

# Development Partner Toolkit



The Better Than Cash Alliance has prepared a series of toolkits to help different stakeholders in their shift towards electronic payments.

*Choose the one which likely best suits you*

### **Ecosystem Diagnostics**

How to conduct a diagnostic to review the digital payment ecosystem

### **Development Partners**

### **Payments Measurement**

How to measure the payment flows so as to track the shift to electronics

### **Business**

### **Government**

# This toolkit is primarily intended for:

Your institution	Development partners such as bilateral donors & INGOs involved in relief and development
Your role within the institution	Social or other cash transfer program managers; Finance managers
Your level of prior digital payments knowledge required	None or limited
The stage of your organization’s digitization journey	Early to mid-stage
The geographies where you work	Emerging economies

First time reader? [Get tips on how to navigate this toolkit.](#)

Go directly to the [decision tree](#) to help determine your starting point.

Go directly to the [index](#) to navigate throughout the toolkit.

Not you above? [Another BTCA toolkit](#) may fit your needs better.

# Tips on how to use BTCA toolkits to get what you need, fast

BTCA toolkits aim to provide a practical, modular source of advice to readers, so that:

- **first time readers** with limited background on the subject can navigate smoothly through the entire toolkit in stages if they wish; while
- return readers or those with particular questions or interests can quickly and easily get to the sections relevant to them.

However, there are a variety of particular uses you may have in mind so an initial [decision tree](#) will enable you to form your own path to relevant material. And you can always get back to the [index](#) using the button at the bottom of every page.

Context and Awareness	Readiness and Engagement	Framing the Case	General Resources
This section gives the bigger picture around why you should consider shifting	This section helps you to assess how ready your organization is and to prioritize where to start	This section takes you through a structured process to recommend how to shift a specific payment type, using applied examples	This section contains links to other useful materials, frequently asked questions and a digital payment glossary.

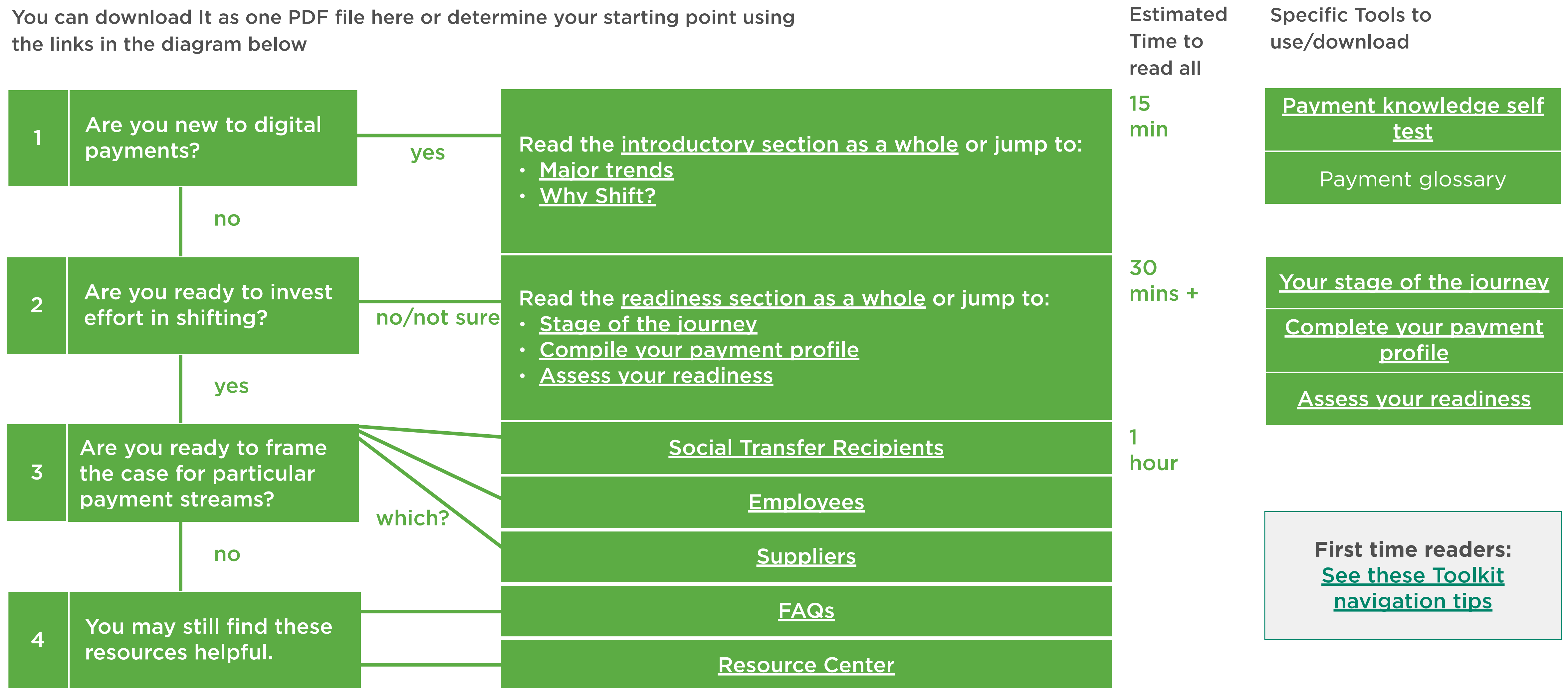
This toolkit aims to help you first understand the bigger picture of digitizing (context and awareness), then prioritize where you can start in your organization (readiness and engagement) and finally, work through to a recommended option in a variety of payment types.

However, the toolkit is **not an implementation manual**: to get to implementation, you will need to take additional steps (such as develop a detailed plan) which are specific to your situation.



# Decision Tree: How to use this toolkit

You can download It as one PDF file here or determine your starting point using the links in the diagram below



# Index: How to Navigate This Toolkit

Jump to the relevant sections using the links in the index below

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## Framing the Case

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# Context & Awareness

This first section of this development partner toolkit aims to provide readers with a context of the trends affecting digital payments in general and how development partners in particular are shifting to digital payments. By reading this section, you will:

- Develop a general awareness of why development partners are shifting
- Get an understanding of trends in the sector and in general
- Take a simple self test of your knowledge of digital payments
- Access a glossary of payment terms

## SPOTLIGHT: CASH TRANSFERS in Kenya

Cash for Assets (CFA) is a joint World Food Programme (WFP)/ Government of Kenya cash transfer scheme reaching food insecure households in seven arid and semi-arid counties in eastern and coastal Kenya where recipients work on community asset projects to build resilience against drought. Working with a local bank from the start in 2009, the CFA program provided bank accounts to each recipient to receive his or her payments using a debit card-based system. WFP reported 15% gain in cost efficiencies when using digital cash transfers over in-kind aid, while providing recipients with personal accounts at a mainstream financial institution, and is now experimenting with other innovations in mobile money and biometrics in its cash-based operations throughout the country. Read the full case study [here](#).

## Setting the Cash-to-Digital Scene for Development Partners

A number of great introductory resources on digital payments already exist for development partners. These include: BTCA's White Paper, [The Journey to Cash Lite](#), set out the general case for the shift to digital payments. For development partners, there are a number of great general introductory resources which help to set the scene for development partners. These include CGAP's Focus Note 93, [Electronic G2P Payments: Evidence from Four Countries](#); USAID/Nethope's [10-Step Guide for Shifting to E-Payments](#), and; CALP's [Implementation Support Guidelines](#) for E-transfers in Emergencies. See this [toolkit source guide](#) for more even more resources.

# Why are development partners shifting to digital payments?

Increasing evidence suggests the following reasons are driving the shift

Reason	Finding	Example
Cost saving	Moving from cash and checks to digital can significantly reduce costs for development partners	When Plan Uganda shifted some payments from cash to mobile wallet, <a href="#">it saved 77% in costs</a> , including increased staff productivity by reducing paperwork and freeing up time for delivering more training content.
Transparency	Digital payments improve traceability which reduces leakage of development partners payments to fraudulent or incorrect recipients.	The governments of both <a href="#">Haiti</a> and <a href="#">Uganda</a> chose to use digital payments to mitigate risks of corruption and leakage in their social transfer schemes.
Speed and security	Digital payments can be instantaneous, reducing the time the payee must wait to receive. Reducing the use of cash also improves security for recipients and implementing partners.	<a href="#">HMMI's review</a> of the shift to e-payments in Haiti consistently found mobile-based payments to be faster and safer than any check or cash alternatives.
Financial inclusion	Digital donor to person payments can be the first entry point to financial services for unbanked people, supporting the usage of new services for additional reasons.	WFP in Kenya delivers their <a href="#">Cash for Assets</a> grants into mainstream banked accounts in order to bolster financial access among recipients.
Economic development	Greater adoption of digital payments can lead to an increase in GDP of between 0.3-0.8%.	A 2013 <a href="#">Moody's cross country study</a> reported this.



# How does your organization fit into emerging trends?

As policies and practices evolve to achieve the benefits of digital payments, **new opportunities and challenges emerge for those considering and attempting to shift.**

Donors and governments in more and more countries are **committing to and actively encouraging digital payments.**

They see the benefits of increased transparency and potential positive spillover effects for development partners (DPs) and their target populations. According to [NetHope](#), digital payments will soon be the standard practice. This means that support for and pressure towards digital payment mechanisms could accelerate the momentum to shift for your institution. But this also means that institutions may need guidance to ensure that their shift results in the multiple benefits envisioned, which requires a calculated and strategic evaluative process.

Development partners are increasingly **looking to digital mechanisms for payments to take advantage of various potential gains** in operational efficiencies and enhanced programmatic effectiveness. This means DPs increasingly see digital payments as a means to connect recipients and employees to the national payment system, and mainstream financial services that they can use for money management, savings and payments, deepening linkages to the local economy.

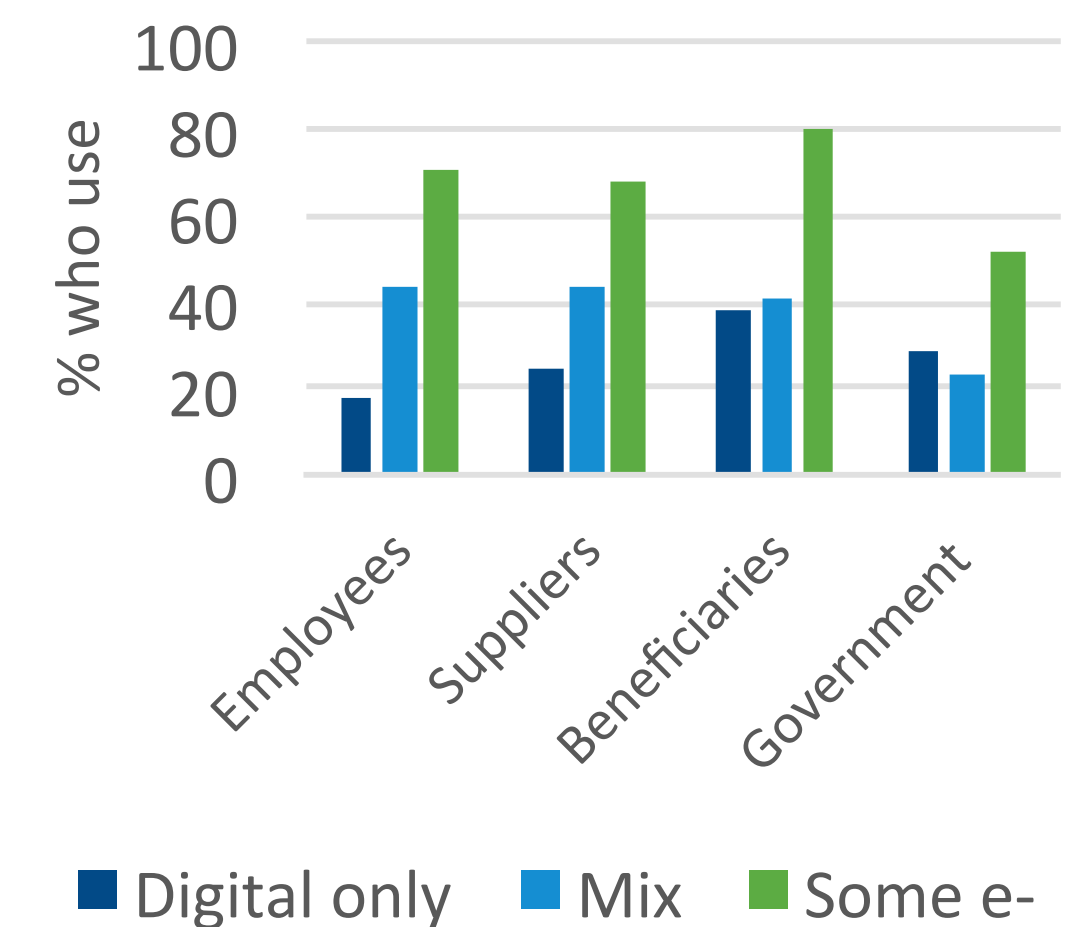
While very few, if any, development partners have yet shifted all of their payments to digital, preliminary self-reported data from a 2014 BTCA survey of over 90 international NGOs revealed that **the shift to digital payments among DPs is already well underway.** This means that new approaches, insights, lessons and critical considerations for shifts to digital payments are emerging that can help you prepare for or advance your shift.

While development partners and donors may **be leading innovation and advocacy around digital payments** in low income countries, they often operate in environments where banks, mobile network operators (MNOs) and other payment providers do not offer “off the shelf” products and services to support DPs’ ambitions. This means that DPs are increasingly experimenting with unique and innovative ways to leverage new technologies for digital transfers and payments, at times driving product development and delivery in low-infrastructure environments.

## Development partner payment types

Most development partners are already using digital payments

### How DPs pay to:



Source:  
2014 survey of 90 international NGOs by BTCA

# What factors are driving digitization?

Digitization in the wider economy is creating new opportunities

- **Increasing acceptance:** The spread of mobile data technology is connecting more people, placing the ability to make digital payments in the hands of people who have never had this ability before.
- **Increasing access to digital payments:** And access to pay points such as bank and mobile money agents, and even mobile network connectivity, are expanding rapidly in emerging countries and, specifically, many of the communities in which development partners make (or aim to make) payments.
- **Increasing familiarity with digital payments:** As more users become comfortable with using digital payments, the extent to which education and effort is required to make a shift is reducing.
- **Increasing scope:** Financial inclusion has in recent years become a [defining driver and objective](#) for agencies interesting in shifting to e-payments (or the donors that promote these shifts). The promise of digital payments have appeal: greater financial access, longer term empowerment through the ability to store value and manage resources in a safe and secure manner, and contribute to local markets and the economy.
- **Increasing options:** the world of mobile and internet payments has opened new options for development partners, and has created competitive pressure on existing options. This is changing the way development partners pay—see for example the [story from Kenya](#).
- **Increasing mandate:** Donors and governments are increasing their efforts to show progress toward greater efficiency and transparency in the use and flow of their funds. For development partners, this means increased pressure to follow suit. For example, by September 2014, all USAID implementing partners will need to use digital payments, or show through evaluation and analysis why its not possible to do so at this time

How do digital payments link to poverty reduction? Rodger Voorhies of the Bill & Melinda Gates Foundation has made the case for the link in this [2013 interview](#).

## Digital vs electronic payments: what's the difference?

Neither term has a standard definition; but both are generally used to mean the same thing—transfers of value which are initiated and/or received using electronic devices and channels to transmit the instructions. Hence in this toolkit they are interchangeable.

Note that digitizing is often applied to processes other than payments: hence a development partner could digitize its accounting system, but still make payments by paper (check or cash).



## Which payments do Development Partners make?

As with businesses and government agencies, DPs usually make a range of outgoing payments which have different characteristics; however, unlike businesses, they usually have limited incoming payments in a local country setting--from head office from where fundraising or line funding comes. These larger international intra-organizational transfers are not the focus of this toolkit.

Payments to	Frequency	Values	Desired characteristics	Other considerations
Local employees	Monthly or bi-monthly	Depends on scale of local staff	Must be reliable and suit employees	Where staff work; and their access to other financial services
Local suppliers	Typically in a monthly cycle on invoice	Could vary widely depending on procurement approach	Typically larger value, hence security of payment is a consideration; as well as a more complex process	Suppliers ability to accept different types will be shaped by the national context; as well as by how much business you do with them
Government	Linked to tax payment cycles	Depends on tax paying status	As for suppliers	Even if not eligible for income tax, DPs may still have to send
Beneficiaries of cash transfers	Varies	Varies widely although the individual payments are likely small	Reliable; able to reach areas in which beneficiaries reside	Whether the scheme is an emergency response or development scheme; the scale of payments

# What is a digital payment and why does it matter?

There is no one standard definition; defining this clearly is part of defining the scope of your process

The term **digital payment** or **e-payment** is generally understood to mean a transfer of value from one payment account to another using a digital device (such as a mobile phone or computer) and electronic communications channel (such as a mobile wireless data). The focus of this toolkit is on digital payments: it deals with transfers of value, not in-kind transfers which always involve physical transfers.

Note that while the concept of digital payments seems simple—a payment either is or isn't digital—it is not quite so simple. The nuances of the definition are discussed elsewhere in the BTCA [Measurement toolkit](#). There are several key issues to be clear about since they will affect the scope of your plans.

First, a payment process could be **enabled by technology** but the payments themselves still not digital: for example, some development partners have used fingerprint readers to verify the identity of beneficiaries against a local or remote database, and then still pay out the transfer in cash. This solution may address concerns about leakage but it is not an e-payment scheme.

Second, some schemes involve the use of **digital vouchers** which do not go into the beneficiaries account but rather a merchant's account where they are exchanged for value by the beneficiary. So, there is a need to be clear about between whose accounts the e-payment actually happens. Indirect digital payments such as e-vouchers are not considered for this toolkit.

Third, as is discussed in more detail [in this CGAP paper](#), the nature of the recipient's payment account will have bearing on what she can do with the money; and therefore on **whether the payment approach is considered financially inclusive or not**. For example, in some countries, recipients are paid digitally into limited purpose accounts, from which all they can do is withdraw the cash, often within a limited window. In this case, the payment is digital and the arrangement may be more convenient for clients who have more withdrawal options than direct cash, but the account may not meet conventional definitions of financial inclusion, which require other features to be in place.

[This webinar](#) created by NetHope uses the experience of Pathfinder in Tanzania to “demystify electronic payments” by helping institutions like yours think through evaluating payment alternatives and recommends [Standard Operating Procedures](#) for those opting to utilize mobile payments disbursement and reconciliation.

## So where do mobile payments fit?

The growth of mobile payments has opened new possibilities for unbanked people to open mobile wallets and to receive and make digital payments. Mobile payments are certainly digital payments. However, since the mobile phone is increasingly a sophisticated device which can be used to access the internet and therefore types of internet banking, the term ‘mobile payments’ is often loosely used to cover a number of different payment cases: from transfers between or into bank accounts using internet protocols to **payments between wallets (which are not bank accounts)** offered by non-bank providers. Most DPs interested in mobile payments in emerging countries are considering the latter.

# Test your knowledge of digital payments

Click [here](#) to see the answers.

Here is a simple self test which you can take to see whether you have a finger on the pulse of digital payments

	Please answer each question TRUE, FALSE or DEPENDS in the space provided:	TRUE/FALSE/ UNCERTAIN
1	Once a digital payment has been credited to the account of the recipient, the payer cannot revoke it.	Answer
2	A SWIFT code is a unique set of letters and numbers used by banks as their address for international transfers.	Answer
3	A real time transfer means that the account of the sender is debited and the account of the receiver is credited instantaneously.	Answer
4	Mobile wallets are the same as bank accounts.	Answer
5	Mobile wallets have been used for making cash transfers.	Answer
6	The information which banks can provide on incoming wire transfers is limited to the name and account number of the beneficiary because of the limited space in message fields.	Answer
7	Software packages or online tools that link record keeping with actual payments are available only in the large enterprise accounting systems used by big corporations.	Answer
8	Know your customer rules require that banks and other financial entities always have to verify the identity of a new customer.	Answer
9	There is an international standard for electronic invoicing developed by a UN agency.	Answer

**Note:** these answers will be embedded on web-based version.

Your score



# Test your knowledge of digital payments

Jump back to [the questions](#).

## Answers

	Explanation	Answers
1	This actually depends on the rules of the particular payment scheme--for example, in some schemes, direct debits can be reversed by the payer during a window of time after the payment has been deducted.	DEPENDS
2	The so-called SWIFT codes uses an ISO standard (ISO9632) to define a standardized way of identifying banks; it is administered by SWIFT, an international association owned by member banks.	TRUE
3	What is called 'real time' can in fact take up to 1 minute or more before confirmations are issued; contrast this with real time authorization (e.g. on card transactions) within seconds.	FALSE
4	Some so-called mobile wallets are in fact bank issued accounts but it depends on regulation and also who issues the mobile wallet	DEPENDS
5	Mobile payments have already been used in some way for transfers in a variety of programs for example in Haiti and Kenya. However, they are not yet widespread because of data connectivity issues and also because not all recipients will yet have a mobile phone.	TRUE
6	Banks can and do provide more information in various countries as a value added service.	FALSE
7	Accounting packages are available for small businesses which can integrate with payment applications, such as credit card companies or on-line banking to retrieve information and initiate and record payments.	FALSE
8	There are usually exemptions under a risk-based approach which does not require verification in all cases, for example, low value accounts held by individuals	FALSE
9	UN-CEFACT has developed such a standard.	TRUE

If you scored 5 or higher: you probably already have a strong enough grasp to continue onto section 2 of this toolkit. If you scored lower, you could always read the [payment glossary](#) and linked material to fill in a few gaps.

Your score

# How far along the journey are you?

For most organizations, shifting to digital payments is a journey which involves careful sequencing. This simple list can give you an idea of where your organization stands today.

Note: this self-test feature will be “live” on web-based version

	Please consider your answer to each question in the column provided	Answer
1	Is your top management on record as being committed to digitizing payments?	
2	Do you already have an internal champion who leads and drives specific efforts to digitize processes?	
3	Have you set targets for the proportion of different types of payments, such as which should be digital by a defined date/s?	
4	Have you done any initial risk assessments related to shifting to digital payments?	
5	Do you scan the market place regularly for new payment instruments and solutions?	
6	Have you ever calculated how much it costs you per transaction using your current payment approach/es?	
7	Have your major funders (or, in the case of bilateral donors, your government) suggested or required that you shift to digital payments?	
8	Do you regularly measure and report on how you receive and make payments?	
9	Have you reviewed or undertaken any research to understand the payments capabilities and needs of your target population/s?	

## At which stage are you?

The more questions to which you can answer yes, the more likely it is that you are at an advanced stage of the journey, and may wish to skip right to [framing the case](#) for specific payment types in this toolkit.

If most of your answers are “no” or “uncertain”, then you are still at an earlier stage, in which it will take more time and effort to understand, promote and frame the case to shift. The [next section](#) will help you prioritize and decide on a starting point.

# Context & Awareness

A first check point

Congratulations! You have reached the end of this section.

At this point, you should be aware of the opportunities and potential created by digital payments and able to see how this might apply to your institution's situation.

The next section takes you a level deeper. Since payments differ so much by type in their potential to be digitized, your next step is to decide how to prioritize where and how to focus your efforts, before you invest the further time and effort necessary to investigate and frame a specific case to shift.

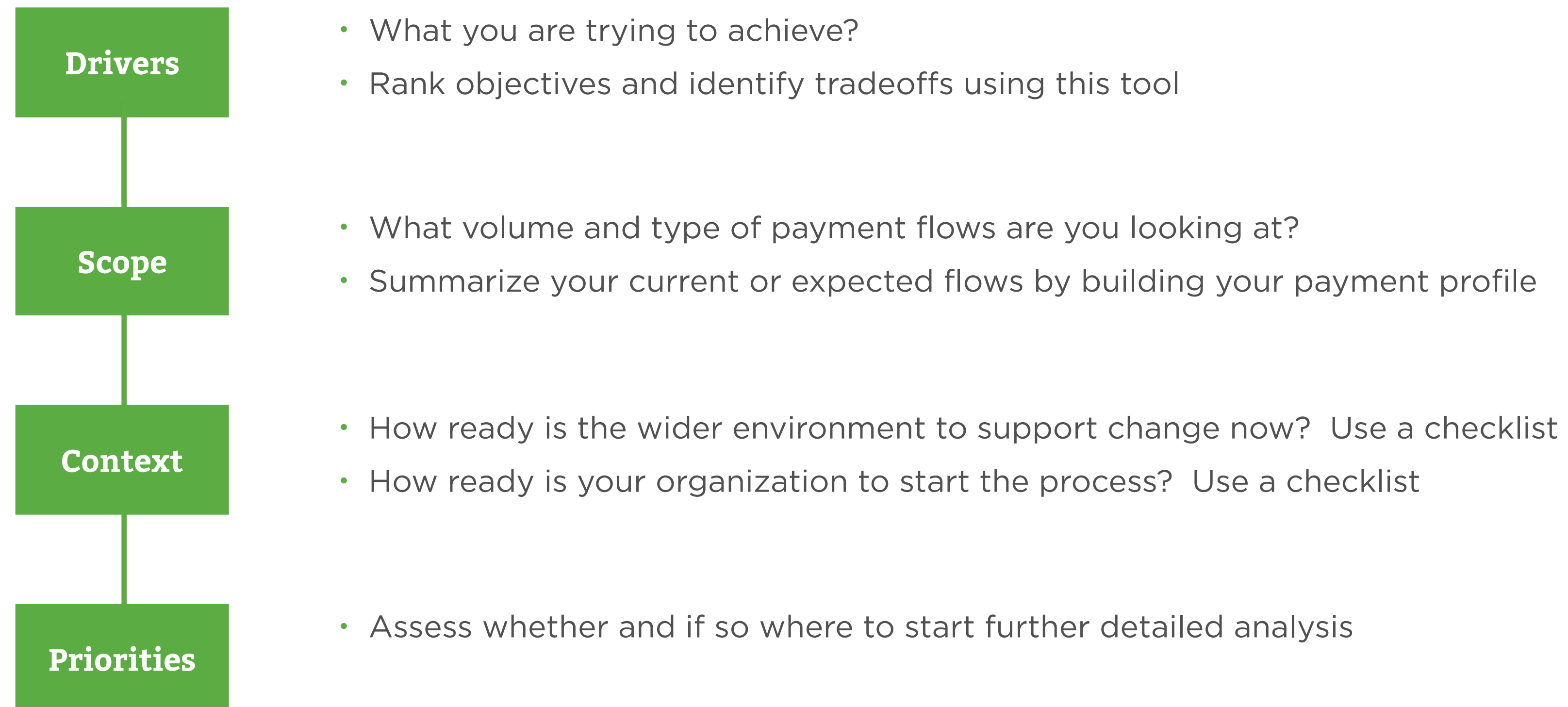
[Go on to the next section](#)



# Introduction to readiness and engagement

So now you understand the potential for shifting to digital payments.  
Do you want to apply this your specific institution?

This section walks through these four steps to guide your starting point



Drivers 1 of 2

# What are you trying to achieve?

Start by ranking your own objectives and motivations when you consider digitizing payments, using the table below

Note: supplied interactively or via [DP toolkit download #1](#)

## DP toolkit sheet #1. Identifying Drivers

Possible Motivations of Development Partners	Notes	Priority Rating
Minimize your own delivery costs		
Minimize the time & cost for recipients or employees to get paid		
Minimize leakage (loss due to fraud, misappropriation, failures in payment process)		
Minimize time to implement a new program or change		
Improve security of staff and recipients		
Promote the financial inclusion of recipients		
Follow a policy or external mandate to digitize		
Other (you may have other/additional objectives: write them in here)		

Note that some development partners would like to achieve all the above; but there may well be tradeoffs among some of the objectives set out above. Hence the importance of starting with a ranking of the objectives. See the example on the next page.

The weighting given may vary depending on who assigns it; coming to a common mind will be an important part of the next stage of framing a specific case.

## Objectives - an example

The completed table below shows a common ranking assigned by development partners; and uses this to highlight potential tradeoffs of which to be aware.

Possible Motivations of Development Partners	Rating	Commentary
Minimize costs to your institution	6	This type of ranking has probably been completed by the field delivery side of a development institution, reflecting more concern for recipients and for getting going than for objectives which are often more important to the financial department (such as transparency/reduced leakage and reduced delivery costs). In particular, this institution would be well advised to consider carefully how much time pressure there really is to scale up (#2 on the list) because it may limit the ability to pursue financially inclusive approaches which take longer to roll out.
Minimize the time & cost taken by recipients to collect payment	1	
Minimize leakage (loss due to fraud, misappropriation, failures in payment process)	5	
Minimize time to scale up a new or expanding program	2	
Improve security of funds and payments processes	7	
Promote the financial inclusion of recipients	4	
Follow policy or external mandate	NA	
Other (write in) Improved security of recipients and field staff	3	

# Your payment profile

What type of payments do you make or intend to make?  
This step seeks to gather some basic information quickly.

Are you considering shifting existing payments or starting a new program?

## Existing payments

Complete your [payment profile](#) which breaks current payments down by type and how each is paid. This information is probably available from your accountant/ controller office.

## Not sure?

Try both

## New program

In this case, you will need to know:

- Number of payees—over time
- Who are they—individuals or entities? Where are they located? Do you have any sense of their needs?
- Frequency of payment
- Amounts involved

Another useful resource developed specifically for Development Partners like you is the NetHope [Payment Scoping Survey](#) and the [Costing Utility Analysis Tool](#). The Payment Scoping Survey is a customizable survey tool to help organizations map the use of physical cash and digital payments in their operations and programs to help orgs assess their case for evaluating e-payment alternatives to cash. It maps all cash payment streams in operations and programs.



## Payment Profile 2 of 3

# Your payment profile

A stocktaking of your current payment flows is a starting point from which to assess the potential and the need. You can use the downloadable spreadsheet below to compile yours.

Note: supplied interactively or via **DP toolkit download #2**

## DP toolkit sheet #2. Payment Profile

% of payments for each row done in:

A	Type	Payments	Who do you pay?	# of payees	# payments per month	Cash	Check	Electronic Payments	Other	Total Average value paid per month
1	D2P	Salaries and wages	Individuals							
2	D2P	Taxes, licenses	Government Agencies							
3	D2G	Suppliers: on invoice	Businesses							
4	D2B	Other (add)								
5		Other (add)								
6		Other (add)								
			Total	0	0					
B		Receipts	Who pays you?							
1	P2D	On account (billpay)	Individuals							
2	B2D	On account (billpay)	Businesses							
3	G2D	On account (billpay)	Governments							
4		Other								
5		Other								
				0	0					

## Payment profile: an example

The finance department of a development partner active in an lower middle-income country has completed this profile on their existing payments. What does this tell us about the choices they face and what more they need to know?

### DP toolkit sheet #2. Example Payment Profile

% of payments for each row done in:

A	Payments	Who do you pay?	# of payees	# payments per month	Cash	Check	Electronic Payments	Other	Average value paid per month
1	Salaries and wages	Individuals	50	50			75%		\$125,000
2	Cash Transfers	Individuals	13500	6750	80%		20%		\$67,500
3	Taxes, licenses	Government agencies	2	2		100%			\$15,000
4	Suppliers/Partners: on invoice	Businesses	15	35		80%	20%		\$75,000
5		Total	0	6837					\$282,500

### So what does this profile tell you?

This DP has a fairly common profile for operating in lower income countries. The biggest payment flow by number to shift is of course the 80% recipients of transfers paid in cash, but they may also be the hardest to shift—it would be useful to know how and why the scheme already pays 20% digitally. Payments to businesses which are mainly by check make up the largest un-shifted value: depending on the nature of these businesses and the options for internet banking, it may be easier to shift them to receive digital payments in the short run.



## Evaluating Payment Landscape 1 of 3

## Evaluating the wider payments landscape

You may be ready to shift but the national payment ecosystem in the country(ies) in which you operate may not yet support a shift. Large NGOs, donors and multilateral institutions may have more leverage than smaller players in the economy: however, depending on the scope of your objectives and your timeframes, you may decide to take the environment as given; or if you have the time, you may set out a broader agenda to change it.

Your choices of instruments will be shaped by a combination of the physical infrastructure, degree of connectedness, the level and nature of financial inclusion, and the currently available payment options.

A number of available sources may help you form a quick and easy view of the readiness of your payment landscape to shift if you find your country listed:

The VISA [GEAR study](#) (2011) also includes indicators of infrastructure development as well as the social & economic and policy environment supporting e-payments, for a sample of 62 countries.

MasterCard Advisors (2013) [Cashless Journey](#) estimates the share of cash in consumer purchases across 33 countries, dividing them into 4 categories, and calculates a readiness score which assesses the macro-economic prerequisites for going cashless.

[Citi Digital Money Readiness Index](#) (2014) includes also measures of the propensity of businesses and individuals to adopt digital payments, and demarcates 90 countries into categories of incipient, emerging, in-transition and materially ready.

If your country is not listed in these surveys, or if you wish to form a more detailed view, you may wish to perform an ecosystem payment diagnostic, focusing on the payment use cases which you select in this section. A [separate BTCA toolkit](#) describes how this can be done. However, that process will take time and effort, and may involve external resources, which are better spent when you decide to frame a specific case. For now, simple checklists of [your market conditions](#) and [your internal capacity](#) will give you some sense of the options.

### Fig. 2. BTCA Diagnostic countries

In 2013, BTCA performed payment ecosystem diagnostics on 4 countries. Here's how they stack up in terms of these indices:

	World Bank classification	Mastercard Cashless (n=33)	GEAR ranking (n=62)	Citi Digital Money
Columbia	UMIC	Inception	41	Emerging
Malawi	LIC	n/a	n/a	n/a
Nigeria	LIC	Inception	62	Incipient
Philippines	LIC	n/a	30	Emerging

## Evaluating Payment Landscape 2 of 3

# A quick assessment of the national payment ecosystem

If you do not have detailed enough information available for your country, then you could use this simple categorization approach below to get a sense of the general options likely to be available. However, you will need to refine this view later by investigating further when you come to frame the case for any particular shift.

The simple categorization of payment ecosystems below is based on the outcomes of the BTCA country diagnostics. Note that there could be divergence in what this means for inclusion and digitization: a low income country may in fact be ahead of stage 2, and a middle income country just starting out.

## Payment ecosystem categorization

Likely characteristics	Stage 1: Early	Stage 2: Incipient	Stage 3: Emerging	Stage 4: Mature
(i) World Bank classification	Low income country	Lower middle country	Upper middle country	Upper income
(ii) % banked	0-20%	20-50%	50-75%	75%+
Example from diagnostics	Malawi	Nigeria, Philippines	Colombia	Not covered
Implications: <a href="#">stage of journey to cashlite</a>	Bulk payer transition	Bulk payer transition well underway	Bulk payer transition over; focus on many to 1 payments	Bulk payer transition over
Likely payment instrument choices available	Limited range of instruments available widely; checks still used for business & government	Wide range of electronic instruments may be available, but few yet widely used	Full range of electronic instruments available; increasing usage of internet banking	Full range available, already high usage of internet banking
Alternative options	May have emerging mobile-related options which are worth exploring	May well have mobile options but with limits on size & coverage	Mobile usually integrated into mobile banking propositions	Mobile payment options mainly via smart phone apps

## Evaluating Payment Landscape 3 of 3

## So what does this mean for your potential to shift?

This will ultimately depend on your own timeframe and resources to engage with providers to create new options; but start at least with understanding what is likely available today.

The table below gives a quick assessment of how likely it is that, for a country in a given stage, it will be possible to digitize a typical case within each defined payment stream using existing options. In framing the case for a particular shift later, you will need to confirm this through your investigations with providers and others with knowledge.

### Stage of payment ecosystem

Ability to shift payments to:	Stage 1: Early	Stage 2: Incipient	Stage 3: Emerging	Stage 4: Mature
Welfare recipients	Low	Medium	Medium/High	High
Employees	Depends on location: Urban—Medium High Rural—low	Urban-High	Urban—likely already shifted Rural—medium	Already shifted
Suppliers (businesses)	Low	Medium	Medium-high	High
Government (taxes)	Low	Low+	Medium-high	High

Even the likely potential seems low for the country, don't give up! First, you will need to collect more information to verify this for a specific use case. Second, it may simply mean that you should allow for more effort (and therefore time) to find or develop new options. Only if you don't have the time, and can otherwise afford to wait, then it may make sense to check back in a while on what has changed: the payment ecosystem is now evolving fast in many places around the world.



# Your market conditions

You are more likely to be ready to digitize one or more of your payment streams the more these characteristics below apply to you.

Note: supplied interactively or via **DP toolkit download #3**

## Market conditions checklist

	Characteristics	Tick here if applicable to you
1	Some of your suppliers have already approached you asking you to pay them electronically, rather than in check	
2	Most of your employees probably already have their own bank accounts	
3	Most of your employees may not yet have bank accounts but they live in urban areas	
4	The risk of holding cash on premises to make payments is rising	
5	Your concern about fraud on checks is rising	
6	The government offers specific incentives to use electronic payments; or disincentives (such as fines or added costs) if you don't	
7	Your bank has approached you in the last six months to make you aware of new options or improved services which it wants to offer you	
8	A competitor to your bank has approached you in the last six months wanting to explain new electronic payment offerings	
9	You are aware that some of your competitors are intentionally using electronic payments to their suppliers and employees	
10	The burden of compliance and strictness of enforcement of labor laws and/or tax laws is rising in your country	

If few of these apply at present, it may still be worth your while to explore the case more deeply now, so feel free to continue on the journey. Otherwise, continue to monitor the payments ecosystem in your country: At the rate that payment systems are evolving, the chances are that within 6 months something may have changed in your country or sector.

# Your internal readiness

This checklist provides a quick way for you to check what you already have available in-house or outside, which will affect the time and effort taken at the next stage.

Note: supplied interactively or via **DP toolkit download #4**

## Market conditions checklist

	Characteristics	Tick here if applicable to you
1	Your organization has already started a decisive shift of one or more payment streams from cash to digital payments (IF SO: have you evaluated the learning so far?)	
2	Your organization already uses internet banking for making payments.	
3	It would be relatively easy to obtain the information to complete the payment profile.	
4	Your accounting and MIS system already interfaces to your online payment system.	
5	You have already internal skills in your finance and accounting department with experience in digital payments.	
6	You already know where to get advice on this issue in your country and/or for your sector.	
7	You have some spare capacity in your finance & accounting area; or can easily locate some.	
8	If you don't yet have access to needed skills within individual country offices, you have the capability to provide training from headquarters or other resources to build internal capacity.	

You are more likely to be ready to shift to digital the more the characteristics above apply to you. Even if few of these apply at present, **it may still be worth your while to explore further** the case more deeply now, so feel free to continue on the journey.

**Another option** would be to make a diary note to come back and check the list again in six months—at the rate that changes are taking place, the chances are that something may have changed in your country or sector by then.

# How to prioritize where to start your shift?

[Would you like to see an example of this?](#)

Since the payment types differ in their characteristics and options, it is worth assessing each case to prioritize where to start your shift.

Of course, you must **set your own criteria**, but this section suggests that you consider at least the following:

1. **The materiality of each to your objectives:** in other words, if you succeeded in shifting all the payments of this type, how much would it impact on your most important objectives? A payment type with relatively few payments may not have much impact on your developmental objectives; but if they are larger value payments, they may reduce risk of loss significantly.
2. **The availability of digital payment solutions:** at this stage, you have not yet done a detailed analysis of options available, which will follow, but your assessment of the environment should enable you to assess the feasibility of shifting each type at present. For example, there are likely to be more options for people or entities based in urban areas than in rural areas.
3. **The ease of transition for each type:** this is linked to the resources you will require, how well equipped your organization already is and how much influence you have over the payees. For example, you may be well equipped to transition payments to suppliers but have limited influence over them; while it may be more effort to transition your payroll but you have more control over how employees get paid.

In each case, you may want to consider the outlook now versus a year or so in the future—for example, available options now may be limited, but you are aware that things are changing so that the foreseeable future outlook is better than the current situation alone may suggest.

would you like to see an example of this?



## A simple prioritization tool

Which payment stream should you prioritize? This is one simple way to get to a quick sense of potential priorities to explore—of course, you should add or change criteria and weightings to fit your objectives and context. Later, more judgment will be required to frame the case but the aim here is to get you to possible starting points quickly.

**Step 1:** decide on your criteria and assign an importance weighting to each.

**Step 2:** List the important payment streams you are considering

**Step 3:** For each, assign the highest rank score (i.e. 4 if there are 4 streams in your table) if that stream best fulfills that criteria, then step down to 1, or even assign a 0 if the option is unavailable or immaterial.

**Step 4:** calculate the weighted totals by multiplying the scores by the weighting in each column and adding across each payment stream.

Step 1: Here we use the 3 criteria previously discussed and weigh them

Step 2: These are the main types identified in the payment profile

Step 3: Here are the raw scores in each cell i.e. 4=best, 1=worst

Step 4: Highest scores are potentially places to start: for this organization, it is suppliers

Note: supplied interactively or via **DP toolkit download #5**

### DP toolkit sheet #5. Prioritization tool

Payment Stream	1. Materiality to objectives	2. Availability of options	3. Ease of shifting	Weighted Total
Weighting	45%	30%	25%	100%
1. Employees	2	2	4	2.5
2. Suppliers	3	3	3	3
3. Government	1	4	2	2.15
4. Recipients	4	1	1	2.35

## Some final thoughts on prioritizing

Congratulations! You have reached the end of this section.

Of course, how you define and weight your criteria will have a big effect on the outcome, so you may wish to consider different permutations. For example, if the shift of recipients had the most potential to achieve your (development-weighted) objectives, and if you scaled up this factor to weigh 60%, say, then this stream would emerge on top.

You can of course tweak the scoring as you like: for example, it may be that simple rank point scoring does not allow for enough difference in which case, simply you could move away from rank scoring to absolute scoring.

If you know that options for shifting one payment stream are simply not available at present, then you might rule this stream out on that basis alone. Otherwise, you may waste time at the next stage of framing a case which cannot be made.

However, the aim of this section was to get you as quickly as possible to the point that you have a starting point for digitizing. This then gives you the confidence to motivate for the time or resources needed to undertake the more extensive analysis required to **frame a shift of a specific payments stream**, which is contained in the next section of this toolkit.

[Go on to the next section](#)

# Introduction to framing the case for specific payment streams

This section contains **modules** which will help you frame your case to digitize specific payments streams. In each case, the module provides a general context, and then walks through a disciplined process shown below to ensure that the decision to shift has considered options, risks and barriers to come to the best chance of success.

1. Determine Drivers



2. Identify Stakeholders



3. Investigate Options



4. Calculate Costs



5. Assess Risks

As you learn about each of these steps, you can see how they can play out in practice, using [an example development partner called INGO that is based in a country called Ecosystemia](#), which is based on a composite of known profiles in target geographies. You'll be able to jump back and forth between the information and the example, or you can read either all the way through.

Note that these modules get you to the point of making a clear case to shift the defined type of payments. They do not address implementation since the institutional setting and country contexts of businesses vary so widely.

Click below to get started learning about:

[Cash Transfers](#)

[Module: Salary payments to employees](#)

[Module: Payments to suppliers](#)

Intro 1 of 4

# Module: Cash Transfers



## Cash transfers: a context

**Even as recently as** 15 years ago, cash transfers were a fringe issue for development partners. And while there has only recently a concerted effort to compile data on the extent of cash transfers globally, what we know is rather striking; **according [the New America Foundation](#)**: there were at least 174 million individuals, across 84 programs in 43 countries receiving social cash transfers in 2013. **[According to CALP](#)**, over a 5-year period between 2005 and 2010, there were 3.3 million recipients of emergency cash transfers across 41 programs in 17 countries. And these numbers are growing.

**Official development assistance spending on cash transfer programming** has increased steadily since 2007 from US\$23 million to US\$150 million in 2010, due mainly to an increase in donors funding cash transfer interventions. Over the same period, humanitarian aid spent on cash transfer programming has also risen from \$1.8 million dollars to \$52 million. And, as share of all ODA, from .7 to 25.9%

**Funding for cash transfer programming in humanitarian emergencies also show a clear upward trend**, with a peak in spending in 2010, to US\$188.2 million. This is in part due to significant funding from the United States, as well as a number of mega disasters which occurred that year – most notably Pakistan and Haiti.

Aware of the trends, development partners are preparing to shift these transfers to digital and the resources available to prepare them to do so are proliferating (see box below).

### What is a cash transfer?

For the purposes of this toolkit, “cash transfers” are loosely defined as any cash payments from a development partner to individual recipients in a target population. Cash transfers come in various amounts, payment frequencies, and forms (such as conditional or unconditional), but usually have purposefully intended developmental objectives.

### Other key resources available on digitizing cash transfers:

In May 2014, USAID and NetHope published a [10-step guide for USAID implementing partners to shift their payments to electronic](#), which USAID will require from September 2014.

[CALP’s E-transfers in Emergencies: implementation Support Guidelines](#) contains a wealth of information for humanitarian-based development partners interested in e-payments. However, it assumes prior knowledge of cash transfer programming and focuses exclusively on implementing e-transfers hence may be particularly valuable to humanitarian-centered development partners who have completed this module and are ready for more in depth information on how to implement their shift.

**DFIDs 2009 [Designing and Implementing Financially Inclusive Payment Arrangements for Social Transfer Programs](#)**, which focuses its recommendations on e-payments that promote or create financial inclusion, remains a key resource in the field.

# Cash transfer schemes

Cash transfer schemes are an increasing focus of Development Partner (DP) programs and operations. Increasingly DPs prefer to transfer monetary value to beneficiaries rather than in-kind goods. However, the nature of the scheme can have a big impact on the payment options.

## Emergency & disaster relief schemes

These programs usually get set up by DPs at short notice in response to specific needs in particular areas. The program will typically be short term. Hence the priority is on rapid effective distribution which has to rely on what is available; and cost of distribution may be less pressing because of the short duration.

**Case Study:** In the wake of typhoon Haiyan in The Philippines, Action Against Hunger assessed the capacity of different payment service providers to remit e-payments to affected citizens. There the biggest challenges to e-payments were the risk of delays; set up costs and set up time.

For more info, see the full case study [here](#).

## Ongoing developmental schemes

Long term cash transfer schemes target classes of beneficiaries, which may be large, and may even add conditions to each payment. These schemes take longer to design and set up, so there may be more scope to explore additional options. However, because of the scale and time period involved, cost of distribution is often more of a consideration.

**Case Study:** Cash for Assets, WFP's flagship e-payments program, provides on-going bi-monthly payments to nearly 100,000 drought affected households throughout Kenya. Because of the program's financial inclusion objectives, WFP was able to test, learn and iterate on their payment options over time: after piloting multiple options, the program now makes all payments into card-linked bank accounts.

For more info, see the full case study [here](#).

# What does digitizing cash transfers actually mean?

Earlier sections of this toolkit have considered the [definition of digital or e-payments](#) and some of the complexities involved. In essence, it is simple, however, as shown in the diagram on the right. It means that recipients receive an digital credit of their transfers into some type of account.

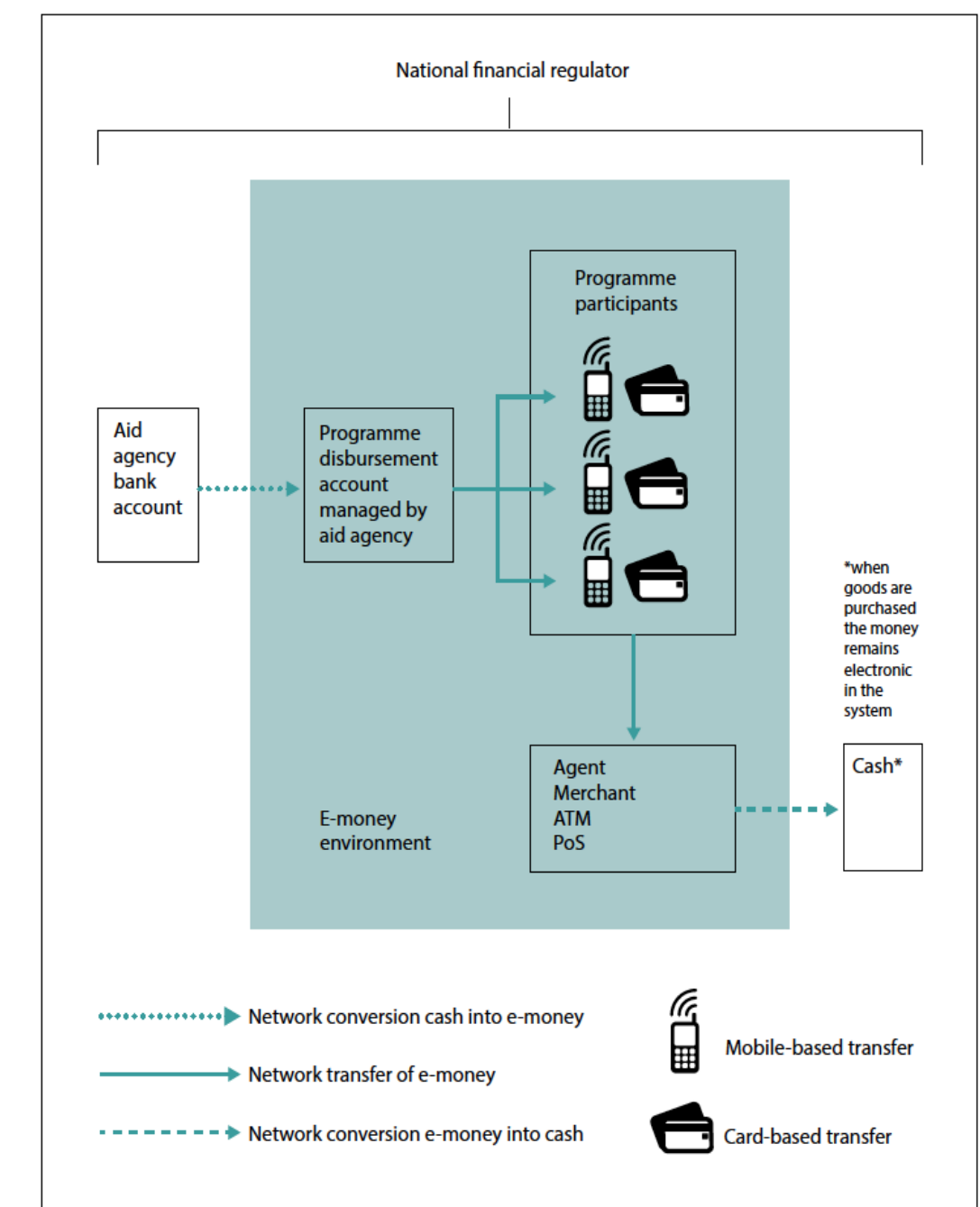
## Cash out likely still needed

Note also that since most recipients do not yet live in a digital world, they will need access to cash; and designing how they can do that in terms of costs, time and risks to them, is in fact a big part of the process.

## Integration of payment to program administration

Note that the payment aspect is only one aspect of the process of delivering social transfers—which includes functions such as targeting, enrollment, M&E. When designing a new program, or indeed changing an existing program, the payment process has to be considered in its context—hence what is described in this module relates to one component of what may be a larger design process.

## Typical humanitarian digital payment process



Source: [CALP 2013](#)



# Shifting cash transfers: Step 1

Note: supplied interactively or via **DP toolkit download #1**

## Determine your drivers

A decision to shift to cash transfers to digital payments involves costs and risks, but is driven by envisioned benefits for a development partner and for beneficiaries of the transfers. The issue is not only whether to shift, but how to shift. To answer this question requires first clarifying your objectives. You can use a table like the one below to prioritize and rate them. The process of clarifying these is likely to involve a discussion with other stakeholders and may require an iteration across departments before getting to final sign off.

## DP toolkit sheet #1. Identifying Drivers

[Would you like to see an example of doing this?](#)

Motivations	Priority Rating
A) Minimize delivery costs (but be specific about which costs are highest priorities for reducing: delivery costs? operational costs? And also, measured over what timeframe, since any change may involve upfront costs relative to doing nothing).	
B) Minimize the time & cost taken by the recipient to collect the transfer each month	
C) Minimize leakage (loss due to fraud, misappropriation, failure in payment process)	
D) Minimize time to scale up a new or expanding program	
E) Promote the dignity of the Recipient	
F) Promote the financial inclusion of recipients	
G) Maximize other developmental benefits to the recipient (such as asset building, behavior change, financial capability, human capital investments, etc.)	
H) Fulfill policy or external mandate (driven by external actors)	
I) Keep up with peers/competitor in your country or in your sector	
J) Do you have other objectives? (Write them in here)	

## Remember to consider the possible tradeoffs!

For example, there are likely tradeoffs between minimizing your own delivery costs (A) and the time and cost to the recipient (B). Similarly, there are likely trade-offs between minimizing time to scale up (D) and maximizing developmental benefits (G).

Note: you can rate using a scale like High, medium, Low or else assign a % to each row



# Shifting cash transfers: Step 2

Note: supplied interactively or via **DP toolkit download #6**

## Identify your stakeholders

The process of shifting has implications within an agency as well as for the beneficiaries and for external parties, depending on its scale, scope and design. These parties need to be identified early on in your decision process, together with the roles that they need to play in the decision process. The table below can help identify typical role players upfront. Sometimes, the process of investigating your options will lead to others being added to or removed from the list. In each case, the process requires engaging the identified stakeholder at the appropriate stage.

## DP toolkit sheet #6. Stakeholder identification

[Would you like to see an example of doing this?](#)

Common DP Stakeholders	Role	When/how to engage them in the process
CEO/ Country manager	Ultimate approval	At the outset (Step 1) to establish the drivers
Finance & accounting	Reviewer	Depends on their role, they may drive this process or be part of the team hence involved throughout
Risk and audit head office	Reviewer	At least when considering risks (Step 5)
Recipients	Client	This depends on how well you already understand their financial services needs see next page
Community leaders in recipient communities	Endorser	This engagement at the option stage may well
Line government agencies (e.g. Ministry of Social Development or equivalent)	Approver or endorser	This role obviously depends on the design of the scheme; but in most places, they will take an interest in arrangements of schemes of any size, and may need to be informed
Funders	Approver or endorser	The funder may have very specific preferences with respect to payment which need to be identified
Financial regulators	Approver or endorser	Approval required if your options lead you to require changes in laws
Payment providers	Service provider	While you will only appoint service providers later, after you have reached your decision, you will likely engage with some as you investigate options

### A note on internal processes:

While DPs will differ greatly in their internal processes as to who must approve a shift and at what level, there is often benefit in setting up an internal working group early on which incorporates the views of other departments and stakeholders. In most cases, a clear mandate is needed to identify the senior champion responsible as well as the individual tasked with managing the process

# Shifting cash transfers: Step 2

## Recipients as stakeholders—how well do you know them?

Many if not all DPs would consider their beneficiaries as key stakeholders, yet the ways of bringing the needs and preferences of this sometimes large, diverse or lesser known group to the decision table is not always planned upfront. Often, in the design process of a new scheme, extensive target surveying takes place, yet in this process, the dimensions relevant to delivery and payment are not always made explicit or usable. If this is not done, new surveys may be needed to understand better the types of services recipients currently have and also what their attitudes are towards different types of payment approaches. In some countries, you may be able to draw on existing nationwide surveys of financial service needs and usage.

### National financial surveys

More countries are completing nationwide surveys of financial needs. In some African countries, these surveys are managed by an independent donor-funded agency (such as [Finscope at FinMark Trust](#)) which can provide access to a profile of your target group. In other countries, financial regulators actually undertake the surveys, and usually also provide access to the data for public purposes—see countries part of the [AFI FIDWG](#).

### Bespoke surveys of recipients

1. If you are planning your own survey, you might want to ask questions including these :
2. Do you have a bank account or mobile money account now?
  1. If so, which bank? Or, which mobile money provider?
  2. And why have you not asked to be paid into the account rather than cash?
3. If you do not have now, have you ever had a bank account or mobile money account or wallet?
  1. If so, why do you not use it now?
4. Do members of your family or your community have bank accounts or mobile money accounts?

1. If so, what do they say that they find most useful about having a bank account?
2. If so, what do they say is hardest about having a bank account?
5. If your grant/cash transfer were paid into an account and each had to draw cash at the nearest branch, agent or ATM:
  1. How far in travel time from your home or where you work is the nearest? Is it open during convenient hours for you?
6. What more would you like to know about having your own bank account or mobile money account?
7. What additional financial services might you want to know about from the bank e.g. options to save, to send payments, to get a loan, to get insurance.

**Further Reading:** The Mobile Usage and Awareness Survey offered in CALP's [E-transfers Implementation Support Guidelines](#) is also a useful demand-side assessment tool if you are considering shifting to mobile-wallet based e-payments

### Beneficiaries vs recipients

In some programs, the intended beneficiaries are not the ones who will actually receive the money—in orphans and vulnerable children programs, for example. In this case, the financial needs of the recipient who will actually receive and use the money on behalf of the beneficiary should be considered.

### Understanding privacy concerns

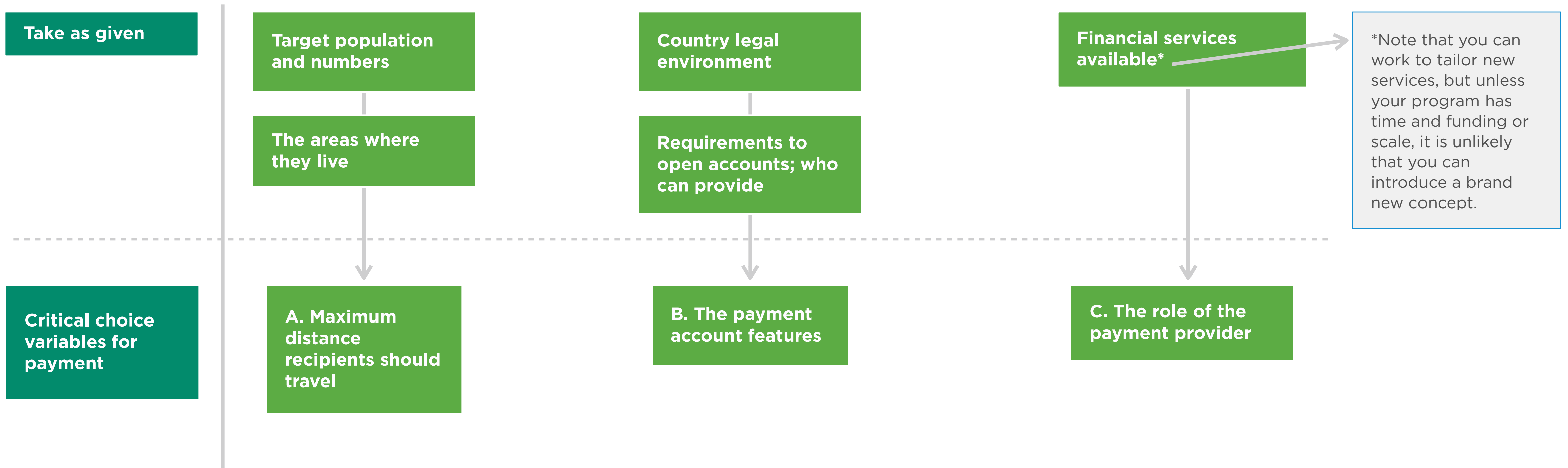
E-payments carry inherent privacy-related risks given the collection and handling of personal data. CALP has developed principles and operational standards for [Protecting Beneficiary Privacy](#), including understanding and mitigating against risks.

Investigate Options 1 of 11

# Shifting cash transfers: Step 3

## Investigate your options

In designing the payment approach for a new program, or revising an existing one, what are your choices really? As the Figure below suggests, you probably have to take some things as given—especially if one of your drivers is to launch or shift the program quickly. However, there are several critical choice variables related to the payment aspects shown below. This sub-section will then address how you go about deciding on each.



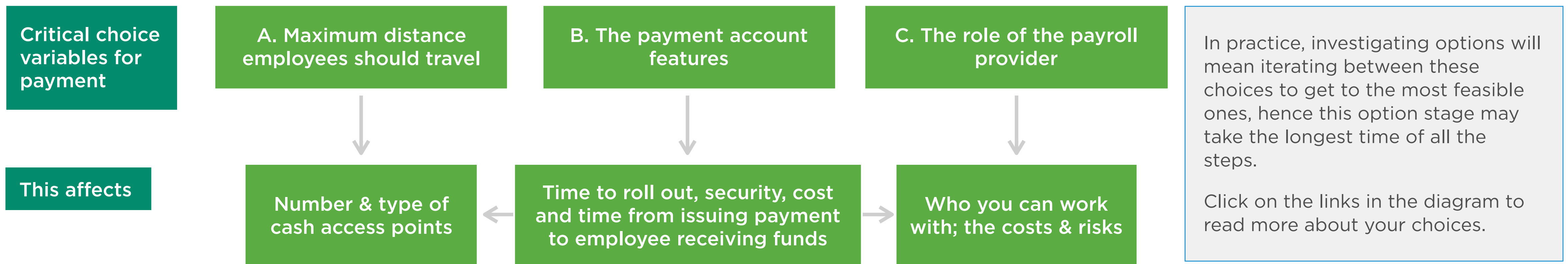


# Shifting cash transfers: Step 3

## Investigate your options

There are two core questions that will influence your evaluation of your critical choice variables:

1. **Are you willing and able to accommodate multiple solutions for different recipient circumstances?** For example, recipients in some areas may be able to open accounts and access cash at ATMs, while in deep rural areas, you may need to provide a direct cash out option for now. Multiple options increase the complexity of management; and may limit your choice of payment providers.
2. **Are you willing to build in an approach which can evolve over time?** Depending on the size and objectives of the program, you may be more able to build in an evolutionary process towards digital payments, even if some places have to start with cash. Clearly, this option does not apply to smaller, short term or emergency response programs.





# Shifting cash transfers: Step 3

## Choice A. Distance to cash out

### A. Maximum distance recipients should travel

### B. The payment account features

### C. The role of the payment provider

Cash transfers are no use to recipients if they involve extraordinary costs or efforts to obtain them. The maximum distance or time which any one should travel will have an important effect on the type and extent of payout infrastructure you will need; against which you can then assess what is available. If there is a need to build out new payout infrastructure, this will have a substantial effect on the cost and time to roll out the scheme, compared with relying on an existing one. However, existing infrastructure may be inadequate or unsuitable.

Ideally, this requirement should be worked out using a GIS mapping which shows distribution of beneficiaries, overlaid on financial infrastructure. Countries such as Kenya, Nigeria and Bangladesh now have nationwide GIS mappings of all touch points, However, if this does not yet exist in your country, then you can proceed with estimates by grouping likely beneficiaries into area types shown on the next pages.

#### Examples of maximum distance to cash out set by programs:

**WFP Kenya:** < 2 hours to paypoint

**4Ps in the Philippines:** < 100 PHP

(\$-2.25) in transport costs

**HSNP Kenya:** < 40 kilometers to paypoint

#### Examples of payout infrastructure:

- Existing financial infrastructure:
  - bank or postal branches, ATMs
  - cash agents used by banks or mobile money providers
- New special purpose infrastructure
  - Fixed point agent (in one place, but able only to serve recipients)
  - Mobile point (such as a cash van, which moves around servicing different locations at different times)

#### Using agents to pay cash transfers:

The growth of [branchless banking](#) in many countries has added hundreds of thousands of agents as possible cash distribution points. Agents are extensively used in cash transfer programs in Brazil and Kenya for example. Reliance on agent-based distribution brings advantages (such as potentially lower cost) but also some risks to consider. For example, agents may lack the liquidity to handle the demand for cash at peaked times of the month so need dedicated support. In all cases, there must be a reliable and experienced agent manager (which could be bank or MNO) able to oversee agents and ensure liquidity.

Note also that, although most countries would not object to using agents to pay out cash, not all countries yet allow agents to perform wider financial functions such as accepting deposits. This can affect the inclusive nature of the program.

Investigate Options 4 of 11

# Shifting cash transfers: Step 3

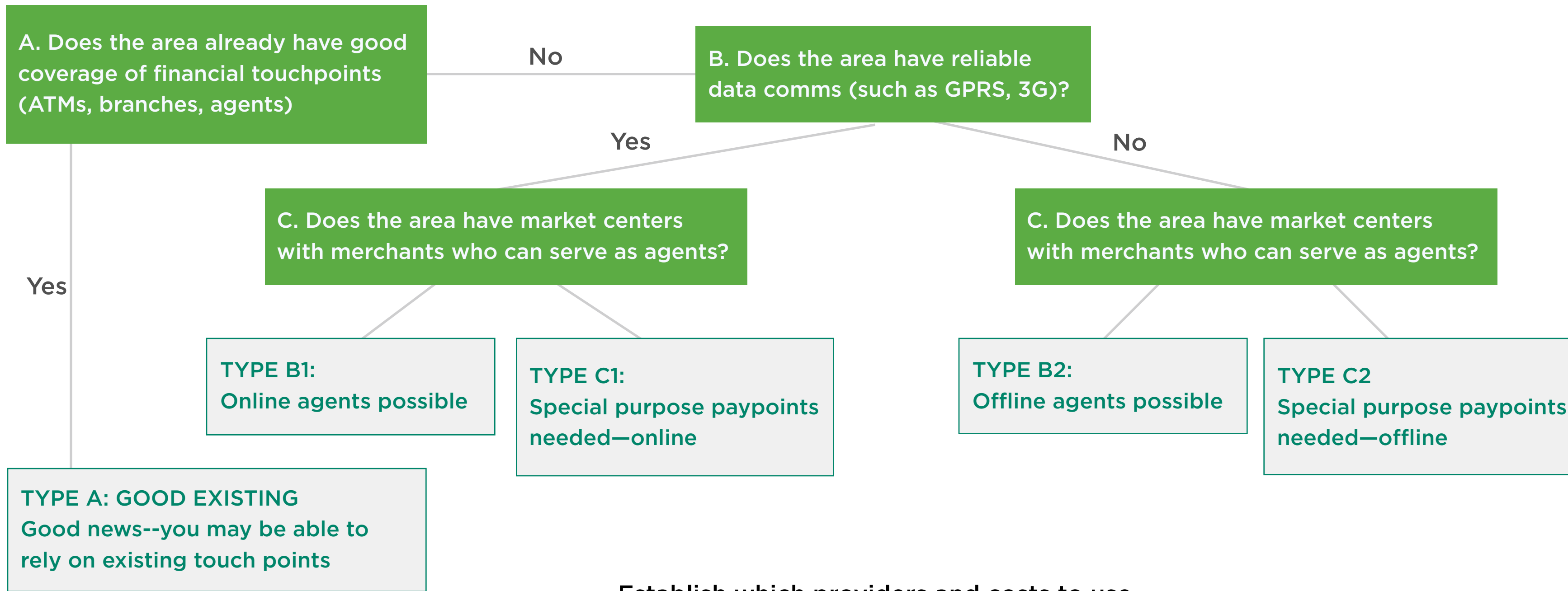
Choice A. Distance to cash out

A. Maximum distance recipients should travel

B. The payment account features

C. The role of the payment provider

Regions as defined may cover a variety of conditions: they may include a sizable town or city at the center, but then have smaller towns and remote hinterlands. For each region in which you have or expect to have recipients, follow this decision tree using your maximum radius to calculate the number of recipients in each falling into each area type identified.



Establish which providers and costs to use

### On line or off line—what’s the issue?

An online transaction is verified and authorized against a central data base, using real time data communications. This reduces the need to store the data locally (e.g. at an agent), and also reduces potential for fraud. However, if the communications are not available or reliable, then offline solutions will be needed. These involve more cost in the local devices needed. Fortunately, due to the growth of mobile data, fewer places are now offline only, although the reliability and cost of communications is still an issue to assess.

Key area types to distinguish:  
 A: Existing infrastructure is available  
 B: Agents may be available  
 B1: Online B2: Offline  
 C: Needs special purpose points  
 C1: Online C2: Offline

# Shifting cash transfers: Step 3

Note: supplied interactively or via **DP toolkit download #7**

Choice A. Distance to cash out

[A. Maximum distance recipients should travel](#)

[B. The payment account features](#)

[C. The role of the payment provider](#)

While it would certainly be useful to have additional information about your recipients' preferences and attitudes using surveys or existing information as set out [in the previous step](#), it is essential to compile the information below about the number and location of recipients over time shown in the table below. This enables you to consider options based on the scale of the program and in particular to estimate costs in more detail at the next step.

## DP toolkit sheet #6. Stakeholder identification

[Would you like to see an example of doing this?](#)

	Unit	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Average number of recipients	No.					
By area:						
REGION 1	No.					
REGION 2	No.					
REGION 3	No.					
REGION 4	No.					
% of Recipients already have a suitable payment account	%					
# of Payments per recipient p.a.						
Av. Value per payment	\$					
Total number of payments	No.					
Total value paid out	\$					

### A Note on Unbanked Recipients:

The proportion of adults in emerging countries who have bank accounts today varies from around 20% (low income countries) to over half (middle income countries). The proportion of people with accounts is increasing as [new account offerings](#) become available. Even if the number of recipients without accounts today is large, this is not in itself a problem since you may enable them to open accounts for the first time as part of your shift, with support from a bank or other provider. However, it is highly likely that your recipients will have had limited, if any, access or exposure to financial services. So, the real question is where do the recipients work or live, as this will determine whether they would be able to use their bank accounts or mobile wallets effectively or not.



# Shifting cash transfers: Step 3

Choice B: Payment account options for recipient

[A. Maximum distance recipients should travel](#)

**[B. The payment account features](#)**

[C. The role of the payment provider](#)

Table: Main options for payment types reviewed against the desired features

Type	Bank account	Special purpose card	Mobile wallet
Issued by	Bank	Bank or non-bank	Typically a non-bank mobile money service such as an MNO
Safety	Yes (covered by deposit insurance if it exists)	Typically yes, although depends for non-banks	Typically yes
Functionality: ability to receive incoming transfers (flexible charge)	Yes, through bank ACH; although may charge for receipt	Yes, but often only from one source	Yes
Financially inclusive	Yes—usually would allow accumulation of savings; and may opens access to other bank products	Depends, usually limited to withdrawing cash only	Depends, usually includes ability to deposit and withdraw via agents at least; and to send to others on same network
Ability to meet extra requirements e.g. reversal; authentication	Will depend on bank and banking law (may not be able to reverse funds without client approval)	May be easier to tailor to needs of a program	Depends
Examples	Equity Bank HSNP program in Kenya	Bolsa Familia card in Brazil	Tcho Tcho mobile in Haiti

What features do recipients' payment accounts need?

This will be driven by the requirements of the program but typical considerations include:

**Safety:** the accounts should be within a regulated institution where the risk of loss through failure is low

**Ability to receive** incoming e-transfers at no cost: are they able to waive the requirement?

**Financial inclusion:** do the accounts provide features in line with your definition?

**Additional requirements:** can the accounts offer additional features you require e.g. return of funds if not claimed in 60 days.

There are likely tradeoffs among these criteria—for example, more secure authentication such as biometrics may limit the financial inclusive features since the accounts cannot be used at other financial points; and will certainly add cost. Therefore, there is likely to be a need to iterate through these requirements to get to a feasible set.



Investigate Options 7 of 11

# Shifting cash transfers: Step 3

Choice B: So how many recipients need new accounts?

A. Maximum distance recipients should travel   **B. The payment account features**   C. The role of the payment provider

The decision tree below summarizes the process of identifying the options in terms of accounts for recipients.

**A. Do recipients already have payment accounts?**

no ————— You will likely have to open new accounts for them

no

yes

**B. Do these accounts (and payment channels) meet the requirements of the program?**

Are suitable accounts (and payment channels) on offer?

————— **Is there a provider likely to be willing to develop new offering?**

yes

yes

yes

no

Good news! You may be able to work with existing accounts

————— **Who are the providers and what are the costs?**

This doesn't look very feasible unless you can change this!

## Example of the outcome:

The next step is to meet with potential PSPs to understand more about the suitability of existing accounts and channels.

Investigate Options 8 of 11

# Shifting cash transfers: Step 3

Note: supplied interactively or via **DP toolkit download #8**

Choice B: Initial provider requirements to investigate

A. Maximum distance recipients should travel

**B. The payment account features**

C. The role of the payment provider

DP toolkit sheet #8. Initial requirements

Would you like to see an example of doing this?

This is what you will want to have in hand for discussions with providers:			
Expected number of clients who will need accounts			
Profile of clients			
Program payments			
Location of clients			
	MINIMUM REQUIREMENT	OPTIONS	NOTES
Account type			
Account functionality			
Account authentication			
Account charges			

# Shifting cash transfers: Step 3

## Choice B: Initial provider requirements to investigate

### A. Maximum distance recipients should travel

### B. The payment account features

### C. The role of the payment provider

Note: supplied interactively or via [DP toolkit download #1](#)

The **Payment Service Provider (PSP)** is the name given to the entity responsible for the delivery of the money, fulfilling the standard functions shown in the box to the right.

Note that PSPs can take many different forms, depending on what you require them to do. At this stage, you are not required to set out a Terms of Reference for the role—that will follow once you decide to proceed to implementation (there are useful sources when you come to this such as the [DFID Manual](#)).

The key roles of a PSP may be separated as below: it is possible that these roles may be split among different entities, although this has implications for cost; and may only make sense for a larger program.

## DP toolkit sheet #1. Identifying Drivers

PSP roles	Considerations	Options
A. Issuer of the payment account	Usually must be a regulated financial provider such as bank or authorized MMO	You could prescribe one provider or allow recipients to choose providers
B. Managing the payout infrastructure	Who can support best deploy and support agents or special paypoints?	Banks may have extensive branch infrastructure from which to do this; but there are also special providers e.g. with mobile paypoints
C. Executing transfers	Able to safely & reliably manage process of crediting all accounts; includes reporting and recons	While banks may process transfers, special entities may be able to handle the reporting needs

### Box 2: Standard duties of the payment service provider

- A. Provision of a store-of-value issued by defined provider:
  - Specification of characteristics such as functionality and instrument (card or not);
  - enrollment procedure and cost.
- B. Provision of cash access infrastructure:
  - making payments of social transfers available to recipients by means of distribution points equipped with agreed equipment (such as cash dispensers, computer hard- and software and biometric technology).
- C. Adherence to service standards:
  - crediting payments to accounts in a timely fashion after receipt of schedule;
  - making cash pay outs using acceptable identification procedures;
  - putting contingencies in place to ensure that payments are made within agreed number of days, even in event of equipment failure;
  - meeting agreed service level standards including: average distance traveled to collect payment, average waiting time to receive payment, facilities available at the payment point, response process and times for complaints;
  - ensuring that after a transaction the recipient will be issued with some form of receipt.
- D. Reconciliation and accounting:
  - ensuring that the periodic payments take place according to the agreed procedure;
  - issuing a statement of payments made to the administrator at the end of the payout cycle.
- E. Customer and official training and support:
  - overseeing process and standards for educating new recipients and funding agency officials.

Source: [DFID Manual](#) (2009)



# Shifting cash transfers: Step 3

## Choice C: Meeting potential PSPs

[A. Maximum distance recipients should travel](#)

[B. The payment account features](#)

[C. The role of the payment provider](#)

### Questions for discussion with PSPs:

**General experience:** have you been involved in the payout of social transfer schemes before? If not, are you interested for the future? If so, which schemes, where and at what scale? And what has been your learning? Who are your competitors?

If so, can you give examples of the specific services you provide in terms of reporting and reconciliation?

**Geographical coverage:** Do you have payout infrastructure and support in these areas in which the program will likely happen? What type? Can these points service the expected extra demand for cash created by payouts?

If not, how would you go about establishing new coverage? Which deployment options do you use? How long would it take? What type of devices and connectivity do you require in your touch points?

**Payment accounts:** Do you currently have any clients who match the program recipient profile? How many? Where are they? Which products do they use? Do you currently offer accounts which meet the features defined earlier?

If so, at what cost do you open them? Which additional features do you offer? If not, are you able and interested to develop and offering which might do so? Have you a record of delivering new account options like this?

What issues can you foresee with accounts of this type?

Do you offer additional products to clients of this type which might extend their financial inclusion?

### At this stage, your concern should be:

are there suitable providers available to do what you likely need? When you come to procure their services through RFP later, you will get a response? And, do you have an understanding of the costs and legal processes they may face?

To get answers to these questions, it is usually worthwhile to identify a sample of potential PSPs and discuss with them the extent to which they can meet your needs, based on your indications of numbers and areas. You can also sound them out on costs. You can use the interview guide below. The key issue at this stage is your ensuring that there are likely PSPs who can meet your requirements—if not, you will have to amend requirements or else your timeframes and possibly costs, since you may need to bring a new provider in country.



# Shifting cash transfers: Step 3

Note: supplied interactively or via **DP toolkit download #9**

## Isolating feasible options

The process described so far has aimed to isolate the **feasible sets of options** based on considering three main choice variables. There is likely **an iterative process** required to get to option sets which are potentially feasible—meaning that they can work within the context within the timeframes required. The table below sets out an example of three option sets resulting. It is quite legitimate at this stage to have further issues still to clarify; but clarity about the option sets is needed to be able to estimate costs.

## DP toolkit sheet #9. Option set listing

[Would you like to see an example of doing this?](#)

Your choices:	OPTION SET 1:	OPTION SET 2:	OPTION SET 3:
A. Maximum travel distance			
B. Payment account features			
C. Type of PSPs			
Notes			
Issues still to clarify			

# Shifting cash transfers: Step 4

## Calculate your costs (and benefits)

At this stage, you should have isolated options sufficiently to enable you to get a high level estimate of the likely costs involved in shifting to the digital approaches you have defined. It is high level only, since actual costs can only be determined after you have invited bids; but in order to reach a recommendation, this estimate should be good enough to inform a budget and to be used to evaluate against your objectives. The main cost categories are set out below:

### DP toolkit sheet #6. Stakeholder identification

Type	Nature of costs involved	Factors influencing the level
A. INTERNAL	New staff required to oversee the program MIS development to accommodate	How large and complex the program is
B. EXTERNAL		
--new infrastructure	The PSP will have to fund the establishment of new payout infrastructure in the selected areas	The nature of the payment instrument;
--new accounts	The PSP will have to open accounts for new recipients and issue any tokens involved	The nature of the payment token (card) The KYC process
--payment process	Cost to execute transfer (if not within same provider) Staff and systems to handle queries or complaints	Extent of special reporting and reconciliation involved

#### What are the costs of cash payments compared to digital alternatives?

Cash is not free, although if the true costs are not properly figured, it can make some digital options seem costly by comparison.

A costing analysis early in the decision-making process gives you a useful baseline of costs for planning, decision-making, budgeting, implementation and monitoring. It is important to bear in mind however that some costs are non-financial and as such a thorough costing analysis should include input from various staff members, partners or other stakeholders.

[NetHope offers a Costing utility Analysis tool](#) as a simple workbook designed as a reference tool and guide for development partners like you to conduct a comparative evaluation of the non-financial and financial costs of using physical cash and digital payments in programming and operations. The tool suggest categories of costs that organizations may incur in using cash and digital payments, but you are encouraged to expand and modify the categories to fit your contexts and profiles. The workbook also provides an analytical framework for you to compare and identify costs of cash with the costs of transitioning and using e-payments over time.

# Shifting cash transfers: Step 4

Note: supplied interactively or via **DP toolkit download #10**

## Calculating costs

It is important to calculate all costs—setup and recurring—over a defined horizon such as the life of the program. In this way, you can calculate total costs and then bring to a common denominator to compare as shown below for the first option in our example.

## DP toolkit sheet #10. Costing

[Would you like to see an example of doing this?](#)

	Type	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>Internal costs</b>						
Setup (implementation support)	One off					
Ongoing (staff, audit, M&E)	Recurring					
TOTAL						
<b>Payment provider costs</b>						
Fixed fee	One off					
Enrollment fees per new recipient	One off					
Cost of new infrastructure	One off					
Cost per payment	Recurring					
TOTAL PSP COSTS						
<b>Total program costs</b>						
<b>SUMMARY</b>						
	PSP only	Total				
Likely cost per payment:						
Cost as % of amount paid out						



# Shifting cash transfers: Step 4

## Costs—what is reasonable?

**The following factors have a big influence on the likely costs of shifting:** The scale and length of the program — more payments means the cost per payment may be lower because of the fixed costs of set up; the longer the program can operate will have the same effect; the degree to which existing product solutions are available; and the degree to which new infrastructure must be built out.

The Table below of PSP costs (i.e. excluding any costs internal to the grant making agency) from two separate CGAP studies of eight cash transfer schemes in emerging economies give a sense of the wide range at present: from as low as \$0.53 to over \$6 per payment on average; and from 1.2% of the amount in the large scale Brazilian and Filipino programs (which also have higher average grant amounts) to 9.1% in the small TMC program in Haiti and even 11.3% at one stage in the large scale Colombian role out. As the CGAP Focus notes show, there is also large variation in cost across the means of payment: transfers into existing bank accounts could be as low as 10c; and cash payments as high as \$5.20.

Country	Brazil	Colombia	Mexico	South Africa	Philippines	Haiti	Kenya	Uganda
Program	Bolsa familia	Familias en accion	Oportunidades	Child care, old age	4Ps	TMC	CFA	Sage
No of recipients (000s)		2,400	5,800	9,000	3,700	75	63	95
Average grant per recipient US\$	\$71	\$55.1	\$118.2	\$144.7	\$63.01	\$15	\$34.12	\$19.34
Weighted average fee per payment US\$	\$0.84	\$6.24	\$2.52	\$3.5	\$0.75	\$1.36	\$0.53	\$0.68
As % of average grant size	1.20%	11.30%	2.10%	2.40%	1.20%	9.10%	2%	3.50%
Source:	<a href="#">CGAP (2012) Table 5</a>				<a href="#">CGAP Focus Note 93, 2014 Table 4</a>			

### Comparing apples with apples?

It is often very difficult to compare costs across programs (and for that matter, evaluate the financial proposals of providers) because of the way costs are presented and calculated. A small absolute fee per payment may still be a large % of a small grant amount.

For example, there may be a menu of fees paid to PSPs (such as enrollment, per payment) and it makes little sense to compare the absolute amount in one category on its own. Rather, the total costs should be calculated for the program using projected figures over a defined period, and then calculated per payment (i.e. averaged across the period) as well as % of the payment involved.



# Shifting cash transfers: Step 5

Note: supplied interactively or via **DP toolkit download #11**

## Assess the risks

At this stage, you have no basis to do a detailed risk audit—this should follow once you move to implementation and have processes and procedures to evaluate. For now, the list below enables you to consider whether you have addressed material vulnerabilities which would influence the feasibility of each option set, and therefore your recommendations.

## DP toolkit sheet #11. Risk assessment

[Would you like to see an example of doing this?](#)

	Potential vulnerabilities	OPTION 1	Mitigating factors
1	Target recipients will not be able to understand and use the payment option		Simpler the better; biometric authentication is usually easier for unbanked
2	There are no PSPs in the country who can supply the required solution		Discussions with at least 2-3 identified PSPs indicate that they can play the role required
3	The solution will take significantly longer than expected to roll out		The more you use available solutions, the less this risk becomes
4	There are not enough PSPs with an interest in bidding to do a program of this scale and type so that the pricing of bids could be uncompetitive		Reconsider your procurement approach to get better pricing
5	The solution leads to 'lock in' to one provider for the contract period		The less bespoke a solution is, the less lock in. Equally, reliance on proprietary standards of technology makes it more expensive and less easy to replace
6	The solution is not adequately future proofed (i.e. does not adequately consider the way services are changing during the period under review so risks obsolescence)		Ensure that conversations with PSPs and others consider developments in the next 12-18 months so that these can be considered
7	The solution proves too complex for our internal capacity to manage		Identify the staffing needs up front in terms of experience and function
7	The solution requires waivers or changes to government laws or procedures		Limiting the need for these; discussing in advance with the relevant agency. Specifically highlighting these and the implications of not receiving the permission
8	The solution does not integrate well to the program MIS leading to delay and potential for fraud		Ensure that specifications are developed jointly with program administrators
9	Potential for leakage and recipient fraud		More secure solutions and oversight come at a cost in resource and time

# Shifting cash transfers: Step 6

Note: supplied interactively or via **DP toolkit download #12**

## Recommend

The final step is to evaluate the feasible option sets from step 3 against the objectives for step 2 in the light of the risks and costs analyzed. This should lead to a clear recommendation of a preferred option, in which the stakeholders identified have been considered and in defined cases, consulted. This will ensure that a well thought through recommendation is not only more likely to be approved but also to prove easy to implement when you move to that stage.

One way to go about this is to assign a score to measure the extent each option meets the objectives outlined earlier, as per the table below. .

## DP toolkit sheet #12. Option scoring tool

[Would you like to see an example of doing this?](#)

	MOTIVATIONS	Weighting	OPTION 1	OPTION 2	OPTION 3
A	Minimize costs				
B	Minimize the time & cost taken by the recipient				
C	Minimize leakage				
D	Minimize time to scale up a new or expanding program				
E	Promote the dignity of the recipient				
F	Promote the financial inclusion of recipients				
G	Maximize other developmental benefits to the recipient				
	<b>WEIGHTED TOTAL</b>				

## Shifting cash transfers:

What next?

Congratulations! You have reached the end of this section.

So, if you have applied these steps, you will have now completed a thorough analysis of the case to shift cash transfer recipients towards receiving digital payment of their cash transfers.

In a world which is rapidly moving to digital discussed in Section 1 of this toolkit, The Better than Cash Alliance hopes that you have identified at least one feasible option which stands a good chance of meeting your objectives. Once this option has secured the necessary internal approvals and endorsements, depending on the scale of the shift, you will likely have to enter into subsequent stages of analysis which are important but not in the scope of this toolkit:

- A thorough feasibility study, which would include detailed costing, leading to
- A full proposal;

And once that is approved:

- The development of an implementation plan, which would include procuring all the support you may need.

### Do you need help in your process?

BTCA's Technical Assistance Fund may be able to help you with funding to secure technical support as you develop your case to shift and then your subsequent stages—[contact TAF](#).

**We would like to hear your experience** of undertaking this analysis so that we can improve it and also to encourage ongoing peer learning—[please let us know](#).

Example 1 of 13

# Example for Module: Cash Transfers

## INGO in Ecosystemia

This example is based on a composite profile of the data and experiences of a typical entity faced with the decision of whether and if so how to digitize in the target geographies of lower and middle income countries.

**Please refer to the Excel file title “DP toolkit INGO example”** as you work through this example.



Example 2 of 13

## Example: INGO, Ecosystemia

The Republic of Ecosystemia is a lower middle income country with a diverse population of around 60 million citizens at the latest census. It is estimated that around 40% of its adults are banked: in the cities, people are relatively well serviced by banks and other financial providers, but just over half the population still live in rural areas, some of them remote, with infrastructure challenges. The proportion of smart phones with internet access is around 20% of population (mainly in the cities where bandwidth is good, but this expected to rise fast over the next five years. Financial inclusion is a general policy goal of the government there, alongside job creation and poverty reduction.

The payment ecosystem is likely at Stage 2 of the stages identified in the quick diagnosis- i.e. there are central bank clearing houses for debits and credits but not widely used or promoted outside of particular cases (e.g. salary payments). Checks are widely used by businesses; cash commonly for purchases. Mobile money exists quite widely, but tends to be for niche personal applications, not for business or larger payments.

In this context, INGO is a international aid agency that has delivered in-kind food assistance to vulnerable households throughout Ecosystemia. As part of an ongoing strategy to provide assistance more transparently, efficiently and in ways that benefit the recipients and local markets, INGO has made a commitment to shift from in-kind to cash transfers in 4 regions, with goals to reach 40,000 recipients within 5 years.

INGO headquarters has advised the local management in Ecosystemia that all transfers, wherever possible, should be delivered via digital means, but are aware that infrastructure limitations in some regions may inhibit a full shift. INGO program staff have been tasked with scoping out the options for the management and HQ to consider.

Example 3 of 13

## Example: INGO

### Step 1. Determine your drivers

The team at INGO has completed the drivers table as below for its intended cash transfer program in Ecosystemia.

#### INGO example #1. Drivers

Motivations	Weighting
Minimize delivery costs	20%
Minimize the time & cost taken by the recipient	25%
Minimize leakage (loss due to fraud, misappropriation, failure in payment process)	20%
Minimize time to scale up a new or expanding program	10%
Promote the dignity of the recipient	5%
Promote the financial inclusion of recipients	10%
Maximize other developmental benefits to the recipient	5%
Fulfill policy or external mandate (driven by external actors)	5%
Total	100%

Note: supplied interactively or via **DP toolkit INGO example #1**

#### A note on INGO's choices:

It seems that INGO wants to achieve many objectives by shifting to digital transfers. While efficiency gains via reduced costs to deliver assistance and minimized loss from leakage are heavily weighted (combined 40% for A & C), the majority of INGO's drivers (55%) are development benefits and conveniences for the recipients. INGO's choices are clearly influenced in part by pressure (5%) from HQ to deliver digitally wherever possible.

## Example 4 of 13

# Example: INGO

Note: supplied interactively or via **DP toolkit INGO example #1**

## Step 2. Identify your stakeholders

The process of shifting has implications within an agency as well as for the beneficiaries and for external parties, depending on its scale, scope and design. These parties need to be identified early on in your decision process, together with the roles that they need to play in the decision process. The table below can help identify typical role players upfront. Sometimes, the process of options will lead to others being added to or removed from the list. In each case, the process requires approaching the identified stakeholder at the appropriate stage of the process. Eventually, you will have to fill in specific names for the process.

### INGO example #2. Stakeholders

Stakeholders	Role	Engagement Notes
Country manager	Ultimate approval	The country manager is the internal "champion" for the shift and is leading the strategy for the shift internally and reporting back to HQ on progress.
Finance & accounting	Reviewer	Finance and accounting welcome a move to electronic payments as it will help ease their administrative burden. They want to be involved in decisions around payment choices as they are aware that they will need to create new accounting systems to shift from in-kind aid to electronic delivery
Program manager/staff	Reviewer	As the cash transfers are part of a larger livelihoods program, program staff have traditionally been responsible for overall management of the delivery channels, selection, community engagement, monitoring and evaluation, etc. Their motivations to shift their long-held processes are not as strong as that of the program manager and the finance and accounting staff. They may look at the process with a more skeptical or reluctant eye.
Risk and audit-head office	Reviewer	Have been nominally involved to date. Country director wants to minimize risks, but also keen not to stall the process through overly conservative analysis.
Recipients	Client	The program managers know their recipients' livelihoods and vulnerabilities well, but have not yet done any thorough assessment of their financial needs, access or capability, or of market dynamics or financial infrastructure in the areas.
Community leaders	Endorser	The program plans to engage them early, after the initial analysis is completed.
Ministry of Social Development	Endorser	The Ministry of Social Development has partnered with INGO over the years for targeting and interventions as needed. They share an interest in shifting to electronic payments and are largely supportive of INGO's plans.
Funders	Endorser	The funder for this four-year scale up has stipulated to HQ that cash transfers must be delivered digitally wherever feasible.
Other suppliers or implementing partners in the region	Service Provider	Local and other NGOs have partnered with INGO to deliver aid in the past. They may be engaged to help do demand-side research and analysis to understand recipient needs and access. Otherwise, INGO will engage them at a later stage, and is aware that they may resist a change in their role in the program, should that arise.

### A note on internal processes:

Although there is a clear mandate from HQ to shift and the country manager is ready to champion this change, there are many stakeholders and partners involved in the program that may be reluctant to change. INGO will have to manage these stakeholders carefully or they may risk delays in a process they hope moves quickly.



Example 5 of 13

## Example: INGO

Note: supplied interactively or via [DP toolkit INGO example #3.3](#)

### Step 3. Payout infrastructure: what do you need?

This step involves estimating how the recipients in each region map into the zones within each region in terms of infrastructure, and then what the likely new infrastructure need may be in each, since this will affect the cost and nature of solutions possible in each.

#### INGO Example #3.3. Distribution of recipient by area

Likely distribution of recipients by type of area	Type of Area				
	A	B1	B2	C1	C2
REGION 1	50%	50%			
REGION 2	25%	25%		25%	25%
REGION 3			40%	40%	20%
REGION 4			20%	30%	50%

1. The breakdown by area

2. Applying these % to the profile gives the number in each area

3. Using norms of maximum recipients per pay point in each area type, it is possible to estimate the new requirements

#### INGO Example #3.3. Distribution of recipient by area

Likely distribution of recipients by type of	Number of Recipients	Type of Area				
		A	B1	B2	C1	C2
REGION 1	10,000	5,000	5,000			
REGION 2	10,000	2,500	2,500		2,500	2,500
REGION 3	10,000			4,000	4,000	2,000
REGION 4	10,000			2,000	4,000	5,000
	40,000	7,500	7,500	6,000	9,500	9,500
New paypoints required?		N	Y	Y	Y	Y
Max. payments per point per cycle			525	525	300	300
New paypoints required			15	12	32	32

## Example 6 of 13

# Example: INGO

Note: supplied interactively or via **DP toolkit INGO example #3.1**

## Step 3. Compile a baseline profile of recipients

The task team receives from the operations the following numbers for the expected build up of recipients by region.

### INGO example #3.1. Recipient numbers baseline build-up

CASH TRANSFER PROGRAM						
BASELINE BUILDUP	Unit	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Average number of recipients	No.	3,000	10,500	19,000	40,000	40,000
By area:						
REGION 1	No.	1,500	3,000	5,000	10,000	10,000
REGION 2	No.	1,500	2,500	4,000	10,000	10,000
REGION 3	No.	-	2,500	5,000	10,000	10,000
REGION 4	No.	-	2,500	5,000	10,000	10,000
	Unit	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5

**Comment:**

Because of the extreme vulnerability of INGO's aid recipients and the relatively poor financial infrastructure in the 4 regions, none of the 40,000 future cash transfer recipients already has a bank account or a mobile wallet. This means that the program would need to open accounts for all recipients over time.

## Example 7 of 13

# Example: INGO

[INGO cash transfer example](#)

## Step 3: Summary of options

The INGO project team takes this profile into discussions with payment service providers:

<b>Expected number of recipients who will need accounts</b>	3000 new clients in year 1, with numbers rising over 4 years to total 40,000 by year 5.		
<b>Profile of recipients</b>	The recipients are poor women who qualify by having two or more dependent children but otherwise have volatile and low sources of informal income. We expect that none of them will have had formal financial services before. Surveys have found that some of them in areas with mobile coverage have and use cell phones. They mainly already have national IDs for identification.		
<b>Program payments</b>	Each recipient will receive approximately \$25 (rising with inflation) every second month for the period of the scheme (initially 5 years)		
<b>Location</b>	The recipients are expected to be equally spread across these regions: A, B, C, D		
	MINIMUM REQUIREMENT	OPTIONS	NOTES
<b>Account type</b>	Account must be at a regulated financial institution	This could be narrowed to banks but this would rule out special provider entities which offer unregulated payment services	Note that requiring a regulated financial institution brings costs as well as benefits which must be considered in the context of a particular country.
<b>Account functionality</b>	Client must be able to withdraw cash at least once per month at no charge	Client must be able to leave funds in the account or deposit other funds (i.e. save)	Adding the ability to save will likely limit the type of providers to deposit takers; and also place different requirements on infrastructure (pay in as well as out)
<b>Account authentication</b>	PIN authentication is sufficient	Biometric authentication required periodically as proof of life and eligibility	Note the very big trade-offs here: PIN only makes it easier and cheaper, but also makes the scheme vulnerable to leakage if recipients are not used to PINs
<b>Account charges</b>	No regular account charge for client; and no charge for incoming transfers	The basic bundle of services which you are willing to pay for (rather than the client) could be wider or narrower	The more tailored the requirements are, the more it is likely to cost



## Example 8 of 13

# Example: INGO

[INGO cash transfer example](#)

## Step 3: Isolating possible option sets

The process described so far enables the INGO team to isolate three **feasible sets of options** based on considering their main choice variables. INGO still has further issues still to clarify; but clarity about the option sets is needed to be able to estimate costs.

	Option 1: Closest possible paypoints	Option 2: More inclusive accounts	Option 3: Allow choice in some areas
Overall goal	Shift all recipients to payments and minimize the amount of time needed for them to travel	Shift all recipients to epayments but extend travel time to payout in order to save time and costs needed to create new pay points	shift all recipients to epayments within a two-hour travel window while offering choices and more inclusive options to recipients in higher infrastructure areas
Timeline	Over 5 years	Over 5 years	Over 5 years
Paypoints	Gradual increase to 172 required by end of year 5	Gradual increase to 89 new paypoints which can operate in offline mode	As in option 2, gradual increase to 89 new paypoints which can operate in offline mode
Account types	One type, one provider; functionality limited to withdrawals; biometric authentication	One type of account, one provider but more inclusive allow deposits and other payments to be made; only PIN authentication	As for 2 except split by areas: allow recipients in Type A areas to choose from existing providers; provide standard basic services in Type B & C
Payment Services Providers	More likely to require specialist PSPs to manage mobile payout points to meet standard above;	Likely to require a regulated entity to issue the accounts	Need for an overall PSP to manage; multiple issuers to accredit and a provider to supply rural solution
Notes	From a procurement and management perspective, one type, one provider with limited functionality may be more simple. However, finding one PSP with the capacity to take on such a commitment over a short period at a reasonable cost may be difficult.	Offering more inclusive account properties, such as withdrawals and other payments helps achieve a variety of objectives. However, developing the payment infrastructure may require more intensive investment from the program and PSP. Also, there is a still a need for offline as well as online functionality.	This offers the most choice and utility to recipients, but it is a whole lot more complex to manage, which means more resources in time and money to make it work. Also HQ or donor procurement rules may limit the ease with which INGO can partner flexibly with multiple PSPs.
Issues still to clarify	Does it make sense to have agents in this configuration rather than mobile paypoints?	Which providers can handle on-line and off-line solutions?	Does our capacity allow us to easily manage or structure institutional partnerships with multiple PSPs?

## Example 9 of 13

# Example: INGO

## Step 4: Payout infrastructure: what is the likely cost?

To estimate the potential cost, INGO staff have established from conversations with PSPs and other DPs that the likely costs of new paypoints is likely to be as shown in the table below.

### INGO example #4. Option profile

PER AREA TYPE		A1	B1	B2	C1	C2
<b>ESTIMATED SETUP COSTSÂ EA.</b>		Existing	Agent--online	Agent--offline	Special--online	Special--offline
Device (POS, mobile)	\$		300	600	400	800
Setup and training	\$		100	100	200	200
<b>TOTAL</b>	<b>\$</b>	<b>0</b>	<b>400</b>	<b>700</b>	<b>600</b>	<b>1000</b>

INGO cash transfer example

Special purpose solutions vary widely; for example, they could include the purchase of one or more mobile trucks in which case the cost per paypoint would be much higher

Device costs vary widely, depending on features, country taxes, ruggedness. Ideally in Type B, you would wish to have no new device and simply make use of an existing device (such as smart phone in the hand of agents) Note that the more your program has special requirements such as for authentication, the higher the device costs will be

Existing: these numbers assume no extra setup cost; clearly there will be a cost to use

## Example 10 of 13

# Example: INGO

Note: supplied interactively or via **DP toolkit INGO example #5**

## Step 4: Total cost calculation

INGO has estimated the following costs in respect of Option Set 1 over a five year period, differentiating between external costs of the PSP fees and internal new costs required. This estimate allows INGO to calculate a cost per payment made over the period, and also express the cost as a % of average transfer. Note that this has to be done for each Option.

### INGO example #3.1. Recipient numbers baseline build-up

OPTION 1: COST ESTIMATES	Type	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
<b>Internal costs of payout</b>							
Setup (implementation support)	One off	100,000					100,000
Ongoing (staff, audit, M&E)	Recurring	75,000	75,000	75,000	75,000	75,000	375,000
<b>TOTAL</b>		175,000	75,000	75,000	75,000	75,000	475,000
<b>Payment provider costs</b>							
Fixed fee	One off	-					-
Enrollment fees per new recipient	One off	15,000	37,500	42,500	105,000	-	200,000
Cost of new infrastructure	One off	103,000					103,000
Cost per payment	Recurring	27,000	94,500	171,000	360,000	360,000	1,012,500
<b>TOTAL PSP COSTS</b>		145,000	132,000	213,500	465,000	360,000	1,315,500
<b>Total program costs of payout</b>		320,000	207,000	288,500	540,000		1,790,500
<b>SUMMARY; OPTION 1</b>							
Likely cost per payment:	PSP only	Total					
		1.9	2.7				
Cost as % of amount paid out		7.8	10.6				

**Comment:**

This basic approach allows INGO to roll out its payments quickly and at the lowest cost of all digital options. However, INGO will be trading off some efficiencies and cost savings in the short run with its developmental objectives of financial inclusion and expanded developmental benefits over the long run.



Example 11 of 13

## Example: INGO

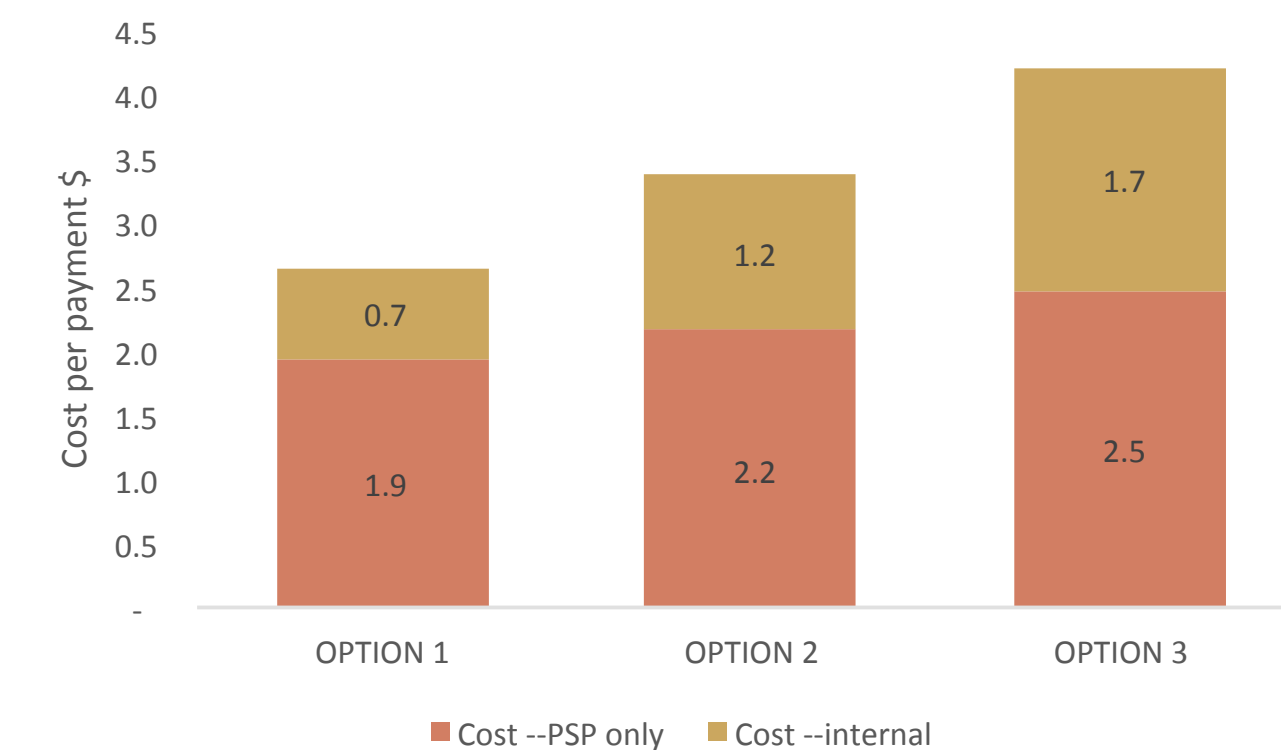
Note: supplied interactively or via [DP toolkit INGO example download #5](#)

### Step 4: Comparing costs across options

The INGO team has now completed the cost estimates across all three options, and lists the core cost indicators in the table below, highlighted in the graph alongside:

### INGO example #5. Cost summary

		OPTION 1	OPTION 2	OPTION 3
<b>Total payment costs</b>	\$	1,790,500	2,281,940	2,846,315
Cost --PSP only	\$	1.9	2.2	2.5
Cost --internal	\$	0.7	1.2	1.7
Cost --all costs	\$	2.7	3.4	4.2
Â PSP costs to all costs	%	73.5	63.8	58.7
% of grant amount--PSP only	%	7.8	8.6	9.9
% of grant amount--all costs	%	10.6	13.5	16.9



### Comment on the outcomes:

The Table above shows that Option 1 is cheapest but this is in large part because it is simplest to manage (one provider, one solution) hence internal costs are a smaller proportion of the total cost. Although Option 1 requires more new paypoints, hence higher infrastructure costs, at least on these assumptions, it is cheaper than 2 or 3 which are the more inclusive options, at least over this period in which every recipient needs a new payment account. The most financially inclusive option (3) also requires the most investment to set up and maintain properly over time. An environment with better infrastructure may have allowed similar options at a lower price, but to offer recipients with multiple choices of inclusive payment options, INGO must invest in new capacity on its side. Also, INGO needs to fully assess whether its able and willing to navigate the administrative hurdles of partnering with multiple PSPs for relatively small numbers of recipients in type A regions, given HQ's and the donor's strict procurement requirements.

Example 12 of 13

## Example: INGO

Note: supplied interactively or via [DP toolkit INGO example download #6](#)

### Step 5: Assess the risks

The process described so far enables the INGO team to isolate three **feasible sets of options** based on considering their main choice variables. INGO still has further issues still to clarify; but clarity about the option sets is needed to be able to estimate costs.

### INGO example #6. Risk assessment

	Potential vulnerabilities	Options			Discussion
		1	2	3	
1	Target recipients will not be able to understand and use the payment option				#2 and 3 involve more inclusive but also more complex products for beneficiaries so will need more training and support for rollout
2	There are not PSPs in the country who can supply the required solution				This doesn't seem to be a problem
3	The solution will take significantly longer than expected to roll out				#3 involves managing 2 different options so may take longer
4	There are not enough PSPs with an interest in bidding to do a program of this scale and type so that the pricing of bids could be uncompetitive				Linked to the above, there will likely be enough bidders
5	The solution leads to 'lock in' to one provider for the contract period				This is a big concern for #1 and #2 especially since the programs are likely to continue in the long term
6	The solution is not adequately future proofed (i.e. does not adequately consider the way services are changing during the period under review so risks obsolescence)				#1 doesn't really allow for any movement by recipients towards more inclusive financial services but leaves them stuck with one very limited option
7	The solution proves too complex for our internal capacity to manage				#3 involves multiple providers hence more of an issue, but the scheme is small
7	The solution requires waivers or changes to government laws or procedures				None identified at this stage
8	The solution does not integrate well to the program MIS leading to delay and potential for fraud				We need to consider how to integrate payments to multiple PSPs
9	Potential for leakage and recipient fraud				Payments to recipients in Type A areas are highly inclusive but don't carry the additional authentication applied to the other areas might need additional checks

Example 13 of 13

# Example: INGO

Note: supplied interactively or via [DP toolkit INGO example download #7](#)

## Step 6: Recommend

The INGO task team has decided to evaluate each option against the weighted criteria from before, by assigning a score which measures the extent that each option meets the objective outlined. The Table below shows the outcome of this exercise, where the TOTAL shows the weighted sum of points for each option.

### INGO example #7. Evaluation of options against drivers

MOTIVATIONS	Weighting	OPTION 1	OPTION 2	OPTION 3
Minimize costs	20%	5	4	2
Minimize the time & cost taken by the recipient	25%	5	3	3
Minimize leakage	20%	5	4	4
Minimize time to scale up a new or expanding program	10%	4	3	2
Promote the dignity of the recipient	5%	1	2	3
Promote the financial inclusion of recipients	10%	1	3	5
Maximize other developmental benefits to the recipient	5%	1	3	5
Fulfill policy or external mandate	5%	3	3	3
<b>TOTAL</b>	<b>100%</b>	<b>4</b>	<b>3.35</b>	<b>3.2</b>
Scoring:				
Best possible (5)				
Acceptable (3)				
Poor (1)				

#### Comment on the outcomes:

With its current multiple and varied objectives, INGO is required to balance its desire to deliver payments efficiently and transparently with its longer term developmental objectives of financial inclusion, increased dignity and related benefits. Assessing the ability of each option to best achieve each of those goals, INGO chooses to opt for the quick and efficient but less inclusive digital payment option #1: single provider, single account, with minimal financial functionality.

#### What's next for INGO?

Once the decision is taken to pursue an Option, the INGO task team's job is not over: next steps include detailed feasibility on the option, followed by the development of a rollout plan, which would include the Terms of Reference for PSPs.



# Module: Salary Payments to Employees

# Module: Payments to Suppliers

Congratulations! You have reached the **conclusion of the content sections**  
(Part 1-3) of the BTCA Development Partner Toolkit

Please be sure to review also [Part 4 - General Resources](#)



## Section 4: General Resources

This section provides a compendium of useful resources to which you can refer back:

- a set of [Frequently Asked Questions](#) from development partners with answers which link back to relevant parts of the toolkit
- a [resource center](#) with links to other documents, videos and organizations
- a [glossary](#) which describes common payment instruments and their characteristics.

# Frequently Asked Questions

Your question not answered? [Please let us know.](#)

Questions	Answer	Ref in TK
<b>1. What is an digital payment and how does it differ from digital delivery?</b>	Digital payments link the payment to the country's payment infrastructure such that a payment is made into some payment instrument that allows for store of value. E-delivery, which commonly manifest in the form of bulk transfers to a partner or merchant but communicated to recipients as e-vouchers, is a technology-enhanced method of informing a recipient of and tracking a payment, but does not necessarily link the recipient to a payment system.	<a href="#">Read more here</a>
<b>2. What are the possible costs and benefits to shifting to digital payments (compared to e-delivery) and how to evaluate them?</b>	Tech-enhanced mechanisms like e-vouchers can be valuable for helping programs track payments and reduce costs of processing paper vouchers. However, e-delivery programs that fail to link to the payment system does not allow for the additional efficiencies of gradually reducing reliance on cash-in-transit arrangements or to longer-term benefits of financial inclusion or local market enhancement. There are also several costs to shifting, however, including resources in both time and money, as systems and training must be designed, developed and maintained. Whether the benefits of e-payments outweigh the various costs will depend on each organizations specific constraints and operational contexts. The tools offered in this module will help you begin this assessment.	<a href="#">Read more here</a>  <a href="#">Read about e-vouchers here</a>
<b>3. What are the risks of shifting to my institution, my program, my target population?</b>	Risks related to e-payments shift can vary significantly across markets and target populations in varying contexts, but could include any of the following: lengthy planning and procurement processes; suboptimal designs because of limited options; repetitional risks derived from challenges with a payment system design or implementation or poorly performing partner; data privacy and protection risks, particularly for vulnerable recipients; vulnerability or intimidation at pay points when program is absent; and complex and costly processes from attempting to shift before the system is ready.	<a href="#">Read more here</a>
<b>4. How do I know when I'm ready to shift?</b>	Look at the Readiness and Risk Mitigation Check Lists in toolkit module.	<a href="#">Read more here</a>
<b>5. If I'm not ready to shift yet, what should I do?</b>	You should monitor your situation again in time, as the circumstances within many countries with respect to digital payments are changing fast: maybe make a decision to revisit the checklist for the national ecosystem within 6 months or a year.	<a href="#">Read more here</a>

# Frequently Asked Questions

Your question not answered? [Please let us know.](#)

Questions	Answer	Ref in TK
<b>6. What are the most critical considerations when designing and implementing the shift?</b>	According to research released by CGAP and the Better Than Cash Alliance, there are 5 critical considerations for any institution interested in designing and implementing a shift to digital social transfers. These include: 1) ensure reliable payments first; 2) create sufficient communications channels with recipients; 3) Ask “What If”; 4) Ensure a value proposition for all stakeholders, and; 5) Be Willing to Invest.	<a href="#">Read more here</a>
<b>7. What tools exist to help me design and implement a shift? How do I know which one is right for my needs?</b>	Luckily for DPs, several tools, guides and calculators exist to help you assess, design and implement a shift. The majority of key and current existing tools can be found throughout this module. Also, the tools that are right for you will depend on where you are in the shift, your organization type, and other contextual factors. For instance, if you are ready to shift and want a step-by-step process for implementation, see NETHOPE. However, if you focus on short-term humanitarian aid, see CALP. If you need specific support in assessing your starting point, understanding your KPIs, or clarifying the differences between payment options, there are specific tools for all of these and more.	<a href="#">Read more here</a>
<b>8. What are the potential pitfalls of making a shift?</b>	According to recent research from CGAP, common pitfalls in cash transfer design and implementation include overestimating the available payment infrastructure in the country and hence available options to shift; underestimating the value of creating sufficient communications channels with recipients; rushing to make e-payments without thorough implementation and testing and not being ready; unreliable payments wreaking havoc; overestimating the business case for PSP involvement or their commitment; not asking “what if?” enough — planning for risks and contingencies. See these three videos from BTCA for discussion of some pitfalls early mover programs faced when designing and implementing e-payment programs	<a href="#">Read more here</a>

# Frequently Asked Questions

Your question not answered? [Please let us know.](#)

Questions	Answer	Ref in TK
<b>9. How similar are my practices to my peers?</b>	The shift to digital payments among development partners is a relatively new but rapidly expanding area of practice and implementation. This toolkit highlights several cases that describe the experiences of development partners of various sizes and stages in the shift and their e-payments practice. So far there is no single best practice or best payment mechanism for e-payments, so comparisons to your peers should be for insight and illustration purposes only. If you would like to learn more about the case studies referenced throughout the toolkit, you can find full studies listed in the Resources section.	<a href="#">Read more here</a>
<b>10. What are examples of successful digital payment systems used by development partners?</b>	The shift to e-payments and e-payments systems employed by Development Partners are inherently complex given the multi-stakeholder, funder-influenced nature of the systems. No systems employed today are done with 100% success and 0% complication: where one system enjoys reliable payments directly into accounts but suffers from partnership challenges with a PSP another sees significant cost efficiencies while grappling with reliability of payments. With that caveat in mind, there are indeed several emerging cases in which successful elements and good practices are emerging. BTCA will update cases as they arise to highlight successes in the shift to e-payments.	<a href="#">Read more here</a>
<b>11. What are the critical roles and responsibilities among all partners?</b>	Roles and responsibilities will vary depending on the context of the program, but generally roles and responsibilities fall into these broad and even sometimes overlapping categories: (A) program management, which at a minimum, designs and manages the overall cash transfer scheme, including deciding on scheme structure and defining and overseeing all roles and responsibilities throughout the operation; (B) payment service providers, which at a minimum, design and administers payment delivery mechanism (see this list for additional insight) and; (C) other implementing partners that may assist with design, delivery, monitoring and evaluation, recipient outreach, training and communication. The critical consideration as you plan for your shift is that whatever roles and responsibilities are designated, that they are clearly delineated and communicated well in advance to avoid confusion and roadblocks to implementation over time. For instance, whose responsibility will it be to train recipients newly receiving digital payments on how to open an account, safeguard their PIN, and where to go with account-related questions? Will the program answer these questions, or delegate this to the PSP?	<a href="#">Read more on the role of PSPs here</a>
<b>12. What suitable products are available and how do I access them?</b>	See this descriptive and evaluative list of payment instruments.	<a href="#">Read more here</a>
<b>13. What risks are there in using these products?</b>	See the pros and cons of selecting various products in this chart.	<a href="#">Read more here</a>



# Resource Center

## Video resources

[USAID's Lessons Learned in Shifting from Cash to E-Payments.](#) Video featuring Nandini Harihareswara. BTCA. 2013.

[How Mobile Banking Can Transform Development.](#) Video featuring Priya Jaisinghani. USAID. 2011.

[What does it take to get E-payment off the Ground?](#) Video Featuring Nandini Harihareswara. BTCA 2012.

[Online Course: Introduction to Mobile Money.](#) USAID, QED, TechChange.

[Designing E-Payments for the Poor: the Importance of Recipient Communication Channels.](#) Video Featuring Jamie M. Zimmerman. 2014

Missing a useful resource? [Please let us know.](#)

[Designing E-Payments for the Poor: Overcoming Infrastructure and scaling-up challenges.](#) Video featuring Jamie M. Zimmerman. BTCA. 2014.

[Designing E-Payments for the Poor: The Benefits of Incorporating Financial Inclusion Objectives.](#) Video Featuring Jamie M. Zimmerman. BTCA. 2014.

Webinar: [How the World Food Programme \(WFP\) transitioned its program in Kenya from food aid delivery to e-payments,](#)BTCA. 2014.

# Resource Center

## Links to related organizations

Missing a useful resource? [Please let us know.](#)

<b>Better Than Cash Alliance (BTCA)</b>	The Better Than Cash Alliance provides expertise in the transition to digital payments to achieve the goals of empowering people and growing emerging economies.	<a href="http://betterthancash.org/">http://betterthancash.org/</a>
<b>Cash Learning Partnership (CALP)</b>	The Cash Learning Partnership is a global consortium that aims to improve the quality of emergency cash transfer and voucher programming across the humanitarian sector.	<a href="http://www.cashlearning.org/">http://www.cashlearning.org/</a>
<b>Consultative Group to Assist the Poor (CGAP)</b>	A financial inclusion “think tank” housed within the World Bank, CGAP is a global partnership of 34 leading organizations that seek to advance financial inclusion. CGAP develops innovative solutions through practical research and active engagement with financial service providers, policy makers, and funders to enable approaches at scale.	<a href="http://www.cgap.org/">http://www.cgap.org/</a>
<b>GSMA Mobile Money for the Unbanked (MMU)</b>	The Mobile Money for the Unbanked (MMU) programme at the GSMA, the global industry body for mobile operators, supports mobile money services to reach scale. Through close engagement with mobile money providers, MMU seeks to identify and share benchmark data, operational best practices, and commercially-viable interoperability approaches, as well as cultivate enabling regulatory environments.	<a href="http://www.gsma.com/mobilefordevelopment/programmes/mobile-money-for-the-unbanked">http://www.gsma.com/mobilefordevelopment/programmes/mobile-money-for-the-unbanked</a>
<b>NetHope Solutions Center</b>	A “one stop shop” for solutions for ICT use in development across all sectors, enterprises and programs, including payment systems innovation.	<a href="http://solutionscenter.nethope.org/programs/payment-innovation">http://solutionscenter.nethope.org/programs/payment-innovation</a>
<b>USAID</b>	USAID is a bilateral donor agency which supports digitization	<a href="http://www.usaid.gov/mobile-solutions">http://www.usaid.gov/mobile-solutions</a> -

## Resource Center 3

### Toolkit References

Below you'll find a full list of all case studies & reports referenced throughout this toolkit.

Title	Author	Publisher	Year
<a href="#"><u>The Journey Toward Cash Lite: Addressing Poverty, Saving Money and Promoting Transparency by Accelerating the Shift to Electronic Payments</u></a>	Bankable Frontier Associates.	Better Than Cash Alliance	2012
<a href="#"><u>Social Cash Transfers and Financial Inclusion: Evidence from Four Countries</u></a>	Bold, Porteous, and Rotman	CGAP	2012
<a href="#"><u>Plugging into mobile money platforms: early experiences from NGOs</u></a>	Dalberg	Haiti Mobile Money Initiative	2012
10-Step Guide for Shifting to E-payments	USAID & NetHope	USAID	2014
E-transfers in Emergencies: Implementation Support Guidelines	Soussevi, K.	CALP	2014
Designing and Implementing Financially Inclusive Payment Arrangements for Social Transfer Programs	BFA	DFID	2009
From Protection to Investment: Understanding the Global Shift to Financially Inclusive Social Protection Payments Systems	Zimmerman et al	New America Foundation	2012
<a href="#"><u>Helping Ti Manman Cheri in Haiti: Offering Mobile Money-Based Government-to-Person Payments in Haiti</u></a>	Zimmerman & Bohling	CGAP	2013
<a href="#"><u>Cash for Assets: World Food Programme's Exploration of the In-Kind to E-Payments Shift for Food Assistance in Kenya</u></a>	Zimmerman & Bohling	CGAP	2013
<a href="#"><u>Striving for E-payments at Scale: The Evolution of the Pantawid Pamilyang Pilipino Program in the Philippines</u></a>	Zimmerman & Bohling	CGAP	2013
<a href="#"><u>Electronic Payments with Limited Infrastructure: Uganda's Search for a Viable E-payments Solution for the Social Assistance Grants for Empowerment</u></a>	Zimmerman & Bohling	CGAP	2013

## Resource Center 3

### Toolkit References

Below you'll find a full list of all case studies & reports referenced throughout this toolkit.

Title	Author	Publisher	Year
<a href="#">Electronic G2P Payments in Lower-Income Countries</a>	Zimmerman, Bohling & Rotman	CGAP	2014
<a href="#">BTCA Measurement Toolkit</a>	BFA	BTCA	2014
<a href="#">BTCA Diagnostic Toolkit</a>	BFA	BTCA	2014
<a href="#">Demystifying Electronic &amp; Mobile Payments: Lessons Learned from Pathfinder on Transitioning Away from Cash</a>	USAID	USAID	2013
Example of Key Standard Operating Procedures for use of Prepaid Card or Mobile Payment	USAID & NetHope	USAID & NetHope	2013
<a href="#">USAID/Nethope Payment Scoping Survey</a>	USAID & NetHope	USAID & NetHope	2013
USAID/NetHope Costing Utility Analysis Tool	USAID & NetHope	USAID & NetHope	2013
<a href="#">2011 Government E-Payments Adoption Ranking</a>	the Economic Intelligence Unit	Visa	2011
<a href="#">Measuring Progress Toward a Cashless Society</a>	Thomas, H.	MasterCard	2013
<a href="#">Getting Ready for Digital Money: A Roadmap</a>	Citi & Imperial College of London	Citi	2014
<a href="#">Protecting Beneficiary Privacy</a>		CALP	2013



## Resource Center 4

Missing a useful resource? [Please let us know.](#)

### Additional Reading You May Find of Interest

The resources below offer additional background, more case studies and further evidence and thinking on the link between social transfers and financial inclusion

1. Bankable Frontier Associates. “Promoting financial inclusion through social transfer schemes.” London: DFID. 2008
2. Beswick, Claire “Distributing cash through bank accounts: save the children’s experience with drought relief in Swaziland”. 2008
3. Elliot, Hannah, Ben Fowler. “Markets and poverty in Northern Kenya: Towards a financial graduation model”. FSD Kenya. September 2012.
4. Jackelen & Zimmerman, “A Third Way for Overseas Development Assistance,” UNDP. 2011
5. Klapper and Singer. “[The Opportunities of Digitizing Payments.](#)” World Bank: 2014.
6. Lyman, Timothy, Mark Pickens and David Porteous, January 2008, Regulating Transformational Branchless Banking: Mobile Phones and Other Technology to Increase Access to Finance Focus Note 43. Washington D.C: CGAP.
7. Natu, Bansal, Kuraian, Khurana, and Bhushan, Jan 2008, Linking Financial Inclusion with Social Security Schemes, Working Paper Series No 22, Institute for Financial Management and Research.
8. Oxford Policy Management, “Factors Affecting the Cost efficiency of Electronic Transfers in Humanitarian Programmes,” CALP. 2014
9. Pearson & Kilfoil, “DECT Wider Opportunities: Evaluation and Recommendations”, Concern Worldwide. 2007
10. Pickens, Mark, David Porteous, and Sarah Rotman. Banking the Poor via G2P Payments. Focus Note 58. Washington D.C: CGAP. 2009.
11. [Samson, et al. Designing and Implementing Social Transfer Programs. Economic Policy Research Institute \(EPRI\). 2006](#)
12. Sridharan, V. “ Enhancing the Impact of Cash Transfers,” New America Foundation. 2012.
13. Zimmerman & Moury, “Savings Linked CCTs: A New Policy Approach to Global Poverty Reduction,” New America Foundation. 2009.

# Digital Payments Glossary

The world of digital or e-payments has terms which may be unfamiliar to a reader from outside of this world. This sub-section sets out definitions in alphabetical order.

Payments are made using payment instruments. Cash, for example, is a payment instrument. So too are checks. However, when it comes to digital payments, it can be confusing because of the range of different terms used for similar services, sometimes even within the same country!

In this section, we provide definitions based on the functionality of the main categories of payment instrument, together with the common terms used. A key first step is understanding which instruments are even available, and on what basis, in your country.

To help understand the main differences in categories which affect the functioning of payment instruments, here are two important distinctions:

- Whether they are real time or not i.e. whether the recipient receives confirmation that he has received funds after transmission within seconds of when the sender makes the payment, or whether it may take hours or even days for this to happen—this matters since the timing affects the ability to confirm and may affect cost; and
- Who initiates the payment transaction: whether the payer ‘pushes’ the money by entering the details of the recipient and authorizing the payment; or the opposite process, where a recipient, such as a merchant, initiates the process to ‘pull’ the funds from the account of the payer, based on some defined process, such as swiping the payer’s card at a point of sale terminal for a card transaction. This matters since it affects the risks of the transaction to both parties—for example, how it can be reversed or disputed by a payer or payee.

These two distinctions form the axes of the Figure alongside, creating spaces in which the current common payment instruments are shown.

## Further reading on digital payments:

If you want more technical definitions, then download the [complete glossary of payment terms](#) developed by the international standard setting body for payments among central banks, the [Committee on Payment and Settlement](#) Systems at the Bank for International Settlements.

Examples of digital payments:

Push or pull	Push	RTGS Mobile money Real Time Transfers	EFT credits Wire transfers
	Pull	Card payments	Direct debits Checks
		Yes	No
		Real time?	

# Digital Payments Glossary

## Common digital payment instrument categories

**Credit transfers:** (which may also be called internet or wire transfers, or EFT credits, or ACH credits or stop orders, SMS banking, mobile banking): “a payment order ... made for the purpose of placing funds at the disposal of the beneficiary. Both the payment instructions and the funds described therein move from the bank of the payer/originator to the bank of the beneficiary...” (CPSS)

Within this category, one can distinguish between:

- Batch ACH payments: when the payment instruction is delivered (whether singly or in bulk) in a file which is processed with a lag so that the credit to the receiver only happens after an interval, typically overnight although it may be longer in some cases such as international wire transfers.
- Real time transfer payments: this feature is often offered for payments between parties with accounts at the same financial institution; and central banks often operate a special payment system for high value transactions mainly between banks although it can sometimes be used for larger value transactions too; although it is rarer for real time transfers to be offered across financial institutions.

**Direct debits:** pre-authorized debit on the payer’s bank account initiated by the payee. (CPSS). Direct debits allow the payer to authorize in advance the payment order, which is then presented (electronically) by the payee to her bank at the right time for payment. If the payer’s bank is different, then the payee’s bank will have to present the order to the payer’s bank in order for them to make the transfer. There is usually a lag between presenting the order and receiving the funds. Debits are therefore a pull instrument.

**Card payments:** card payments are payments involving plastic cards which are often (although not always) branded with the names of the large international card associations such as MasterCard or Visa, as well as the issuing financial institution. These payments usually involve the payer presenting his card at a device, such as a point of sale machine or an ATM, and entering a PIN number to authorize a payment transaction via that device. There are various different types of cards, which are subject to different rule sets as to how they work and how the parties are charged:

- Credit: in which the funds from which the payment is made from a credit account which must be repaid afterwards;
- Debit: in which the funds belong to the payer and are contained in a linked account at a financial institution which may take a variety of forms;
- Pre-paid: similar to debit in that the account is already funded by the account holder, but often with a more limited functionality.

These cards are also typically available to businesses as well as individuals through issuing banks.

### Further reading on digital payments:

See World Bank, [A practical Guide for Retail Payment Stocktaking](#)



# Comparing instrument characteristics

Users are generally looking for some combination of these characteristics in payment instruments. Here's how they may stack up

Characteristic	Definition	Cash	Check	Card	ACH Batch Credit	Real Time Transfer	Direct Debit
Acceptance	How widely other parties are able to receive payments this way	Universal	Depends on country	Larger merchants especially in sectors like T&E	Depends on scheme	Requires that recipient have bank account and supply routing details to payer	Requires that payer have bank account and supply routing details to payee
Time to debit payer	How long before funds are taken out	Instant	Depends on when and where presented	Effectively instant	When processed	Instant	Within a defined period of presentation
Time to credit payee	How long before recipient has access	Instant	Depends on when and where presented	Depends on rules—typically next day	Depends—typically at next day	Instant	After cleared
Cost to use	The fees and charges	No fees but other costs	Depends on bank—typically charged	Credit card—usually free to payer; debit card—often some charge to payer	Depends on bulk and agreement with bank	Depends—may even be free for on-us	Depends on bank—may be charge to both sides
Risk of fraud	Extent to which payer or payee may suffer loss	No fees but other costs	Can be high: Carried by receiver	Credit card—usually free to payer; debit card—often some charge to payer	Low depending on authorization controls	Low depending on authorization controls	Moderate depending on controls
Flexibility	Extent to which payer or payee may suffer loss	No	Post dating but subject to risk	Yes	Yes—depending on internet	Yes—depending on provider	Yes—can issue recurring and specific date
Information sent with the payment?	Ability to send additional information with the payment e.g. payer or account number	No	On check	Depends on scheme	Possible but may not be standard	Possible but may not be standard	Possible because initiated by payee

strong
  weak
  unclear



# Payments Glossary

A term missing? [Please let us know.](#)

This table provides common definitions of terms you will find in the toolkit

Term	Definition
Authentication Process	The methods used to verify the origin of a message or to verify the identity of a participant connected to a system and to confirm that a message has not been modified or replaced in transit. (BIS)
Digital Payments	(usage in this toolkit) A transfer of value using a payment instrument which is at least initiated in digital format. See further discussion in this toolkit <a href="#">here</a>
E-payment/electronic payment	See digital payment
Financial Inclusion	The delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society. Different countries have adopted more specific definitions and measures.
Interoperability	A situation in which payment instruments belonging to a given scheme may be used in other countries and in systems installed by other schemes. Interoperability requires technical compatibility between systems, but can only take effect where commercial agreements have been concluded between the schemes concerned. (CPSS)
Mobile wallet	A term often used to denote an account linked to a mobile phone (often by mobile number) in which digital value is stored; in some places, it is similar or equivalent to a bank-issued account with a mobile interface; however, in others, it is issued by non-banks.
Payment ecosystem	A term used to mean the payers, payees and infrastructure, and the relationships between them which shape the choice and nature of payment instruments available in a country
Payment grid	The table of different payment types formed by different payer-payee combinations—see <a href="#">more here</a>

## Further definitions related to payments

If you want more definitions, then download the complete [glossary of payment terms](#) developed by the international standard setting body for payments among central banks, the [Committee on Payment and Settlement Systems](#) at the Bank for International Settlements, from which some of the above definitions are excerpted.

# Payments Glossary

A term missing? [Please let us know.](#)

This table provides common definitions of terms you will find in the toolkit

Term	Definition
Payment instrument	Any instrument enabling the holder/user to transfer funds. (CPSS). For examples, of main categories, see <a href="#">here</a>
Payment (transaction) device	A device that uses the payment instrument and information from the recipient to complete a transaction. Examples include: ATM, Point of sale device, PC, mobile phone
Payment account	The account, usually with a regulated financial institution, which is used to make or receive an digital payment
Pay point	The place at which a client or recipient can obtain or deposit cash; could be a branch, or ATM or agent or special purpose site.
Token (in payment)	The physical device used in an digital transaction as part of authentication

## Further definitions related to payments

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# Acronyms

This table provides common acronyms you will find in the toolkit

A term missing? [Please let us know.](#)

Acronym	Meaning
ACH	Automated Clearing House
EIBP	Electronic Invoicing and Bill Presentment
PSP	Payment Service Provider
EDI	Electronic Data Interchange
SWIFT	Society for Worldwide Interbank Financial Telecommunication
MNO	Mobile Network Operator
POS	Point of Sale (Machine)
KYC	Know Your Customer

Acronym	Meaning
UMIC, LMIC, LIC	World Bank country classification—Upper Middle Income Country, Lower Middle Income Country, Low Income Country
ATM	Automated teller machine/ cash machine
NACHA	US body which makes rules for the ACH
TSA	Treasury Single Account
IFMIS	Integrated Financial Management System
RTGS	Real Time Gross Settlement (large value funds transfer system)
GIS	Geographic Information System
DP	Development partner