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A JOINT UNHCR-WFP PROJECT

MITIGATING RISKS OF ABUSE OF POWER IN CASH ASSISTANCE IN THE DEMOCRATIC REPUBLIC OF CONGO

This document outlines lessons learned from a joint UNHCR/WFP project in the Democratic Republic of Congo (DRC) with the aim to, with Financial Service Providers (FSPs), identify and mitigate the risks of abuse of power in cash assistance, including through cash in hand, pre-paid cards and mobile money.

Conducted in November 2018, the mission engaged a wide range of stakeholders, including FSPs, national regulators, donors, humanitarian organisations and members of the cash working group. Consultations were held in Kinshasa and with cash recipients in the Mulongwe refugee site, South Kivu.

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

Promoting appropriate behaviour by FSP agents and traders involved in the delivery of cash assistance.

Ensuring appropriate reflection of the FSP responsibility to prevent and follow up abuse cases in the contracts signed with UNHCR and WFP.

Building the capacity of cash beneficiaries on their consumer rights vis-à-vis FSP field agents and traders, and in basic financial and digital literacy.



LESSONS LEARNED

1. ENCOURAGE GOOD BEHAVIOUR BY FSP AGENT NETWORKS

- ➔ FSPs should analyse to which extent the remuneration structure at each level of their distribution chain encourages good behaviour including with captive customers. For example, independent agents in remote places justify additional fees for customers when cashing out with additional transport costs incurred compared with agents in the capital city.
- ➔ FSPs can use proxy indicators to monitor the respect of recipients' rights by agents around sites where cash assistance takes place. A combination of increase in the number of new clients and in number of transactions for one agent may be considered a good sign, provided that cash recipients are not restricted to use a limited number of agents in the area. The respect of customer rights should be included in the performance monitoring systems and rewards of agents.
- ➔ Respect of humanitarian principles is non-negotiable and should be spelt out in the FSP contracts humanitarians sign. FSPs should be encouraged to adhere globally and at national level to these principles and sign a public commitment, such as a code of conduct, to respect them that include transparent reporting about abuses and how they should be dealt with. Private sector operators should also see investment in mitigating risks of abuse of power as benefiting their business in the short or longer term. The contact between a beneficiary and an FSP is only the beginning of a customer relationship. The improvement in customer service leads to increased revenue and number of clients, profitability per client and strengthened brand image.

- FSP training of their agents should increase the knowledge of what is acceptable in terms of behaviour and what is not. Agents often lack practical understanding of the application of codes of conduct, including the prevention of sexual exploitation and abuse. Such code of conduct, adapted to the delivery of cash assistance, should be developed at the global level amongst FSPs and advocacy should be carried out to ensure adherence to its principles.
- Mobile money operators should capitalise on their direct contractual relationship with their super agents and their TDR (Trade Development Representatives) to enforce client sensitive codes of conduct at agents' level. The agents involved in transactions with recipients of humanitarian cash transfers are not directly contracted by mobile money operators. FSPs should control their visibility material to avoid that dismissed agents continue using them while they are no longer entitled to carry out transactions.
- The role of the national regulator is key to mitigate the risks of abuse of power in cash assistance: instructions related to customer protection will be released by the Central Bank of Congo by the end of 2018, and include measures such as ethic codes and complaints management.
- Mystery shopping and formal on site controls should be more systematically considered by FSPs, national regulators and humanitarian agencies to spot issues related to abuses of power but also to improve customer experience.

2. ENCOURAGE COMPETITION AND FOSTER A DIGITAL ECOSYSTEM AND FINANCIAL INCLUSION

- Developing a digital ecosystem will reduce the possibilities of the abuse of power: if people receiving cash assistance can increasingly pay for goods and services with e-money directly to traders and service providers, they do not need to cash out with agents nor struggle with exchange rates. It would also reduce the burden on agents related to liquidity management in a country where transporting cash is dangerous and costly.
- Banking and mobile money networks development is essential in such a large country. Because of the lack of competition in remote areas, abuses of power affect not only captive clients receiving humanitarian aid in cash but also all vulnerable populations served by only one financial service provider.
- Humanitarian agencies and FSPs should promote cash recipients to use their accounts beyond cash out to keep funds safe or access additional financial products, such as savings and loans and receive or send money abroad. Different types of assistance can increasingly be channelled through existing delivery mechanisms in order to encourage beneficiaries to keep their means of payment safe and use them more often. Phones can also be used for other types of activities, such as capacity building or protection monitoring.
- Humanitarian agencies should advocate for interoperability between mobile money options and include beneficiary preferences related to FSPs in their tendering criteria. Cash-based assistance offers freedom of choice and flexibility which should be reflected in the choice of financial service provider.
- Regulators play a role in encouraging the diversification of the offer of financial products and facilitating access to these products by vulnerable populations, including refugees without national identity cards. The Central Bank of Congo will launch shortly a large-scale program to encourage financial inclusion to address the low level (8%) of the population having access to the banking sector.



3. REINFORCE DATA PROTECTION

- ➔ Humanitarian agencies and FSPs should strengthen cash recipients' awareness of the importance to protect their PIN number and provide guidance on how to choose an easy to remember but safe personal PIN number, perhaps using symbols. Many beneficiaries find it difficult to remember their PIN and are encouraged by agents to use their date of birth, which is also on the identity cards requested when cashing out. Agents often enter PINs themselves for transactions. Equivalent challenges exist to prevent the abuse of fingerprint: alphabetic recipients may not know how their biometric data is used.
- ➔ Beneficiary data is not well protected as it is captured by each agent on paper lists. Coherence of contracts should also be looked at. While FSPs may sign with an agency a contract including the provision for data protection as per the agency policy, contracts with the end-clients may include contradictory wording, including declination of responsibility for direct and indirect consequences related to the use of customer data. Field agents should be informed and trained on existing rules and their responsibility with regard to client data protection.

4. INCREASE AWARENESS OF RECIPIENTS ON THEIR RIGHTS AND FINANCIAL AND DIGITAL LITERACY

- Humanitarian agencies should dedicate enough time, resources and expertise to improve communication with cash recipients at every stage of the project. A variety of media (oral, visual) and approaches (meetings, radio, theatre, posters, games) can address the diversity of cash recipients with possible specific vulnerabilities and disabilities. While many oral sensitisation sessions have been organised with cash recipients, frequent measuring of the understanding of the information by the community in its diversity and adaptation of approaches accordingly are required.
- FSPs should diversify communication products explaining the transaction processes and clarifying the official costs. The products should be adapted to their various customer segments and field tested including in remote locations. SMS can clarify the purpose of the transfer received in case of restricted cash assistance. Cash recipients should get clear information on movements on their accounts.
- Basic digital and financial literacy can increase knowledge and confidence of people receiving cash assistance. Many of the abuses and issues identified can be alleviated with increased training by both the FSPs and the humanitarian agencies before the distribution of the means of payment. Innovative approaches can be thought of, such as the use of youth to coach elders. To reduce cash out transactions with agents and increase the value of the wallet, cash recipients should be trained on the basic financial products they can access. Where existing, such as in DRC, links should also be made with National Plans for Financial Literacy and its implementing stakeholders.



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5. STRUCTURE AND STRENGTHEN FEEDBACK AND COMPLAINTS SYSTEMS

- Humanitarian agencies should propose well-structured and responsive multi-channel feedback and complaint systems in their response, including in cash assistance. It is however not enough: cash recipients trust in these systems should be strengthened so that they use it without the fear of losing their entitlements. FSPs should also have their own formal feedback and complaint mechanism for technical issues relating to the cash withdrawal, and referral systems should be established between both systems.
- FSPs should encourage training of agents to respond to complaints in a courteous, effective and non-abusive manner. Agents are often the face of the operator on the ground.
- Humanitarian agencies should include monitoring of the abuse of power in post distribution monitoring. FSPs on the other hand, can capture clients' perception through post transaction surveys through SMS or IVR (interactive voice recognition).

WHAT'S NEXT?

- WFP and UNHCR have deployed an expert in customer protection to work in Mulongwe site to:
 - Work with the cash recipients on their rights;
 - Support the FSPs in training of agents on appropriate behaviour towards their clients as well as on the related agent sanctions and incentives;
 - Develop a communication plan to ensure refugees understand each step of the cash assistance;
 - Strengthen the complaints and feedback system to ensure it is more systematic and structured, and improve links with the mobile money company hotline.
- Early 2019, a third party will monitor changes in the perception of beneficiaries of cash assistance in Mulongwe site to capture whether the project has helped them feel more protected vis-a-vis agents from the private sector and more empowered to ensure their rights are respected.
- UNHCR and WFP will conduct follow up with the FSPs participating in the project, to monitor how far the mission recommendations have been taken into account in their structures and cash assistance.
- This document will inform the upcoming project in Cameroon, Iraq, Uganda and Rwanda as well as the discussions during a global project workshop in Nairobi in December 2018.
- The findings will also inform the development of guidance and a toolkit for FSPs and humanitarian stakeholders on mitigating the risks of abuse of power in cash assistance to be disseminated as the global level.

EXAMPLE OF RISK MAPPING FOR DIFFERENT TYPES OF CASH DELIVERY MECHANISMS

DIRECT CASH PAYMENT (CASH IN HAND) THROUGH AN AGENT			
Check-in	Voucher/ ticket/ check distribution	Cash withdrawal	Exit distribution site
<ul style="list-style-type: none"> • Security agent asks for favours or fees to allow people accessing the site 	<ul style="list-style-type: none"> • Lack of respect, rude behaviors • Agent requests fees or favours to allow beneficiary access the distribution • Amount on the check is reduced compared to what is due 	<ul style="list-style-type: none"> • Manipulation of exchange rate • Provision of old notes with lower value or counterfeit money • Theft of bank notes from illiterate clients or women busy with their kids • Collusion between agents and humanitarian staff to keep entitlements of no-show beneficiaries 	<ul style="list-style-type: none"> • Extortion from security agents outside distribution site • Theft on the way back home with complicity of people involved in the distribution • Favours requested by agents spending the night on site
<p>Aggravating factors: trauma from men in uniform, absence of humanitarian actors during the distribution, language, illiteracy and lack of numerical literacy, gender, lack of mobile coverage to denounce abuses</p>			

PAYMENT VIA SMART OR PRE-PAID CARD

Cards distribution	Access to the bank outlet	Cash withdrawal	Exit distribution site
<ul style="list-style-type: none"> • Lack of respect, rude behaviors • Agent requests fees or favours to allow beneficiary access the distribution 	<ul style="list-style-type: none"> • Security agent and/ or receptionist requests fees or favours to allow beneficiary access the bank agent 	<ul style="list-style-type: none"> • Lack of respect, rude behavior, humiliation • Discrimination / serving other clients first • Lack of discretion when analyzing refugee ID or when disclosing amount • Manipulation of exchange rate • Provision of old notes with lower value or counterfeit money • Theft of notes • Request for undue fees • Agent has the PIN code and carry out fraudulent transactions 	<ul style="list-style-type: none"> • Extortion from security agent out of the bank • Theft on the way back home with complicity of bank agents aware of cash recipients address

Aggravating factors: distance to the bank outlet affects weaker and disabled persons, trauma from men in uniform, language, analphabetism and lack of numerical literacy, gender, poor liquidity management

MOBILE MONEY

Distribution of the phone and SIM card	E-Money sent on the phone	Cash withdrawal
<ul style="list-style-type: none"> • Request of undue fees or favours for the phone/ SIM card • Swap of SIMs and copy of ID • Provision of erroneous information on fee structures for transactions • Lack of respect, rude behavior, humiliation • Lack of discretion when analyzing refugee IDs 	<ul style="list-style-type: none"> • Manipulation of the excel file • Lack of data protection when sending file • Theft of identity/ swap SIM to cash out 	<ul style="list-style-type: none"> • Presence of false agents • Slicing for real or fake lack of liquidity, enabling agent to cash in more in commissions • Lack of respect, rude behavior, humiliation • Discrimination / serving other clients first • Provision of old notes with lower value or counterfeit money • Theft of notes • Manipulation of exchange rate • Request for undue fees or favor • Agent gets the PIN code and remove e-money from client account

Aggravating factors: feeling of inferiority towards agents, poor training on the phone use, lack of network to register clients or lack of electricity to charge the phone, hotline that is not toll free, delays between distribution of phones and cash transfer, different language, analphabetism and lack of numerical literacy affecting PIN memorization, gender, poor liquidity management



MORE INFORMATION

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