

# Beyond Banks: Cash Transfers 2.0

► **Electronic payments technology in humanitarian assistance in Kenya.**

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**I**N A REMOTE VILLAGE IN THARAKA in Kenya's Eastern Province, an elderly woman fishes into her purse. Retrieving a small plastic package, she carefully unwraps her valued possessions: a faded photograph, her electoral card and a brand new bank card, complete with her name and photograph.

For the past few years, severe drought has caused subsistence crops to fail and elevated food prices in this arid region. Mbaka Kathiga is one of about 250 people in her village who

have been receiving food assistance to be able to survive these difficult periods. This year, however, Mbaka will receive a monthly cash transfer instead, roughly the equivalent of U.S. \$20. Nearby, the local market displays all the goods she needs, for sale by traders who will also benefit from the money she has received.

## Cash transfer and payment technology

Since Amartya Sen developed his Entitlement theory in the early 1980s, aid agencies



have been aware that shortages of basic goods, especially food, are not always caused by a failure in supply. Sometimes, as in Mbaka's village, food is available but the most vulnerable cannot afford it.

Beginning in the 2004 response to the Asian tsunami, a growing number of aid agencies have been using cash transfers as a tool to deliver humanitarian assistance. In areas where local markets can supply needed commodi-

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▲ Mbaka Kathiga and her bank card.

ties, providing people with money or vouchers instead of goods in kind can reduce logistical costs and help stimulate the local economy. More importantly, receiving money empowers beneficiaries and allows them to prioritize their own needs and meet them in a dignified way. In the long run, cash transfers may also help stimulate recovery as beneficiaries frequently reinvest small sums into productive assets.

In many situations, the most appropriate way of delivering money is to provide it directly to beneficiaries, but in recent years technological innovations have led to advancements in electronic payment systems. In Kenya, the rapid advancement and spread of private sector banking and telecommunications technology have already brought innovative financial services to millions of people. Through partnerships with the private sector, these developments have opened up new options for humanitarian agencies to deliver aid to people in need.

### Portable point of sale

Wireless communications technology is changing the face of banking in Kenya. Via portable point-of-sale (PoS) terminals, people in isolated locations can now access the banking system remotely.

Portable PoS devices contain a SIM card and transmit data via a mobile phone network. Combined with the advances in mobile coverage in Kenya, this simple technology allows banks such as the Equity Bank to maintain an

extensive network of “banking agents” who can act on their behalf in locations far from the nearest bank branch. The agents, who, for example, could be local traders or shopkeepers, use portable PoS systems to set up a facility where bank clients can come to deposit or withdraw funds using bank cards with either a magnetic strip, or a smartcard containing a data chip. All that is required is mobile phone coverage; the hardware is battery powered and can be charged by a solar panel.

The spread of private sector banking to remote communities means that aid organizations can deliver money to people more quickly and efficiently than ever before. Organizations including Oxfam GB, Save the Children and the World Food Programme are currently using this delivery mechanism to provide humanitarian aid to thousands of vulnerable people across Kenya.

The advantage provided by the remote banking technology is that a single, automated bank transfer can deposit funds into the accounts of hundreds of people, greatly reducing the time and human resources required to distribute money. Electronic delivery is not only more efficient than traditional means of distribution, it also automatically generates a transfer record that can easily be reconciled with the agency’s financial systems. Most importantly, transferring money through the banking system gives beneficiaries greater flexibility and control over the aid they receive, since they are able to choose when they withdraw their money and how much they need at one time. Transferring money through banking networks also provides beneficiaries with the long-term advantage of financial inclusion, meaning that they can save money over time or withdraw it from another location.

Setting up a bank transfer system takes time (several weeks to several months depending on conditions), as aid agencies have to negotiate terms with the bank, open accounts for beneficiaries, and deliver and activate the cards. Difficulties can arise if beneficiaries do not have formal identification (which may mean they are not eligible for an account) or if there is no banking agent in the target community. However, once the initial setup is complete, transfers can be made quickly to a large number of people, making this delivery mechanism highly efficient when repeated transfers are planned. A faster alternative is to use pre-paid cards, as they do not require the holder to have an account—but these also offer fewer long-

term advantages and less security, for example if the card is lost, stolen or damaged.

Portable point of sale technology is also being used in conjunction with a smart card that stores food credits rather than actual money. The food credits are debited and credited with participating traders, who later receive a money transfer from the aid organization. A pilot humanitarian project using this technology will be rolled out in Kenya in mid-2011. The development of such technology saves time and will also cut down the logistical requirements as the smart card is designed to replace a currently operational voucher scheme.

### Mobile phone money transfer

The mobile telecommunications industry in Kenya has been a rapidly expanding and evolving sector. Four companies are currently vying for a share of the market and each network provider has developed a platform on which clients can transfer money from one mobile user to another. The four platforms are M-pesa (Safaricom), Iko Pesa (Orange), Airtel Money (Airtel) and YuCash (Yu). Collectively they have over 15.4 million clients and 39,000 agents across Kenya.

According to a 2009 Financial Sector Deepening (FSD) Kenya study, 47.5 percent of Kenyan adults owned a mobile phone. This number jumped to 72.8 percent in urban areas and 80.4 percent in Nairobi. The number has been steadily increasing and with it comes further access to mobile money transfer platforms.

Established in 1997, Safaricom (of which 40 percent is owned by the British telecom company Vodafone) has long been a leader in Kenyan mobile phone networks; and it currently controls 76 percent of the market share, with approximately 13.5 million subscribers. Though other networks now have money transfer platforms, Safaricom’s M-pesa mobile money transfer, launched in 2007, is the pioneer in the industry. With extensive network coverage and 22,000 agents country-wide, Safaricom has been able to extend services to people in locations well beyond the reach of financial institutions.

M-pesa has been used to transfer-cash country-wide, and is favoured by aid agencies (including Oxfam GB, Concern Worldwide and the World Food Programme) when cash transfer recipients live in urban or peri urban areas. Using web-based mobile money transfer software, an organization can instantly transfer funds to a large number of beneficiaries, as

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Candidates should have experience managing a program or business of comparable size to a Peace Corps country program (15 to 50 staff, 50 to 250 Volunteers, and an operating budget of \$900,000 to \$4 million), as well as experience managing/supporting staff and/or volunteers.

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The salary range for these positions is \$61,759 to \$138,137.

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The Peace Corps is looking for mid to senior-level managers with extensive administrative and financial experience, international and cross-cultural experience, and exceptional management and leadership skills to serve overseas as Administrative Officers. International cross-cultural and supervisory experience are required (including 1 year working overseas).

AOs ensure the effective management of country operations in support of 15 to 50 staff and 50 to 250 Volunteers. Critical services which the AO provides include direction of the administrative unit, as well as financial analysis and policy implementation.

Candidates should have work experience managing a program or business and managing/supporting staff, including one year of performing supervisory functions.

The salary range for these positions is \$61,759 to \$138,137.



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### Mobile Technology

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well as track the funds and create a record of transactions. When they receive a mobile money transfer, people receive an immediate notification and can then access their funds at any M-pesa agent. Beneficiaries do not need a bank account or even their own mobile phone—just a SIM card and identification. Mobile phone transfers also help mitigate the risks of providing aid in insecure environments, as they provide a discreet, immediate and cost-effective mechanism for delivery.

### Summary

The wide availability of delivery options in Kenya make cash transfers a viable option for humanitarian assistance in places where local markets can meet people's needs. The advancements in electronic payment technology made by private sector enterprise also have new implications for humanitarian response and preparedness, as organizations learn how to work with financial and mobile providers to reach those in need.

Technology in the world today continues to change and evolve and humanitarian aid will evolve

with it. While still growing and developing today, new technologies and private sector innovations have the potential to enable aid organizations to deliver money to unprecedented numbers of people, with record efficiency and speed. As populations continue to concentrate in urban areas and even rural economies are more and more monetized, cash transfer programming is set to become an increasingly relevant method of disaster relief. With the innovation born from necessity, countries like Kenya are leading the way towards making electronic money transfers

an essential part of humanitarian preparedness and response. 

*The Cash Learning Partnership aims to raise awareness and improve the quality of cash transfer programming in humanitarian preparedness and response through capacity building, evidence-based research and knowledge sharing. It is a learning consortium formed by Oxfam GB, Save the Children, the British Red Cross, Action Against Hunger/ACF International and the Norwegian Refugee Council. For more information or to contact us, please visit [www.cashlearning.org](http://www.cashlearning.org).*