

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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NB: This is a living document and we always welcome your ideas, comments and suggestions on how we could make it better.

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## DELIVERING CASH THROUGH TRADERS:



THE CASH LEARNING PARTNERSHIP

# DELIVERING CASH THROUGH TRADERS

A QUICK DELIVERY GUIDE FOR CASH TRANSFER PROGRAMMING IN EMERGENCIES

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Smart cards in Karoi, Zimbabwe

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

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Traders were selected based on several criteria, including recommendation by beneficiaries. Oxfam provided them with initial training and established contracts with each trader before transferring the cash to their bank accounts. 50% of the cash amount was paid to traders in advance, and the remaining balance plus 2% (for transport and banking fees) upon verification of the disbursement records. Beneficiaries were assigned to collect their cash at a particular trader, and their identities could either be verified by presentation of an ID card or by asking 3 questions.

Oxfam also provided small grants to the traders to replenish their stock and provide a stimulus to local trade. This was also accompanied by business support training.

### ALTERNATIVES TO THIS PAYMENT METHOD

- Direct cash or cheques.
- Paper vouchers.

### RESOURCES AND FURTHER READING

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)

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

- Provide training on administrative requirements (e.g., registering exchanges and filling in reconciliation forms);
- Stagger the beneficiary distribution so that traders do not get overwhelmed.
- Consider providing an initial cash advance to the smallest traders if their cash flow doesn't allow them to participate in the programme. This can be paid back in increments during the rest of the programme.
- Set up appropriate accountability mechanisms. This may include:
  - Hold regular feedback meetings between local traders and community representatives to discuss any problems.
  - Conduct monitoring visits or have community volunteers or local partners conduct random checks.
  - Nominate a trusted community member to serve as a focal point for recording grievances from either beneficiaries or traders, and transmitting them.

## EXAMPLES OF THIS PAYMENT METHOD BEING USED

### Oxfam GB, Turkana, Kenya

In response to the food crisis in Kenya in 2011, Oxfam provided unconditional cash grants to beneficiaries in Turkana district. Due to the remoteness of this area and the lack of connection to either mobile phone or regular banking, Oxfam decided to disburse the cash grants through local traders.

## QUICK DELIVERY GUIDE: DELIVERING CASH THROUGH TRADERS

### NECESSARY PRECONDITIONS

- ✓ There must be adequate numbers of traders for the number of beneficiaries.
- ✓ Local traders must be reliable and continue to function through the emergency.
- ✓ Selected traders must be easy and safe to access for beneficiaries, especially the most vulnerable.
- ✓ Selected traders must be acceptable to the targeted community.
- ✓ Local traders must be willing to participate in the programme on agreed terms and conditions.
- ✓ Traders must be able to cope with additional cash flow.
- ✓ Traders must have access to the banking system or another accountable way of transferring money to them.
- ✓ No official identification is needed.

### DESCRIPTION OF THE PAYMENT METHOD

In many remote areas where there are no banking services or other options for transferring money, money can be delivered directly to beneficiaries through local traders.

The aid agency negotiates to transfer money to traders that operate in the targeted area. Beneficiaries can then collect their money at specific trade outlets, usually a small kiosk or shop. Traders collect the necessary verification information and reconcile their records with the agency's transfer records.

## Features of Cards

Elements of the Payment Process	Features of Trader systems
<b>Creation of database</b>	A paper-based or electronic database can be used. If fast set-up is required, then a paper-based database can be used, however this makes it more difficult to check for duplication or fraud.
<b>Method of identification and authentication</b>	Beneficiaries do not need official identification (such as a national identity card) to receive payments. However, some form of identification and authentication is needed to ensure that beneficiaries are not duplicates.  Participating traders should also be issued with identification.
<b>Currency</b>	Cash
<b>Point of Payment (PoP)</b>	Existing traders shop.

## QUICK TIPS

- Involve Finance personnel from the beginning of the programme to ensure that a feasible and timely system of paying traders is established, and that the way of reconciling payments meets requirements.
- Conduct a quick assessment of local traders to understand their capacity to scale up, e.g. how many people they typically serve per day, and what their normal turnover is in a week.
- Select traders through a transparent community-based process to ensure that the selected traders are acceptable and accessible to beneficiaries.
- Use traders that are closest to beneficiary locations.
- Traders should be provided with training, especially on filling out the required records, and on adequate level of service provision to beneficiaries.
- Information sessions will be required to explain the basics to beneficiaries: what the transfer is for, when they can get it, where they can get it, and how much they will receive. If appropriate, additional information about staggering payments etc. must be provided.
- Ensure that relationships with traders are maintained. Several tips on how to work with traders:
  - Hold an information session with traders to clarify terms and conditions. If necessary, provide training on any requirements (e.g., filling in registers and the forms that need to be filled in to facilitate fast payment).
  - Agree on how frequently the traders will be paid and make arrangements with traders / banks to ensure timely payment. Frequent payments will help traders with their cash flow.
  - Sign contracts with traders that outline how the transfers will work.

	ADVANTAGES	DISADVANTAGES
<b>Vulnerable groups</b>	<p>Most people are familiar with the payment method and can access shops.</p> <p>No need of any technological knowledge or education.</p> <p>No official form of identification is needed.</p>	<p>Basic numeracy or familiarity with money is required.</p> <p>Puts traders in a position of power and they may favour certain groups or enter into coercive practices.</p> <p>Shops may not be easily accessible to the most vulnerable (e.g. elderly, disabled).</p>
Urban versus rural	<p>Can be used in any setting.</p> <p>Can be an excellent solution even in urban areas, for example where target groups have barriers to accessing formal financial mechanisms (e.g. lack of national ID cards).</p>	<p>In remote areas, the number of beneficiaries is limited by the availability of traders and their capacity to handle cash flow.</p>

Elements of the Payment Process	Features of Trader systems
<b>Reporting and reconciliations</b>	Easy reporting and reconciliation if an electronic database (such as Excel) is used. Shops/service providers are provided with register where they will record the payment of cash. Information from the paper registers will then be entered in database and reconciled against trader invoice documents.
<b>Promotion, training, communication, beneficiary support</b>	<p>Initial information sessions will be required with beneficiaries, and basic training should be provided to traders on how to fill out forms for reporting and reconciliation.</p> <p>Traders should be identified with signs and the list of traders participating should be available at community level.</p> <p>A grievance mechanism must be available and accessible for both beneficiaries and traders, and information on how and when to use the grievance mechanism should be given.</p>

## ADVANTAGES AND DISADVANTAGES

	ADVANTAGES	DISADVANTAGES
<b>Timing, preparedness and partnerships</b>	<p>Can be relatively quick to set up, especially in areas with low availability of financial systems.</p> <p>Having pre-agreements with traders can speed up the process.</p> <p>No need for agencies to transport large amounts of cash.</p>	<p>Dealing with multiple traders can have high costs in administration and time.</p> <p>It can be difficult to assess cash availability at trader level.</p>
<b>Scale, flexibility and resilience</b>	<p>Can be done at large scale as long as enough traders are available and have sufficient cash flow.</p> <p>Can work as long as the local markets are working and there is a method of transferring cash to traders.</p>	<p>Scale is limited by number of traders involved and the cash flow of the traders.</p> <p>Disadvantages may be related to the payment system used with the traders (e.g. vouchers, cash).</p>

	ADVANTAGES	DISADVANTAGES
<b>Scale, flexibility and resilience (con't)</b>	<p>Can increase the capacity of traders, stimulate business and increase cash flow to local markets.</p> <p>Very flexible, since no financial infrastructure is required: small traders of any business type can participate.</p> <p>Can create sustainable links between beneficiaries and local traders.</p>	<p>Difficult to implement in insecure contexts if traders are not functioning / reliable.</p>
<b>Costs</b>	<p>Very cost effective, as traders are already there and no additional systems need to be set up.</p> <p>Potentially lower service fees compared to other financial service providers.</p>	<p>Using many traders can have high administration costs and be burdensome to the aid agency.</p> <p>Potentially high costs of contracting and monitoring multiple agreements.</p>