to link digital cash transfers to financial inclusion. CGAP has established four basic regulatory enablers for DFS: nonbank e-money issuance, use of third-party agents, risk-based CDD, and consumer protection rules (Staschen and Meagher 2018). These enablers help to establish a regulatory environment that is proportional—one that balances financial integrity, stability, and inclusion. This balance is particularly important and challenging to achieve in crisis-affected countries. Still, Jordan and Lebanon have made strides in implementing the basic regulatory enablers and have had varying degrees of success in achieving proportionality. A brief summary and comparison of each is presented in Table 3.

Jordan has established a framework that closely aligns with the basic regulatory enablers for DFS and thus should help the country achieve financial inclusion goals for both refugees and host communities. Highlights of this legal and regulatory framework that are particularly relevant to linking cash transfers to financial inclusion include:

- Enabling both banks and nonbanks to participate in the national payments system (NPS).
- Allowing payment system actors to operate in a structured and transparent environment, with clear licensing requirements and scope of operations.

27 For more on the global framework for finance and technology and its ability to accelerate financial inclusion, see IMF (2018).

- Facilitating a wide range of digital channels and instruments (prepaid cards, mobile wallets, biometrics, and more recently basic bank accounts) to enter the market and be used for CVA.
- Establishing tiered KYC requirements and account balance and transaction limits.

Proportional regulation that balances financial integrity, stability, and inclusion objectives is a critical precondition for financial systems promoting inclusion through cash transfers. In Lebanon, financial inclusion is an important objective of the government and the central bank, Banque du Liban (BDL). However, the country's regulatory framework prioritizes integrity and stability to maintain tight control over providers, products, and services in the market. Specifically, regulations limit the role of nonbanks in the financial sector, and transaction accounts may be offered only by banks. Also, there are restrictions on real-time electronic funds transfers, prepaid cards, e-money issuance, and agent banking, which leaves little space to develop financial products and services that are relevant and accessible to CVA recipients, including low-income Lebanese. There is no supervisory approach to financial technology and little acceptance of innovation surrounding financial services that are not bank based.

TABLE 3. **Comparison of the legal and regulatory frameworks in Lebanon and Jordan**

	Lebanon	Jordan
Nonbank e-money issuance	• Only banks are allowed to offer payment services to end users. • Scope and licensing requirements for payments institutions are undefined. • Regulatory framework for e-money issuance is not complete. • Store-of-value accounts may be issued only if they are linked to a bank account.	• Different categories of payment system actors (including nonbank PSPs) are defined. • Licensing requirements for PSPs are clearly outlined. • Banks and licensed nonbank PSPs can issue e-money. • Allowed for prepaid cards, mobile wallets, biometrics.
Use of agents	• Only nonbank MTOs are allowed to use third-party agents.	• Allowed
Risk-based CDD	• Driven largely by concerns of money laundering and financing of terrorism, BDL maintains tight control over the types of entities that can provide digital payments and the digital products and services they can offer.	• Established tiered KYC requirements, account balance, and transaction limits.
Consumer protection rules	• BDL provides basic instructions on financial education, fair and respectful treatment of clients, transparency, and data privacy (Circular 134). • Recently published data protection laws intended to provide a comprehensive legal framework for the collection and processing of personal data, including in the financial sector (Law No. 81 Relating to Electronic Transactions).[a]	• Mobile payment service instructions provide basic instructions on complaints handling, data privacy, protection of consumer funds, and fraud prevention.

a. Law No. 81 Relating to Electronic Transactions and Personal Data, https://smex.org/wp-content/uploads/2018/10/E-transaction-law-Lebanon-Official-Gazette_ENGLISH.pdf. Regulatory enactment of the law is pending.

BOX 3. **Refugees' identification and access to financial services**

Many refugees do not have the identification documents (IDs) necessary to open an account, as defined both by the government through its regulations and by each individual FSP through its internal procedures. Even if the government allows FSPs to accept a foreign ID or aid agency-issued ID, an FSP can choose not to accept it.

For example, in Jordan, from a strictly legal perspective and in the absence of explicit prohibition, refugees are authorized to open accounts as foreigners using foreign IDs. However, such IDs often are unavailable or expired. Almost a decade into the conflict, many Syrian passports, which are valid for five years, have expired. Refugees have been unable to renew them because they can't access an embassy or the cost of renewal is too high (US$200–400 in Jordan).

Most Syrian refugees in Jordan have a UNHCR-issued Asylum Seeker Certificate (ASC), which serves as a *de facto* form of identification. In addition, since 2015, the Ministry of Interior (MoI) has issued IDs for Syrian refugees, based on ASC information. The IDs have an expiration date and a magnetic strip with biometric information that can be accessed through an iris scan (MoI card).

A MoI card helps refugees access financial accounts. However, ID-related requirements are not always clear, and they differ depending on the type of account:

- **Bank accounts.** Starting in 2013, CBJ's regulations make it mandatory for banks to recognize the MoI card as the only valid ID for Syrian nationals residing in Jordan after 15 March 2011. This does not apply to Syrian nationals who were residents in the country before that; they follow the same KYC requirements as any other non-Jordanian.
- **Mobile wallets.** Starting in 2017, JoMoPay instructions issued by CBJ state that both the MoI card and ASC are required to open mobile wallets.

Note that the MoI card is available only to Syrian refugees. Refugees from other countries may struggle to open an account, even if they have an ID. While a full assessment of the ID ecosystem in Lebanon and Jordan is beyond the scope of this paper, it is important to recognize that an enabling environment for financial inclusion requires robust access to and acceptance of IDs. National regulations and FSP policies about acceptable IDs to open an account need to be reviewed in light of barriers refugees or host communities face in accessing IDs.

A robust digital infrastructure for national payments is needed to process cash transfers. The central banks in Lebanon and Jordan have invested in NPS to build safe, secure, and reliable core payments infrastructures, thereby providing the pipes through which digital transactions flow. Payments infrastructure is typically built starting with systems to settle and clear large-value and bulk payments, and to eventually extend to low-value retail payments. While the former is key for cash transfer programs to be delivered digitally at scale, the latter is key for FSPs to develop payments services adapted to low-income segments.

In Lebanon, BDL established its real-time gross settlement system (RTGS) in 2012 and its automated clearing house (ACH) in 2013. In Jordan, the Central Bank of Jordan (CBJ) upgraded its RTGS in 2015 and developed various other retail payment systems. It also unveiled the Jordan Mobile Payment (JoMoPay) switch in 2015, which provides payment interoperability between mobile wallets and bank accounts, as well as interoperability for ATM withdrawals and POS purchases through integration with other retail payment systems. In both countries, ATM switches are interoperable, allowing recipients to access funds through any ATM in the country (see Annex B for details of the NPS in each country). Because these systems are safe and

reliable, CVA programs in Lebanon and Jordan depend on them to process CVA transactions, mostly through ATM and POS networks, as well as through mobile wallet agents in Jordan. The systems represent the foundation onto which both markets have been able to build large-scale digitized CVA programs. For details on NPS in Lebanon and Jordan, see Annex C.

5.3 A business case for FSPs

Cash assistance addresses the basic needs of the poorest and most vulnerable people. These segments typically do not use formal financial services, rather, they rely on informal mechanisms to manage their financial needs. Empirical evidence suggests that households at the bottom of the pyramid require interventions such as access to food, shelter, or skills. For example, evidence from the graduation approach shows that microcredit is far more effective at alleviating poverty when it is bundled with savings and nonfinancial services such as business training (Abed 2015).[28] Formal financial services, even those meant for low-income customers, usually do not meet the needs of very poor people. Cash transfer beneficiaries who are targeted for their high vulnerability may not be the most obvious clients for FSPs (see Box 4).

Therefore, the FSP revenue model for cash assistance is based on bulk payment fees often paid by implementing agencies rather than on recipient transactions. In Lebanon and Jordan, banks have been the main FSPs channeling cash transfers to beneficiaries. As described in Section 4.2, on the front end, they may provide a prepaid card to each household. On the back end, instead of opening individual accounts for each recipient, they open a single pooled account for the humanitarian organization—the bank's contractual client (either by itself or as lead in a consortium). In such case, the bank's revenues stem from (i) providing and managing the card when there is one (called a card management fee, usually a fixed fee of US$4–5 per card) and (ii) taking a fee for making the monthly transfer. The latter (referred to as a disbursement, loading, or transaction fee) is either a fixed fee below a certain threshold plus a percentage of the transferred amount or only a percentage of the transferred amount (usually 0.5–2 percent of the transferred amount). See Annex E for more details on CVA pricing.

In some cases, the implementing agency incurs additional costs from authentication, such as an iris-scan fee, which represents 15 percent of the transaction fee. There also are communication costs such as SMS notification costs of US$0.01–0.11 per message. These costs do not generate profits for FSPs, especially since they often are for services provided by third parties. FSP revenue from issuance or loading fees (bulk payment fees) are expected to cover all expenses, including physical cash management (e.g., maintaining cash availability at ATMs), ATM maintenance, and card management (e.g., customer service requests such as for a lost card or PIN.) This revenue model is different from the standard one in that banks may forgo many typical fees or offer significantly lower ones, such as fees paid by merchants per transaction (typically 3 percent) as well as fees paid by merchants to rent or maintain a

28 Graduation refers to a sequenced series of interventions designed to help extremely poor households secure their basic consumption levels and move into sustainable livelihoods.

BOX 4. **Financial lives of Syrian refugees and affected communities in Lebanon**

In 2019, the World Bank Group and CGAP commissioned a qualitative demand-side assessment of refugees and their host communities' access to and use of financial services in Lebanon.[a] The research provided insight into the following three segments:[b]

- **Surviving.** Vulnerable refugee households with a negative net income most months; likely to rely on daily and seasonal labor for work; likely to live in informal accommodations; not likely to receive aid; have growing debt.
- **Struggling.** Refugees and low-income Lebanese; more likely to have formal accommodations; likely to alternate between positive and negative net incomes, often because of seasonal fluctuations; mainly do not receive aid.
- **Managing.** Middle-income Lebanese households with more stable income sources.

Access to finance was extremely low in the sample. Loans were needed to finance expenditures for low-income Lebanese, particularly in winter. Debt was accessed mainly through informal channels such as family and friends, store purchases made on credit, and savings groups. When asked why they did not have access to formal financial services, most respondents cited lack of money or lack of awareness. A small proportion of respondents mentioned discomfort with interest rates due to religious belief. Syrian refugees reported even lower access to formal financial services than poor Lebanese. Many believed that these services are not accessible to Syrians despite there being no legal barriers.

Health-related financial shocks, such as illness or death in the family, were the most frequent shocks and had the biggest impact on all households. While middle-income Lebanese were more likely to benefit from insurance coverage through public social security or employer-provided schemes, vulnerable Lebanese and Syrian refugees generally did not have any form of formal insurance. Shocks of less concern to households included loss or damage to assets such as accommodations, cars, household appliances, and productive assets or crops.

The study showed that despite common perception, both Lebanese and Syrians in Lebanon lead active financial lives. They draw heavily on informal financial services, and in the case of Syrian refugees, they use card-based cash transfer systems, highlighting an untapped opportunity for FSPs.

Source: "Financial lives of Lebanese and Syrian Refugees in Lebanon" (https://www.findevgateway.org/sites/default/files/publications/files/financial_lives_of_lebanese_and_syrian_refugees_in_lebanon.pdf).

a. Lebanese participants were segmented based on income (low income if less than $450 per month; middle income if between $450 and $1,500 per month), while Syrian refugees were segmented based on accommodation formality.

b. The three segments mirror those developed by Making Cents and Sanad in their 2017 study of the microfinance markets in Lebanon and Jordan.

POS device. In addition, cash transfer recipients do not pay the ATM withdrawal fees charged to regular bank clients. As such, FSPs dealing with cash transfers for the first time may find it difficult to price their services appropriately and competitively.

Moving toward a cash transfer model that facilitates financial inclusion and thus greater resilience by providing recipients with individual accounts would require a dramatic shift where FSPs see recipients rather than the implementing agency, as their main clients. To provide individual accounts, the bank would need to conduct CDD procedures on each recipient, which would increase its operating expenses. The costs of CDD may not be justified for cash transfer recipients who likely will carry low- to no-balance accounts, which are not profitable to FSPs.

In addition, cash transfer recipients differ from other market segments in ways that affect the cost of service. For example, our research shows that they frequently check their balances and attempt to withdraw funds from an empty account. While balance inquiries incur only a marginal cost, several failed transactions generate unforeseen costs for banks that are not familiar with the low-income market. This is especially the case when such transactions occur with ATMs outside of their network, as they pay a service fee for using other banks' networks.

Aside from these costs, research shows that only a small portion of low-income, let alone CVA, recipients are likely to be economically active enough to be profitable to FSPs. For instance, research on the microfinance sector in Lebanon and Jordan estimated that 15 percent of refugees were deemed eligible for loans, but the majority (50–70 percent) were too vulnerable to benefit from formal credit services.[29] Banks need to better understand how to work with CVA beneficiaries to avoid common pitfalls that would lead to inadequate pricing.

To transition to a recipient-oriented market that supports financial inclusion by offering a sustainable business case for FSPs, market actors need to drive down costs and identify other revenue sources through innovation, piloting, and research. Digital technology, including digital transfers and biometric authentication, already has helped to lower the overall cost of administering cash transfers. Another way to lower costs is to transfer funds to certain types of accounts that are less expensive for FSPs to maintain. These include subaccounts held on separate banking platforms and e-money accounts provided by nonbank payments companies that bypass card issuance fees. In many countries, regulators allow for a risk-based approach to CDD that allows FSPs to lower costs associated with CDD by offering lower-tiered accounts that have a simplified due diligence process. Furthermore, as more countries move toward universal digital IDs, these IDs will facilitate client onboarding and authentication, which can reduce fraud and misallocation of funds. Ongoing pilots in Jordan using mobile wallets and basic bank accounts for cash transfers will provide further insight into how these tools may or may not be able to change the fundamental economics of cash transfers, while also improving the recipient experience.[30]

To improve the FSP business model, stakeholders should consider enabling wider acceptance of cards or value-added services. Currently, agencies in Lebanon and Jordan restrict use of the prepaid cards to ATMs or WFP-approved merchants. However, if cards could be used on any POS device, the FSP could earn revenue from interchange fees when the cards are used at other merchants. If recipients could use the cards at more locations, they would have less need to withdraw cash, thereby lowering fees associated with ATM transactions. To facilitate this, donor and government support for unrestricted cash assistance is important, as it would allow broader use of funds (versus limiting use to certain products, services, and merchants). Promoting agent acceptance of electronic cash payments (cards and mobile money) also will help strengthen the business case for FSPs. Finally, capturing remittances flows could create value for FSPs and help recipients maintain an account.

29 See Making Cents International and Sanad Technical Assistance Facility (2017).

30 NAF's cash transfer program is moving to mobile wallets or basic bank accounts; Al Hulool has partnered with UNHCR to disburse unconditional cash via mobile wallets and companion cards; Dinarak has been working with GIZ on behalf of the German Federal Ministry for Economic Cooperation and Development to promote the use of mobile wallets among refugees and Jordanians.

Implementing agencies can help by reviewing their approach to evaluating FSP cost proposals. Pricing arrangements between CVA providers and FSPs, for instance, should balance the interests of humanitarian/government agencies and FSPs. Humanitarian agencies in Lebanon and Jordan are highly cost-sensitive and likely would select the FSP with the lowest bid. However, FSPs, especially those new to the market, that make unrealistically low bids will not be sustainable. When evaluating cost proposals from potential FSP partners, agencies may consider different business arrangements that would allow FSPs to keep fees low while still ensuring more sustainable pricing. Donors and governments can help by explicitly allowing implementing agencies to evaluate FSP proposals based on several factors, including financial inclusion potential for refugees and host communities (e.g., account ownership or expansion of ATMs), rather than on cost alone.

There is a role for patient capital and smart subsidies. Those seeking to accelerate financial inclusion can support development programs that help FSPs better understand low-income segments, refine business models and approaches, and subsidize the expansion of distribution networks (agents and ATMs) to reach low-income segments. Development finance institutions have used targeted lines of credit to protect FSPs against default risk and, if structured appropriately, can help incentivize FSPs to remain active during crisis periods. Donors also can look to the wide range of innovative financing instruments currently being used to attract more private sector funding and investment in response to crisis.[31] In countries where forcibly displaced people have access to economic opportunities, donors and development actors can support pilots and experimentation, such as with graduation programs, to better understand how to help recipients move from CVA to financial inclusion.[32]

31 For more information on innovative financing, see Willitts-King et al. (2019).

32 The graduation program was found to be an effective and cost-efficient livelihood program to implement in Lebanon. See Trickle Up (2018).

SECTION 6

CONCLUSION AND NEXT STEPS

A **DEEP LOOK AT JORDAN AND LEBANON'S EXPERIENCES WITH CASH** transfer programming helps stakeholders understand the challenges inherent in creating pathways from cash transfers to financial inclusion, if financial inclusion is a stated objective. Not only did these two countries experience the largest, and likely most digital, humanitarian cash and voucher programs in history, they also have a more robust payment infrastructure than many other conflict-affected countries. Yet, even with an enabling regulatory environment in the case of Jordan and considerable progress on digitization and collaboration among humanitarian agencies and with the government, financial inclusion is not yet a reality for those refugees and vulnerable host communities who receive cash assistance.

Our analysis indicates that the following would create strong links between cash transfer programming, financial inclusion, and resilience:

- Translate high-level commitments on financial inclusion into program priorities and objectives.
- Focus on improving the regulatory environment for digital financial inclusion at scale.
- Increase the number of use cases through piloting and experimentation.
- Build the business case for FSPs.
- Link cash transfers and financial inclusion to resilience.
- Engage with global standard-setting bodies.

Translate high-level commitments on financial inclusion into program priorities and objectives. As discussed in Section 5.3, humanitarian agencies chose not to open accounts for recipients in Jordan and Lebanon for a variety of reasons. Creating pathways to financial inclusion is not business as usual for humanitarian agencies or host governments, neither is it for FSPs, which are used to serving higher income segments. Organizational change is required to support this shift, and institution leadership must send clear signals to technical staff on the importance of promoting resilience and better use of scarce donor resources. Senior-level commitment will provide the operational space for technical staff to innovate, take the time to better understand the needs and behavior of cash transfer recipients, and invest in

the infrastructure and human resources needed to launch such programs (see Box 5). Senior leadership must also initiate discussions with government leaders, who may be concerned about the program's impact on regulations and the local economy. These discussions can help bridge the knowledge gap between the financial, public, and humanitarian sectors on technical topics and legal constraints.

Focus on improving the regulatory environment for digital financial inclusion at scale. Stakeholders, including donors and implementing agencies, can work directly with governments to help ensure that an enabling regulatory environment for financial inclusion is in place (see Section 5.2). For instance, in Lebanon, the regulatory framework emphasizes that accounts can be offered only by banks. The aim is to mitigate financial integrity risks. Yet this keeps nonbank actors from participating in the market, which can drive down costs.

Jordan, on the other hand, has an established regulatory framework that reflects a proportional, risk-based approach and allows for nonbanks to offer accounts. FSPs in Jordan can develop simplified, lower-cost accounts that are more likely to be sustainable and create pathways to financial inclusion for cash transfer recipients. Regulators can help by emphasizing consumer protection: the poverty profile and high levels of financial exclusion among cash transfer recipients make them more susceptible to fraud and mistakes.

Increase the number of use cases through piloting and experimentation. The experience of these two countries shows that despite the theoretical link between CVA and financial inclusion, we do not yet have an exact roadmap to making this link a reality. Therefore, we must continue to push the limiting factors uncovered by this research and experiment with new approaches to learn, adapt, and scale. Several pilots in Jordan are already testing the use of mobile wallets for cash transfers by providing recipients a transaction account in their own name. For example, the PSP Dinarak has been working with GIZ to promote the use of mobile wallets among refugees and Jordanians. Al Hulool, another PSP, has recently partnered with UNHCR to disburse unconditional cash via mobile wallets and companion cards. Agencies involved in voucher programming, for example WFP in Lebanon, could play a role in incentivizing and encouraging participating merchants

BOX 5. **Internal process review**

Once financial inclusion is recognized as an objective, stakeholders need to act on their commitments by incorporating financial inclusion goals into their strategies, program designs, and implementation efforts.

- For FSPs, this means reviewing onboarding requirements and pricing structures, especially those that may have created intended or unintended barriers for vulnerable communities that want to open and use an account.
- For humanitarian and government agencies, this means reviewing segment targeting procedures and understanding how to give recipients the opportunity to save funds without sacrificing other goals of cash assistance programming.
- For regulators this means establishing a proportional set of regulations that responsibly promote the inclusion of traditionally underserved consumers into the formal financial sector.
- For all, it means establishing proper data protection standards so that partners can share data securely and with consent of cash transfer recipients.

to accept cashless payment instruments (cards or mobile money) to further develop the DFS ecosystem. Others are experimenting with combining financial and nonfinancial data to generate transaction histories of forcibly displaced people to build credit histories and to make their credit history and other identity data available through secure applications that work across borders.[33]

These initiatives are still small but if scaled up, they may become pathways to financial services, even when forcibly displaced people return to their home countries or settle somewhere else. Donors need to provide financial and technical resources and influence operational incentives to facilitate this type of piloting for humanitarian agencies and FSPs themselves.

Build the business case for FSPs. As outlined in Section 5.3, agencies may struggle to persuade FSPs that low-income cash transfer recipients are potential customers. However, there are ways to strengthen the business case for FSPs and persuade them to have a direct relationship with CVA recipients and other low-income segments to support financial inclusion.

More demand-side research can help FSPs already in the market better understand this segment and attract new FSPs with lower cost structures. Donors should allow implementing agencies to evaluate FSP cost proposals based on financial inclusion potential in addition to total cost of issuing cash transfers. For example, they could embed in the agreement an incentive for FSPs to provide better service to recipients by rewarding spending directly from an account.

In addition, donors can provide advisory services and smart subsidies to build FSP capacity to understand target markets emerging from humanitarian crises. Key topics for advisory services may include developing appropriate pricing models and introducing relevant payments, savings, and credit products to build a long-term customer base. Key products and platforms can be developed that create added value for FSPs and thus an incentive to serve CVA recipients over the long term. Reviewing business conduct rules around fund recovery can support greater trust and use of electronic payments.

Link CVA and financial inclusion to resilience. Viewing CVA, financial inclusion, and resilience as three interacting objectives can help ensure that short-term and long-term objectives are viewed as complementary, rather than as trade-offs. Despite the organizational challenges documented through this research, ultimately, cash transfer programming and financial inclusion efforts need to be delivered in a way that allows vulnerable people to become more resilient by improving their ability to absorb financial shocks and to pursue stable livelihoods.

Some initiatives are pushing the boundaries and bringing each of these objectives together into one program. In Jordan, for example, GIZ has set up the Digi#ances program and the Gates Foundation is implementing the Mobile Money for Resilience program. In Lebanon, World Bank financing is being used to help the government pilot a graduation program for selected NPTP recipients. These programs can strengthen FSPs' understanding of specific segments, identify gaps in policy or infrastructure, and support the design of financial products that are tailored to this segment, for example, savings products with behavioral prompts that encourage use.

33 See, e.g., Bitga (2017).

Engage with global standard-setting bodies. As our research shows, many FSPs in Jordan and Lebanon are reluctant to serve low-income populations, especially those that have been forcibly displaced, because they would have to comply with onerous CDD requirements, particularly in markets where the threat of de-risking and losing correspondent banking relationships are high.

As discussed in Section 5.3, to overcome FSP constraints to serving CVA recipients as customers, regulators need to allow for and encourage FSPs to adopt a risk-based CDD framework to help link humanitarian cash transfers to financial services. The framework would need to follow global policy and regulation on financial integrity as set by the Financial Action Task Force and related bodies. Given the severity and frequency of humanitarian crises, global standard setters need to provide technical guidance to markets on how to use proportional CDD and on other issues related to validating identification.

Having such guidance in place before the onset of a humanitarian crisis will make for a quick and effective response when a crisis does arise. It would help FSPs and regulators manage technical issues as they balance financial inclusion, stability, and integrity concerns. In addition, regulators can consider research and experimentation on innovative approaches to CDD, especially those that lower costs by collaboration—sharing the burden of CDD processes, including ID verification, risk profiling, and transaction monitoring and reporting—among FSPs and the government (Lyman et al. 2018).

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ANNEX A

MAPPING OF CVA PROGRAMS AND DELIVERY MECHANISMS

Agency	Program Name / Type	Volume[a]	Value (annual)	Beneficiaries
Ministry of Social Affairs, Presidency of the Council of Ministers	• Restricted cash for food (e-vouchers) under the National Poverty Targeting Programme	• 10K households (HH) • 43K individuals	• US$17M	• Low-income Lebanese
WFP	• Restricted cash for food • Unrestricted cash for food • Unrestricted cash (MPG)	• 695K individuals	• US$276M	• Refugees
UNHCR	• Unrestricted cash (MPG) • Unrestricted cash (winterization)	• 34K HH (MPG) • 191K HH (winterization)	• US$116.7M	• Refugees
UNICEF	• Unrestricted cash for education	• 56K HH	• US$758K-1.1M[b]	• Refugees
Lebanese Red Cross (LRC)	• Unrestricted cash (MPG) • Restricted cash	• 910 HH (unrestricted cash) • 500 HH (restricted cash)	• US$1.9M (unrestricted cash)	• Low-income Lebanese • Refugees
Caritas	• Unrestricted cash (MPG) • Unrestricted cash (winterization) • Unrestricted cash (shock response)	• 500 HH (MPG) • 1359 HH (winterization) • 150 HH (shock response)	• US$1.6M	• Low-income Lebanese • Refugees

Note: HH = households; MPG = Multi-purpose grant

a. There is some overlap in the beneficiaries served by different organizations; for example, households that receive an unrestricted transfer from UNHCR may also receive food assistance from WFP and/or education assistance from UNICEF.

b. Total annual value of UNICEF's CTPs is estimated based on the data provided by UNICEF on total volume and range of values for its CTP transfers.

Agency	Program Name / Type	Volume	Value (annual)	Beneficiaries
National Aid Fund[a]	• Unrestricted cash (regular, emergency, and medical cash assistance)	• 92,519 HH	• US$140M (2017)	• Low-income Jordanians
WFP[b]	• Restricted and unrestricted cash for food	• ~500K individuals	• US$144M (2016)	• Low-income Jordanians • Refugees
UNHCR[c]	• Unrestricted cash (MPG, winterization, emergencies, education)	• 32K HH	• US$70.8M (2017)	• Refugees
UNICEF[b]	• Cash for health, education, and winterization	• 15K HH	• US$21.6M (2016)	• Low-income Jordanians • Refugees
CARE[b]	• Unrestricted cash (emergencies, winterization, education, protection, and volunteer-based incentives)	• 32K HH	• US$10M (2016)	• Low-income Jordanians • Refugees
Mercy Corps[b]	• Unrestricted cash (winterization, protection, education, and volunteer-based incentives)	• 11,500 individuals	• US$600K (2016, Jan. – Sept.)	• Low-income Jordanians • Refugees
IRC[b]	• Unrestricted cash for protection and gender-based violence concerns	• 4,500 HH	• Not obtained	• Low-income Jordanians • Refugees

a. The Jordan Times, "9,667 Additional Families to Receive Monthly Aid from National Aid Fund," 8 January 2018, http://www.jordantimes.com/news/local/9667-additional-families-receive-monthly-aid-national-aid-fund.

b. Bill & Melinda Gates Foundation, Mobile Money Solutions for Cash-Based Transfers in Jordan Assessment Report, 2017 (unpublished report).

c. UNHCR Cash Assistance Dashboard, December 2018, https://data2.unhcr.org/en/documents/details/61718.

ANNEX B
CVA DELIVERY SYSTEMS IN LEBANON AND JORDAN

Although the collaboration frameworks in Lebanon and Jordan have garnered much attention as models for cash coordination, the CVA delivery mechanisms in both countries also include bilateral arrangements with FSPs. This section summarizes the various CVA delivery mechanisms, including those managed through collaborative frameworks and bilateral relationships.

LEBANON

System/FSP	Instrument	Channel	CTP Delivery Mechanism Description	Relationship with FSP
LOUISE (BLF)	Prepaid card (Mastercard chip card)	• Any ATM • POS (WFP merchants only)	• BLF serves as the service provider for the cash delivery platform • The Common Card, a prepaid card, works both as an open-loop card for ATM cash withdrawals within Lebanon and as closed-loop card at specific merchants contracted by WFP	• WFP manages the master banking agreement (MBA) • Agencies can have a direct relationship with BLF through a partnership agreement in MBA, or contract WFP as the platform manager
Card-based system, CSC Bank	Prepaid card (proprietary, magstripe)	Any ATM	• Before launch of LOUISE, UNHCR and other NGOs used CSC's platform for card issuance • Several NGOs still use cards issued by CSC; however, they do not combine disbursements in one card • Cards issued by CSC work on all ATMs in Lebanon	• Agreements between NGOs and CSC Bank are bilateral; terms and conditions are agreed on an individual basis
Card-based system, RedRose	Closed-loop prepaid cards or vouchers	RedRose merchants only	• Closed-loop, cloud-based solution adopted by two NGOs • Users can receive either prepaid cards or vouchers, which can be used at merchants defined in the RedRose platform • In addition to payments, the platform covers different modules to manage the entire humanitarian program lifecycle	• Agreements between NGOs and RedRose are bilateral; terms and conditions are agreed on an individual basis
Cash-based system, LibanPost and MTOs	Cash	LibanPost and MTO branches and agents	• For smaller programs, NGOs find it more cost-effective to partner with LibanPost or MTOs than with banks • Beneficiaries receive ID cards, which are used to verify their identity in order to receive their CTP disbursement • Cash is disbursed at LibanPost or MTO branches/ agent locations	• Agreements between agencies and FSPs are bilateral; terms and conditions are agreed on an individual basis

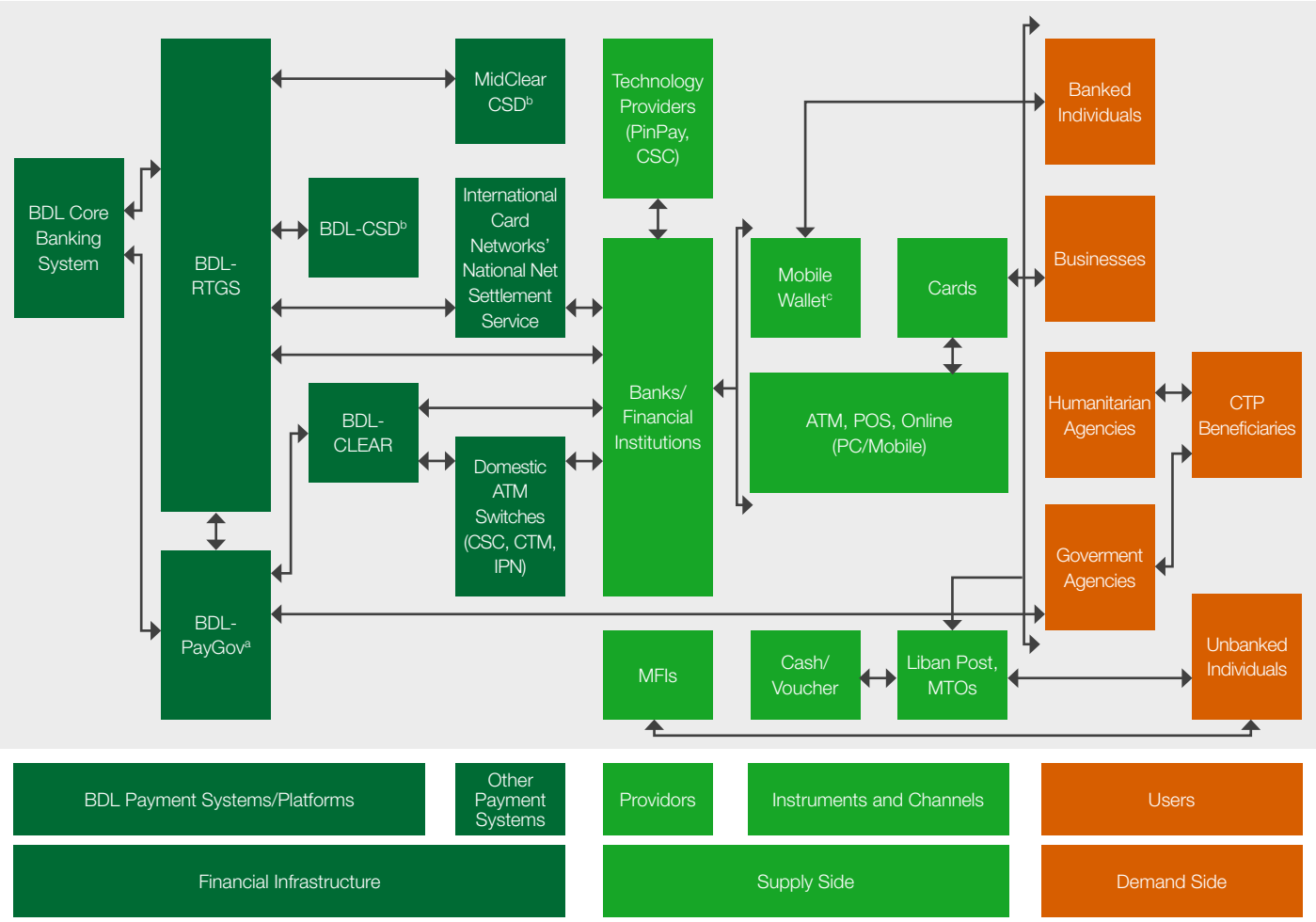
JORDAN

System/FSP	Instrument	Channel	CTP Delivery Mechanism Description	Relationship with FSP
Common Cash Facility (CCF)	Iris scan and prepaid card	CAB ATMs	• Partner-based platform managed by CAB, spearheaded by UNHCR, and used by other agencies, depending on project funding • Currently, nine agencies are using the CCF (UNHCR, UNICEF, and 7 NGOs) • Linked to EyeCloud (the iris database managed by UNHCR), which enables cardless withdrawals using the iris scan as the only instrument needed for authentication (for refugees)	• UNHCR manages the umbrella contract with CAB, but each agency has a direct relationship / agreement with the bank
WFP: Biometric e-voucher	Iris scan	Biometric POS	• WFP has piloted the use of iris scans to purchase food at biometric-enabled POS devices in refugee camp supermarkets • Intention is to eventually roll out biometric-enabled POS devices at WFP's 206 merchant locations outside of the camps	• N/A
WFP: OneCard	Prepaid card (Mastercard branded)	Partner bank (Jordan Ahli Bank [JAB]) ATMs, and POS	• WFP platform managed in partnership with JAB and Middle East Payment Systems, a payment services provider • Used for disbursement of restricted cash for food and unrestricted cash • May be used for purchases at POS device or for free cash withdrawal at JAB's ATMs; charges are incurred for withdrawal at other banks' ATMs	• WFP maintains contract with JAB; other agencies contract with WFP as the platform manager and pay a service fee to WFP

ANNEX C

NATIONAL PAYMENTS SYSTEMS IN LEBANON AND JORDAN

FIGURE C-1. **Mapping the NPS in Lebanon**



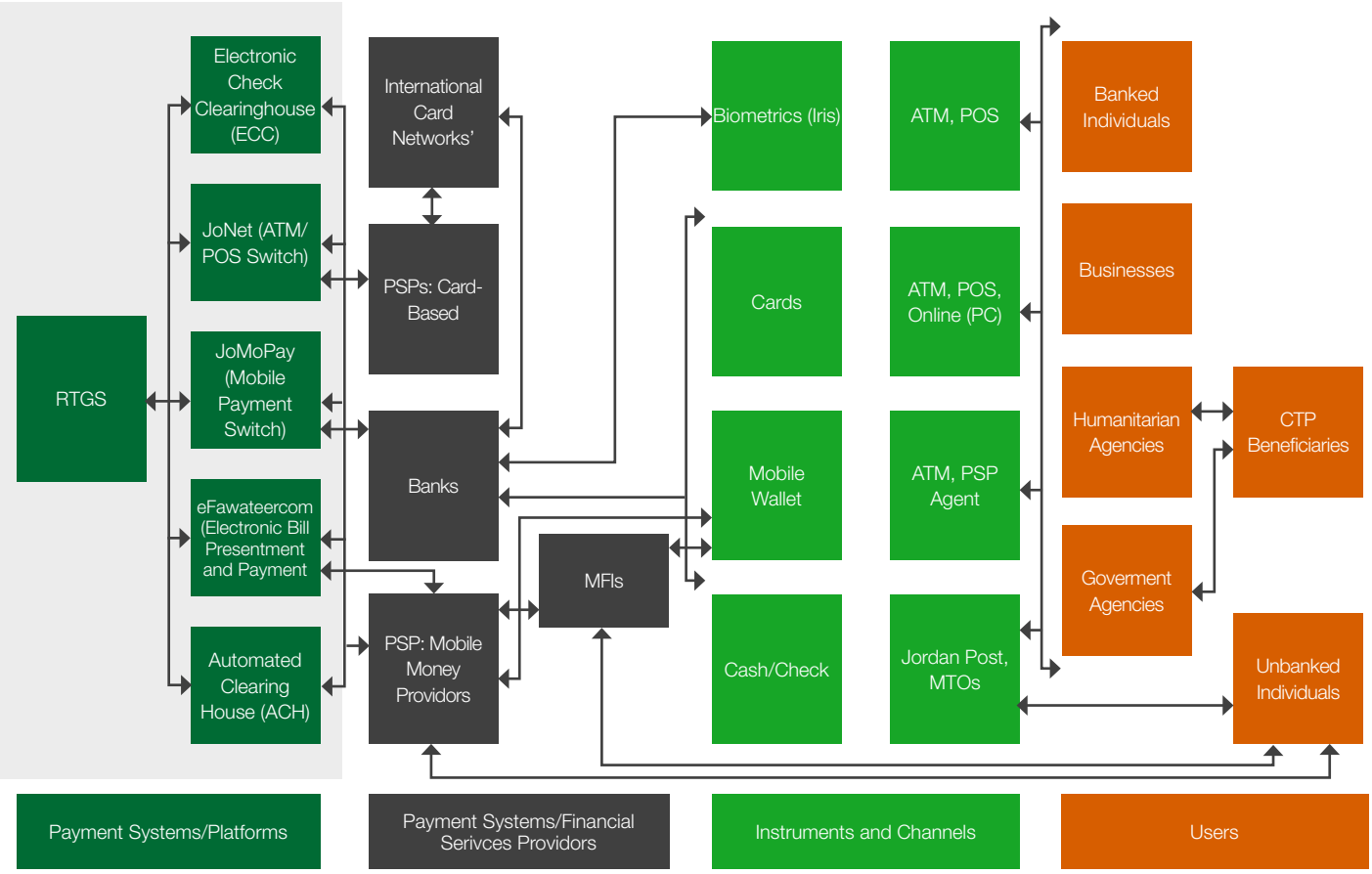
a. BDL-PayGov is expected to go live in October 2018.

b. BDL-CSD is the Central Security Depository (CSD) in the BDL. Midclear CSD is the private CSD operating in Lebanon. As the systems are not relevant to digital retail payments, they are not described in this report.

c. There is currently one mobile wallet service in Lebanon – PinPay – but wallets must be linked to a customer's bank account and funds must be pooled in PinPay's account at that bank.

Since CVA in Lebanon primarily uses prepaid cards for cash disbursement, it relies on payment infrastructure already in place and operated by BDL and private payments systems operators. CVA transactions are processed by domestic ATM switches. The transactions between the domestic ATM switches are cleared through BDL-CLEAR and settled through BDL-RTGS.

FIGURE C-2. **Mapping the NPS in Jordan**



ANNEX D
CVA COLLABORATION FRAMEWORKS IN LEBANON AND JORDAN

Framework	Description	Members	Harmonized processes
Lebanon			
Lebanon One Unified Inter-Agency System for E-Cards (LOUISE)	LOUISE is the main collaboration framework CVA in Lebanon. It started with the desire for a single FSP to provide recipients with one card for multiagency transfers. It was preceded by WFP's OneCard system,[a] which has since been replaced by the LOUISE Common Card.	• UNHCR, WFP, and UNICEF • Save the Children and World Vision International are inactive members	• Recipient registration and data management • Vulnerability assessment and targeting • Card issuance, management, and training • Dispute resolution • Reporting, reconciliation • Measurement and evaluation
Lebanon Cash Consortium	Active from December 2014 to May 2017, the Lebanese Cash Consortium was composed of six NGOs. Like LOUISE, the impetus behind starting the consortium was to establish a shared cash delivery platform. It closed due to lack of funding, as donors began to channel the majority of funds for CVA through UN agencies.	• ACTED, CARE, International Rescue Committee, Save the Children International, Solidarites International, World Vision International	• Vulnerability assessment and targeting • Card issuance, management, and training • Dispute resolution, reporting, reconciliation • Measurement and evaluation
Jordan			
Common Cash Facility (CCF)	CCF is based on a public-private partnership between Cairo Amman Bank (CAB), UNHCR, and the biometrics company, IrisGuard. Multiple humanitarian and government agencies can deliver funds to the same recipients using subwallets linked to a UNHCR case ID. Refugee recipients can withdraw funds at CAB ATMs across the country using an iris scan. Jordanian recipients can withdraw funds at any CAB ATM using a card and PIN. CCF is expanding to include mobile wallets for CVA disbursement.	• As of July 2018, CCF had 22 members, including UNHCR, UNICEF, Action Contre la Faim, ACTED, Medair, PU-AMI, World Relief Germany, Save the Children, Danish Refugee Council, and government participation through NAF.	• Systems and processes for cash disbursement, including recipient registration (for the iris scan), dispute resolution, reporting, and reconciliation
WFP	OneCard is CVA delivery platform managed by WFP in partnership with Jordan Ahli Bank and Middle East Payment Systems, a PSP. OneCard allows recipients to receive assistance as an electronic value voucher redeemable at WFP merchants or as an ATM cash withdrawal. The prepaid cards are Mastercard branded.	• As of May 2018, members included UN Relief and Works Agency for Palestine Refugees, with the Food and Agriculture Organization in the process of joining.	• Systems and processes for cash disbursement, including card issuance, management, and training, dispute resolution, reporting, and reconciliation

a. In December 2014, the WFP launched OneCard, which was a prepaid card that could be used on POS devices and ATMs. OneCard was issued by BLF as a Mastercard chip card. It is no longer used in Lebanon, as it was replaced by the LOUISE Common Card.

ANNEX E
CVA PRICING STRUCTURE IN LEBANON AND JORDAN

Fee Type		Members	Harmonized processes
ATM and POS-based delivery mechanisms	Transaction charge (loading fee)	Fee on the value loaded onto each payment instrument (card, iris scan)	• Lebanon, flat fee below a threshold value, percentage based above the threshold • CCF: 1.15–1.32%
	Card management fee	Fee for issuance and management of cards	• Lebanon: US$4–5 (annual)
	Authentication fee	In the case of CCF/Jordan, fee to IrisGuard (biometric authentication provider paid by Cairo Amman Bank)	• CCF: 15% of transaction charge
Agent-based delivery mechanisms[a]	Transaction charges (disbursement fee)	Fee per disbursement/transaction via branch or agent locations (applicable in the case of Post/MTOs)	• Lebanon (Post): From US$2.17 to US$3.25; for higher amounts, 0.5% of disbursed amount
	Beneficiary identification card issuance fee	A one-time fee for the issuance of ID cards to beneficiaries, which are used to verify identity at the time that funds are claimed (applicable in the case of Post / MTOs)	• Lebanon (Post): US$0.56/card
ATM, POS, and Agent-based	SMS fee (per SMS)	Fee for SMS notifications sent to beneficiaries	• Lebanon: US$0.04–0.11 • CCF: US$0.01
	Bank fees (per transfer)	Fee for bank transfers in the event that the humanitarian agency and service provider have different banks	• Not a significant cost and depending on the banking relationship, may be waived

a. Analysis for agent-based delivery mechanisms is Lebanon-specific, since pricing for CTPs via Jordan Post and MTO channels were not assessed in Jordan.

Note that flat transaction fees disadvantage NGOs with small transfer values. CCF charges a percentage-based disbursement fee regardless of the value of disbursement. As a result, the fee charged to all members is equally proportionate to their transfer values. In the case of LOUISE, however, a flat fee is charged on each load below a certain amount. As a result, the LOUISE pricing structure disadvantages NGOs with a large caseload but low-value transfers

per beneficiary, while CCF allows agencies with cash transfer programs of all sizes to benefit proportionately from the negotiated rates. The following is an example of transaction charges (loading fees) for each country:

- Lebanon: Flat fee below an agreed transfer amount (US$2–3) and a percentage-based fee (1–2 percent) above that transfer amount
- Jordan: 1.15–1.32 percent of transfer amount

ANNEX F
GLOSSARY

Term	Definition[a]
Basic needs	Essential goods, utilities, services, or resources required on a regular or seasonal basis by households to ensure long-term survival AND minimum living standards, without resorting to negative coping mechanisms or compromising their health, dignity, and essential livelihood assets.
Cash and voucher assistance (CVA)	All programs where cash transfers or vouchers for goods or services are directly provided to recipients. In the context of humanitarian assistance, the term refers to the provision of cash transfers or vouchers to individuals, households, or community recipients—not to governments or other state actors. "Cash" or "cash assistance" specifically refers to cash transfers only—these terms do not mean "cash and voucher assistance." However, cash and voucher assistance has also been referred to as "cash-based Interventions," "cash-based assistance," and "cash transfer programming," among other terms. "Cash and voucher assistance" is the recommended term.
Cash transfer	Assistance in the form of money—either physical currency or e-cash—to individuals, households, or communities. Unrestricted in terms of use and distinct from restricted modalities, including vouchers and in-kind assistance.
Clearing[b]	Transmitting, reconciling, and in some cases, confirming financial transactions before settlement, potentially including netting transactions and establishing final positions for settlement. Sometimes this term is also applied (imprecisely) to settlement.
E-transfer	Digital transfer of money or vouchers from the implementing agency to a recipient. Provides access to cash, goods, and/or services through mobile devices, electronic vouchers, or cards (e.g., prepaid, ATM, credit, or debit). May also be called digital payments; it is an umbrella term for e-cash and e-vouchers.
E-voucher	A card or code that is electronically redeemed at a participating vendor. Can represent cash or commodity value and is stored and redeemed using a range of electronic devices (e.g., mobile phone, smart card, point-of-sale device).
Financial infrastructure[c]	The underlying foundation for the financial system, including the institutions, information, technologies, and rules and standards that enable financial intermediation. Credit bureaus; collateral registries; and payment, remittance, and securities settlement systems are vital parts of a country's financial infrastructure. In this report, analysis of the financial infrastructure focuses on payment systems.

Term	Definition[a]
Financial services provider (FSP)	An entity that provides financial services, which may include e-transfer services. May include e-voucher companies, financial institutions (e.g., banks and microfinance institutions), or mobile network operators. Includes many entities (e.g., investment funds, insurance companies, accountancy firms) beyond those that offer humanitarian cash transfers or voucher services, hence within CVA literature FSP generally refers to those providing transfer services.
Multipurpose cash transfer (MPC)	A transfer (either regular or one-off) corresponding to the amount of money a household needs to cover, fully or partially, a set of basic and/or recovery needs. Transfers designed to address several needs, with the transfer value calculated accordingly. Unrestricted in terms of use as they can be spent as the recipient chooses. Also called multipurpose cash grants or multipurpose cash assistance.
National payment system[d]	The underlying foundation of a country's financial system. Comprises all institutions, information, technologies, payment instruments, rules, and standards that enable exchange of monetary value. Key elements may include automated clearing houses (ACH), large-value interbank settlement systems, and platforms for person-to-person transfers.
Payment system[e]	A set of instruments, procedures, and rules for transferring funds between or among participants. Includes the participants and the entity or entities operating the instruments, procedures, and rules.
Point of sale (POS)	Devices used to perform digital payment transactions carried out in retail stores, restaurants, or mobile locations.
Restriction / Restricted transfer	Refers to limits on the use of assistance by recipients. Applies to the range of goods and services that the assistance can be used to purchase, and the places where it can be used. The degree of restriction may vary—from the requirement to buy specific items, to buying from a general category of goods or services. Vouchers are restricted by default because they are inherently limited in where and how they can be used. In-kind assistance also is restricted. Cash transfers are unrestricted in terms of use by recipients.
Third-party agents[f]	Used by banks and other financial services providers instead of traditional branches to reach more customers at a lower cost. May be an established distribution network, such as post offices or retail chains, or be independent, small-scale traders and other retailers. Agents are often able to conduct basic financial transactions, such as withdrawals, deposits, money transfers, and payments on behalf of financial services providers, depending on rules and regulations.
Sector-specific intervention	Designed to achieve sector-specific objectives. Sector-specific assistance can be conditional or unconditional. Vouchers (restricted transfers) might be used to limit expenditure to items and services contributing to achieve specific sectoral objectives. Sector specific interventions delivered through cash transfers might be designed to influence how recipients spend them, which is called labelling.
Settlement of funds[g]	An act between two or more parties for the discharge of monetary obligations.
Unrestricted transfer	Can be used as the recipient chooses—there are no limitations imposed by the implementing agency on how the transfer is spent. Cash transfers are by definition unrestricted in terms of use.

Term	Definition[a]
Vouchers	A paper, token, or electronic voucher that can be exchanged for a set quantity or value of goods, denominated either as a cash value or predetermined commodities or services, or a combination of value and commodities. They are redeemable with preselected vendors or at "fairs" created by the agency. Vouchers are by default a restricted form of transfer.

a. Definitions are from the Glossary of Terminology for Cash and Voucher Assistance (https://www.calpnetwork.org/learning-tools/glossary-of-terms/) unless otherwise noted.

b. Bank of International Settlements Glossary, https://www.bis.org/cpmi/publ/d00b.htm?&selection=80&scope=CPMI&c=a&base=term.

c. IFC and World Bank Group, Financial Infrastructure: Building Access through Stable and Transparent Systems, 2009, http://documents.worldbank.org/curated/en/549231468151157854/Financial-infrastructure-building-access-through-transparent-and-stable-financial-systems.

d. Committee on Payments and Market Infrastructures and World Bank Group, Payment Aspects of Financial Inclusion, April 2016. http://documents.worldbank.org/curated/en/806481470154477031/Payment-aspects-of-financial-inclusion

e. Bank of International Settlements Glossary, https://www.bis.org/cpmi/publ/d00b.htm?&selection=80&scope=CPMI&c=a&base=term.

f. Agent Networks, Findev Gateway. https://www.findevgateway.org/topics/agent-networks

g. Bank of International Settlements Glossary, https://www.bis.org/cpmi/publ/d00b.htm?&selection=80&scope=CPMI&c=a&base=term.

CGAP
cgap.org