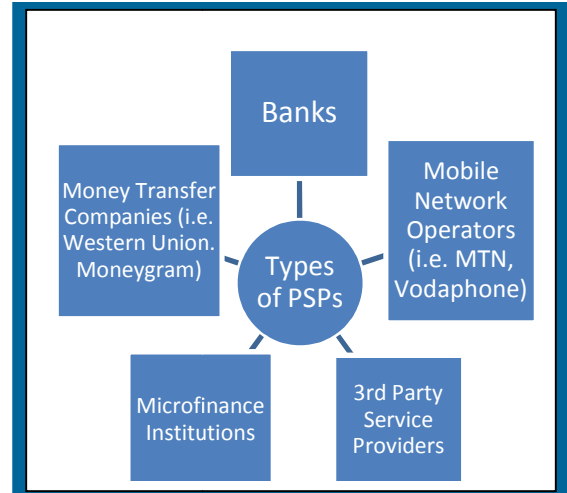## Background

Mobile money and m-banking are now providing unprecedented opportunities to enhance programming within the WFP through cash and vouchers delivery mechanisms. Often in this context providers are referred to as Payment Service Providers (PSPs) and can come in the guise of banks, mobile network operators or third party service providers that may operate a service across various banks or mobile network operators. Deciding which PSP to choose can be a daunting prospect; the information in this document offers a summary of some key points and factors to be considered.
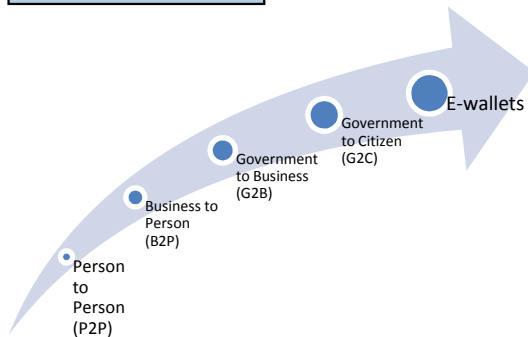
Programme Requirements:

With the rapid growth and talk about mobile technology and financial services in the developing world, the first key step is to ascertain whether it really has the potential to positively impact on your programme. Is there a real gap in the programme operation, and can the arrival of a PSP enhance the potential of the programme? The programme itself will also determine which, if any, technology and transfer mechanism might be used. Before starting your operational process development, ensure programme requirements including the type of transfer (market based food, cash or general distribution), the specifics of the transfer (i.e. open or restricted food basket), and the potential scale of the project are clearly defined.

Types of PSPs: Banks, Mobile Network Operators (i.e. MTN, Vodaphone), 3rd Party Service Providers, Microfinance Institutions, Money Transfer Companies (i.e. Western Union. Moneygram)

Some of the PSPs you may encounter.

Identifying the right PSP:

- Identify potential payment service providers in your country (banks, mobile payments companies, mobile phone companies, micro-finances companies etc.)
- Find out if the country you are working in has a centralised fiduciary body such as a central bank that will take responsibility for regulating the PSPs. Find out which PSPs have been approved.
- Consider looking for PSPs that offer the simplest solution to deliver what you need. It is better to prioritise a reliable delivery mechanism over complex technical solutions.
- If your office does not have the necessary skill set consider using an external technical advisor to review the proposals and advise the tender selection panel.

Types of Transfers

Person to Person (P2P), Business to Person (B2P), Government to Business (G2B), Government to Citizen (G2C), E-wallets

What a PSP can provide:

Voucher Distribution, Software Development, Set-up and Maintenance of Project Database, Reporting Functions, Agent Management, Agent Network

What the PSP wants from you:

- Clear specifications on features of the system, locations and radius of pay points.
- Specifics on objectives of programme (i.e. do you intend to see beneficiaries banked after programme)
- Detailed and achievable roll-out plans
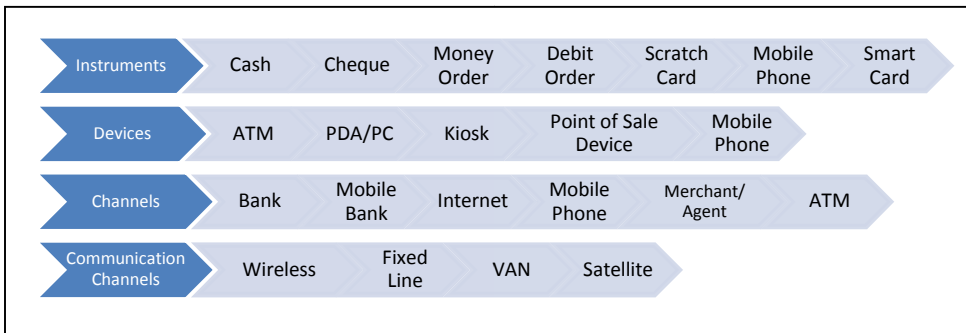- A caseload that makes business sense

IMS:

Some PSPs will offer reporting and tracking built into the service they provide. This can be a great advantage as opposed to building and owning your own information management system (IMS) or database. Before deciding whether to own the database or outsource, consider the following:

- Owning the database will ensure the data stays within the organisation and can be accessed for reporting purposes at any time. This is particularly important if any information you are collecting is sensitive.
- An in-house database can be passed to local partners and become the foundation of a sustainable IMS.
- Maintaining an IMS or database may be costly and time-consuming and will involve particular technical expertise in-house. Is the programme large enough to justify this kind of investment?
- It is a good idea to find out what data management and data access your PSP can provide and if your government partner has such systems already in place before embarking on building customised solutions. Find out what reports will be available and how you will access them.
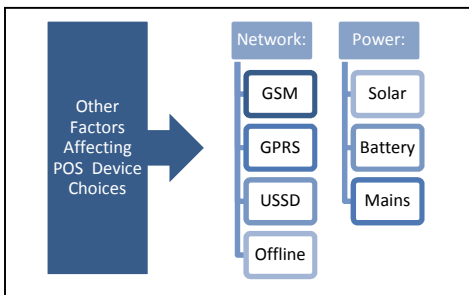
Instruments	Cash	Cheque	Money Order	Debit Order	Scratch Card	Mobile Phone	Smart Card
Devices	ATM	PDA/PC	Kiosk	Point of Sale Device	Mobile Phone		
Channels	Bank	Mobile Bank	Internet	Mobile Phone	Merchant/ Agent	ATM	
Communication Channels	Wireless	Fixed Line	VAN	Satellite			

Scratch cards can be one voucher option

Instrument Options:

There are a number of instruments that can be issued to beneficiaries and exchanged for cash/food. These include smart cards, e-vouchers, scratch cards, paper vouchers and SMS pin codes, or cash.

- The length of the project will influence the type of instrument selected. If a beneficiary is only going to be on the programme for a short period of time it may not be cost-effective to invest in an expensive smart card.

- The conditionality or non-conditionality of the food/cash transfer will also affect your choice of voucher device. For example, if the transfer is not conditional it may be preferable to select a type of voucher that does not require the beneficiary to go to a distribution point each month (i.e. a smart card that can be topped-up electronically).

- Some form of process will be required to identify the beneficiary for security purposes. If the country has a national registration card system you may want to use it, alternatively you can create a programme-specific ID card (though this will require careful management) or introduce more high-tech solutions such as biometric identification.

Other Factors Affecting POS Device Choices

Network:
- GSM
- GPRS
- USSD
- Offline

Power:
- Solar
- Battery
- Mains

A Point of Sale (POS) Device

Devices:

There are a number of devices that can be used to facilitate electronic payment to the agent. When deciding on which device to use, consider the following:

- Costs vary significantly between devices. Before purchasing a device consider the maintenance and replacement costs as well as the option of using devices already in place and being used by other companies. Are there other consumables associated with the device such as paper, ink or airtime credit? It might not be the cost but the operational challenges of replacing these items that need to be thought about.

- Consider who will own the device. Using a device that can be purchased and owned by the agent will require less start-up investment from the organisation but may not be affordable for the agent. Can you negotiate with the company you are working with to put the device in cost free and encourage them to offer other services to the agent (bill payment, airtime sales etc.)?

- The length of the project will also influence the type of device selected. Cell phones may be cheaper to purchase but often do not last as long as other devices such as Point of Sale (POS) devices which are used solely for voucher transactions.

Costs:

- Cost-efficiency may be less important than the value added by the system in terms of M&E.
- Consider a 5% maximum financial administration cost when moving large volumes of cash/food. This can be considered a bench mark, though costs may vary depending on volume and how many other services you may require from the PSP.
- Transaction costs may vary by location and volume. Be realistic about your roll-out targets when negotiating transaction costs.
- When considering technology costs think about what is necessary and what would be sustainable at scale for your programme. High-tech solutions can make small scale projects extremely cost-inefficient.

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