



THE CASH LEARNING PARTNERSHIP

# DELIVERING CASH THROUGH CARDS

A QUICK DELIVERY GUIDE FOR CASH TRANSFER  
PROGRAMMING IN EMERGENCIES

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## A QUICK DELIVERY GUIDE FOR CASH TRANSFER PROGRAMMING IN EMERGENCIES

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# QUICK DELIVERY GUIDE: DELIVERING CASH THROUGH CARDS

## NECESSARY PRECONDITIONS

- ✓ There must be a local card delivery provider / account provider (a bank or another financial service provider).
- ✓ Infrastructure that can read and authenticate the card, and can debit / credit payments from / to the card. This includes ATMs and Point-of-Sale devices within merchants.
- ✓ There must be Point-of-Sale (PoS) devices or ATMs in locations or shops accessible to beneficiaries and which are appropriate to the needs of programme objectives.
- ✓ For most systems, some connectivity (to telephone or internet) is usually required, although there are exceptions.
- ✓ Depending on the card provider and the system established, formal identification may be required.

## DESCRIPTION OF THE PAYMENT METHOD

Plastic cards are increasingly being used by aid agencies to deliver money or enable people to purchase goods. Cards are a very flexible mechanism that can be used in a variety of ways, from pre-loaded cards that can only be exchanged against agreed commodities in specific shops, to cards that can be used to withdraw cash from any service provider.

Cards can be used with Point-of-Sale (PoS) devices to withdraw money, purchase commodities directly, or both. PoS devices may be fixed (for example, bank machines) or may be portable. They can also be battery-operated or solar charged, making this technology increasingly accessible even in remote areas.

Generally aid agencies use a local financial service provider (usually a bank) to issue cards. If cards are used with traders, the agency transfers the funds to the bank, which then reconciles the payments and reimburses the traders directly.

There are two main types of cards that are used: magnetic stripe cards, and smart cards. These may be linked to an agency bank account, an individual bank account or may exist independently of bank accounts as a type of 'electronic wallet'.

**Magnetic stripe cards** are plastic cards with a magnetised stripe on the back. They can be swiped through a Point-of-Sale (PoS) device or used in bank machines. They require a connection to the telephone network or to the internet to access the account data in order to verify the account balance and authorise the transaction. Magnetic stripe cards do not require an electronic method of verifying the beneficiaries' identity, and can be authenticated by a photograph or a signature, although they can also be protected with a unique Personal Identity Number (PIN).

**Smart cards** are plastic cards with a chip in them. The chip contains data that can be used to verify the beneficiaries' identities (which can include biometric data), and also contains the card or account balance. Since the information is carried in the chip, smart cards do not need a telephone or internet connection. However, if multiple transfers are planned, a connection is needed to top up (credit) the cards. Smart cards are usually authenticated digitally by a PIN number or digital fingerprint, and no other types of identification are required.

## Features of Cards

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### Elements of the Payment Process

### Features of Cards

<b>Creation of database</b>	An electronic database of beneficiaries is usually associated with cards. Transfer records can be automatically generated by the card provider in connection to this database. A record of cash payment locations (ATMs, PoS devices) should also be kept.
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### Method of identification and authentication

Official ID is required if cards are linked to an individual beneficiary bank account. If cards are issued as pre-paid cards or as sub-accounts of the agency account, no official beneficiary ID is required.

Depending on the type of card and the level of security specified, beneficiaries can be authenticated by signature, photograph, PIN number, fingerprint or a combination.

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<b>Currency</b>	Cash or commodities.
<b>Point of Payment (PoP)</b>	Point-of-Sale (PoS) device or ATM. Some cards can be read by any machine, while others can only be used with machines connected to the card issuer. Magnetic stripe cards require a telephone/internet connection, whereas smart cards can be used offline.
<b>Reporting and reconciliations</b>	Transactions are recorded automatically by the card readers and the information entered into a database, providing data for reconciliations.
<b>Promotion, training, communication, beneficiary support</b>	<p>Shops or service providers require infrastructure that can be used with the card. Traders should be provided with training on use of PoS devices as required. Other key points to be communicated to banks, shops or traders include: expected level of service provision to beneficiaries; fraud prevention; waiting times and crowd control.</p> <p>Beneficiaries should be provided training on how to use the cards, where they can be used, need to avoid damage to the card and keep PIN numbers secure (if applicable), what the card is intended for including any restrictions on purchases, how much they will receive, and how to get support or help if they have problems using the card.</p> <p>For cards where no PIN is required, unless there is alternative identity verification at the point of use, money on a lost or stolen card could be accessed by persons other than the beneficiary. These cards should be treated the same as cash in terms of the need to keep them secure.</p> <p>An appropriate grievance mechanism must be available, accessible and communicated to beneficiaries and traders.</p>

## ADVANTAGES AND DISADVANTAGES

	ADVANTAGES	DISADVANTAGES
<b>Timing, preparedness and partnerships</b>	<p>Can be relatively quick to set up, especially if arrangements with financial service providers are pre-positioned, PoS devices are in place, and cards are in stock.</p> <p>Removes need for agencies to transport large amounts of cash.</p> <p>If cards are prepaid or linked to an agency account, no formal ID is required for beneficiaries.</p>	<p>Can take time depending on the responsiveness of the card issuer and availability of stock.</p> <p>Requires connectivity at key points in the process (e.g. uploading of cash onto card, transferring data from merchants/ATM devices).</p> <p>Requires a lot of training and support if beneficiaries / traders are not familiar with cards.</p> <p>Depending on the country regulations and the system selected, may require formal ID from beneficiaries.</p>
<b>Scale, flexibility and resilience</b>	<p>Once set up, card systems are easy and quick to scale up.</p> <p>Cards are very flexible and can be adapted to a number of uses and contexts.</p> <p>Ability to withdraw in small amounts and/or leave money on the card can promote saving.</p> <p>Portable PoS devices can be used in fairly remote areas through traders or mobile</p>	<p>Scale and access are limited by the need for card-reading infrastructure and / or connectivity.</p> <p>Requirement for access to connectivity at key stages in the process.</p> <p>National banking regulations may limit the flexibility of how cards can be used.</p> <p>If cards are used through traders, they must have access to sufficient cash flow to make</p>

	<p>ATMs.</p> <p>Creates links between traders / beneficiaries and financial service providers.</p> <p>Scale is not limited by the cash flow of the traders.</p>	<p>disbursements and/or be able to ensure adequate stocks of goods.</p> <p>Some banks may require minimum account balances to be maintained, which mean that beneficiaries cannot spend the total transfer amount.</p> <p>Usually not available through micro-credit organisations or cooperatives, which may be more trusted by beneficiaries.</p>
<b>Costs</b>	<p>Automated processing saves time and human resources. Once set up, the cost of scaling up is marginal.</p> <p>Single contract with card provider reduces administrative complexity (PoS holders are contracted to card provider, not agency).</p> <p>Unified reports on card use from card provider can reduce data collection costs for monitoring.</p>	<p>Cost of producing the cards / replacing lost or damaged cards.</p> <p>Bank account charges and transfer fees vary.</p> <p>Costs of providing traders with infrastructure if it is not already in place. (This will usually be provided as part of the contract with the card provider.)</p>
<b>Vulnerable groups</b>	<p>Many types of cards do not require official ID. Photographs or digital fingerprint authentication can be used for authentication.</p> <p>Cards are durable, discreet and may reduce risk of theft. With some cards, if card is lost or stolen, the money can be recovered by</p>	<p>Banking regulations can exclude some vulnerable people from opening individual accounts (e.g. child-headed HH, illiterate, those without official ID).</p> <p>Some individuals (elderly, illiterate) may have difficulty using the system (e.g. operating bank machines, forgetting PIN or failing to keep it secure) and may</p>

	the beneficiary.	be more vulnerable to fraud.  Digital fingerprint authentication can be unreliable, especially for elderly people.
<b>Urban versus rural</b>	Can be most easily used in urban and peri-urban areas where access to banks / ATMs / equipped shops are more plentiful and closer.	In rural / remoter areas, poor connectivity and lack of infrastructure can be a constraint.
<b>Other</b>	Connectedness with financial services and/or banking infrastructure may have long-term benefits for both beneficiaries and traders.	

## QUICK TIPS

- Whenever possible, ensure acceptability of the delivery mechanism and delivery partner to the beneficiaries, and provide options.
- If using PoS in shops, select participating outlets in consultation with beneficiaries / community.
- Ensure that payment locations are close to beneficiaries. In remote areas, agencies can create new distribution points, for example through providing PoS machines to traders or using mobile banking vehicles.
- Hold information sessions to familiarise beneficiaries with the payment method and to sensitise beneficiaries on use of cards, need to avoid damage to cards, importance of keeping PIN secure, and where the card can be used.
- Organise information and training sessions with traders to ensure that they know how to operate the equipment.
- If multiple transfers are planned in remote locations, traders can be trained to load cash directly onto the cards (as long as there is connectivity).

- Clearly define the levels of service expected for beneficiaries from banks / traders, and include these in agreement with service providers.
- Consider staggering transfer schedules to avoid overcrowding at banks or traders. Although cards can be used at any time, often people withdraw all their cash on the day of the transfer, causing long waiting times, crowding and problems for cash-flow.
- Provide observers or volunteers at shops or ATMs to assist beneficiaries in making withdrawals and protect them from extortion schemes / fraud.
- Ensure vulnerable groups are not excluded (e.g. child-headed households or those lacking ID may risk exclusion due to banking regulations). In such cases make alternative arrangements (proxy account holder, etc).
- Ensure conditions on card accounts do not prevent beneficiaries from accessing the full transfer amount (e.g. minimum balances).
- If using PoS devices against commodities in shops, consider allowing a minimum level of cash back for purchasing items / services not available in the outlets (e.g. grinding maize).

## EXAMPLES OF THIS PAYMENT METHOD BEING USED

### Smart cards in Karoi, Zimbabwe

In January 2011 Save the Children partnered with TN Bank to implement the first use of a technology based cash delivery system by an aid agency in their humanitarian response in Zimbabwe. Smart cards were provided to 1000 participants in a Cash for Work program carrying out health and sanitation-related public works in Karoi. These cards could be used to purchase goods using Point of Sale (POS) devices in local shops, or to obtain 'cash back' in these outlets or at the local bank agent. This was important in enabling beneficiaries to buy goods and services that are not available from the selected merchants, such as health fees and grinding mill costs.

The cards are 'chip and PIN' smart cards which act as electronic 'sub-wallets' contained within a bank account held by the aid organisation, so individual bank accounts were not required. Cash was loaded on to the cards on a monthly basis by Save the Children staff, and the balance on the card was then automatically debited by the PoS machine each time the card was used. The smart card system has been well received by project beneficiaries because of its numerous advantages over

direct cash, among them the ability to transact in fractions of dollars during purchases, as coins are generally unavailable in Zimbabwe

### **E-vouchers in Cotobato City, Philippines**

After heavy flooding displaced thousands of people in Cotobato City on the island of Mindanao in June 2011, Action Against Hunger / ACF International implemented a voucher programme to help beneficiaries meet their basic needs. Working with Visa Inc., ACF also provided a trial group of 300 beneficiaries with the first ever electronic vouchers issued in the Philippines.

Beneficiaries on the pilot scheme received a pre-paid card that enabled them to purchase pre-agreed commodities at participating local traders. The process to issue the cards took only 8 days. The electronic voucher scheme has certain advantages over paper vouchers. Using the smart card, beneficiaries can shop several times instead of having to buy all their goods at once. Prepaid cards also have set-up and payment procedures that are less labour-intensive for the NGO staff.

## **ALTERNATIVES TO THIS PAYMENT METHOD**

- Direct cash or cheques.
- Paper vouchers.

## **FURTHER READING AND DETAILED INFORMATION**

The following documents are all available in the CaLP online library ([www.cashlearning.org/resources/library](http://www.cashlearning.org/resources/library)):

CaLP (2010) *Delivering Money: Cash Transfer Mechanisms in Emergencies* (Save the Children UK)

CaLP (2011) *Working With Banks: A field guide to cash transfer programming in emergencies* (CaLP)

Harvey, P. and Bailey, S (2011) *Good Practice Review 11: Cash Transfer Programming in Emergencies*, (ODI/CaLP)



**The CaLP is the Cash Learning Partnership of Oxfam GB, Save the Children, the British Red Cross, Action Against Hunger / ACF International and the Norwegian Refugee Council.**



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This is a living document and we are always eager to hear your ideas, comments and feedback on how we could make it better.

For more information, or to provide feedback, please contact:

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