ASSESSMENT OF FINANCIAL SERVICE PROVIDERS – CVA IN YEMEN

Federal Foreign Office

CaLP
The Cash Learning Partnership

ASSESSMENT OF FINANCIAL SERVICE PROVIDERS

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ABOUT CALP

CaLP is a dynamic global network of over 90 organisations engaged in the critical areas of policy, practice and research in humanitarian cash and voucher assistance (CVA) and financial assistance more broadly. Collectively, CaLP members deliver the vast majority of humanitarian CVA worldwide.

We envision a future where people are enabled to overcome crises with dignity, by exercising choice and their right to self-determination.

The purpose of the CaLP network is to maximise the potential that humanitarian CVA can bring to people in contexts of crisis, as one component of broader financial assistance. To do this we catalyse the power, knowledge and capacities of our diverse global network, alongside other local, national, regional and global actors, all of whom are seeking to secure better outcomes for people living in crisis contexts. Our role as a collective is to generate alignment in the approaches and actions of those within and across our network, in order to help optimise the quality and scale of humanitarian CVA.

What makes CaLP unique is its diversity. CaLP members currently include local and international non-governmental organisations, United Nations agencies, the Red Cross/Crescent Movement, donors, specialist social innovation, technology and financial services companies, researchers and academics, and individual practitioners.

As a CaLP team, we work with and for the CaLP network – keeping our vision front and centre. Working impartially, we engage with the network to generate evidence, we facilitate dialogue, we challenge and question, we draw together good practices and promote their uptake. We play a key role in creating the impetus and means for thought leadership and convene network members to generate futures-thinking agendas. We mobilise the membership and the wider network to look for collective solutions to collective problems.

ABOUT REACH

REACH facilitates the development of information tools and products that enhance the capacity of aid actors to make evidence-based decisions in emergency, recovery and development contexts. The methodologies used by REACH include primary data collection and in-depth analysis, and all activities are conducted through inter-agency aid coordination mechanisms. REACH is a joint initiative of IMPACT Initiatives, ACTED and the United Nations Institute for Training and Research - Operational Satellite Applications Programme (UNITAR-UNOSAT). For more information please visit our website: www.reach-initative.org. You can contact us directly at: geneva@reach-initiative.org and follow us on Twitter @REACH_info.

LIST OF ACRONYMS

CaLP	Cash Learning Partnership
CMWG	Cash and Markets Working Group
CVA	Cash and Voucher Assistance
FSP	Financial Service Provider
IDP	Internally Displaced People
KI	Key Informant
KII	Key Informant Interview
KYC	Know Your Customer
MFI	Micro-Finance Institution
NGO	Non-Governmental Organization
OTC	Over-The-Counter
POS	Point-Of-Sale
SOP	Standard Operating Procedure
TOR	Terms Of Reference
UN	United Nations
YER	Yemeni Rial

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1 EXECUTIVE SUMMARY

Yemen has been witnessing conflict since 2015[1] and has become the world's largest man-made food security crisis, leaving half the population in acute food insecurity.[2] According to the June-December 2020 Humanitarian Response Plan Extension (HRP), 24.3 million people (approximately 80% of the population) needed some form of humanitarian and protection assistance.[2] In this dire context, Cash and Voucher Assistance (CVA) is a critical part of the humanitarian response in Yemen.

Previous assessments shed light on CVA, particularly on delivery through agents. However, these assessments lacked a comparative overview of CVA delivery mechanisms, as they did not cover opportunities, challenges and mitigation measures per CVA delivery mechanism. Building on the previous assessments, this 2021 Financial Service Provider (FSP) assessment was conducted to provide a comprehensive, updated understanding of the available CVA delivery mechanisms and FSPs, as well as the related challenges, risks, and mitigation measures. This assessment also assessed community familiarity, access and preference of delivery mechanisms.

The assessment included different types of stakeholders to contribute to an understanding between actors and an understanding of the CVA landscape as a whole. The assessment included interviews with key informants (KIs) from 12 humanitarian organisations, 9 FSPs and 107 communities. In addition, 13 self-administered surveys were completed by key informants (KIs) from member organisations of the Cash and Markets Working Group (CMWG) Yemen. Data collection took place in April and May 2021.

Key findings from the assessment are:

IDENTIFICATION DOCUMENTS (IDS) AND KNOW YOUR CUSTOMER (KYC) REQUIREMENTS

- Of all ID types, national IDs were the most widely available among the communities, according to the community KIs.
- KIs from FSPs expressed flexibility in terms of accepted IDs, and identification cards issued by humanitarian organisations were mentioned to be sufficient (after a prior agreement between the two sides). Also, humanitarian organisations that did not issue their own IDs, could agree with FSPs to accept a broad range of IDs, while KIs from communities reported a wide variety of ID types possessed by community members.

DATA PROTECTION

- KIs from humanitarian organisations and FSPs expressed awareness about the importance of data protection.
- The Central Bank's role in compliance was unclear after its bifurcation into a Central Bank in Aden and a Central Bank in Sana'a. The reported result was that FSPs did not have a clear watchdog for data protection, and lacked clarity about which regulations to follow.
- Biometrics were reported to be used to verify beneficiaries' identities and substitute ID cards when needed. Yet, concerns were raised about biometrics regarding community members' privacy (particularly for female recipients). Another reported concern was about poorly-taken biometrics that caused delays in CVA delivery.
- Several delivery mechanisms stood out to be particularly helpful for data security. One was e-payments, which avoided the necessity of detailed beneficiary lists shared with FSPs. Another was tokens, which, on occasions, facilitated delivery through agents without FSPs having the beneficiary list. Also, voucher companies appeared to have well-secured systems.

[1] UN OCHA. (2021). Yemen: highest emergency response level declared for six months.

[2] Relief Web. (2020). Humanitarian Response Plan Yemen

COMMUNITIES' ACCESS TO FSPS

- Illiteracy was reported in nearly all communities and was most salient in rural communities. Financial illiteracy was also common across the Yemeni population, as reported by humanitarian and FSP KIs, and evident in the fact that informal money transfer mechanisms, such as hawala and local exchange offices, were reportedly the most common methods used by the communities.
- Hence, CVA mechanisms that rely on agents (hawala, exchange offices, etc.) may present the least amount of obstacles for (financially) illiterate groups, without requiring humanitarian organisations to conduct extensive training sessions.
- Travelling to an FSP was reported to be an obstacle particularly for women, poor and older beneficiaries, and the travel time was an important factor for communities to not prefer an FSP.
- Financial literacy was perceived as an obstacle by humanitarian and FSP KIs for digital delivery mechanisms. At the same time, communities' familiarity with agents may be used as a potential stepping stone towards financial literacy and digital financial inclusion if digital delivery mechanisms are tied to agents, as is currently the case for mobile money.

MOBILE NETWORK COVERAGE & PHONE OWNERSHIP

- SMS messaging was reported as a common tool of communication with beneficiaries. Correspondingly, mobile network was reported to be good (or excellent) in a majority of the assessed communities. Lessons learnt from humanitarian KIs suggests that it remains important to check for SMS messages not received by beneficiaries, and prepare solutions to inform beneficiaries accordingly.
- KIs from 83% of communities reported that the majority or all of community members possessed a phone. This indicates that these communities may have sufficient experience with phones, and can potentially familiarize themselves with mobile money services. Poverty was the most commonly reported reason that prevented community members from owning a phone, and family disapproval or customs surrounding who could own a phone was another barrier.
- On the other hand, for individuals without phones, access to phones via borrowing (from family or shops) may be difficult, as borrowing can be expensive or raise protection issues. Hence, to include these individuals, providing SIM cards alone may be insufficient.

CVA IN YEMEN

- Humanitarian and FSP KIs reported that the prevalent delivery mechanism for cash programming was delivery through agents. Besides, a wide range of mechanisms were reportedly used in Yemen, including paper and electronic vouchers, as well as single cases of mobile money, transfers through bank accounts and direct cash delivery.
- Reportedly, assessed communities most frequently used hawala agents and exchange offices to transfer money, and hence these were the preferred ways to receive CVA. It should be noted that this indicates a strong familiarity and subsequent preference for local agents, as communities may be familiar with the agent itself (rather than the FSP behind the agent). Local agents may be incorporated into delivery through agent mechanisms as well as e-voucher schemes, delivery through bank accounts or mobile money.
- When assessing digital delivery mechanisms, humanitarian organisations must perform additional assessments, including the accessibility of agents, FSPs, ATMs or point-of-sale (POS) devices in the area of intervention, and the ability and preferences of beneficiaries, as these factors were found to differ considerably across communities.

FSPS

- For each type of delivery mechanism, multiple FSPs were found to be available (and usually experienced) to implement CVA programmes.
- Despite Yemen's ongoing liquidity and economic crisis, liquidity was not commonly reported by FSP KIs. Fluctuating exchange rates and increasing prices were reported to be challenging.
- Humanitarian KIs suggested that humanitarian organisations could find solutions to common challenges, through collaboration and knowledge exchange among CVA actors.

SECURITY CONCERNS & MITIGATIONS

- KIs from a majority of the communities reported an ability of their community to access FSPs, despite the ongoing conflict in Yemen. This may be because there was no active conflict in these areas at the time of data collection, or FSPs (in the forms of hawala and exchange offices) allowed for a continuation of financial services despite conflict.
- Humanitarian KIs reported incidents or perceived risks related to CVA programming, caused by the ongoing conflict, particularly in the North.
- KIs shared the advice to have Standard Operating Procedures (SOPs), to prepare for challenges during distribution, and to continue distribution despite conflict or natural disasters. Also, it was noted as an important practice to engage with FSPs in the analysis of risks, the writing of SOPs and subsequent trainings.
- Another commonly reported practice was to maintain continuous communication and relationship building with authorities, community leaders, beneficiaries, non-beneficiaries and other stakeholders, to identify risks and mitigate challenges.
- There were reported instances of increased social tensions or violence between communities. Possible mitigation measures reported by humanitarian KIs were informing communities transparently about the CVA programme and beneficiary selection, and the coordination among humanitarian actors to homogenize modalities used within an area.
- Agents are a cause of concern for humanitarian KIs because of their potential role in corruption, extortion or misconduct during the distribution of assistance. FSP KI demonstrated some good starting points for the selection and control of agents, and humanitarian organisations could incorporate investigations of agent policies into their due diligence on potential FSP partners.

DELIVERY THROUGH AGENTS/OVER-THE-COUNTER (OTC)

- 'Delivery through agents/OTC' was reported to utilize FSPs that were most commonly used by communities to transfer money, and it was also the communities' preferred way of receiving humanitarian assistance.
- As a mechanism, it appears to be capable to withstand Yemen's contextual challenges, such as weak network connectivity, financial illiteracy, and a lack of FSP coverage in hard-to-reach areas.
- The use of tokens was noted as a low-tech, simple solution that could bring digital tracking of payments for delivery through agents, thereby allowing for digital monitoring and faster reconciliation.
- Reportedly, tokens could also be used to limit the sharing of beneficiary lists with FSPs, which could reduce the implementation time and act as a data protection measure by reducing the amount of information shared with third parties.
- SMS messaging informing beneficiaries of pick up time and location reportedly increases the privacy of privacy for beneficiaries and prevented crowding at distribution sites.

BANK TRANSFERS

- Generally, findings suggest a limited inclusion of community members into banking institutions. KIs from 72% of the communities indicated 'few' or 'no' community members had a bank account.
- KIs from FSPs expressed willingness to negotiate ID and deposit requirements with humanitarian organisations, to make bank accounts more accessible to beneficiaries.
- In urban areas, a majority of communities reported the presence of ATMs or bank branches within communities that could be used for cash out. Nevertheless, both humanitarian and community KIs also reported a lack of familiarity with bank accounts among community members, which would require mitigation measures.

MOBILE MONEY

- Several mobile money providers reported their emergence in the Yemeni market, and they expressed willingness and ability to support CVA, albeit with a varying number of connected agents per mobile money service.
- One humanitarian organisation that participated in this assessment reportedly facilitated CVA via mobile money.
- Requirements for mobile money services, such as types of phones and quality of network, were reported to vary depending on the chosen service and FSP.
- Flexibility in ID requirements may be negotiated with the Central Banks and may be granted, as one successful practice was reported.

VOUCHERS

- Paper and e-vouchers were both reportedly used in Yemen. National and international voucher companies reported having experience in facilitating CVA programmes.
- The choice between paper and e-voucher may be driven by budget considerations, the time available to roll out the programme, and resources available to train staff and beneficiaries.
- KIs from humanitarian organisations using e-vouchers reported having experienced set-up challenges, but were reportedly satisfied with the result and were increasing the use of this mechanism where possible.
- Reported challenges were related to importing hardware and costs of hardware, which may be mitigated by choosing hardware that exists in Yemen, or opting for value vouchers that work on POS and ATMs.

2 INTRODUCTION

Yemen has been witnessing conflict since 2015.[3] Over the past six years, the conflict, compounded by economic crisis, natural disasters, and disease outbreaks, continues to take a serious humanitarian toll on the country. Yemen has become the world's largest man-made food security crisis, leaving half the population in acute food insecurity.[2] Over 4 million Yemenis are internally displaced, the fourth-largest number of internally displaced in the world. According to the June-December 2020 Humanitarian Response Plan Extension (HRP), 24.3 million people (approximately 80% of the population) needed some form of humanitarian and protection assistance.[4]

Cash and Voucher Assistance (CVA) is a critical part of the humanitarian response. According to the Cash Learning Partnership (CaLP) Case Study on cash transfer programming, "in terms of proportion, humanitarian organizations in Yemen were implementing the greatest percentage of CVA at 33%, which was well above the second-place country, Syria, at 12%.[5] An assessment from 2017 conducted by the Cash and Markets Working Group (CMWG) Yemen and REACH[6] demonstrated that CVA was feasible in Yemen, as markets were functional and communities had access to markets and preferred cash assistance. A study conducted in 2019 by the same actors stated that Financial Service Providers (FSPs) had sufficient experience and capacity to perform humanitarian transfers.[7] Besides, a 2018 study by CaLP reported that humanitarian organisations provided CVA successfully, and effectively mitigated risks despite Yemen's complex contextual and operational challenges.

Previous assessments either focused on over-the-counter (OTC) / delivery through agents[8] or lacked a comparative overview per CVA delivery mechanism. Building on those previous assessments, this 2021 FSP assessment, jointly conducted by CaLP, CMWG Yemen, and REACH, aims to provide a comprehensive, updated understanding of the available CVA delivery mechanisms and FSPs, as well as the related challenges, risks, and mitigation measures. Similar to the 2017 assessment, this 2021 assessment includes the community familiarity and preference of delivery mechanisms, as these might have changed over the years while adding an exploration into communities' access to different types of FSPs and delivery mechanisms.

Furthermore, the assessment aims to support and accelerate future CVA programming by providing a list of existing CVA delivery mechanisms and FSP options, and the mapping of CVA activities can help organisations to identify collaboration opportunities and detect duplication in assistance. Although each organization will need to assess their own areas of operation more in detail. In addition, by presenting findings and perspectives from different types of stakeholders in CVA (FSPs, communities and humanitarian organisations), this assessment attempts to contribute to an understanding between actors and an understanding of the CVA landscape as a whole. According to CaLP's 2021 Case Study "filling these gaps can help agencies to develop greater commonalities on the details of targeting, transfer amounts and transfer mechanisms."[9]

This report begins with a background chapter on CVA delivery mechanisms, followed by the assessment methodology. The analytical part of the assessment synthesizes findings from participating key informants from communities, FSPs and humanitarian actors, and are presented in two parts. The first part concerns general factors that define CVA in Yemen, along with corresponding challenges and mitigation measures from the field. The topics covered include identification documents, data management, communities' access to FSPs, network quality, and access to mobile phones. They are followed by topics about security, corruption risks and working with agents, and a section on the experiences and operations of the participating FSPs. In the second part, each section covers a different delivery mechanism, presenting information about requirements for implementation, along with perceptions and experiences of key informants from communities, humanitarian organizations, and FSPs.

[3] UN OCHA. (2021). Yemen: highest emergency response level declared for six months.

[4] Relief Web. (2020). Humanitarian Response Plan Yemen

[5] CALP. (2018). CTP in Challenging Contexts: Case Study on CTP and Risks in Yemen 2015-2018.

[6] REACH Initiative & CMWG Yemen. (2017). Inter-agency Joint Cash Study: Market Functionality and Community Perceptions of Cash Based Assistance

[7] REACH Initiative & CMWG Yemen. (2019). Financial Service Providers Assessment.

[8] Delivery through an agent is also known as 'over-the-counter' (OCT), or cash in envelopes. In this mechanism, a humanitarian organisation contracts an FSP to deliver cash assistance. The beneficiary collects the assistance by visiting the FSP or its agent.

[9] Nimkar. R. Meraki Labs & CALP Network. (2021). Humanitarian Cash and Social Protection in Yemen.

3 BACKGROUND

3.1 OVERVIEW OF CVA DELIVERY MECHANISMS

CVA relates to all programmes in which cash transfers or vouchers are provided to the beneficiary.[10] A CVA programme can have many options regarding the delivery mechanism. For example, cash assistance can be handed to the beneficiary at the doorstep by an FSP, or the beneficiary may be asked to go to an agent to pick up the assistance. Alternatively, cash can be delivered electronically, using mobile banking or mobile money. The choice of delivery mechanisms influences the types of FSPs that a humanitarian organisation can work with, as not every FSP is capable of deploying every delivery mechanism.

Besides, CVA programmes are informed by programmatic preferences for a modality (cash or voucher), restriction (use of assistance restricted to specific purposes), or conditionality (actions to conduct), as is explained in Box 1. These preferences influence the possible options of delivery mechanisms. The factors determining CVA (modality, restriction, conditionality, and delivery mechanism) are interdependent, overlapping, and sometimes poorly defined. A clear articulation of CVA mechanisms, delivery methods, and characteristics is essential to inform a substantial debate and deliberation of possibilities, as is the objective of this research. To assist this goal, definitions of CVA mechanisms are detailed in this chapter.[11]

BOX 1: RESTRICTION & CONDITIONALITY

Depending on the modality used, a beneficiary is *restricted* or *unrestricted* in the goods that they can obtain using the assistance. In-kind assistance is a restricted modality by definition, granting access to a particular commodity. Similarly, a commodity voucher is restricted, but with options for flexibility in the kinds of products the recipient wishes to obtain. On the contrary, cash transfers are unrestricted by design; a recipient receiving cash has the liberty to spend the received cash as they wish.

Despite only being available in unrestricted form, cash transfers can still have a certain limitation by adding a dimension of *conditionality*: requiring a beneficiary to meet an obligation as a prerequisite for receiving assistance. Importantly, conditionality differs from restriction because it requires an *activity* from the beneficiary.[12] For example, cash-for-work programmes generally have conditions for recipients to report to a particular job site daily, while cash-for-shelter programmes may require recipients to show evidence of building a shelter.

An overview of delivery mechanisms and their characteristics can be found in Table 1 below.

[10] CaLP. (2019). Glossary of Terminology for Cash and Voucher Assistance

[11] The information of this section is based upon CaLP. (2019).Glossary of Terminology for Cash and Voucher Assistance. CALP Network.(2020). Delivery Money: Cash Transfer Mechanisms in Emergencies. International Organisation for Migration (IOM) & Cash Working Group (CWG). (2020). North-West Syria Cash Feasibility Assessment. UNHCR. Cash Delivery Assessment Tool.

[12] UNHCR. Cash Delivery Assessment Tool.

Table 1: CVA delivery mechanisms and their characteristics

Modality	Characteristics	CVA Mechanism	Potential FSPs
Cash	Non-digital (Cash-in-hand)	Direct Cash	Humanitarian organisations (no FSP involved)
		Delivery through an agent / Over-the-Counter (OTC)	Banks Exchange offices Transfer companies
	Digital (E-payment)	Transfer to bank account	Banks Humanitarian organisations
		Mobile money (e-wallet)	Mobile money providers
Voucher	Non-digital	Paper voucher	Humanitarian organisations Voucher companies
	Digital	E-voucher for commodities (e-wallet: smart or prepaid card)	Voucher companies Banks Transfer companies
		E-voucher for cash (e-wallet: smart or prepaid card)	Credit card companies Banks Voucher companies

3.1.1 Delivery mechanisms for cash assistance

Direct cash payment (by implementing organization/NGO)

Humanitarian organisations can choose to deliver cash to their beneficiaries directly without the help of an FSP. The organisations can bring cash assistance to beneficiaries' homes, or beneficiaries could visit the local office of the organisation to receive the assistance.

Over-the-counter (OTC) / Delivery through agents

For this mechanism, an FSP is contracted to facilitate the cash delivery. The FSP commonly distributes the assistance by requesting beneficiaries to collect it from one of its local branches or agents. If the FSP has no presence near the beneficiaries, there are several common solutions. The FSP can use 'mobile teams' that travel to the beneficiaries' community; these mobile teams either set up a temporary delivery location (a payment site) or deliver the assistance door-to-door by visiting the beneficiaries directly in their homes.

The FSPs can contract a local agent, such as a hawala trader, local shop owner or an exchange office, who works essentially as a limited FSP branch and is closer to the community in need of assistance. The agent is different from a branch, as it belongs to a separate business or is a one-man business, and because it offers more limited services than a branch. For example, hawala agents and local exchange agents transfer money and/or exchange currency. In addition, they may be hired by a bank, so that the bank's customers can withdraw and deposit money through the agent. Similarly, hawala, money exchangers and vendors can work as mobile money agents, if they partner with mobile money providers. It follows that the services provided by an agent are not all the same, and this has implications on the type of financial services accessible in an area. An FSP can have agents that permanently work for them, or can temporarily contract an agent to perform a specific service.

To assist delivery in collaboration with an FSP, a 'token' is occasionally used. A token, either in paper or in plastic, usually holds a QR code and is presented by the beneficiary to the FSP (or its agent). The token can be scanned, facilitating the humanitarian organisation to monitor the delivery of assistance and/or to speed up the reconciliation process. These tokens do not store credit; they are used merely to digitalize the paperwork needed to process and track a cash-in-hand payment, and possibly to replace beneficiary identification documents or beneficiary lists.

Bank transfers

This mechanism requires beneficiaries to have accounts with formal financial institutions. The cash assistance is delivered as a standard bank transfer from the humanitarian organisation to the account of the beneficiary. In countries where target populations may not commonly have bank accounts, humanitarian organisations may need to assist beneficiaries to set up these accounts. A partnership with a bank is required, but the FSP's involvement, in this case, can be more limited. Using their bank cards, recipients can cash out their assistance at ATM's or branches, or purchase goods at merchants with a point-of-sale (POS) device, which is hardware that processes payments by card by reading a card's magnetic strip or chip. Another way to use the assistance is through online payments and transfers.

Mobile money

Mobile money uses e-wallets connected to a SIM card (see also Box 2 on e-wallets). Thereby, the phone number acts as a bank account number. It enables humanitarian agencies to make e-transfers directly to aid recipients' phones. Mobile money customers deposit and withdraw cash at mobile money agents. If a merchant in the market is connected to mobile money services, items can be purchased without cash by transferring money from the customer's mobile money account directly to that of the merchant. Thereby, this mechanism can substitute for a card and POS device necessary for ordinary e-transactions. Depending on the mobile money service, transactions may be performed either via SMS/USSD or via the internet and a smartphone application.

BOX 2: E-WALLETS

An e-wallet is software that resides on a smart card, SIM card or in secured Apps, via companies such as PayPal or Apple Pay. The e-wallet is a pre-paid account that holds credit or cash, and is linked to the beneficiary. The advantage of an e-wallet is that the user can store and pay money electronically, without the need for a bank account. The e-wallet holds encrypted information about the beneficiary's identity and is usually accessed by the beneficiary using a PIN code.

In humanitarian settings, e-wallets are the mechanism behind e-vouchers (smart cards) and mobile money. A beneficiary's e-wallet can be loaded up remotely by the humanitarian organisation, making it a less visible and more secure delivery mechanism. E-wallet providers can link multiple e-wallets to one account, which can be useful to beneficiaries enrolled in multiple CVA programmes.

3.1.2 Delivery mechanisms for voucher assistance

There is a distinction between value vouchers and commodity vouchers; value vouchers give recipients access to cash (unrestricted assistance), while commodity vouchers give the users access to goods and services, or hold credit that can only be used to acquire a specific set of commodities, predetermined by the organisation (restricted assistance).

Paper voucher

A paper voucher is distributed to recipients who exchange it for goods from a particular vendor. The voucher may have beneficiaries' information written on it, and redemption will most likely require the beneficiary to present some sort of identification. In contexts such as Syria's, the use of paper vouchers and paper tokens has caused some confusion over what constitutes a voucher, and what does not.[13] Paper tokens can serve closely the same purpose as paper *value* vouchers, but in this assessment, paper tokens are discussed in OTC/delivery through agents' section. This is because paper tokens are tools used to improve the delivery through agents. Also, paper tokens are always used in combination with an FSP, whereas paper commodity voucher programmes can be executed with an FSP, or by a humanitarian organisation independently.

[13] International Organisation for Migration (IOM) & Cash Working Group (CWG). (2020). North-West Syria Cash Feasibility Assessment.

E-voucher

An e-voucher is an electronic card connected to an e-wallet that stores credit or value (see box 3 on e-wallets). The card is comparable to a debit or credit card, with the difference that the card holder does not need to have a bank or credit card account. E-vouchers are secured by PIN codes or biometrics. Usually, a distinction is made between prepaid cards and the more advanced smart cards (see Box 3 for more). Companies such as MasterCard and RedRose commonly provide e-voucher services for humanitarian purposes; alternatively, banks can provide prepaid or smart cards.

When connected to a restricted programme that provides access to commodities, a participating vendor must be equipped with specific terminals or POS devices that can read the card. With an electronic commodity voucher, the beneficiary is free to choose the type of products and quantities based on the outstanding credit, within the set of products made accessible to the recipient by the humanitarian organisation. An electronic value voucher may be presented at an ATM or POS device, or at special terminals at agents, to access the cash assistance.

BOX 3: E-VOUCHER CARDS

Prepaid cards are also sometimes referred to as magnetic stripe, or magstripe, cards. They are the most basic plastic payment cards available. They need to be swiped at a POS terminal or inserted into an ATM for a given transaction to be authorised in real-time, which is why network connectivity is required.

Smart cards are slightly more complex forms of payment cards. They have an embedded chip containing financial information on the cardholder. The main difference with a prepaid card is that the amount of information that can be stored on a chip is exponentially greater than what a magstripe can contain. As a result, a smart card can link into several accounts, support contactless payments, and most importantly, complete transactions offline without network connectivity. Instead, transactions are stored and uploaded on the system at a later stage when connectivity is restored.

3.2 CVA IN YEMEN

CVA delivery mechanisms

According to the December 2020 Food Security and Agriculture Cluster (FSAC) CVA Dashboard, a total of 32 organizations, including United Nations (UN) agencies, international organizations, and national organizations, were providing CVA across 22 governorates of Yemen.[14] The dashboard focused on two types of assistance: Emergency Food Assistance and Cash for Work/Food Assistance for Assets. In addition, the UN Office for the Coordination of Humanitarian Affairs (OCHA) and CMWG Yemen published a snapshot of CVA programmes for January to December 2020.[15] This snapshot revealed that there were 102 organisations with CVA programmes operating at the time of the assessment across various sectors (including 7 UN agencies, 30 international non-governmental organisations (NGO) and 65 national NGOs). According to UNOCHA's snapshot, the overall CVA amount in Yemen valued 435.3 million USD. Of this total, cash assistance comprised 202.45 million USD, reaching 4.54 million beneficiaries, while vouchers comprised 232.88 million USD, reaching 3.27 million beneficiaries.[16] Cash assistance was applied across coordination structures and mechanisms (Food Security, Protection, Shelter, WASH, Rapid Response Mechanism (RRM), Refugees and Migrants Multi-Sector (RMMS), and multipurpose cash assistance) while voucher assistance was limited to Food Security and Shelter.

[14] FSAC. (2020). CVA Dashboard.
[15] UNOCHA & CMWG Yemen. (2020). Snapshot of CVA programmes.
[16] UNOCHA & CMWG Yemen. (2020). Snapshot of CVA programmes.

Financial service providers

In terms of FSPs, a non-exhaustive list was published by the 2017 CMWG Yemen and REACH in a desk review of cash and market studies in Yemen. In addition, the 2019 CMWG Yemen - REACH FSP Assessment provided a list of FSPs and focused on cash delivery through agents (banks, exchange offices, hawala agents).[17] The assessment studied the FSPs in terms of their capacity, finances, and bulk payment experience. Other domains, such as FSPs' management of security risks and agents, their requirements, and their overall lessons learnt was left out.

Community familiarity, acceptance and preferences

Various surveys and assessments have been conducted on the familiarity and acceptance of CVA throughout Yemen, presenting similar findings. In 2017, CMWG Yemen and REACH conducted a qualitative study on community perceptions of CVA to support understanding of community access to markets, acceptance, safety, and risk.[18] Findings indicated a preference for CVA using local exchange offices rather than banks. Community participants raised concerns around accessibility and transportation to FSPs, indicating that access to banks had decreased since the start of the conflict in 2015. Participants recommended CVA to be flexible for them to meet their specific needs, and to be distributed and utilised without incurring transportation costs. In addition, participants indicated that they preferred not to receive CVA via prepaid cards or mobile money, because these mechanisms were unfamiliar to participants, and/or participants feared that people without mobile phone network and/or phones would be excluded. In addition, the limited number of vendors or agents connected to these services would still oblige people to travel to utilise their funds, limiting flexibility and causing transportation costs.

4 METHODOLOGY

The assessment used a mixed-methods approach. Four types of surveys were conducted, two of which were quantitative and two were qualitative. Semi-structured (qualitative) key informant interviews (KIIs) were held with key informants (KIs) from humanitarian organisations that had experience with CVA programmes and with KIs from FSPs[19] that may have the capacity to support CVA programmes. A (quantitative) self-administered survey was completed by humanitarian organisations with experience with CVA programmes in Yemen. Furthermore, KIs were identified in communities where CMWG members were active and were interviewed using a quantitative survey.

Data collection took place over the course of two months in April and May 2021. The respondents were selected through purposive sampling. Among humanitarian actors, KIs from both national and international organizations that had provided CVA within the two years before data collection were requested to participate in the assessment. To ensure comprehensive coverage of different conditions, the assessment aimed to include a range of CVA programmes in the North and South of Yemen. Among FSPs, various types of organizations that could be contracted by humanitarian actors were included. The assessment focused mainly on the FSPs that could operate across multiple governorates, thus able to accommodate CVA programmes across the entire country or a large part of the country (e.g. 3 governorates or more). Access to FSP KIs was supported by snowballing.[20] Targeted communities included population groups that had received CVA within the two years prior to data collection as well as communities that had not received CVA within this period. The community KIs were from communities where data collecting humanitarian organisations were active. The self-administered survey was purposefully circulated among CMWG Yemen member organisations.

[17] REACH & CMWG Yemen. (2019). Financial Service Providers Assessment.

[18] REACH & CMWG Yemen. (2017). Inter-agency Joint Cash Study: Market Functionality and Community Perceptions of Cash Based Assistance

[19] For the ease of understanding and reporting, different types of stakeholders (including Mobile Network Operators and associations) were grouped together under the term FSP.

[20] The CMWG Yemen members and interviewed FSP KIs were asked to provide introductions with other FSPs

4.1 DATA COLLECTION AND SAMPLING

Overall, the assessment included a total of 13 self-administered surveys, 12 humanitarian KIIs, 9 FSP KIIs[21] and 112 community KIIs (see Table x).

Table 2: Data collection figures

Population of interest	Method	Respondents
Humanitarian organisations with CVA experience	Self-administered survey	13
	KI interviews	12
FSPs	KI interviews	9
Affected communities	KI interviews	112

Humanitarian actors

Prior to the interviews, a self-administered survey was circulated among the members of the CMWG. From mid-April until the end of May 2021, KIs from 13 humanitarian organisations completed the survey; 7 KIs working with international NGOs, 4 from national NGOs, and 2 from UN agencies. The purpose of this survey was to map CVA programming in Yemen, by identifying currently operational CVA delivery mechanisms and FSPs, as well as FSPs' operational capacities, advantages, and challenges.

In addition, semi-structured KIIs with humanitarian organisations were held in May 2021, to assess operational and programmatic preferences, challenges, risks, and lessons learnt associated with different delivery mechanisms. Humanitarian organisations were purposively selected to ensure a diversity of CVA programmes, delivery mechanisms, and geographic coverage (including North and South Yemen), and the organisation type (UN, INGO and NGO). The invited humanitarian organisations implemented a CVA programme in Yemen at the time of data collection, or had implemented a CVA programme in the two years prior to data collection. Each participating organisation was asked to internally identify a KI with technical knowledge or programmatic experience with CVA programming. In total, KIs from 12 organisations took part in the interviews: 8 interviews were held with KIs from international NGOs, 3 interviews were held with KIs from UN agencies, and 1 interview was held with a KI from a national NGO.

Financial Service Providers

For KIIs with FSPs, purposive selection focused on FSPs with the capacity to facilitate humanitarian CVA programmes. In line with these criteria, the assessment focused on the FSPs that could operate across multiple governorates, thus able to accommodate CVA programmes across the entire country or a large part of the country (e.g. 3 governorates or more). The FSPs of interest included banks/microfinance institutions, exchange offices, voucher providers, and mobile network operators.

During the semi-structured interviews, FSP KIs were asked to provide a broad perspective on their organisation's operations. Specifically, to assess available FSPs, delivery mechanisms, and challenges and benefits of each FSP, KIs were asked to reflect on their capacities and experiences regarding their offered delivery methods, as well as the challenges and advantages experienced.

In total, 10 interviews were conducted with FSPs in the last two weeks of May 2021. The interviews included:[22]

- 3 banks, (of which 2 were large microfinance institutions[23]), with CVA programming experience across Yemen;
- 1 'national cash transfer company'[24], specialised in humanitarian payments in all of Yemen;
- 1 mobile network operator (MNO), with coverage across Yemen and preparing to launch a mobile money service at the time of data collection;

[21] In total, 10 FSP KIs were interviewed, but one of these (from a national e-wallet company) was excluded as described below.

[22] One national e-wallet company in the North of Yemen was interviewed, but the KI reported that the organisation had no interest in facilitating CVA transfers. Furthermore, it became apparent during the interview that the company, at the time of data collection, was not a potential FSP for CVA because it facilitates transfers between different FSPs, and their customers, but did not perform transactions themselves. Thus, the interview was not included in the analysis.

[23] Banks and microfinance banks were grouped together as they tend to provide similar services.

[24] This is a Yemeni company specialized in humanitarian transfers. It has teams across the country that execute CVA delivery mechanisms, and also works with agents to deliver payments (in the same way as banks that work with agents).

- 1 national voucher company that facilitated humanitarian voucher assistance in the North of Yemen and provided technical solutions to all types of (non-humanitarian) clients;
- 2 international voucher companies specialised in humanitarian CVA, both with working experience in Yemen;
- 1 national network of micro-finance institutions (MFIs), not providing humanitarian transfers but representing MFIs.

Table 3: Number of interviews with FSP KIs

FSP type	Number of Interviews
Bank / microfinance institution	3
Mobile network operator	1
Association	1
Voucher company	3
Cash transfer company	1

Affected communities

KIs from affected communities were interviewed to assess familiarity, acceptance, and preference for different delivery mechanism and their access to FSPs. Data was collected by six partner organisations in April and May 2021. Prior to data collection, field teams from each partner organisation received a training by REACH on the methodology and the Kobo tool. Enumerators could conduct interviews face-to-face or over the phone.

The assessment included host communities and IDP communities that had received CVA within the two years prior to data collection, as well as communities that had not received CVA within this period.[25] The communities were purposively selected within districts in which CMWG members operated. The final number of interviews and the inclusion of various population groups depended on the coverage of data collection partners and their capacity to collect data. In each accessible district where a partner organisation agreed to collect data, KIs were identified by the data collection partners. To ensure the inclusion of the perspective of women, female KIs were prioritised in the KI selection. If multiple communities were belonging to the same population group in a particular district (i.e. multiple IDP communities in the same district), communities in remote/rural areas were prioritised, as remote areas were known to have more challenges in terms of access to FSPs.

The partner organisations conducted a total of 112 KIIs with community KIs, from 107 distinct communities. A community was determined to be distinct if it was the only assessed community in the area (holding a unique community name or sub-district name). A community was also judged distinct if the communities reported being in the same area but reported different characteristics (such as being host or IDP community, belonging to the Muhamasheen social group[26] etc.). Distinct communities were identified/aggregated for analysis, as there can be different experiences of each community in terms of their use, access and preference for FSPs. In addition, this approach was used to prevent over-representation in cases where multiple KIs from the same community participated in the assessment.

For the data collected from community KIs, several steps were taken to allow for analysis at the community level and to ensure that findings could be disaggregated based on these characteristics of assessed communities (i.e. rural or urban communities, region etc.) when relevant. Different KIs from the same community were aggregated (n=10 KIs from 5 communities) using a consensus aggregation; For multiple-choice options, the three most common answers were kept. If there were no common answers, all answers were kept to avoid a selection bias of responses. For open-ended questions or single choice answers, the most alarming answer was kept.

[25] According to the UNOCHA & CMWG Yemen. (2020). Snapshot of CVA programmes., CVA programmes covered 332 out of 333 districts across Yemen, although CMWG members may be operating (other types of programmes) in other districts as well.

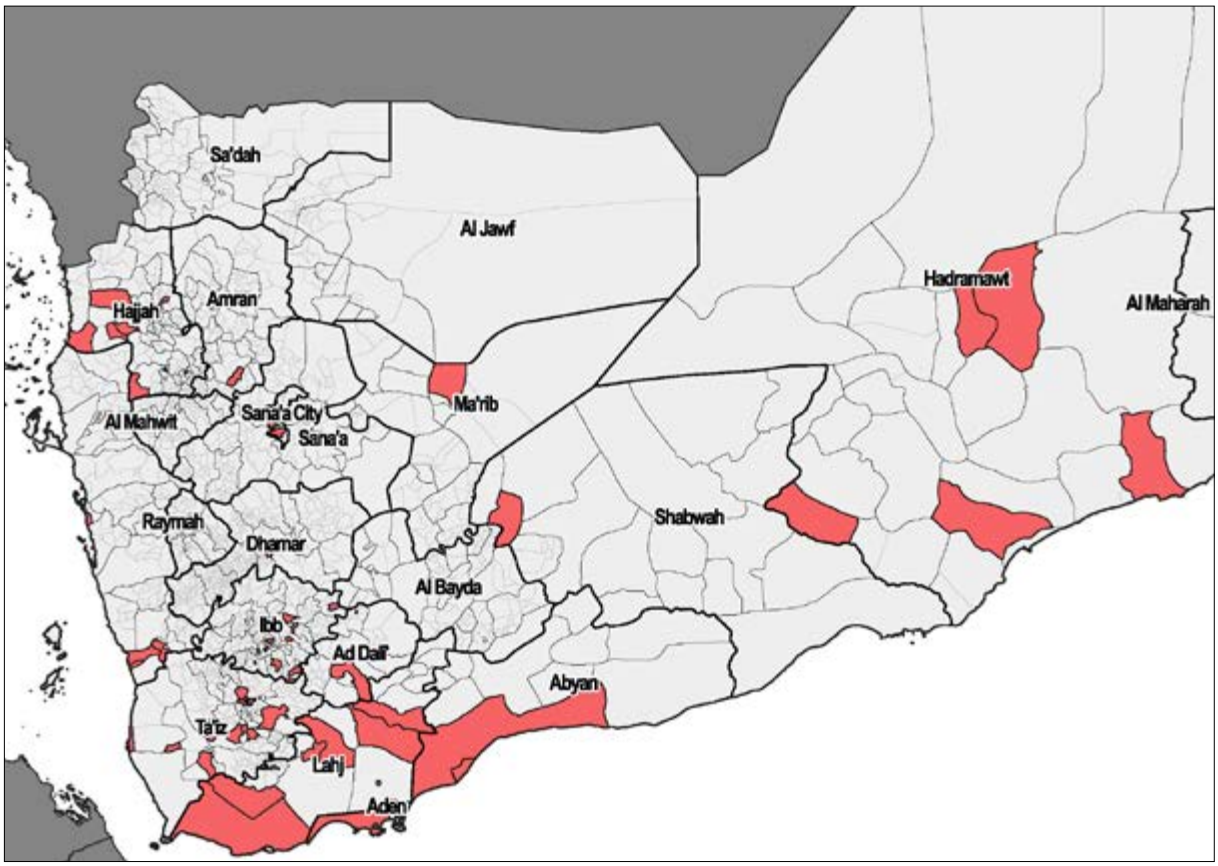
[26] Muhamasheen is a minority group in Yemen. They are viewed as outcast by other groups due to their non-tribal roots. They are considered the most vulnerable population group in Yemen, deprived of access of services, employment and education. According to the Protection Cluster Yemen (2021). Yemen Protection Brief. Muhamasheen communities were identified by asking the KI if his/her community was part of the Muhamasheen community

Among the 107 assessed communities:

- KIs from 56% reported being part of the host communities (n=60), while 44% reported being part of the IDP communities (n=47).
- Around half of the communities (49%; n=52) were reportedly urban, while the other half (51%; n=55) were rural.
- KIs from 77% of communities (n=82) reported having received CVA assistance in the 2 years prior to data collection, while KIs in 23% (n=21) reported not having receiving CVA assistance in the 2 years prior to data collection.[27]
- KIs from 37% of the communities (n=40) reported their communities to be part of the Muhamasheen.
- 81% (n=87) of the KIs were male, whereas 19% (n=20) were female.

The communities span across 14 governorates and 55 districts, covering the North and the South of Yemen. The interviewed communities were located in: Ta'iz (n=24), Lahj (n=21), Hajjah (n=11), Hadramawt (n=11), Al Hodeidah (n=9), Abyan (n=6), Sana'a City (n=5), Aden (n=5), Ma'rib (n=4), Ibb (n=4), Ad Dali' (n=3), Amran (n=2), Dhamar (n=1) and Shabwah (n=1).

Map 1: Assessed sub-districts based on KIIs with affected communities



4.2 DATA PROCESSING AND ANALYSIS

Responses of all surveys were recorded in KoBo tools. For the community KIIs, field team leaders ensured that the data was uploaded regularly from the smartphones used by the enumerators to the Kobo Collect server. Enumerator debriefs were held regularly. Data processing was conducted by the REACH assessment team in Excel using a macro-enabled excel cleaning sheet. The Assessment Officer checked and cleaned the data according to the IMPACT Data Cleaning Minimum Standards Checklist, and noted any changes made in the change log. The final datasets underwent a thorough cleaning, with any outstanding issues reported to enumerators for feedback.

[27] In a few cases (n=4), respondents reported not knowing if the community had received assistance of that kind.

Quantitative analysis

Given the relatively small size of the dataset, analysis of the quantitative surveys was done primarily using Excel. The self-administered survey was prepared in English. The community KIIs were held in Arabic, and the KoBo submissions were translated by a REACH project officer.

Qualitative analysis

The semi-structured interviews with KIs from humanitarian organisations and FSPs were held in either English or Arabic. If multiple KIs participated in the interview, the KI with the most expertise answered the question. Extensive notes were taken, and when necessary, translated to English. The data was analysed through a content analysis approach that included the coding of responses to explore themes and patterns, in accordance with IMPACT's Minimum Standards Checklist for Semi-Structured (Qualitative) Data Processing and Analysis.[28] The unit of analysis was the organisation. Occasionally, KIs were followed up when clarification of a discussion point was needed.

4.3 CHALLENGES AND LIMITATIONS

- The respondents were purposively selected. Therefore, the findings should be considered indicative rather than representative. For example, community KIs included a large population of Muhamasheen (37%) while across Yemen, Muhamasheen is estimated to make up around 10% of the population.[29] In addition, due to limited access or availability, female KIs were underrepresented in this assessment (20 KIs were female, as opposed to 87 male).
- The population of interest was limited to communities that were enrolled in humanitarian programmes (as beneficiaries of partner organizations either in CVA programmes or other types of assistance). Thus, the assessed communities were all enrolled in some form of humanitarian programme. This approach allowed access to affected communities and provided a sampling frame but inevitably created limitations in terms of the population groups covered (i.e. excluding groups that may have been vulnerable but were not beneficiaries of partner organizations). This also led to an exclusion of communities that were located in areas where humanitarian organisations were operative (but were not necessarily recipients of any type of aid at the time of data collection).
- This assessment aimed to inform CVA programming by providing a big-picture mapping of existing CVA delivery mechanisms and FSPs. However, CMWG members' participation was limited to 13 organizations for the online, self-administered survey. The mapping exercise would yield more comprehensive findings if higher numbers of CMWG members took part. Still, the self-administered survey was helpful to triangulate the data from FSP KIIs. In addition, through its tools and findings, this exercise may be able to support future CVA mapping by UNOCHA and CMWG Yemen.
- NNGOs were targeted to include their perspectives in the humanitarian KIIs but the participation was limited.
- Given the assessment's objectives and scope, it was not feasible within this assessment to investigate financial services' penetration rates (such as bank branch Coverage, ATM coverage etc.) or mobile network coverage. It would be beneficial to assess these topics in future assessments.
- Similarly, the assessment did not conduct a detailed analysis of regulations or did not include authorities as part of the KIs. Further assessments may be helpful to learn more about requirements and regulations (i.e. about data protection and digital delivery mechanisms such as mobile money).
- This assessment made an effort to shed light on FSPs' selection criteria for agents, and practices of working with agents, but further assessments would be advised to include agents in the target population and cover agents' perspectives, challenges and operations, in which a complex network of actors interact.

[28] Available upon request.

[29] According to the UNOCHA (2021) Humanitarian Situation Overview , Yemen hosted 3.07 million Muhamasheen minority group members within the total population of 30.8 million.

- In terms of FSP KIIs, exchange offices were invited to take part in the assessment, but they were not unavailable for interviews. Furthermore, the KIs from FSPs were asked about their prices, services and ways to manage liquidity and currency exchange in the complex economic setting of Yemen. FSP KIs were not able or willing to disclose much information concerning these topics.
- The initial sampling objective was to include both FSPs with experience with working with humanitarian actors on CVA programming as well as FSPs that did not have such prior experience. Due to a high non-response rate among the latter group, FSPs that have worked with humanitarian CVA programmes before are over-represented in the final sample.
- Due to the overall research timeline, data collection period coincided with the month of Ramadan, during which staff capacity and working hours were reduced for the data collection teams, humanitarian organisations and FSPs. This affected data collection activities with all types of KIs, and possibly more surveys could have been conducted if it was possible to have data collection in a different period.
- The assessment provides an indication of potentially feasible CVA delivery mechanisms. Nevertheless, the exact feasibility of a mechanism is highly dependent on the area of intervention. Therefore, before implementing CVA, humanitarian organisations need to assess their own areas of operation more in detail (i.e. at community level), accounting for the capacities and preferences of the population, network quality, and proximity of available FSPs.

5 OVERALL CVA CHALLENGES AND MITIGATION MEASURES

Any CVA programme launched in Yemen is set against the backdrop of Yemen's unique context. Ongoing conflict, an economic crisis and limited digital infrastructure, among other things, create unique challenges.[30] Some of these challenges, as seen through the eyes of humanitarian, FSPs and community KIs, are assessed in this section. Please note that particular challenges inherent to a specific CVA mechanism are not part of this section; these are considered in their respective chapters.

This chapter starts with reported challenges related to the identification and Know Your Customer (KYC) requirements, including identification documents reportedly available in the assessed communities, and whether such documents meet KYC and FSP requirements. Secondly, the chapter covers data protection risks and experiences from KIs. Then, the potential obstacles faced by vulnerable groups within communities, such as old people and illiterate, in accessing financial services are explored. In addition, the chapter includes perceptions and challenges about network connectivity and accessibility of phones, as these play an important role in choosing a delivery mechanism.[31]

CVA is often perceived by humanitarian organisations and donors as being prone to security and corruption risks[32], such as extortion and misplacement during the delivery or use of the assistance. Therefore, the third part of this section covers security and corruption risks, including both challenges and lessons learnt from humanitarian KIs and FSP KIs, this section partly focuses on the role of agents, since agents were reported by humanitarian KIs as an area of concern posing a risk for corruption and noncompliance to meet procedures and humanitarian standards. At last, a section is dedicated to the experiences of FSP KIs, in relation to liquidity, costs and services provided, and their collaboration with humanitarian organisations.

[30] CALP. (2018). CTP in Challenging Contexts: Case Study on CTP and Risks in Yemen 2015-2018.

[31] See "Key criteria for assessing cash delivery options" in CALP Network. (2020). Delivery Money: Cash Transfer Mechanisms in Emergencies.

[32] CALP. (2018). State of the World Cash Report.

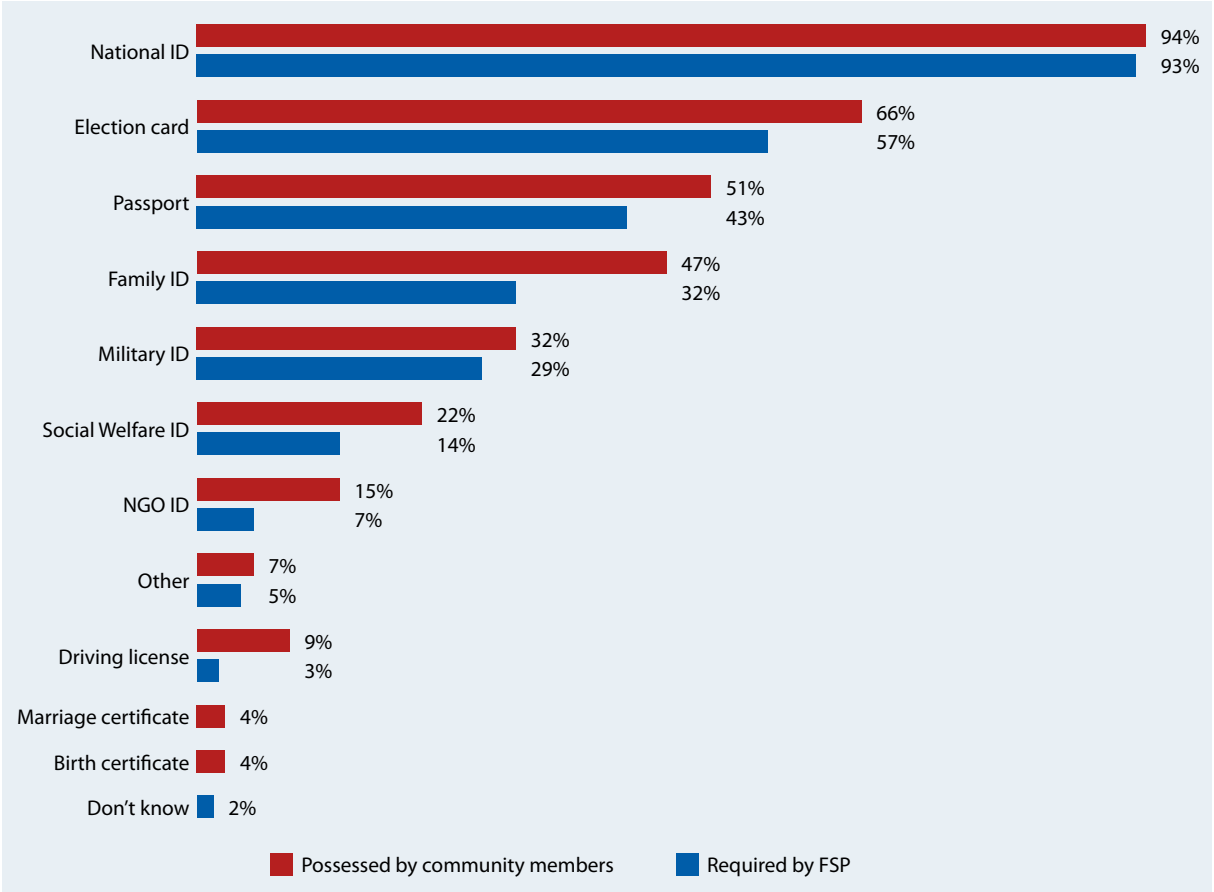
5.1 IDS AND KNOW YOUR CUSTOMER (KYC) REQUIREMENTS

KYC requirements are regulations that obligate FSPs to collect information about their customers, as a mechanism to control money laundering or other criminal activities.[33] The KYC process usually includes proof of the customer's identity and documenting the customer's address. Humanitarian KIs were asked whether they had concerns if KYC requirements were difficult to meet by recipients, thus jeopardizing the inclusion of some beneficiaries into CVA programming. The reported concerns were related to beneficiaries who lacked identification documents (IDs), and KIs commonly referred to IDPs, refugees, women, minorities and youth.

IDs in communities

Community KIs were asked to list the types of officially issued IDs that were most commonly available among community members. KIs from 94% of assessed communities reported that national IDs were available among the majority of community members. Additionally, the community KIs were asked which IDs were required by the FSPs to access their services. Also, it shows from the findings that a wide variety of ID types are found among communities. The necessary IDs to access FSPs were reportedly the same as the documents most frequently possessed by the community members. As such, there appeared to be a match between the types of ID reportedly possessed by the majority of community members and the types of IDs reportedly required by FSPs (see also Figure 1).

Figure 1: % of communities where KIs reported available ID types in communities, and IDs reportedly required by FSPs[34]

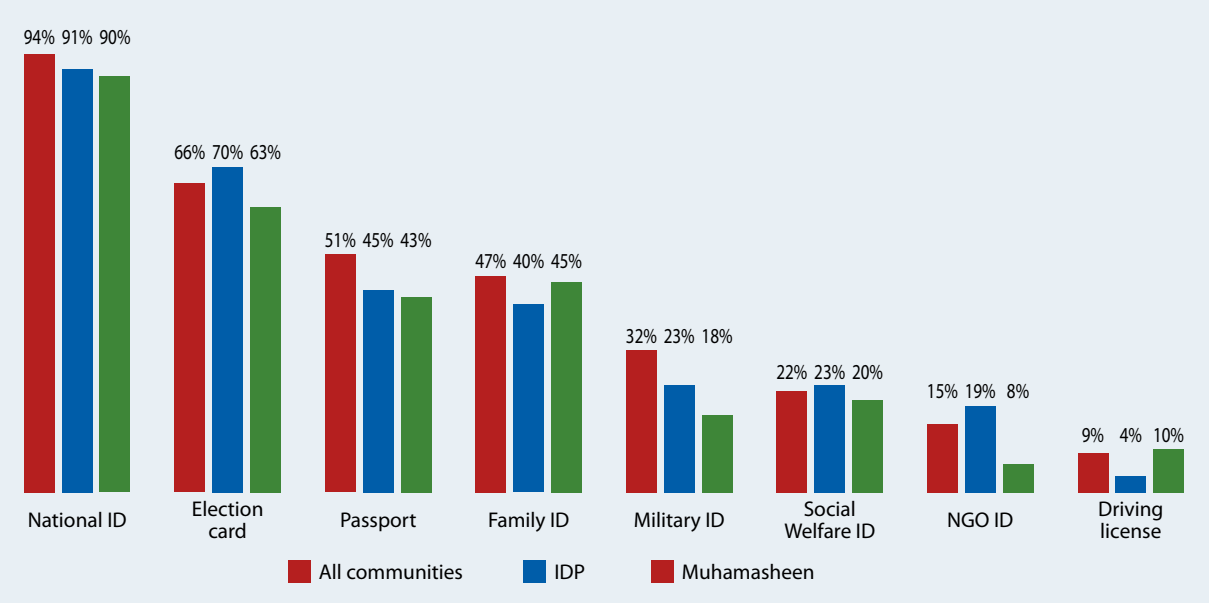


The type of IDs reportedly present/available among the majority of community members for Muhamasheen or IDP communities did not appear to differ much from the ID types reported by KIs from other communities. This is illustrated in Figure 2, showing the most frequently reported ID types.

[33] CaLP. (2019). Glossary of Terminology for Cash and Voucher Assistance

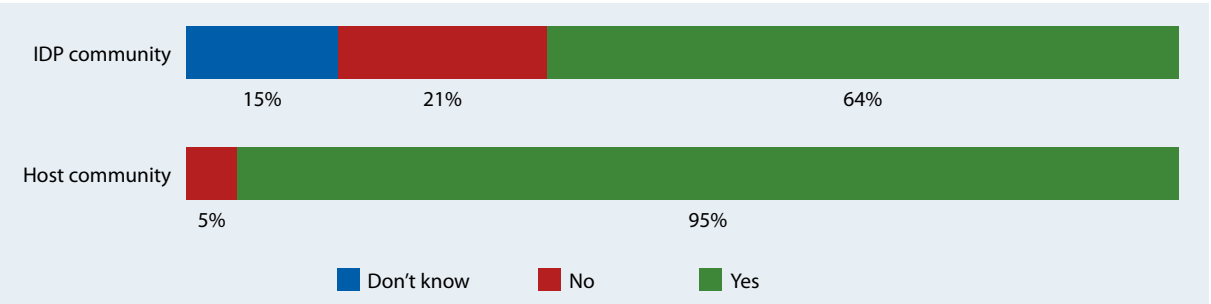
[34] Community KIs could select multiple answers.

Figure 2: % of communities where KIs reported the types of IDs held by the majority of people in the community, per community type



It can be noted that KIs from all of the communities reported at least one type of ID held by the majority of people in the community. However, there may still be challenges to access FSPs. Community KIs were also asked if the IDs possessed by the people in the community were sufficient to access FSPs, KIs commonly answered 'yes' (in 81% of the communities), while KIs in a minority of communities answered 'no' (12%) and 'do not know' (5%). Some of the reported barriers were related to having copies of IDs rather than the original documents, and election cards not being accepted by the FSPs. Whereas there appeared to be no considerable difference in terms of the reported availability of IDs between KIs from IDP and from host communities (see Figure 2 above), KIs from IDP communities seemed to more commonly report being uncertain about whether their IDs would be accepted at an FSP, compared to KIs from host communities. This is visualized in Figure 3.[35]

Figure 3: % of communities where KIs reported sufficiency of available IDs to access FSPs, among IDP and host communities



Mitigation measures

It should also be noted that these interview questions referred to the majority of community members. Therefore, there may still be community members who did not have IDs. It is important for humanitarian organisations to identify such community members and provide solutions. In this regard, humanitarian KIs were also asked how they proceeded if a beneficiary did not possess the necessary ID, to which the majority reported that they would negotiate with FSPs to accept other forms of identification. For example, most interviewed humanitarian KIs reported issuing their own form of identification for the beneficiary, and these documents were reportedly accepted by the FSPs. This aligned with the answers given by the KIs from banks and the cash transfer company,

[35] A possible explanation may be that IDP communities are relatively new in their living area, hence unfamiliar with the local FSPs and their requirements.

who reported that the use of identification documents supplied by the humanitarian organisation is acceptable. Alternatively, a few of the humanitarian KIs indicated that a relative was registered in the name of the beneficiary without ID. However, it can be noted that this measure may lead to issues for the registered relative (i.e. exclusion form aid targeting due to their existing registration status), as well as potential protection issues, particularly for female beneficiaries (who may depend on relatives to access the assistance), as can be read in section 1.3.

5.2 DATA PROTECTION

CVA programmes necessitate the storage of beneficiaries' personal information and sharing it with the FSP. Data that may be collected by humanitarian organisations include names, addresses and information on the household, such as family composition or income. This raises the question of how this information is protected, and what risks there may be for unauthorised access of this data within Yemen's context.

Data collection

Practices surrounding the collection of personal information may influence the communities' satisfaction with CVA programmes. For instance, because of cultural norms, one humanitarian KI reported that female beneficiaries could be uncomfortable with their biometrics being taken, such as fingerprints and iris scans. Another humanitarian KI stated that female beneficiaries had raised complaints about having their ID cards copied by an FSP. Community KIs were not directly asked about concerns related to privacy and data protection. Nonetheless, they were asked about their reasons for using different money transfer mechanisms, and confidentiality was one of the most commonly reported reasons.[36]

KIs from FSPs indicated that humanitarian organisations sometimes take biometrics wrongly. They also reported that, as a result of hard labour, the fingerprint of beneficiaries can become damaged and the person becomes unverifiable. As such, findings suggest that biometrics are not always attentive to the specific need and situation of beneficiaries, and that staff might not always be adequately trained in taking biometrics, which might cause delays later in the distribution cycle. In this regard, one FSP KI also mentioned developing QR code cards as an alternative, to replace verification via biometrics. This is an example of the use of a token, which is further discussed in Chapter X.

Data sharing

All humanitarian KIs indicated that beneficiary data was shared with FSPs, which the FSP used to verify the beneficiary's identity during distribution. The data shared with FSPs differed; some humanitarian KIs reportedly only shared beneficiary names, while one humanitarian KI reported sharing ID information, which the beneficiary was expected to present to the FSP. Some KIs also reported sharing phone numbers and addresses (e.g. for door-to-door delivery or SMS notifications), and biometrics were also reportedly shared.

When asked about risks of unauthorised access to beneficiary data, some humanitarian KIs noted that there was a risk of unauthorised or unwanted access to data. One KI reported that FSPs may have to comply with authorities' requests, and two humanitarian KIs reported that they had handed some beneficiary information to local authorities or the Supreme Council for Management and Coordination of Humanitarian Affairs and Internal Cooperation (SCMCHA).[37] Besides, one humanitarian KI reported that they sometimes shared data with humanitarian clusters to check for duplicates in beneficiary lists.

According to an FSP KI, FSPs' operations were guided by the Central Bank of Yemen (CBY) regulations on data security, but one FSP KI pointed out that the CBY's role in compliance was unclear after the bifurcation of the Central Bank into a Central Bank in Aden and a Central Bank in Sana'a. The reported result was that FSPs do not have a clear watchdog for data protection, and that they have to work with two competing authorities and lack clarity about which regulations to follow. Even though most humanitarian KIs did not report any third-party data sharing, these findings suggest that humanitarian organisations might not always be able to control or know what happens to the beneficiary data handed over to an FSP. Hence, humanitarian organisations need to have strong internal data protection measures, some of which are given below.

[36] Community KIs were asked about the most common methods of sending / receiving money in their community according to popularity among the community. They could select multiple mechanisms, and for each mechanism, they could select multiple reasons for preferring the respective mechanism. When all answer choices were considered together, confidentiality was the 4th most commonly reported factor, after familiarity, ease/safety to keep the money before spending, safety during the transfer.

[37] The SCMCHA is a body in the North of Yemen that acts as 'the national partner in all stages of humanitarian work'.

Data protection measures

All humanitarian KIs and FSP KIs reported that data protection policies were set in bilateral agreements between both parties; humanitarian organisations reportedly typically have contractual agreements on data protection with FSPs and choose their FSP partners based on the FSPs' data protection protocols.

A few humanitarian KIs indicated that they only shared beneficiaries' names and occasionally the ID types with FSPs. This mitigation measure, which minimises the amount of data collected and shared with the FSP, may be an effective way to minimise the impact of unauthorised access to sensitive data. However, it is important for humanitarian organisations to discuss with FSPs the types and amounts of beneficiary data that must be collected to meet KYC requirements, and which side will collect and store this data. It is also advisable to have clear SOPs regarding data collection, storage and sharing.

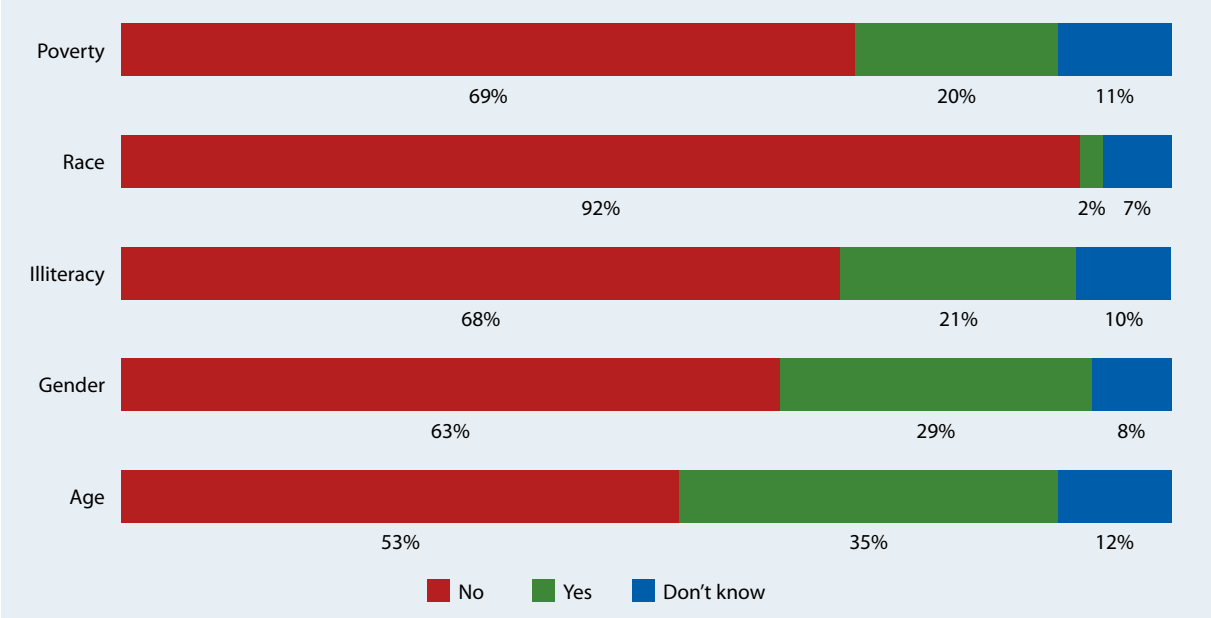
Other measures reported by humanitarian KIs and FSP KIs to protect beneficiary data included restricted access to the data, secured databases, and contractual clauses that prevented third-party sharing. One humanitarian KI indicated that their FSP partner was contractually liable for any potential data leakage. In addition, payment companies provide services for shared and secured databases between humanitarian organisations and FSPs, according to one humanitarian KI who worked with such a platform by MasterCard. Also, one humanitarian KI mentioned holding sensitisation training for their FSP partner to ensure responsible use and storage of beneficiary data in the field.

In terms of data security for e-vouchers, one KI from an e-voucher company indicated that the connection between devices was encrypted, and the cloud-based storage was protected. Also, it was reported that cards could not be read by any POS, but only by assigned POS devices. Another e-voucher company KI cited regular security checks of the system.

5.3 COMMUNITIES' SOCIAL BARRIERS TO ACCESSING FSPS

Community KIs were asked about their perceptions on the way certain factors presented barriers for community members to access FSPs, see figure 4. Age was commonly reported as an obstacle (by KIs of 35% of the communities), followed by gender (29%) and illiteracy (21%), whereas race was considered an obstacle by KIs of 5% of the communities. Social barriers may be under-reported because community KIs may be unaware or unable to reflect the needs of vulnerable groups. The community KIs, who indicated challenges due to one of these factors, were asked to specify the challenge. These findings are indicative of the possible challenges that are important to account for in a CVA programme.

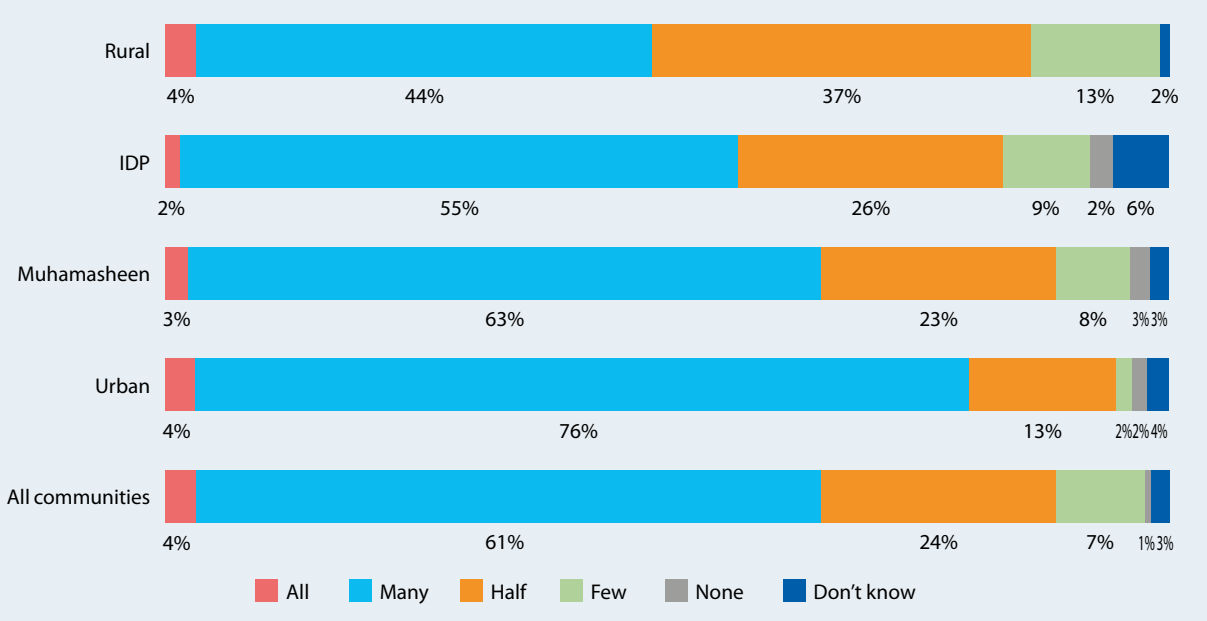
Figure 4: % of communities where KIs reported the factors limiting/preventing access to FSPs



Literacy

No recent data exist on literacy rates in Yemen, it can be expected to be low. UNICEF reports that in 2019 55% of girls and 70% of boys completed primary school[38], therefore literacy can be expected to be low. Especially members of the Muhamasheen community are expected to have a low literacy rate.[39] Community KIs were asked to estimate what proportion of their community members could read and write. The most-reported response was 'many'[40], indicated by KIs from 61% of the communities. The findings were disaggregated based on community characteristics, and are presented in Figure 5. Findings suggest that members of rural communities were less commonly perceived as literate by KIs than members of urban communities.

Figure 5: % of communities where KIs reported the estimated proportions of community members who were literate, per community type



KIs from communities that reported obstacles for the illiterate (reported in 27 communities) indicated that these individuals face problems throughout the process (n=11/27[41]), such as the inability to read the 'hawala number' that indicated the hawala agent from whom a money transfer could be collected, the inability to read the time of distribution, or the inability to use a phone. It was also reported that illiterate community members needed assistance from others (n=5/27) and had difficulty learning the location of FSPs (n=3/27).

Gender, age, poverty & race

Age was the most commonly reported barrier to access FSPs, and KIs in18 communities shed light on KIs why old age can be an obstacle. Older people reportedly faced issues accessing FSPs that required travel (n=8/18), while other KIs reported obstacles related to the poor eyesight of the older people (n=2/18). In addition, older people were reportedly less likely to know how to use a phone or to be literate (n=4/18).

Findings suggest that gender also plays a role in the accessibility of FSPs and CVA in general, as KIs from FSPs, humanitarian organisations, and communities reported this. Some community KIs reported being aware of potential barriers particularly for women (reported in 28 communities), such as travelling being difficult for women (n=10/28), meaning that FSPs and distribution mechanisms, that require travel might be less accessible to women. Other community KIs (n=6/28) reported that local customs and traditions may prevent women from accessing FSPs. These obstacles were echoed by KIs from a few humanitarian organisations and FSPs. For example, one humanitarian KI reported that women are not always able to collect the assistance. Consequentially, some women may depend on a male family member to do so. The risk flagged by this KI is an unwanted dependence

[38] UNICEF 2019. Data warehouse Yemen.

[39] Protection Cluster Yemen (2021). Yemen Protection Brief.

[40] 'Many' refers to an estimated 75% of the community, 'all' to 100%, 'half' to 50%, 'few' to 25%, 'none' to 0%.

[41] For subsets smaller than n=30, absolute numbers are given instead of percentages.

of female beneficiaries on others to access their assistance. Also, biometrical data can be a social barrier to CVA for women particularly, as was discussed in the previous section. Similarly, community KIs who indicated that poverty presented difficulties for accessing FSPs were asked about the relevant challenges. All reported challenges (reported in 22 communities) were related to the costs inflicted when accessing an FSP, in particular transportation costs (n=14/22).

Race was not commonly reported by community KIs as a barrier to accessing FSPs, apart from one KI who reported that there was discrimination against members of the Muhamasheen community. The under-reporting by non-Muhamasheen respondents could be the outcome of overall stigmatisation against the Muhamasheen. Another explanation may be that 'race' was not perceived in reference to the different ethnic groups in Yemen, but in reference to a larger social unit such as Yemeni or Arab. In this regard, Muhamasheen was possibly not considered a separate race. Also, it is possible that KIs from the Muhamasheen community did not report 'race' as an obstacle, as their community may access FSPs run by their own community members. Either way, the specific challenges of the Muhamasheen in terms of accessing FSPs would benefit from further research.

Mitigation measures

From the findings of the community KIIs, distance from FSPs stands out as a common obstacle for older people, women and poor beneficiaries to accessing FSPs. Travelling to an FSP appears also to be an issue to the wider community; the time needed to reach the FSP and/or the transportation costs incurred were the most frequently reported reasons for disliking a money transfer method (reported by KIs from 59% of communities). KIs from most of the humanitarian organisations also mentioned this factor, reporting that they chose a distribution location near to beneficiaries to limit the time and money required from beneficiaries to reach an FSP. For example, the use of door-to-door teams was a frequently reported measure to meet the needs of vulnerable groups and/or people in remote areas. Hence, limiting travel time for beneficiaries may be a simple measure to increase the accessibility of CVA for most groups. In addition, KIs from two humanitarian organisations reported nominating a next-of-kin or neighbour to collect the assistance if the beneficiary was unable to collect it, but it should be noted that this might bring a dependency and risk to the beneficiary, especially if it is a vulnerable person.

Another mitigation measure reported by a few humanitarian KIs was setting up distribution sites exclusively for vulnerable groups, such as a site for only women. To accommodate illiterate people, one humanitarian KI reported the presence of a staff member during distribution, who reportedly wrote down complaints and comments for illiterate beneficiaries. This mitigation measure is relevant, given the frequency of using digital complaints channels (including phones) by humanitarian organisations and FSPs, which might difficult to use for illiterate individuals.

No other mitigation measures were reported. This suggests that women, illiterate and old people would benefit more from CVA programmes tailored to their needs because the reduction of transportation cost or time does not bridge all barriers these groups may face. For example, customary reasons may discourage women to enter FSPs. Illiterate or old people might still face problems understanding the distribution process, and will consequentially be less able to recognise abuse or extortion of their assistance, and are less able to file a complaint. These groups might require (community) sensitization sessions or one-on-one assistance. Particularly, illiterate and older people might be helped by delivery mechanisms that are most familiar to them, and are as simple as possible.

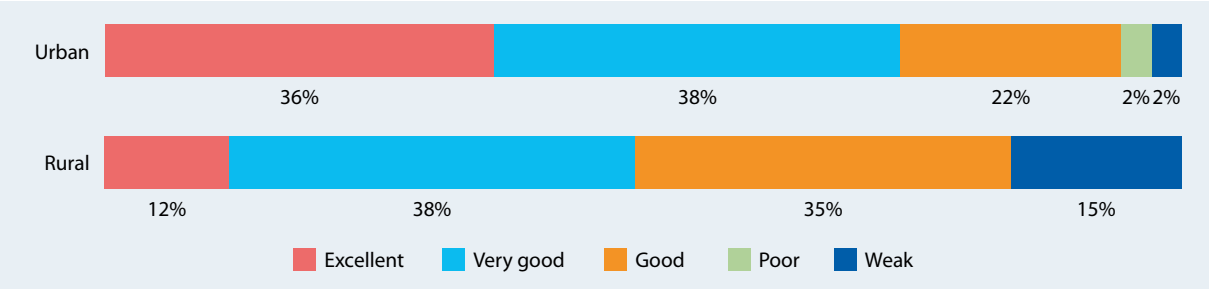
5.4 MOBILE NETWORK COVERAGE & PHONE OWNERSHIP

Mobile network and phone ownership are two factors that inform the choice for a delivery mechanism. Digital mechanisms, meanwhile, require a basic network connection at least a few times per week, e.g., for FSPs to upload transaction data or synchronise devices, and some digital mechanisms require internet access. Even non-digital delivery mechanisms may use SMS messaging to communicate with beneficiaries, or may call beneficiaries for follow-up and post-distribution monitoring. Therefore, KIs were asked how they perceived the network connection and levels of phone ownership in their communities, as well as potential obstacles that prevented community members from owning a phone.

Network connectivity

KIs from FSPs and humanitarian organisations commonly reported network connectivity as a potential challenge to adequate service provision. Network coverage also fluctuated over time, as one humanitarian KI reported since the network could be cut off for longer periods due to conflict. Community KIs in the majority of the assessed communities reported a stable network connection; KIs from 24% of the communities reported their network to be 'excellent', 27% as 'very good', 38% as 'good. Network connection was reported to be 'poor' in just 8% of the communities, and 'weak' in 1%. As seen in Figure 6, KIs from rural communities reported a worse network quality in their communities than KIs from urban communities. Network strength was hardly ever reported as 'poor' and appeared to be more frequently reported to be 'excellent' by KIs from urban communities compared to KIs from rural communities.

Figure 6: Reported satisfaction with mobile network quality, by % of urban and rural communities.

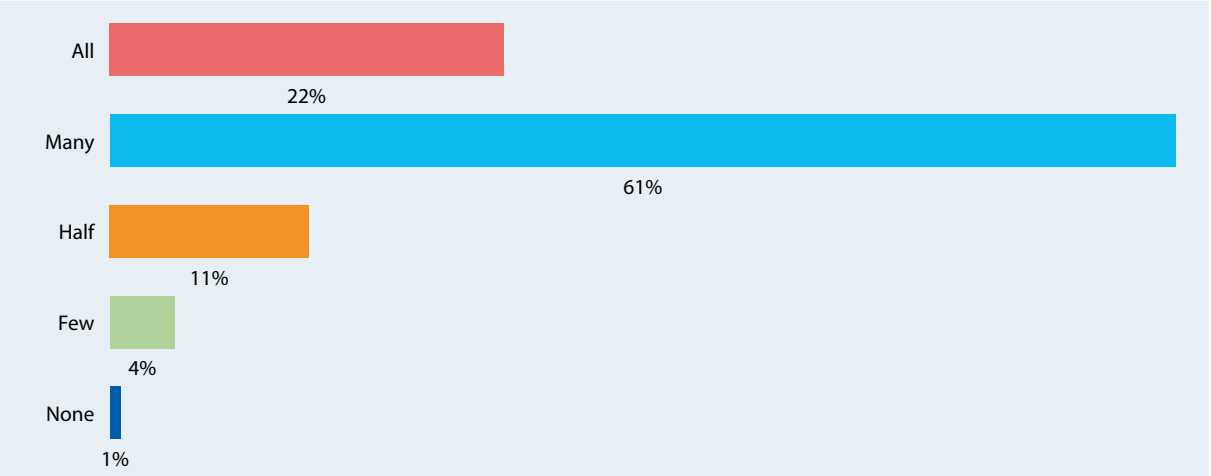


It should be noted that these findings do not distinguish between GSM networks (which enable SMS messaging) and 2G or 3G network (giving access to the internet). According to the World Bank, only 27% of the Yemeni population had access to the internet in 2019.[42]

Phone ownership

Phone ownership in the assessed communities appeared not to be universal, KIs from only 22% of communities reported all members possessed a phone. Nonetheless, community KIs from 61% of communities reported the majority of community members had a phone[43] (Figure 7). Findings further indicated that rural communities and those without stable network connections, as well as IDP communities, were less likely to own a phone.

Figure 7: Reported estimated proportion of the community owning a phone, by % of rural and urban communities. % of communities where KIs reported proportion of community members who owned a phone



[42] World Bank (2019).

[43] 'All' refers to 100% of the community, 'many' to 75%, 'half' to 50%, 'few' to 25%, 'none' to 0%.

KIs from communities where not all members possessed a phone (reported by KIs from 83 communities) indicated that phones tend to be borrowed from family, neighbours or friends (61%), or shops (39%). Regarding the costs associated with borrowing a phone from shops, community KIs reported a wide range of prices: from 100-200 YER per minute to 500 YER per minute. However, a majority (80%) of KIs from communities where phone ownership was not universal believed that not all community members were able to access phones via shops or borrowing. In other words, phone sharing, as a mitigation measure to overcome the lack of phone ownership, might lead to the exclusion of people with a small social network or a small budget.

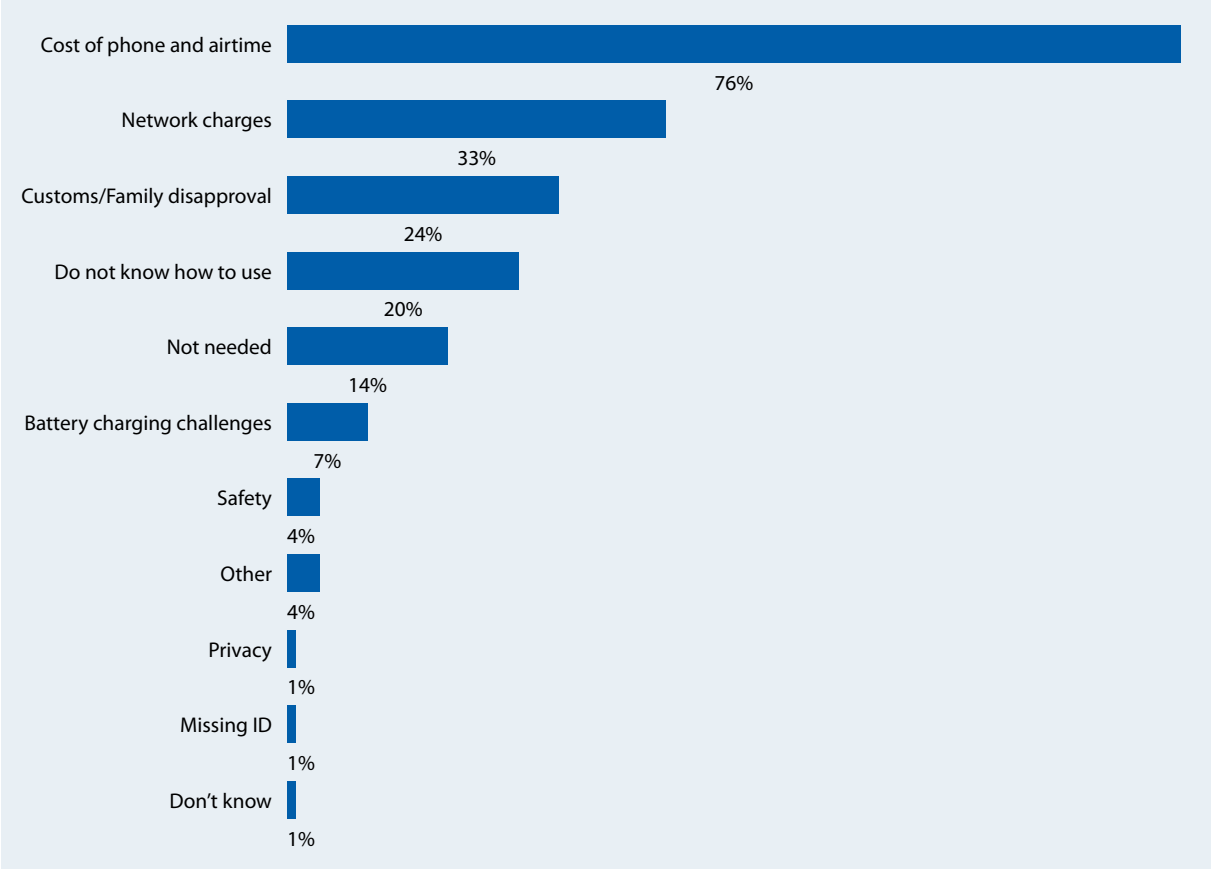
In addition, individuals that do not have a phone, usually do not possess a SIM card either, as was reported by KIs from 78% of the communities. Thus, those who did not own a phone usually did not have their own phone number either, and that when borrowing a phone, they usually also borrowed others' SIM cards. These considerations may be relevant for CVA programmes that use mobile money platforms or that rely on SMS or phone calls for follow-up.

Reasons for lack of phone ownership

According to KIs who indicated that not all community members possessed a phone (reported by KIs from 83 communities), the most important reasons for not owning a phone was financial: the costs of a phone and costs of airtime (76%). Other reported reasons were a lack of (stable) network (33%), family disapproval or customs surrounding who can own a phone (24%), unfamiliarity with phones (20%), and phones not being needed in their community (14%). Furthermore, community KIs were asked if particular groups had difficulty using phones. Overall, 67% of the community KIs answered 'yes', specifying illiterate people and people unfamiliar with phones, as well as older people and women.

These findings suggest that whereas phone ownership was reportedly quite common in the assessed communities, poor people are most unlikely to possess a phone, followed by illiterate people, women and older people. On a community level, it can be deduced from the findings that urbanisation and quality of network coverage are possible predictors of phone accessibility.

Figure 8: Reported reasons for not owning a phone, per % of communities (reported by 83 communities in which not all members owned a phone)



5.5 FINANCIAL ILLITERACY

KIs from various humanitarian organisations and FSPs reported the population's lack of financial literacy and familiarity with formal financial institutions as a point of concern, noting that using digital delivery mechanisms might not be convenient for all beneficiaries. According to the findings of the community KIIs, unfamiliarity indeed stood out as a reason for why community members did not own bank accounts (reported by KIs of 45% of the communities, Figure 14). On the other hand, unfamiliarity was less of an important factor when considering why community members lacked phones (not knowing how to use a phone was reported by KIs from 20% of the communities). It indicates that the proportion of beneficiaries that need to 'learn' a delivery mechanism first, differs per mechanism.

The relative lack of familiarity with formal financial institutions does not mean that it is impossible to integrate communities into these institutions. For example, one of the FSP KIs reported attracting a million users within the first 6 months of launching their mobile banking service. When asked about this success within a context of limited financial literacy, the FSP KI reported that the customers "were keen to learn". This success story was confirmed by a KI from another FSP. Furthermore, financial illiteracy in Yemen was not reported by KIs from all humanitarian organisations as an obstacle, with a few KIs reporting that the population's familiarity with banks is an opportunity.

Nonetheless, financial literacy in Yemen can be expected to be low, and sensitizing financially illiterate beneficiaries to certain delivery mechanisms will likely require dedicated training and supervision from humanitarian organisations. Findings of this chapter suggest that especially illiterate groups, women, or people with a limited social network, may require special care.

Financial inclusion in CVA

From the KIIs with humanitarian organisations, it appeared that the extent to which financial illiteracy is regarded as an obstacle for more digital CVA mechanisms depended on the programmatic goals of the organisation. For example, KIs from two humanitarian organisations mentioned a recommendation that financial inclusion[44] should be considered as a serious objective of CVA. In their perspectives, financial illiteracy may be regarded not as an obstacle, but as an argument for carefully implementing delivery mechanisms that could promote financial inclusion. In contradiction, the lesson learnt by KIs from one-third of the humanitarian organisations was that beneficiary convenience was the most important factor for evaluating a delivery mechanism, advocating simple method for beneficiaries.

Whether part of the programmatic objectives of an organisation or not, some CVA delivery mechanisms may contribute to financial inclusion. Agents were said to stand at the frontier of financial inclusion for unbanked populations. According to a Consultative Group to Assist the Poor (CGAP) / World Bank report of 2019[45], cash in and cash-out agents, such as bank agents or mobile money agents, served as the connection between individuals and digital financial services. These agents "are necessary to get more people to use and become familiar with digital financial products without disrupting their many other cash transactions, as they offer access and an introduction to financial services, as well as the opportunity to build trust in financial institutions". Such factors could be accounted for when assessing a delivery mechanism.

5.5 SECURITY CONCERNS & WORKING WITH AGENTS

A CVA programme carries a risk of violence and insecurity either during delivery or during the actual use of CVA.[46] Possible risks include extortion during transportation or distribution, or increased social tension between communities. Possibly, the insecurity caused by the ongoing conflict in Yemen increases these risks, while adding potential insecurities for beneficiaries who attempt to travel to distribution sites. Therefore, KIs from communities, humanitarian organizations and FSPs were asked how they perceived these risks, and what measures were found helpful for mitigation and prevention.

[44] Financial inclusion means "that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way." World Bank. Financial inclusion

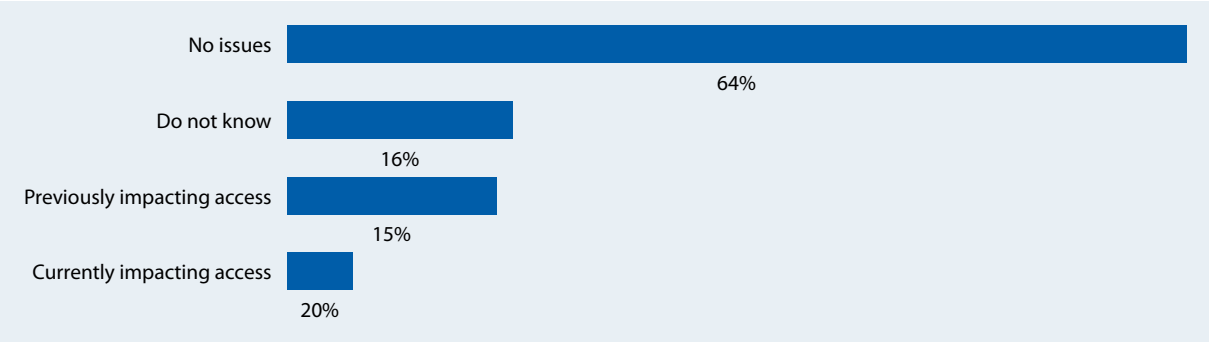
[45] GCAP & World Bank (2019). Agent's network at the last mile: A guide for digital finance to reach rural customers.

[46] CALP Network. (2020). Delivery Money: Cash Transfer Mechanisms in Emergencies.

FSP accessibility

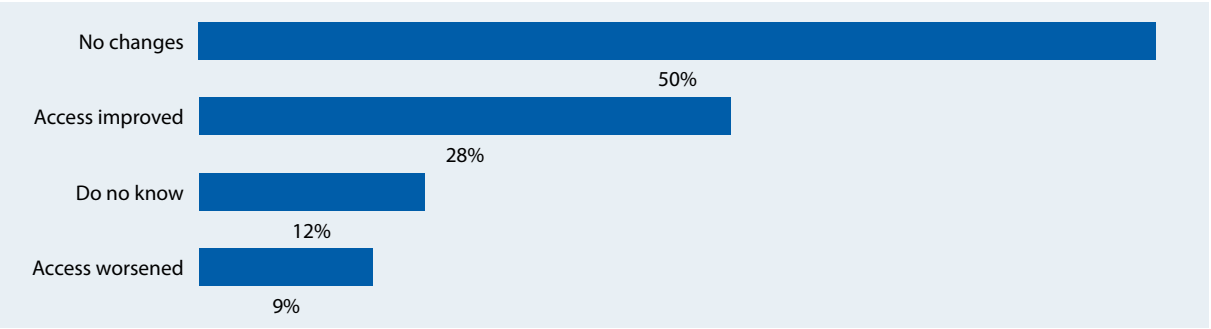
To assess the influence of conflict on the ability of a community to access financial services, community KIs were asked if the access to FSPs had changed in the three months before data collection due to fighting, movement restrictions, insecurity, etc. Overall, KIs from 64% of the communities reported no issues related to conflict. Conflict played a reported influence at the time of data collection (or within three months prior to data collection) for 5% of the communities and played a role in the past (before three months prior to data collection) for 15%. The proportion of community KIs who responded 'do not know' or 'prefer not to say' (17%) was higher relative to non-conflict related questions that were asked to the KIs. A possible explanation may be the sensitivity of the topic.

Figure 9: Perceived effect of conflict on the accessibility of FSPs in the 3 months prior to data collection, by% of communities.



Apart from insecurity due to conflict, access to FSPs may be compromised due to physical barriers, such as impassable roads or power cuts. Overall, KIs from 50% of the communities reported no changes in terms of access to FSPs due to physical barriers (in the last 3 months prior to data collection), KIs in 28% of communities reported perceiving that the access had improved, 9% reported the access had worsened, and 12% reported not knowing whether or not access had changed. As to what worsened the physical access (reported by KIs in 19 communities), the reason was road damage (8/19 KIs), fallen electricity lines (3/10) or no electricity (1/19), damage to water pipes and/or flooding (2/19), limited availability of transportation (2/19), and reduced opening hours of the FSP (1/19).

Figure 10: Perceived change in physical access to FSPs in the 3 months prior to data collection, by % of communities.



Following these findings, the access for communities to FSPs may be influenced by physical barriers or conflict. These obstacles can also prevent the access of humanitarian organisations to beneficiaries. Hence, a CVA programme should account for these risks, and attempt to find solutions to continue aid distribution in a sudden emergency. For example, half of the humanitarian KIs reported they are present during distribution for supervision and mitigation for insecurity and corruption. It may be considered by humanitarian organisations to test and roll out remote distribution and monitoring before access to the distribution area Is restricted due to a sudden obstacle.

In this light, an interesting case raised by the findings is that a majority of the KIs reported the ability of their community to access FSPs, despite the ongoing conflict in Yemen. This may be the case because there was no active conflict in these areas at the time of data collection. A second explanation is that FSPs, such as hawala agents and exchange offices, are usually present within the communities (see p. X, 7.2. delivery through agent)

meaning that accessing an FSP does not involve traversing through an insecure area. Working with agents within communities might potentially allow for a continuation of CVA programmes despite conflict and insecurity, as has been the case in other countries (see also Box 5, Money transfer agents in Yemen). Similarly, digital delivery mechanisms may reduce the need for CVA recipients to travel to FSP sites.

Risks of insecurity

Humanitarian and FSP KIs were asked about security risks and incidents they experienced during the use or delivery of assistance. It is worth noting in this regard that the majority of KIs, both humanitarian and FSP, did not discuss concrete incidents; limited reporting can be the result of the sensitivity of the conflict. Incidents were mainly reported when talking about delivery through agents, but are discussed in this chapter because the risks and mitigation measures are relevant to all delivery mechanisms. Besides, the fact that incidents were reported in reference to this specific delivery mechanism does not imply a higher level of security risk for delivery through agents. Rather, it can be the result of the fact this mechanism was used by all of the interviewed humanitarian KIs.[47] The incidents raised were anecdotal, and the exact scope of security incidents during the use and delivery of CVA in Yemen remains uncertain.

As can be expected in the context of Yemen's crisis, different types of conflict-related security concerns were reported. FSP staff was arrested by local authorities, reported one KI, and another reported feelings of insecurity due to nearby conflict. KIs from many humanitarian organisations and FSPs reported challenges faced by ungranted travel permits, or restrictions by authorities, causing delays and obstacles to the delivery of CVA. Some KIs from FSPs and humanitarian organisations reported that the North of Yemen was a particularly insecure working area.

According to KIs from a small number of humanitarian organisations, their CVA programme had increased social tension and violence between communities. One humanitarian KI reported that tensions rose between an IDP community receiving assistance and a host community that was not receiving assistance. Another humanitarian KI reported violence caused by social tensions between two neighbouring communities; one community received cash assistance, and the other received in-kind assistance while preferring cash assistance. Members of the community receiving in-kind assistance reportedly attacked the FSP on its way to distribute cash assistance in the neighbouring community.

Mitigation measures for insecurity, conflict & violence

Humanitarian and FSP KIs reported measures to identify and reduce security risks. Most of the humanitarian KIs reported being present during the distribution to maintain oversight, and a majority reported employing a security team to monitor and evaluate the security situation of the area before and during distribution. KIs also shared the advice to identify safe routes and the need for security procedures and Standard Operating Procedures (SOPs). Reporting on these SOPs, one KI emphasized the need to include the FSP in the design and training on SOPs, while another KI reported the need to prepare SOPs for a distribution in case of an emergency such as conflict or flooding. Another reported practice was a security officer on-site for crowd management and maintaining social distance, security guards, and CCTV. One FSP KI emphasised that the security of a payment site was considered not only in terms of violence and conflict but also in terms of accessibility for women.

Communication and relationship building

Before distribution, communication and relationship building with local actors and the community appeared to be the main mitigation measure employed to increase security, by KIs from humanitarian organisations. As such, KIs from several humanitarian organisations reported that they obtained approval from the local authorities prior to the distribution, and one humanitarian KI indicated that their organisation sent requests for deconfliction to parties to the conflict in an attempt to secure the area of distribution. Close collaboration with local actors was furthermore used as an early warning system. For example, a good practice reported by several humanitarian KIs was to ask for a green light prior to distribution from informants on the ground, such as community leaders, local focal points, or partner organisations.

[47] Of the 11 humanitarian organisations that participated in the KIIs, all were involved in CVA via delivery through an agent. Aside from this, one organisation also used e-(value) vouchers, one mobile money and one cash delivery.

In addition to risk identification, some humanitarian KIs mentioned relationship-building and communication as a key strategy to prevent insecurities. Transparent communication with the community, for instance about the objectives of the programme and beneficiary selection criteria, was mentioned to increase the communities' trust in the organisation and ownership of the programme. Working with local community committees or setting up a relief committee was reported as a helpful communication channel with the community and is a practice reported by KIs from many humanitarian organisations. In addition, one humanitarian KI reported having a network of local volunteers, who provided direct access to the community and acted as local ambassadors of the organisation on the ground.

Altogether, these measures are reportedly helpful to reduce the risk of corruption, theft, or social tensions coming from members of the community. For instance, the KI that indicated tensions between a host community and a CVA-receiving IDP community reported that the tension was the result of miscommunication; the host community was misinformed about the programme objectives and criteria and subsequently believed it was entitled to assistance. Concerning mitigating social tensions, the primacy of communication can also be applied between humanitarian organisations; it was advised by one humanitarian KI to harmonise the modality used in a district between organisations, and coordinate accordingly, as a way to reduce risks of social.

BOX 4: HUMANITARIAN KIS ON THE NEED FOR COLLABORATION

Findings suggest a shared vision between humanitarian organisations for more collaboration; KIs from more than half of the humanitarian organisations mentioned the importance of stronger collaboration, coordination or knowledge sharing. In reference to this, some KIs suggested that CMWG members already possessed critical expertise and that the CMWG platform could be used for the sharing of information, studies, and best practices. One KI indicated that deliberation on CVA mechanisms should lead to more uniform approaches, and two KIs reported seeing opportunities for humanitarian organisations to act as a community and engage with FSPs to find solutions for shared challenges (more on this can also be found in Chapter 6 'FSPs', p.X).

5.6 RISKS OF CORRUPTION & MISCONDUCT

Another type of CVA risk is related to corruption; handling money or vouchers may give FSPs or agents leverage over beneficiaries, or community leaders who help with coordination of the programme may leverage their role against the community members. Besides, humanitarian organisations are not the only actors involved in CVA, this raises concern to what extent other stakeholders comply with humanitarian standards and the SOPs of humanitarian organisations. The majority of KIs from humanitarian organisations experienced some sort of corruption incident or expressed concerns over the incompliance of agents. These will be outlined here, together with reported mitigation measures. One section is reserved for the role of agents in this context.

Registration

Many humanitarian KIs reported involving third party actors to assist or manage the processes of beneficiary identification, verification, and registration. This process can potentially be prone to corruption risks. KIs from close to half of the humanitarian KIs reported incidents of corruption during the assembly and/or registration of beneficiaries. The incidents often concerned a community committee member requesting something from the beneficiary in exchange for placing the beneficiary's name on the selection list. In another case, the corruption reportedly came from the partner organisation engaged in the registration process.

When asked about possible methods to mitigate registration corruption, one humanitarian KI reported signing a clear term of reference (TOR) with the community committee, articulating that committee members worked voluntarily and that members did not have rights to any form of entitlement. In addition, KIs from two humanitarian organisations reported never registering beneficiaries through a third party without some sort of oversight. Another reported mitigation measure was to train beneficiaries clearly on their rights and the use of complaints mechanisms, in order for them to identify misconduct and report it to the humanitarian organisation.

Working with agents

KIs from one-third of the humanitarian organisations recollected corruption incidents in which agents attempted to tax beneficiaries upon pick up, or in which agents charged additional fees to beneficiaries, presumably for transportation or printing receipts. KIs from some other humanitarian organisations expressed concerns about the agents' treatment of beneficiaries, stating that agents might not always comply with humanitarian principles. They reported concerns that agents might not be patient or impartial with beneficiaries, or might not know how to respond to the needs of vulnerable groups. One humanitarian KI explained that the commercial priorities of FSPs and agents may stand in contrast with the care required for beneficiaries.

Hence, agents are a point of concern for several humanitarian organisations. Reported lessons learnt to reduce agent's misconduct included training the FSP on humanitarian principles, focusing on risk management, and having clear SOPs in place. Another commonly reported practice was to be present during the distribution, although it may be difficult for humanitarian organisations to always be present during distribution in Yemen, where insecurity is often a major concern. In this regard, one humanitarian KI reported that the FSP had assigned a teller specifically responsible for supporting humanitarian beneficiaries. Other reported mitigation measures were related to the identification of corruption cases, rather than their prevention; When asked about mitigation measures, all humanitarian KIs reported having a complaints mechanism and post-distribution monitoring system. Also, reportedly it was a common practice that FSPs were required to reimburse the beneficiary in cases of taxation by an agent.

Based on the mitigation methods reported by the humanitarian KIs, it appears that humanitarian organisations have limited ability to monitor agents directly, and the line of communication with agents occurs mainly via FSPs. Therefore, FSP KIs were asked about the requirements for agents to work with FSPs, and the methods in place to ensure that agents did not engage in corruption or misbehaviour. According to the FSP KIs, agents are licensed by the CBY, and vendors must have a trade registration. One FSP KI elaborated on the CBY license for agents, reporting licensed agents are obliged to have an external auditor. Counterfeiting agents were reportedly blacklisted by the CBY, and some of the FSP KIs also reported having their own lists of blacklisted agents. Thus, one humanitarian KI advised practitioners to regularly check the CBY list to identify newly blacklisted agents.

Furthermore, the KIs from banks reported that oversight was guaranteed because they had access to agents' payment systems as a condition of their partnership. One of these KIs explained the practice of hiring and monitoring agents in detail: prior to contracting an agent, the FSP reportedly investigated the agent's reputation and management and conducted liquidity checks to ensure they could handle large distributions. The KI also reported only hiring agents that came from the distribution area, adding a layer of societal control. Also, the FSP reportedly never hired agents temporarily, thereby deterring agents from counterfeit or misconduct by institutionalizing the relationship. Furthermore, the KI reported offering higher commissions for agents in remote areas to compensate for the higher risks that these agents faced and the FSP's risk and audit department conducted regular checks and visits to agents.

Regarding agents' compliance with distribution plans and humanitarian standards, KIs from most FSP reported that they made the agents aware of these prior to the contract, and two FSP KIs reported that the humanitarian codes of conduct were part of the agreement signed with agents. Agents reportedly received training before the distribution cycle or were supervised on the first distribution day, but it is questionable if one training is effective. To optimize comfort for women and/or to increase community acceptance, two FSP KIs reported they were able to employ female staff on the payment site. FSP KIs also reported post-distribution monitoring as a mechanism to detect misconduct of agents and to follow-up. In addition, all FSP KIs reported maintaining complaints channels, through which recipients could raise issues.

These reported practices that FSPs reported on how they dealt with their agents were of an indicative nature. Hence, it would be valuable for humanitarian organisations to incorporate investigations of agent policies into their due diligence on potential FSP partners. The practices reported in this assessment can potentially serve as a starting point to guide this negotiation.

BOX 5: MONEY TRANSFER AGENTS IN YEMEN

In the last few years, an increasing number of hawala agents opened business in Yemen, according to one of the FSP KIs. The same FSP KI reported that local exchange offices were taking up formal banking services, following the example of the large microfinance bank Al Kuraimi, which originally started as an exchange company with offices across Yemen.

One explanation for the rising number of money transfer agents is found in a Humanitarian Policy Group (HPG) Working Paper from 2018[48], which links the growing number of hawala agents to international de-risking and de-banking of Yemen; the Working Paper states that out of fear for terrorism and financing crime, transfers through formal banking institutions to Yemen are constrained by international de-risking practices (i.e. making money transfers subject to investigations, freezing accounts etc.). According to the HPG, hawala's are much less restrained by these regulations and remain functional for transferring money, causing their growth.

International actors tend to be reluctant to use hawala, due to concerns about their role in money laundering[49] but in Yemen, the use of local money traders is an accepted and widely used part of the Yemeni financial ecosystem and is also accepted by humanitarian organisations.[50, 51] Hence, the growing presence and role of money trading agents are a continuation of an already existing phenomenon. A KI from one FSP reported that these channels were an effective way to move money around despite the ongoing conflict. The same is noted in other complex environments such as Somalia and Afghanistan, where using a hawala system may provide an efficient way to transfer money to inaccessible areas in which no banks or other forms of cash transfer systems are in place.[52]

It follows that working with local money transfer agents may often be the only practical option that a humanitarian organisation has, but humanitarian organisations must be careful about transferring risks caused by the conflict to local actors, as this may bring the local actors in danger. Nevertheless, the role of agents in delivering CVA will likely continue to grow given the development of mobile money services and e-vouchers, which drives customers to agents rather than banks. Within this context, the lessons learnt from humanitarian and FSP KIs on how to coordinate with and monitor agents are important, and more collaboration and knowledge-sharing on this topic may be helpful to further improve humanitarian CVA programming.

[48] HPG Working Paper (2018). Counter-terrorism, de-risking and the humanitarian response in Yemen: a call for action.

[49] Jost, P.M. and Sandhu, H.S. (n.d.) 'The Hawala Alternative Remittance System and its Role in Money Laundering', Financial Crimes Enforcement Network in cooperation with INTERPOL/FOPAC.

[50] CALP. (2018). CTP in Challenging Contexts: Case Study on CTP and Risks in Yemen 2015-2018.

[51] REACH Initiative & CMWG Yemen. (2019). Financial Service Providers Assessment.

[52] Action Contre La Faim (2012). Hawala cash transfers for food assistance and livelihood in Afghanistan.

6 FINANCIAL SERVICE PROVIDERS

The findings presented in this chapter mainly come from KIs from four FSP who facilitated CVA via delivery through agents and had experience facilitating CVA. KIs from FSPs were asked about their prices, services and ways to manage liquidity and currency exchange in the complex economic setting of Yemen. Cost considerations for vouchers are elaborated upon in the respective voucher chapter (7.4, p. X).

BOX 6: NON-EXHAUSTIVE LIST OF FSPS[54]

A self-administered survey was circulated among CMWG Yemen members to identify FSPs and their coverage, and to provide an opportunity for humanitarian organisations to share their working experiences.[53] The 13 humanitarian organisations that participated in the survey appear to predominantly work with banks and exchange offices, the list of which can be found below.

An extended list can be found in Appendix I. FSP Assessment (p.X)

FSP	Type	Governorate[54]
Al Amal	Microfinance bank	Abyan, Ta'iz, Hadramawt, Ad Dali', Al Hodeida, Lahj Marib, Shabwah, Dhamar
Yemen Kuwait Bank	Bank	All governorates
Al Kuraimi	Microfinance bank	Ibb, Abyan, Ta'iz, Hadramawt, Shabwah, Sana'a Ad Dali'
Al Najam	Exchange company	Not reported
Al Nasser	Exchange company	Not reported
Rashad Buhair	Exchange company	Sana'a City, Sana'a, Amran
YCash	Transfer company	Not reported

6.1 LIQUIDITY

The depreciation of the Yemeni Rial and the halting of exports have caused a liquidity crisis in Yemen.[55] Despite this working environment, the FSP KIs did not report facing liquidity problems for CVA delivery. Liquidity was also rarely cited as a problem by KIs from humanitarian organisations If liquidity challenges occurred, they were solved within one or two days by agents stepping in to fill the liquidity gap, according to KIs from two humanitarian organisations that had experienced minor challenges with liquidity. One FSP KI indicated the same, adding that the CVA delivery plan was shared in advance so that agents can prepare their liquidity. KIs from two other FSPs also reported that they were able to move funds from other branches when needed. The capacity of FSPs to secure liquidity despite Yemen's economic crisis was also confirmed earlier by a study of REACH in 2019.[56]

6.2 FEES

Different FSP KIs' reported that humanitarian organisations could be charged a 7% fee maximum for a money transfer, stipulated by the CBY. Other than that, the cost of a CVA transfer remained uncertain because KIs were unable or unwilling to provide more specific answers. Instead, KIs from FSPs reported that no specific number could be given because prices were reportedly calculated based on many factors, such as the delivery method (door-to-door, agents, mobile payment sites), distance from beneficiaries, area, and requests from the humanitarian organisation in terms of supporting documents or procedures.

[53] Information obtained from the survey was shared exclusively with CMWG members to ensure privacy of FSPs and humanitarian organisations. The only information shared in this report is Box 5., to serve as an example of a handful of FSPs in Yemen.

[54] This concerned governorates where the humanitarian organisation worked with the FSP, not the coverage of the FSP across Yemen.

[55] World Bank (2019). Country engagement note. https://documents1.worldbank.org/curated/en/757121557938303017/pdf/Yemen-Country-Engagement-Note-for-the-Period-FY20-FY21.pdf

[56] REACH Initiative & CMWG Yemen. (2019). Financial Service Providers Assessment.

Talking about delivery through agents, one FSP KI indicated that the fees varied between 1.5% and 3%, and another FSP KI indicated that the delivery mechanism with the lowest fee would be pick-up at an agent, via SMS notification. Among the respondents who filled the self-administrated survey, the majority indicated paying a fee of 1% to 2% per transaction. One respondent indicated that a mobile payment team costs 2.8% of the total transaction, whereas two other respondents reported a fixed daily price that was paid for door-to-door delivery. The majority of respondents reported to be paying a percentage fee, but two respondents indicated a flat rate: one of 0.9 USD, and the other of 400 YER per transaction.

The KIs from the FSPs all reported that transportation cost and labour cost were included in the fees, as well as basic protection material against COVID-19. In this regard, most FSP KIs reported that the rising fuel prices were driving up the transportation costs, and one KI mentioned the increasing costs due to the COVID-19 pandemic. Furthermore, all reported providing basic customer services including a hotline, social media, and support through branches. Two KIs reported that the currency exchange fee was included in the fees. One KIs also indicated that they provided basic training for their agents.

BOX 7. COLLABORATION BETWEEN HUMANITARIAN ORGANISATIONS TO IMPROVE THE WORK WITH FSPS.

During the interviews, humanitarian KIs shared some of their experiences in working with FSPs. As a lesson learnt, KIs reported the necessity for continuous communication with FSPs. One reported good practice was to have focal points in the field and head office for both parties. A second reported practice was to hold training with FSPs regularly and to include FSPs in all SOPs. In general, KIs from humanitarian organisations reported positive opinions about their partners FSPs, whereas another humanitarian KI reported challenges with the FSP related to compliance and coordination, particularly at the local level.

This finding indicates that the best practices from some organisations could be helpful to find solutions to the challenges of other organisations. A similar approach could be helpful in terms of shared grievances, such as FSP prices and coverage. For example, some humanitarian KIs reported discontent about the lack of competition between FSPs, as there were only a few FSPs with sufficient experience and capacities for CVA programming. One humanitarian KI reported that this was a problem specifically for smaller NGOs, compared to UN organisations, or organisations with larger beneficiary lists, as smaller NGOs had less bargaining power vis-à-vis FSPs. In this regard, the same KI reported that humanitarian organisations would benefit if they jointly negotiated with FSPs to push for more favourable fees. Similarly, some KIs from other humanitarian organisations reported that humanitarian organisations could collaborate, in order to find solutions for the high and fluctuating exchange rates (that are negotiated with FSPs before CVA delivery).

Humanitarian organisations can also collaborate more with FSPs. One reported idea was to have discussions between humanitarian organisations and FSPs, to exchange ideas and find solutions for operational needs and priorities. Another reported collaboration idea was about strengthening the financial infrastructure. One humanitarian KI suggested that humanitarian organisations could negotiate with FSPs to increase the number of POS machines. When an FSP KI was asked about this, they reported being open to such suggestions and being willing to set up new payment sites or ATMs in response to a CVA programme.

6.3 EXCHANGE RATES

KIs from three humanitarian organisations reported that the fluctuating exchange rate presented challenges for their work, with one specifying that FSPs used a higher exchange rate than the market rate. In contrast, two FSP KIs and one respondent for the self-administered survey reported that they agreed on a fixed (lower) percentage of the exchange rate. When judging whether an FSP's exchange rate is competitive with the market, it is important to understand which market rate is used. KIs from two FSPs reported using the CBY exchange rates, while another reported sourcing the rates from Telegram, which is a communication platform where daily updates of the exchange rates are shared. One humanitarian KI reported that using this platform is a helpful way to decrease uncertainties around the exchange rate. Yet, the sources used by this platform were not investigated as part of this assessment.

Furthermore, it is important for humanitarian organizations to discuss with FSPs about the moment in the payment cycle that will be used as a reference point for the exchange rate; one humanitarian KI reported that the period between the start of the distribution, and the reimbursement of the FSP can be long. As a result, the exchange rate may have changed. Besides, KIs from FSPs reported that the difference in banknotes between the North and South of Yemen was a general challenge for their work. For example, one KI explained that the FSP was instructed to distribute a certain banknote, while the beneficiaries wanted to receive their assistance in another banknote.

6.4 SERVICES

FSP KIs were asked about the customer services they provided, and whether they provided training on how to use the service. All FSP KIs indicated they operated a hot-line for beneficiaries. In addition, social media channels were reportedly used frequently by recipients. Among the FSPs that had branches, operating a branch was mentioned as a resource where customers could receive assistance in person. In addition, KIs from voucher companies reported providing ongoing technical support to humanitarian organisations. In terms of training for the beneficiaries on delivery mechanisms, FSP KIs reported that the humanitarian organisations usually took this task, but FSPs could provide training if requested. Text messaging was reported by humanitarian and FSP KIs as a proven method to inform beneficiaries about the delivery date and time, and to spread instructions or COVID-19 awareness. Most of the KIs from mobile money providers reported that they provided training on the use of mobile money services. Reportedly, this instruction was commonly given when the account was set up at one of the mobile money agents.

7 CVA DELIVERY MECHANISMS IN YEMEN

This chapter consists mostly of an evaluation of the different CVA delivery mechanisms in Yemen, intending to provide some comparative overview by listing requirements, challenges and advantages per mechanism. When assessing the feasibility of a delivery mechanism, many factors are important to consider[57]. Importantly the desires of beneficiaries are to be accounted for. Secondly, the choice is dependent on the local infrastructure and context, herein the distance from FSPs and agents, network and phone ownership is important. Furthermore, the choice is driven by practical considerations such as costs and implementation time.

In this way, the assessment made a general attempt at highlighting how these factors might play out per delivery mechanism. Regardless each organisation will need to do its own research owing to the many contextual differences within Yemen and the limited coverage of this assessment. Firstly, however, an insight into the delivery mechanisms reportedly used by humanitarian organisations that participated in this assessment is given. This is followed by an analysis of the money transfer mechanisms most used by communities, according to community KIs.

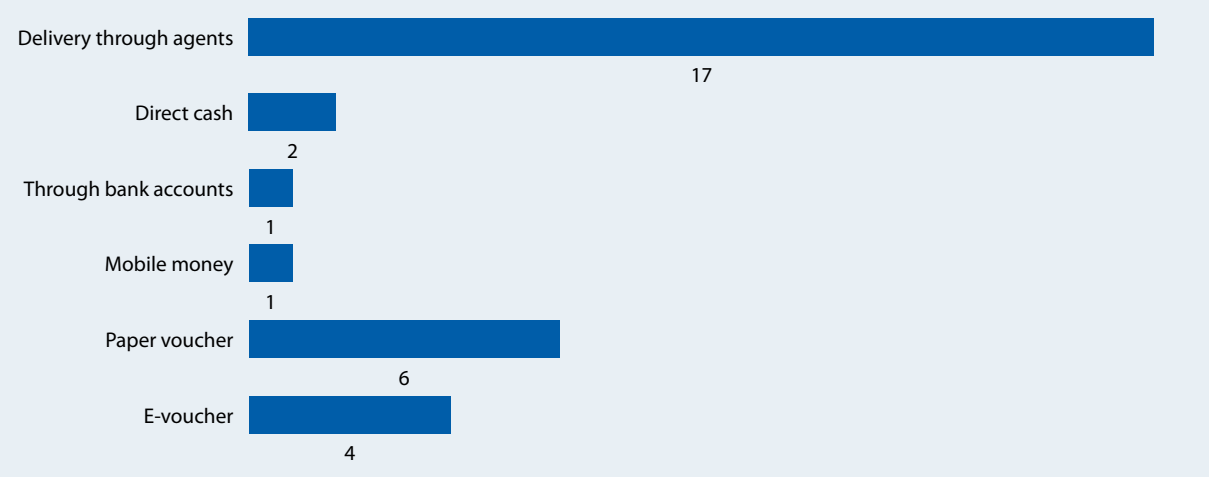
Delivery mechanisms observed in the assessment

This FSP assessment found that a wide range of common delivery mechanisms had been deployed for CVA programmes in Yemen within the two years prior to data collection, although at different levels. Heavy reliance on local FSPs for OTC /delivery through agents stood out as the norm. Among KIs from 19 humanitarian organisations that participated in this assessment (via KIIs or self-administered surveys)[58], KIs from 17 reported that their organization was using OTC/delivery through agents, while KIs from 2 organisations reportedly distributed CVA independently without an FSP (through direct cash payments).

[57] CALP Network. (2020). Delivery Money: Cash Transfer Mechanisms in Emergencies.

[58] KIs from 13 humanitarian organisations participated in the self-administered survey, and KIs from 11 humanitarian organisations participated in KIIs. KIs from 5 humanitarian organisations participated in both. Hence, this assessment collected findings on the delivery mechanisms of 19 unique humanitarian organisations. As described in the methodology, if multiple KIs were interviewed for one organisation, the KI with the most expertise on the question asked answered the question.

Figure 11: Delivery mechanisms reportedly used by the humanitarian KIs and respondents of the self-administered survey, by number of organizations[59]



In terms of e-payments, two humanitarian KIs reported delivering cash via bank transfers, while another KI reported using mobile money as a transfer mechanism. In terms of vouchers, six organisations reportedly used paper (commodity) vouchers and four reportedly used e-vouchers. Three of these e-vouchers referred to commodity vouchers, while one organisation reported using e-vouchers for cash delivery. A few humanitarian KIs reported using paper tokens for OTC delivery. From the findings, it can be noted that a near-majority of KIs from humanitarian organisations reported using only one delivery mechanism. The reasons for this can be found in the next chapters outlining the delivery mechanisms.

The found common use of non-digital methods may correspond to the low infrastructure for alternative transfer mechanisms. In 2017, only 3% of payments in Yemen were performed online, and 6% of Yemenis owned a bank account.[60] The KIs from mobile money providers[61] reported having launched their operations relatively recently, and some of their products were reportedly still under development at the time of data collection. In parallel, the participating voucher companies were still operating in Yemen on small scale.

Money transfer mechanisms used by communities

The common use of non-digital CVA mechanisms corresponds with the preferences and uses of money transfer methods reported by community KIs (figure 12). Communities mostly consort to local money transfer agents, as KIs from 71% of the communities reported their communities using exchange offices, and KIs from 64% of communities reported their communities using hawala agents. As third in place, KIs from 33% of communities reported their communities using banks, followed by 15% using formal money transfer agents such as Western Union.

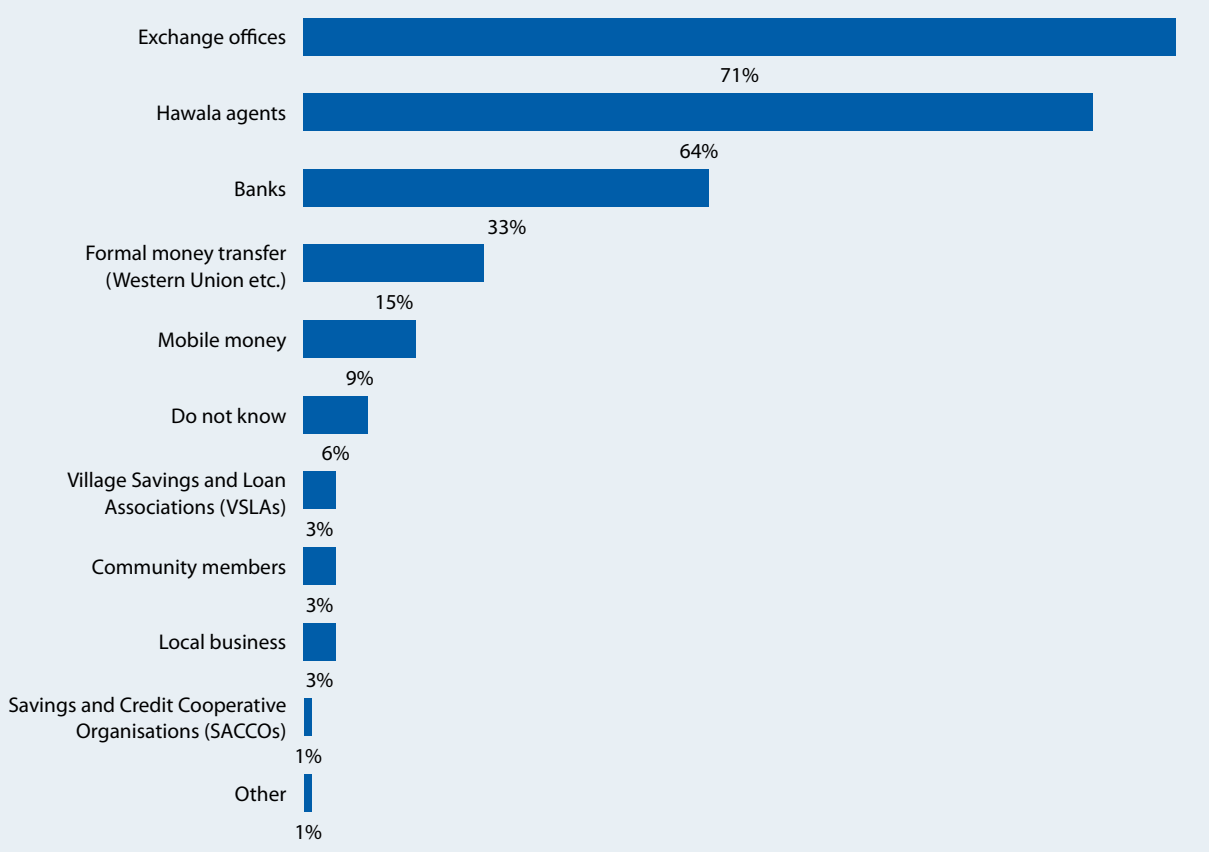
Mobile money was reportedly used in 9% of the communities. Whereas this is a small proportion, these findings are relevant because they indicate a change in perceptions reported by the REACH assessment in 2017. The respondents that were interviewed at that time expressed unfamiliarity with mobile money. Rarely, assessed communities used saving groups, local businesses or community members.

[59] Humanitarian KIs were able to mention multiple delivery mechanisms

[60] Riley, P. et al. (2020). Digital Financial Services in the MENA Region. Rockville, MD: Sustaining Health Outcomes through the Private Sector Plus Project, Abt Associates Inc.

[61] The mobile money providers included in this assessment (n=4) consisted of banks, a mobile network operator and a cash transfer company.

Figure 12: The most commonly reported methods for transferring money used by people in the community, by % of communities



7.1 CASH-IN-HAND

This chapter assesses cash assistance delivered directly by humanitarian organisations or with the assistance of FSPs. The latter was reportedly the most frequently used method, and will therefore be covered more extensively. The chapter contains perceptions shared in KIIs from 12 humanitarian organisations and KIIs from 5 FSPs involved in CVA, as well as perceptions shared by community KIs.

7.1.1 Advantages

KIs from humanitarian organisations were asked why their organisations delivered CVA with the aid of FSPs (or agents). The major benefit of delivery through FSPs/agents, and cash-in-hand in general, appears to be driven by contextual considerations: cash-in-hand is a simple and low-tech solution that withstands the challenges associated with Yemen's relatively weak financial infrastructure, where formal financial institutions are not physically present in hard-to-reach areas, and internet and mobile connectivity can be unreliable. Also, KIs from the humanitarian organisations emphasised that the delivery mechanism catered to the beneficiaries' convenience, by providing an easy and familiar system.

Furthermore, delivery through agents was noted to be beneficial by KIs from most of the organisations, because this method, unlike e-payments, does not rely on network connectivity. KIs from two humanitarian organisations noted that delivery through agents relieved work pressure on their staff significantly when contrasting it to direct delivery, where the humanitarian organisations hand out cash without an FSP. Another argument made by KIs from a few humanitarian organisations was that delivery through agents may increase beneficiaries' experience and familiarity with the banking system.[62]

[62] Financial inclusion means "that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way." Agents are at the frontier of financial inclusion for unbanked populations, as they offer access and an introduction to financial services, as well as the opportunity to build trust in financial institutions (World Bank)

Familiarity

KIs from most humanitarian organisations indicated that the cash-in-hand system was easy for the beneficiaries, and all other involved stakeholders, because it was reported to be a familiar and easy system. Yemen is a cash-based economy, and its population has a long-standing familiarity with money transfer agents, which have been used to facilitate remittances and the government's pre-conflict social protection programme.[63] Hence, working with agents to deliver cash capitalises on this foundation.

This is also reflected in the responses of the community KIs. Community KIs were asked how members of their community transfer their money; the most popular answers were exchange offices (reported by KIs of 71% of communities), hawala agents (64%), and banks (33%) (see figure 12)[64]. Thus, the most familiar FSP types, according to the community KIs, were the same types of FSPs that were involved in delivery through agents. However, it should be noted that communities receiving CVA through third-party agents may be mainly familiar with *the agents themselves*, and not with the actual FSPs that are driving the programme. This can be significant given people's tendency to state they prefer the options that are relatively familiar. This understanding may be important when interpreting communities' preferences for CVA.

Community KIs were asked why their community preferred particular delivery methods (for each FSP type they reported to be commonly used by their community). KIs reflecting on hawala (reported in 67 communities) and exchange offices (reported in 56 communities) reported these are familiar, safe and easy to use. Banks (reported in 33 communities) were also reported as familiar, as well as confidential and safe after delivery. All reported reasons can be found in Table 4.

Table 4: Communities' reasons for using hawala, exchange offices, and banks to send and receive money, according to community KIs[65]

	Hawala agents (67 KIs)	Exchange office (56 KIs)	Banks (33 KIs)
Familiarity	57	48	21
Safety during delivery	27	11	3
Safety after delivery (Easy and safe to keep before spending)	20	14	7
Less travel time/cost	13	7	0
More confidentiality	11	7	9
Less delivery fee	8	12	5
Sufficient service provider outlets	8	7	2
Less risk caused by travelling	8	3	1
Less need for documentation	7	5	4
Easily accessible	4	6	0
Number of retail outlets	2	0	0
Sufficient information and assistance	2	1	0
Do not know	0	0	1
Prefer not to say	0	1	0

[63] Nimkar. R. Meraki Labs & CALP Network. (2021). Humanitarian Cash and Social Protection in Yemen.

[64] In the analysis, microfinance institutions and banks were grouped together, as they tend to provide similar services.

[65] 67 KIs answered this follow-up question for hawala, 56 KIs for exchange offices and 33 KIs for banks. KIs could give multiple answers.

Access to remote areas

Humanitarian KIs commonly reported that working with FSPs enabled the delivery of assistance to beneficiaries in hard-to-reach areas, by involving agents in the distribution, working with door-to-door teams or setting up mobile payment sites. In addition, these delivery mechanisms minimize travel time and costs incurred by the beneficiary. The need to work with agents, or mobile teams, becomes apparent when comparing the reported distance from bank branches and agents. For example, KIs from 49% of the urban communities reported being able to access a bank branch within 15 minutes using the most common method of transportation, while KIs from only 8% of rural communities indicated the same (See more on the distance of banks on p. X, section 7.3. 'Delivery through bank transfers'). In contrast, KIs from 80% of all assessed communities reported having at least one agent in their community.[66] When there was no money transfer agent directly within the community (reported in 18 communities), an agent was usually accessible within 30 minutes using the most locally common method of transportation (n=14/18).

BOX 8: DIRECT CASH

KIs from only one of the humanitarian organisations reported delivering cash assistance independently, without the assistance of an FSP. The humanitarian organisation concerned was a local NGO, with field staff and offices in the community. The KI reported using this delivery mechanism because of the direct relationship it had with beneficiaries, and it aimed to foster. Also, compliance and good practices during the delivery were ensured, and it was reportedly the favoured method from the viewpoint of the beneficiaries.

The KI reported concerns about the security of their staff involved in distribution, who sometimes had to pass conflict zones or insecure areas. Reportedly, the delivery continued despite the conflict, as the organisation was able to obtain information on which routes were safe to take. According to the KI, the advantages of direct cash outweighed the challenges. Yet, the KI mentioned that the organisation also relied on delivery through agents in places where it had no capacity, or to relieve work pressure off its staff.

7.1.2 Challenges

A large number of challenges was reported by the humanitarian KIs, who often cited unique challenges depending on their area of operation and the capacities of specific FSPs. Despite this diversity, reported challenges mostly revolved around planning, preparation, monitoring, and reconciliation. It was also reported that the COVID-19 pandemic raised concerns for both humanitarian organisations and FSPs, and mitigation measures were taken; for example, COVID-related protection/sanitation materials were purchased, and some KIs reported replacing delivery at distribution sites with door-to-door delivery. When asked about the security risks experienced during cash-in-hand programmes, many humanitarian KIs acknowledged that these were inherent to any cash delivery programmes. The visibility of distributions and crowding at distribution sites were mentioned as particular concerns. In addition, humanitarian KIs expressed concerns about agents, who may not follow SOPs and humanitarian standards. These topics take precedence in section 5.6.'Security concerns', p. X).

Planning and preparation

KIs from humanitarian organisations and FSPs commonly reported challenges related to the planning and preparation of the CVA delivery cycle, causing it to be a costly, labour intensive, and time-consuming process. This included matching beneficiaries' locations with pick-up locations, pinpointing payment sites, sub-contracting agents, and beneficiary verification and registration. For the latter, community committees or partner organisations may assist, as reported by KIs from many humanitarian organisations. A KI from one organisation reported that some beneficiaries had already moved to another area, by the time the distribution was ready. Overall, the complexity of these processes left room for mistakes; one FSP KI reported having experienced delays during distribution because of the erroneous information shared by the humanitarian partner organisation. A lesson learnt by the KI from one organisation was to triangulate beneficiary data collected by third parties to verify the information. Furthermore, a set distribution plan and time might limit the beneficiaries' flexibility to collect the assistance at their convenience, as reported by one KI.

[66] Rural communities and Northern communities reported a slightly lesser presence of agents. KIs from 70% (instead of 80%) of these communities reported the existence of an agent in their community

Monitoring and reconciliation

One humanitarian KI reported that not all FSPs met the required standard in proof of payment, while another humanitarian KI mentioned that the reports and proofs of payment were delivered late by the FSP. Monitoring was also reported as a challenge, particularly to monitor/prevent corrupt or misbehaving agents, as is detailed in section 5.7.'Corruption & misconduct', p. X.

7.1.3 Possible mitigation

KIs from three organisations mentioned issuing tokens to beneficiaries to simplify the process of picking up their assistance. In this way, tokens reportedly improved the otherwise long and labour-intensive implementation and reconciliation processes. In terms of risks related to insecurity, some humanitarian KIs mentioned that mobile agents could enhance security by visiting beneficiaries door-to-door instead of operating payment sites, which reduced transportation risks for the beneficiaries. Another reported mitigation method was using SMS notifications to inform recipients about the delivery point and pick up time.

Tokens

KIs from three humanitarian organisations reported using tokens as part of their distribution plans. In one instance, the token reportedly held a barcode and the beneficiary's name. The token was scanned by the FSP, thereby digitalising the payment process in a low-tech setting and without requiring network connectivity. If there was a network connection, however, the payment could be tracked in real-time. A KI from another humanitarian organisation reported using tokens that carried holograms and beneficiaries' names. When presented at the FSP together with an ID, the tokens removed the need for the FSP to have a beneficiary list. The benefit of tokens in these instances was that they allowed for easier monitoring, evaluation, and reconciliation processes without involving the need for a network or a PIN, which can be the case for e-payments. It was reported to be a simple system, but faster than cash delivery without tokens. Furthermore, the risk of unauthorized access to beneficiary data can be reduced by not sharing a beneficiary list.

A humanitarian KI from a third organisation reported the planned launch of a cash programme using tokens to realise a quick delivery in an emergency response. The tokens reportedly carried a code of digits, the full sequence of which could only be obtained from two different sources, serving as a security measure. Healthcare workers would hand out the token with the first set of digits to the beneficiary. The beneficiary could obtain the second set by visiting the humanitarian organisation's staff. Then, the tokens could be presented at an FSP branch or agent. This system was expected to be faster because it would circumvent the need to manage beneficiary's IDs, coordinate beneficiary lists with an FSP, and allocate distribution points. Cash was distributed by FSPs based on the code presented by the beneficiary, and the beneficiary's personal information was only known by the humanitarian organisation.

BOX 9: THE USE OF TOKENS IN NORTHWEST SYRIA

In Northwest Syria, the use of tokens holding a QR code, barcode or identification number is one of the best practices observed by a recent cash feasibility study.[67] In the case study, agents presented the tokens and a receipt of the volume of distributed assistance to the humanitarian organisations' finance teams. The finance teams then matched the number of tokens presented by the agents with the number of tokens distributed to the beneficiaries to establish the price of reimbursement. It is possible to de-activate the tokens if stolen or misplaced. Tokens can be produced by a humanitarian organisation or created with the assistance of voucher companies.

Humanitarian organisations that used tokens for tracking payments all reported it improved the programmes' efficiency and effectiveness. Each token has a unique code, which allows a digital record of the tokens distributed by the organisation, the location, and time of the payment, and the entitlements received by each beneficiary, and allows for digital receipts and documentations.

[67] International Organisation for Migration (IOM) & Cash Working Group (CWG). (2020). North-West Syria Cash Feasibility Assessment.

SMS messaging

KIs from several humanitarian organisations indicated using SMS messaging to communicate with beneficiaries; for example, text messages were used by some to inform beneficiaries about their pick-up agent and when the payment would be delivered. SMS messaging reportedly reduced the public visibility of the delivery, and if the delivery time was flexible, SMS messaging was found useful to prevent overcrowding. Thereby, this mechanism was noted to improve the security and privacy of beneficiaries.

A reported potential issue with this method was the exclusion of beneficiaries without phones or with no stable mobile connection. One humanitarian KI indicated that they mitigated this problem by looping in-field staff or partners who could inform the beneficiary in other ways. If there was no field staff presence, a practice mentioned by one humanitarian KI was to directly inform community leaders or relatives. Also, it was indicated that FSPs could inform humanitarian organisations about the beneficiaries who did not receive SMS messages so that these beneficiaries could be contacted via other means.

7.2 DELIVERY THROUGH BANK ACCOUNTS

Transferring humanitarian CVA directly to the bank accounts of beneficiaries is a delivery mechanism that offers a high degree of financial inclusion, privacy and flexibility.[68] For humanitarian organisations and FSPs, it offers an inexpensive, fast, and secure method of delivery. However, only one KI from a local NGO reported using this CVA delivery mechanism for their beneficiaries who had bank accounts. When KIs from other humanitarian organisations were asked why they do not use this mechanism, they reported doubting whether the penetration of banks and ATMs in Yemen is sufficient to support such a delivery mechanism. Also, they reported concerns regarding the ability of beneficiaries to use and understand bank accounts.

In response to this, communities' bank account ownership and financial literacy, and the density of locations for cash-out, will be discussed in the subsequent sections. The findings suggest that large-scale implementation of delivery through bank account requires organisations to negotiate with FSPs the terms for opening and maintaining bank accounts for beneficiaries. Together with training for the beneficiary on how to use the mechanism, these measures will lift most of the obstacles that community KIs reported to prevent community members from currently owning a bank account. Moreover, this delivery through bank accounts is probably feasible in the assessed urban communities, as KIs from these communities commonly reported short distances from an ATM or bank branch, but challenging in rural communities. Nonetheless, assessing the preferences of potential beneficiaries remains important.

7.2.1 Communities' and bank accounts

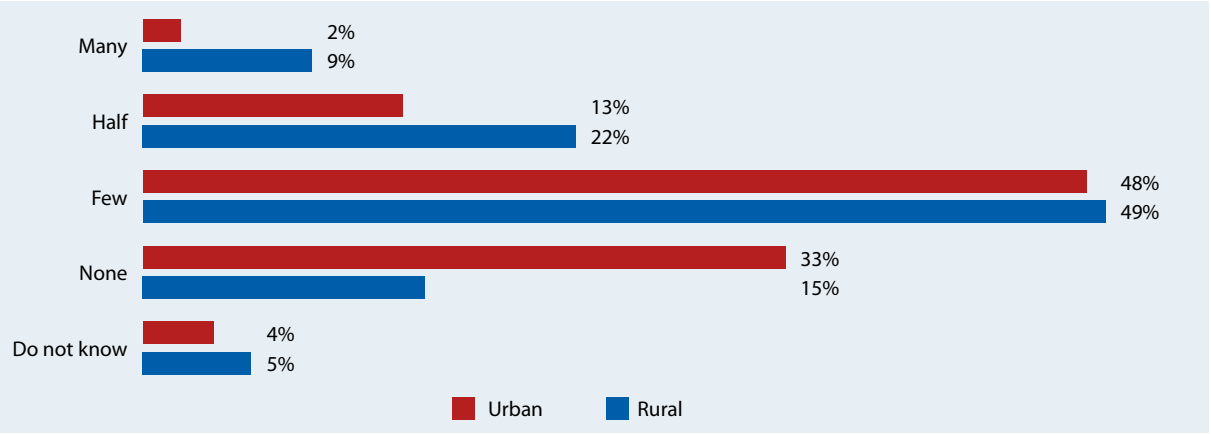
According to the World Bank, only 5% of Yemen's population in 2014 had an active account at a financial institution or a mobile money provider.[69] For this assessment, community KIs were asked to estimate the number of community members who had a bank account. Generally, low financial inclusion of community members can be observed, KIs from 72% of the communities indicated 'few' or 'no' members had a bank account,[70] but the current overall ownership may be higher than what was reported by the World Bank in 2014. In particular, the level of bank account ownership indicated considerable differences only between urban and rural communities (see figure 13).

[68] UNHCR. Cash Delivery Assessment Tool.

[69] World Bank (2014). World Development Indicators.

[70] 'All' refers to an estimated 100% of community members, 'many' to 75%, 'half' to 50%, 'few' to 25%, none to 0%.

Figure 13: Reported estimated proportion of community members with a bank account, by % of communities



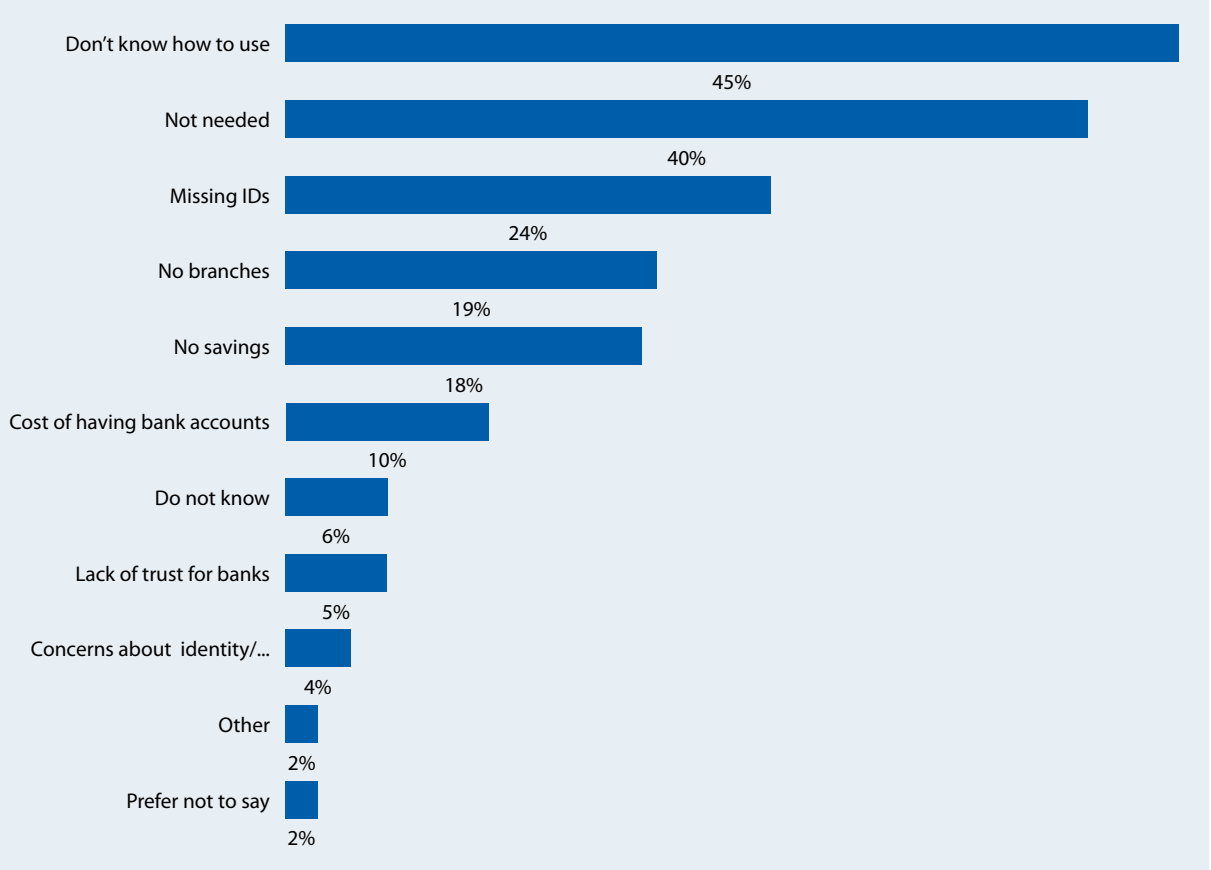
Given the limited prevalence of bank accounts in Yemen, humanitarian organisations considering delivering CVA through bank accounts on a large scale must likely facilitate opening bank accounts for the recipients first. KIs from two banks and an MFI network indicated that the requirements for a bank account included an ID and a minimum deposit (see page X 5.1.1 for more on ID possession and FSP requirements). However, these KIs also expressed flexibility towards these requirements for humanitarian aid recipients. Hence, it may be feasible to set up accounts for beneficiaries, but it is important to consider other factors.

In terms of communities' familiarity with banks outside of bank account ownership, community KIs reported that banks were used to send and receive money in 33% of the assessed communities, making it the third most frequently reported method after exchange offices (71%) and hawala (64%). The use of banks was predominantly reported in urban communities. It should be noted that as a result of the agent network, beneficiaries might indirectly already have financial experience with a bank via its agent, but this might be reported as such by community KIs.

Communities' obstacles to bank account ownership

According to the findings of the community KIIs, the main reason why community members did not own bank accounts was that they did not know how to use a bank account (reported by KIs from 45% of the communities, Figure 14), which indicates that the beneficiaries might require training to become familiar with using bank accounts. The second most cited reason for people not owning bank accounts was that they are 'not needed' (reported by KIs from 40% of the communities). This response probably comes out of Yemen's cash-based economy[20], and the commonly used option to transfer cash using informal money transfer mechanisms more than formal methods. A humanitarian organisation would have to assess within its area of intervention, if 'not needed' also means 'not wanted'.

Figure 14: Reported reasons why community members did not have bank accounts, by % of communities



The findings furthermore suggest that if humanitarian organisations and FSPs negotiate the terms for bank accounts for beneficiaries, some obstacles that reportedly prevent community members from owning a bank account may be relieved. These obstacles are: missing IDs (reported by KIs from 24% of assessed communities), having no savings (18%) and the cost of maintaining an account (10%), see figure 14. It is worth mentioning that one FSP KIs reported that beneficiaries were not "savers", and that their economic position compelled them to cash out and spend their assistance directly. In other words, inclusive identification and requiring no minimum deposits can be helpful to include more recipients in CVA deliveries through bank accounts.

Interestingly, one humanitarian KI and two FSP KIs reported perceiving a low level of trust among communities in formal financial institutions. However, the community KIs did not report a lack of trust as a major reason for not having bank accounts (5% of communities). It follows that trust in formal financial institutions could be investigated further.

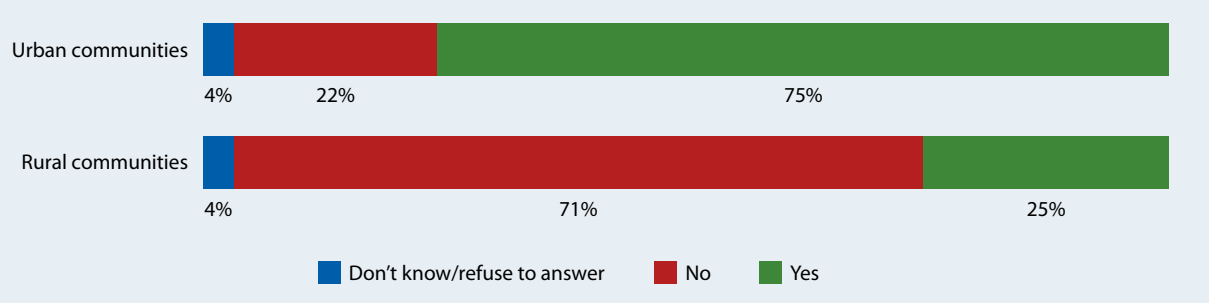
7.2.2 Opportunities for cash-out

Yemen's economy is cash-based. Consequentially beneficiaries can be expected to immediately withdraw any assistance that arrives into their bank accounts, at a bank branch or an ATM.[71] However, both humanitarian and FSP KIs reported an underdeveloped financial infrastructure. One humanitarian KI saw an opportunity to increase the number of cash-out points: collaboration among humanitarian organisations could identify locations with a high number of beneficiaries but no ATM or POS, and negotiations with FSPs could then motivate FSPs to fill this gap.

[71] A national e-wallet was interviewed for this assessment (active in the North of Yemen). The service was reported as a platform for banks and agents, that makes money transfers between different FSPs quick and easy. The development of this service may positively influence the number of cash-out points available to beneficiaries with a bank account, because the service reportedly allows for cash-out without the need of an POS or ATM, and because it could increase the number of bank agents a bank customer can visit (because an agent could serve all customers of banks connected to the national e-wallet. The national e-wallet did not report being able to deliver humanitarian assistance themselves.

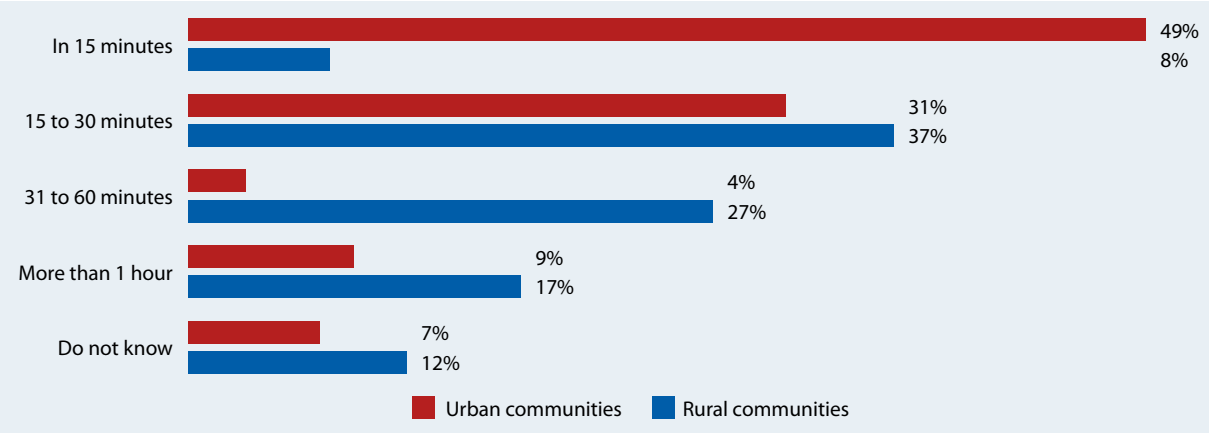
Community KIs were asked about the community's proximity to bank branches and ATMs. Concerning ATMs, these appeared available in the majority of urban communities. KIs from three-quarters of urban communities indicated there was an ATM inside their community, whereas only one-quarter of KIs from rural community indicated the same (figure 15).

Figure 15: % of communities where KIs reported presence of an ATM, per community type



A similar distinction between urban and rural communities is visible for bank branches. KIs from urban communities reported much higher proximity to banks than KIs in rural communities, as is illustrated in figure 16. A bank branch was present within 15 minutes using the most common local method of transportation, according to KIs of 49% of urban communities, compared to only 8% of rural communities. More so, KIs from rural communities reported travelling between 30-60 minutes in 27% of the rural communities and 17% of the rural communities reported having to travel for more than one hour. This was respectively 4% and 9% for urban communities.

Figure 16: Reported time it takes community members to reach the nearest bank branch, using the most common method of transportation. by % of communities.



In communities where the nearest bank branch was known (reported by KIs from 103 communities), this branch was most often affiliated with Al Kuraimi (58%), followed by Al Tadhamon (9%), CAC (7%), Yemen Kuwait Bank (5%) and Al Amal (4%). Alternatively, assistance delivered through bank accounts can be used to make e-payments. However, humanitarian KIs were not sure about the availability, prevalence, or reliability of POS machines in communities. Considering these findings, the financial infrastructure that supports delivery through bank accounts appears quite present among urban communities but is likely challenging in rural communities.

Community KIs' perceptions about banks can be regarded in relation to their access to banks. For instance, community KIs who reported that their community used banks (KIs of 33 communities addressed this follow-up question), reported travel time and transportation costs as a main disadvantage of the FSP (n=21/33). Also, the lack of bank branches was reported as a reason why community members did not own bank accounts (19% of communities, figure 14).

7.3 MOBILE MONEY

The CBY authorised mobile money services in 2014[72], opening the door for mobile money in Yemen. KIs from four FSPs reported different levels of development of their mobile money service. One service had not yet launched, and KIs from the three existing services reported improvements underway that would increase the coverage and accessibility of their service, which suggests that developments to mobile money services can be expected in the future. In this chapter, their insights will be shared alongside relevant findings from KIIs with communities and humanitarian organisations.

To enable mobile money assistance, a mobile money account is linked to a SIM card, with the user's phone number acting as their account number. E-payments are performed through transactions via SMS or an application, and money can be withdrawn or deposited at designated agents. If a merchant is connected to mobile money services, items can be purchased by transferring money into the mobile money account of the merchant instead of using cash or a bank card. At the time of data collection, KIs from just 9% of assessed communities reported that members of their community used mobile money to transfer money, and KIs from only 15% of the communities indicated their community would prefer to receive CVA via mobile money. It was mentioned by KIs from one humanitarian organisation that it had already adopted mobile money as a delivery mechanism on a small scale.

7.3.1 Advantages

The greatest advantage of mobile money from a humanitarian perspective lies in its potential to bring banking solutions to the 'unbanked' who own a phone.[73] KIs from some of the humanitarian organisations expressed their interest in mobile money, highlighting its flexibility, privacy and protection for the beneficiary, as well as its potential as a stepping stone to financial inclusion. From an operational perspective, security risks that are often associated with CVA, such as large gatherings or the transport of cash, are of significantly less concern when using e-payment mechanisms such as mobile money.

According to KIs from several humanitarian organisations, delivery through mobile money would require less staff, logistics, costs, and coordination compared to a physical cash delivery. Similarly, the KIs from FSPs that facilitated mobile money reported that costs were lower relative to delivery through agents. This insight was in line with the reported experience of a humanitarian KI that worked with mobile money.

BOX 10: MOBILE MONEY REQUIREMENTS: IDENTIFICATION, SIM CARDS, PHONES

To set up a mobile money account, personal identification and a SIM card are both needed. In terms of identification, most of the KIs from FSPs that provide mobile money services indicated that the CBY could be requested to make exceptions for flexible identification, to support humanitarian programmes. The KI from the humanitarian organisation that had experience with mobile money confirmed this, reporting the organisation had gone through this process and obtained approval. This suggests that humanitarian organisations can discuss and come to agreements to accept alternative forms of ID from beneficiaries, including ID cards issued by humanitarian organisations.

Any Yemeni citizen can use a valid national ID card to obtain a SIM card, according to a KI from a mobile network operator. It was reported that non-nationals needed to present a passport or refugee card. The KI could not provide detailed answers in terms of exceptions, reporting that these would have to be negotiated with the authorities. Thus, this topic requires further enquiry with relevant stakeholders.

KIs from mobile money providers reported different phone and network requirements to operate their service. Some providers reportedly work exclusively on smartphones using an application and the internet, others operate on all types of phones as they work via SMS messaging.

[72] Institute of Banking Studies (2020). Electronic Payment Services in Yemen, Challenges and Opportunities.

[73] GSMA (2019). Mobile money enabled cash aid delivery: Essential considerations for humanitarian practitioners.

7.3.2 Challenges and considerations

KIs from humanitarian organisations commonly expressed concerns about the feasibility of the mechanism in Yemen. In particular, they worried that some beneficiaries might be excluded from this service if they do not have access to (smart) phones, a network connection or an official ID, or if they lack sufficient literacy or financial knowledge.

As reported in Box 10, issues regarding a lack of official ID may be negotiated with FSPs and therefore may not be a large problem. Nonetheless, considering the findings of the community interviews, there is a chance that beneficiaries might not have access to a phone or a sufficiently strong network (see Section 5.4. Mobile network coverage & phone ownership'). The costs of this delivery mechanism would likely rise if humanitarian organisations needed to provide beneficiaries with phones and/or SIM cards to receive their distributions. The KI from the mobile money service operated by a mobile network operator (MNO) reported the FSP's willingness to provide free SIM cards for humanitarian programmes. Choosing a mobile money provider that can operate with both smartphones and simple phones could mitigate part of this challenge (at least two FSPs reportedly fulfil this condition).

Furthermore, given Yemen's weak internet connectivity and low coverage (see also section 5.4. mobile network coverage & phone ownership) the safest choice is a mobile money provider that does not rely on the internet but works via SMS messaging. KIs from at least two FSPs reported operating in this way, but it is important for future CVA programming to cross-check with FSPs to understand the most up-to-date developments and contextual factors.

Beneficiaries' familiarity with mobile money, as well as potential obstacles such as illiteracy, can be better understood by conducting assessments into specific target groups. The sections financial literacy (section 5.5. Financial literacy, p.X) and social barriers (section 5.3. Community social barriers to FSP access, p.X) provide a general deliberation of these issues. The KI from the humanitarian organisation that delivered CVA via mobile money indicated that the first payment was done in cash via delivery through agents. Upon pick up, the beneficiaries created a mobile money account and received instructions on how to use the mobile money service. In light of examples such as these, it may be possible to deliver CVA via mobile money even to populations that may not already use the service.

Another point of concern was the accessibility of mobile money agents through which recipients could withdraw assistance, as well as the accessibility of merchants who accepted mobile money. Coverage of mobile money agents appears to depend on the service. KIs from two FSPs that provided mobile money reported having more than 3,000 mobile money agents where accounts could be opened and financial services could be performed. One of these KIs added that their FSP had 19.350 registered mobile money merchants. This was significantly more than the numbers reported by KIs from other mobile money operators.[74] Whereas there was no information provided on the location of these service points, they are most likely situated in urban areas. A humanitarian organisation would need to assess the number of mobile money service points in the area of intervention, to inform a choice for mobile money.

7.4 VOUCHERS

This chapter details the reported experiences of humanitarian KIs and FSP KIs with vouchers, as well as lessons learnt to mitigate challenges. Because the community KIIs focused primarily on FSPs, community KIs were not directly asked about their communities' experience with vouchers and whether this was a preferred mechanism.[75] Subsequently, the opinion and preferences of the communities vis-à-vis vouchers were not included in this chapter, but these remain important to assess before deciding upon a delivery mechanism. Nonetheless, community interviews did shed light on reported reasons for preferring an FSP, as well as the obstacles faced with FSPs (see section 5.3. 'Community social barriers to FSP access', p.X). For example, the reported challenges faced by illiterate community members, and travelling to access an FSP, can be useful to inform further discussions on the use of vouchers.

[74] From the FSP KIs with mobile money services, one FSP stood out in number of agents (3,100) and connected merchants (19.350). Another mobile money providing FSP reported having 444 service points. The number of agents or merchants connected to the third and fourth mobile money service is uncertain because of contradictory results after triangulation.

[75] The reason for this was to focus the assessment on FSPs rather than on cash feasibility. The questions about cash-based vs. voucher-based delivery mechanisms are usually more about cash feasibility and the applicability of cash and/or vouchers to the local context, which was not the focus of this assessment.

For the purpose of this chapter, it is useful to emphasize that vouchers can be delivered in the form of paper or electronic vouchers, and they are referred to as a commodity or a value voucher depending on the modality of the programme. A description of different vouchers and their characteristics can be found in section 3.3. 'delivery mechanisms for voucher assistance', p.X. In cash assistance, the use of a paper token has some similarities with a voucher, but in this assessment, they are considered as different delivery mechanisms. Experiences with tokens from the field can be found in section 7.2.2.1 'Tokens', P.X.

7.4.1 Paper vouchers

Humanitarian KIs who reported using paper vouchers (reported by KIs from 6 organisations) were asked about their perceived benefits of this delivery mechanism. Paper vouchers were reportedly simple and inexpensive to produce, and offered some benefits in relation to their programme objectives. The KIs reported using paper commodity vouchers because the organisations wanted to control what the assistance was used for (restriction), which is not possible with cash. Secondly, KIs reported a preference for vouchers over in-kind because of the opportunity to support local markets, while controlling the quality of products.

Humanitarian KIs did not mention involving FSPs in their paper voucher delivery. Nonetheless, four FSP KIs (two voucher companies and two others) mentioned their capacity to facilitate paper vouchers for humanitarian organisations. In addition, one FSP KI suggested a way for FSPs to assist humanitarian organisations in a voucher project; the KI their FSP's capacity to help generate QR codes for paper vouchers to track beneficiaries' use.

KIs from some humanitarian organisations reported facing a few particular challenges when using paper vouchers. Paper vouchers were reportedly easily lost or damaged. One KI indicated that paper voucher programmes were time-consuming because they require many actions from the vendor; the vendor needs to check the authenticity of each paper voucher, verify the beneficiary's identity, and count all the collected vouchers for reconciliation. It was also reportedly challenging to ensure vendors' compliance with the agreements and procedures. One KI reportedly held refresher training sessions with beneficiaries and vendors before each distribution cycle to ensure compliance and to reduce the time needed for reconciliation. Additionally, one KI suggested strengthening contractual clauses with vendors, while another KI reported drafting contracts with vendors that were easy to terminate in case of breaches.

In contrast to the concerns expressed by KIs about delivery through agents, no KIs implementing paper vouchers reported concerns about violence, insecurity, seizure, or taxation during the use or delivery of the assistance. Indicating that paper vouchers may be a safer non-digital mechanism than delivery through agent. Several practices with paper vouchers to reduce corruption risks were mentioned: adopting a unique and counterfeit-resistant voucher design, printing vouchers away from the field, training vendors on recognizing the vouchers' unique features, or pairing the redemption with beneficiary identification. Nonetheless, one KI emphasized gender-based risks, reporting that it could be difficult for women, in particular, to pick up or redeem vouchers. The same argument can be made for all CVA programmes, particularly those limiting recipients to visit a particular distribution site, vendor or agent.

7. 4.2 E-vouchers

KIs from four humanitarian reported using e-vouchers. In three cases, these concerned commodity vouchers facilitated by either one of the voucher companies included in this assessment. KIs from one humanitarian organisation reported providing beneficiaries with value vouchers, in the shape of prepaid cards issued by a bank that were used at ATMs or POS.

Reportedly, these humanitarian KIs used e-vouchers in part because they eased monitoring and reconciliation; with an e-voucher, proof of payment and purchases are tracked and accessible in real-time, or as soon as the terminal reconnects with the internet. Another reported benefit was the reduced risk of corruption because of the ability to digitally monitor vendors' activity, and because the card's verification process made it operational only for the designated beneficiary. In addition, one KI reported that e-vouchers avoided security risks related to group gatherings (as there were no deliveries on-site) and that e-vouchers increased the flexibility and privacy of beneficiaries.

The KIs from the three voucher companies reported being able to facilitate commodity voucher programmes in Yemen, and two of them reported also being able to facilitate value vouchers. In addition, one KI from a cash transfer company reported being able to facilitate value vouchers, which could be connected to a bank account if desired. Generally, also banks are optional FSPs for (value) vouchers programmes, as they usually have prepaid cards. If this is also the case for Yemeni banks was not assessed in this study.

Challenges and mitigation measures

Humanitarian KIs all reported facing challenges due to the high set-up costs for voucher programmes, and some experienced challenges with shipping of hardware into Yemen. From their perspective, though, this challenge can be mitigated depending on the hardware that is required for the voucher programme. For example, a value voucher programme that works with existing infrastructure, such as non-specialised POS and ATMs, can be cheaper than a value programme that requires special terminals. However, working with pre-existing infrastructure limits the feasibility of the delivery mechanism to specific areas, as is reported by one humanitarian KI that works with value e-vouchers. Findings of section 7.3.2. 'Opportunities for cash out', p.X., suggest ATMs are available in the majority of the assessed urban communities.

Other than value e-vouchers, KIs from voucher companies reported that commodity e-vouchers always need a special terminal or a phone with an application, which is given to the vendor to process purchases with the voucher. One KI suggested that using individual phones might be less expensive than procuring terminals, especially because vendors might already possess phones—bearing in mind that these phones need to have integrated Near Field Communication (NFC) technology. In addition, the KI from international voucher companies reported challenges with importing terminals into Yemen, whereas phones could be acquired within the country.

A challenge reportedly experienced by all humanitarian KIs operating e-voucher programmes was the difficulty of replacing misplaced vouchers. A possible solution may be opting for vouchers that can be produced inside Yemen, which was an option reported by one KI from the national voucher company and by one KI from an international voucher company. Also, one humanitarian KI recommended paying additional attention to train beneficiaries on the importance of PIN codes, as these were reportedly forgotten on occasion.

In addition, KIs from the international voucher companies reported many challenges working in Yemen, related to regulations. One of these KIs reported facing delays in the implementation of one of their programmes, and that it was only authorized to work in the South of Yemen. KIs from the other organisation reported working in Yemen based on a special agreement with a humanitarian organisation. Resorting to a national voucher company could overcome these problems, but the KI from the interviewed local voucher company only operated in the North of Yemen. Despite these constraints, KIs from all voucher companies reported having implemented voucher schemes in Yemen and reported a capacity to provide digital solutions and software, such as databases and beneficiary management systems, regardless of the location in Yemen.

Given the highly technical nature of e-vouchers, it is not surprising that a major challenge mentioned by humanitarian KIs was the need for training to familiarise beneficiaries and staff with the system. The voucher companies reportedly provided training and ongoing technical support online, which humanitarian KIs commonly perceived to be helpful. Also, some KIs indicated that PIN codes could be substituted with colour codes, pictures, or biometric functionalities, to create a more inclusive mechanism. Paper vouchers appear to be simpler and thereby posing a lesser challenge for (financially) illiterate beneficiaries. Nonetheless, according to one humanitarian KI, paper vouchers also required holding refresher training for beneficiaries and vendors, to ensure each cycle ran smoothly.

7. 4.3 Choosing between voucher options

In line with the challenges reported by humanitarian KIs, the decision between paper and electronic commodity vouchers should be driven by budget considerations and the capabilities of beneficiaries and staff, as well as by the resources and time available to train stakeholders.

Furthermore, the urgency of the programme may be a point of consideration. One humanitarian KI indicated that paper voucher schemes could be implemented more quickly than e-voucher schemes. On the other hand, e-vouchers can be scaled up more easily, as reported by another humanitarian KI; once initial set-up costs have

been incurred, and once staff and vendors are familiar with the system, it can be relatively easy and inexpensive to increase the number of beneficiaries within an area.

When implementing an e-voucher programme, a lesson learnt from the humanitarian and FSP KI interviews was to have a voucher scheme that ran on hardware procured within Yemen; different options provided by voucher companies could help reduce the costs of acquiring hardware. In terms of costs, value vouchers could be more economical than commodity vouchers, as they could leverage existing financial infrastructure. In relation to this, one humanitarian KI argued against using delivery mechanisms that required special devices, reporting that these could be unsustainable if they would be hard to maintain or replace when the humanitarian programmes end.

8 CONCLUSION

This assessment was the result of a joint initiative between REACH, CMWG Yemen and CaLP, with the intention to fill information gaps around CVA in Yemen and contribute to an understanding between actors about the CVA landscape as a whole. The assessment was built on the earlier assessments to provide updated information on available CVA delivery mechanisms and FSPs, related challenges, risks, and mitigation measures, and community familiarity and access to FSPs.

Findings suggest that delivery through agents/OTC and paper vouchers were the most common delivery mechanisms for CVA, while few instances of humanitarian organisations using e-vouchers, bank transfers, mobile money or direct cash were also reported. For each of these delivery mechanisms, assessed FSPs appeared able and willing to facilitate CVA programmes, and nearly all assessed FSPs reported previous experience with CVA. The commonly reported choice for delivery through agents and paper vouchers appears to be a direct result of Yemen's working environment, which was characterized by limitations regarding financial infrastructure, literacy, experience with formal banking institutions, access to hard-to-reach areas and mobility. Furthermore, community KIs commonly reported having experience with hawala, local exchange companies and bank agents, and reported a preference for receiving CVA using these actors.

Nonetheless, it was found that preparation, planning, monitoring and reconciliation may be challenging and time-consuming when conducting delivery through agents and paper vouchers. In this regard, tokens and SMS messaging were reported as mitigation measures that provided efficiency and improvement. Besides, digital CVA mechanisms were mentioned by humanitarian KIs as potential ways to mitigate such challenges. With regards to digital CVA mechanisms, findings from community KIIs suggest that communities can be receptive, given the coverage of ATMs/branches, network connectivity and/or mobile money agents. Furthermore, a few community KIs exceptionally indicated a preference for CVA via mobile money services.

Several challenges and risks were identified in this assessment, including the accessibility of FSPs and data protection. Distance from FSPs was reported to be an obstacle for women, as well as poor or older people, and was mentioned as a reason for all community members to dislike any FSP. Furthermore, the findings indicate that the minority of community members who did not own phones faced difficulty accessing phones via their social network or other means. Findings also indicate that FSPs and humanitarian organisations were sensitized to the protection of beneficiary data, but risks of unwanted access by third parties existed. As potential mitigation, the use of tokens may reduce this risk for delivery through agents. Also, findings suggest that FSPs were flexible regarding beneficiaries with missing or alternative IDs (after prior agreement). It should be noted that this assessment relied on community KIIs to gauge the preferences, limitations and perspectives of communities; particular challenges faced by vulnerable groups may be underrepresented, as well as household-specific considerations, and these would benefit from further research.

In addition, insecurity and extortion were risks commonly recognised by humanitarian and FSP KIs. The findings suggest that mitigation measures revolved around effective communication and relationship building, such as engaging the community committees in programmes or conducting training with FSPs on SOPs. Another common concern for KIs from FSPs and humanitarian organisations was the exchange rate fluctuations. Setting clear reference points for exchange rates between humanitarian organisations and their partner FSPs could

reportedly mitigate this to some extent. Besides, the management of agents, and risks of corruption or misconduct by agents, was a concern frequently reported by humanitarian KIs. This assessment made an effort to shed light on FSPs' selection criteria for agents, and practices of working with agents, but more research would be advisable.

The findings suggest that stakeholders could learn from each other by exchanging knowledge and best practices, e.g. in terms of agent management, available FSPs, and mitigating risks. In support of this, around half of the humanitarian KIs reported that it would be beneficial for them to work closer together, and also to work with FSPs to jointly address problems. As such, engagement with FSPs as a CVA community should be considered, in order to discuss and learn more about regulations, available delivery mechanisms, potential challenges and joint mitigation measures. One useful resource in this effort can be the Delivery Guide[76], which describes Provider Introduction Meetings and Requests for Information (RFIs), allowing humanitarian staff and service providers to meet, ask questions and exchange information.

[76] Mercy Corps. (2018). The Delivery Guide: Scoping the Humanitarian Payments Landscape.

APPENDIX I: FSP ASSESSMENT.

The information in the table below is gathered from various sources: publicly available information, interviews with KIs from FSPs, and responses of humanitarian actors submitted via the self-administered survey that was circulated among CMWG Yemen members.

1. **Advantages and challenges per FSP are as reported by members of the CMWG Yemen**, whom completed a quantitative. The fluctuating number and type of advantages and challenges reported per FSP, is indicative of the varying number of survey responses per FSP. In other words, they are an illustration rather than a reflection of the advantages or challenges that can be linked to an FSP. Advantages and challenges, and their relationship to delivery mechanisms, is discussed throughout the report.
2. The listed **mitigation measures** reflect lessons learned and practices reported by humanitarian actors and FSPs during key informant interviews. More detail and elaboration can be found in the report.
3. **Sensitive information has been omitted**, such as data that could jeopardize the competitivity of FSPs. Challenges are kept as they are considered a valuable reflection of the operational context and shared challenges between FSPs. Together with corresponding mitigation measures, they can constitute a tool for humanitarian organisations on planning and evaluating CVA programmes.
4. The information found in the table is by **no means exhaustive**.

Al Amal Bank

Delivery mechanisms
- Cash delivery (through agent)
- Bank transfers
- Value vouchers
- Mobile money (Pyes)

Coverage? All of Yemen, 17 branches, 1000+ agents

Data protection? Yes

Access to monitoring system? Some humanitarian organisations 'yes', other humanitarian organisations 'no'

What may be included in the fee?
- Mobile agents for delivery to remote areas
- Training for the recipients about the delivery
- Receipts after delivery / transaction reports
- Customer service & technical support
- Currency exchange fees

Notes: Pyes works via internet and SMS. Access to microfinance via bank's services. Collaborates with Prodigy Solutions to offer vouchers.

Reported advantages
- Long working days/hours
- Liquidity related advantages (e.g. able to facilitate large transfer amounts)
- Support from the FSP remotely or face-to-face
- Accepts a wide range of identification types
- No instances of unauthorized access or use of personal data
- Support from the FSP remotely or face-to-face
- FSP agents recognize ID issued by humanitarian actor
- Support from the FSP remotely or face-to-face
- Accepts a wide range of identification types
- FSP agents recognize ID issued by humanitarian actor
- No incidents of poor treatment or discrimination by the FSP staff / agents

Field Concerns/ Anticipated Risks
- Concerns about fraud (e.g. asking for extra fees from recipients)

Mitigation measures
- Adequate measures and SOPs to be put in place to address this concern, in agreement with FSP, e.g. on hiring and controlling agents and on trainings for agents. Train beneficiaries and the wider community on their rights and the complaints mechanism. Investigate possibility of low-tech digital monitoring (e.g. tokens, access to agent's account)

• Poor quality of banknotes (e.g. damaged or old) • Limited types of available currencies (e.g. USD or YER unavailable etc.) • Limited availability of different banknotes (e.g. small denominations)	• Disbursement plan can be developed in consultation with field teams and FSP to allow the arrangement of cash as per agreed plan. Aspects of this include a timely sharing of distribution plan with FSP in order for them to prepare liquidity, agree upon SOPs in case of liquidity shortage during distribution, and agree with FSP and agents on quality of banknotes and denominations used.
• Limited security measures taken for staff or recipients	• Security concerns to be included in the FSP agreement. Responsibility for the security to be clearly mentioned in the agreement. Involve FSP in the formulation and training on security SOP. Prepare for distribution during an emergency situation or crisis. Build strategic relationships with the community and local actors, to identify risks in advance, prevent insecurities or reduce impact. Investigate the use of digital delivery mechanisms or SMS messaging to improve beneficiaries' privacy and security during collection.

Al Kuraimi Bank

Delivery mechanisms	**Coverage?** Coverage? All of Yemen, 166 branches, 3100 agents /mobile money points, 19350 Merchants (mobile money) **Data protection?** Yes **Access to monitoring system?** Some organisations 'no', other organisations 'do not know'	**What may be included in the fee?**
• Cash delivery (through agent) • Bank transfer • Mobile money (M Floos) • Door to door distribution • Mobile teams		• Mobile agents for delivery to remote areas • Customer service & technical support • Currency exchange fees • Receipts after delivery / transaction reports

Notes: Cash out at M Floos agents available offline. Developing a solution called 'Easy Cash' that allows for secure cash-out of e-wallets/bank accounts at agents without the need of an POS device. Access to microfinance via bank's services

Reported advantages

- Accepts a wide range of identification types
- Support from the FSP remotely or face-to-face
- Liquidity related advantages (e.g. able to facilitate large transfer amounts)
- Short waiting times during delivery
- Availability of female staff (cashiers or screening officers) at payment sites
- Long working days/hours

Field Concerns/ Anticipated Risks	**Mitigation measures**
• Concerns about fraud (e.g. asking for extra fees from recipients)	• Adequate measures and SOPs to be put in place to address this concern, in agreement with FSP, e.g. on hiring and controlling agents and on trainings for agents. Train beneficiaries and the wider community on their rights and the complaints mechanism. Investigate possibility of low-tech digital monitoring (e.g. tokens, access to agent's account)
• Poor quality of banknotes (e.g. damaged or old) • Limited types of available currencies (e.g. USD or YER unavailable etc.) • Limited availability of different banknotes (e.g. small denominations)	• Disbursement plan can be developed in consultation with field teams and FSP to allow the arrangement of cash as per agreed plan. Aspects of this include a timely sharing of distribution plan with FSP in order for them to prepare liquidity, agree upon SOPs in case of liquidity shortage during distribution, and agree with FSP and agents on quality of banknotes and denominations used.
• Limited security measures taken for staff or recipients	• Security concerns to be included in the FSP agreement. Responsibility for the security to be clearly mentioned in the agreement. Involve FSP in the formulation and training on security SOP. Prepare for distribution during an emergency situation or crisis. Build strategic relationships with the community and local actors, to identify risks in advance, prevent insecurities or reduce impact. Investigate the use of digital delivery mechanisms or SMS messaging to improve beneficiaries' privacy and security during collection.

Yemen Kuwait Bank

Delivery mechanisms
- Cash delivery (through agent)
- Mobile E-wallet (Floosak)
- Mobile teams
- Door to door distribution
- Bank transfer

Coverage? All of Yemen. 20 Branches and 100+ agents making a total of 3399 point of sales.
Data protection? Yes
Access to monitoring system? Yes

What may be included in the fee?
- Mobile team for delivery to remote areas
- Receipts after delivery / transaction reports
- Customer service & technical support
- Currency exchange fees

Note: Collaborates separately with Ycash and MTN to facilitate their respective mobile money services (mobile money is licensed to banks only)

Reported advantages
- Availability of different banknotes (e.g. small denominations)
- Long working days/hours
- Support from the FSP remotely or face-to-face
- Coverage related advantages (services provided to remote locations)
- Good quality of banknotes (e.g. damaged or old)
- Coverage related advantages (services provided to remote locations)
- Liquidity related advantages (e.g. able to facilitate large transfer amounts)
- Liquidity related advantages (e.g. able to facilitate large transfer amounts)

Field Concerns/ Anticipated Risks
- Distance to the FSP / far location of business
- Limited number of female staff (cashiers or screening officers) at payment sites

Mitigation measures
- Adequate measures and SOPs to be put in place to address this concern, in agreement with FSP, e.g. on hiring and controlling agents and on trainings for agents. Train beneficiaries and the wider community on their rights and the complaints mechanism. Investigate possibility of low-tech digital monitoring (e.g. tokens, access to agent's account)

Ycash (Transfer Company)

Delivery mechanisms
- Cash delivery (through agents)
- Mobile teams
- Door to door distribution
- Value voucher
- Mobile money (Floosak)

Coverage? All of Yemen, 22 branches
559 direct agents, 1850 indirect agents, 3065 mobile teams
Data protection? Yes
Access to monitoring system? Yes

What may be included in the fee?
NA

Notes: Using Floosak requires an internet connection, development for offline functions are underway. YCash partners with Mastercard to provide value vouchers (can work at ATM or POS terminal). Via the YFoundation the company has a wide network of 'volunteers' across Yemen. Ycash may be the agent hired by another FSP to deliver assistance

Reported advantages
- Long working days/hours
- Availability of female staff (cashiers or screening officers) at payment sites
- Flexibility for individuals without national identification or bank accounts to access payments

Field Concerns/ Anticipated Risks
- NA

Rashad Buhair Company (Exchange Company)		
Delivery mechanisms • Cash delivery (through agent)	**Coverage?** NA **Data protection?** NA **Access to monitoring system?** No	**What may be included in the fee?** NA
Note: Is probably also hired as 'agent' by other FSPs to deliver assistance		
Reported advantages • Long working days/hours • Different types of available currencies (e.g. USD or YER unavailable etc.)		
Field Concerns/ Anticipated Risks	**Mitigation measures**	
• Long waiting times during delivery	• Disbursement plan can be developed in consultation with field teams and FSP to allow the arrangement of cash as per agreed plan. The beneficiaries can be organized in groups and a time can be provided to each group so they do not have to wait long. SMS notifications can inform beneficiaries of collection time and location. The use of tokens or digital distribution mechanisms could reduce the paperwork and time required during distribution.	
• Limited ability to scale up delivery services	• Partner with agents or other FSPs, investigate FSPs potential for scaling up as part of the FSP selection process.	
• Limited number of female staff (cashiers or screening officers) at payment sites	• Separate distribution cycle for women, negotiate with FSP to hire more female staff, provide support during distribution with local female staff, partners, or community committee members	
• Difficulties / delays with documentation of payments (e.g. receipts of payment)	• Prior agreement on the requirements for proof of payment and submission deadline. Consider tokens or digital distribution mechanisms to minimize paperwork and time needed for the reconciliation process.	

Al Nasser Exchange (Exchange company)		
Delivery mechanisms • Cash delivery (through agent)	**Coverage?** All of Yemen, 22 branches 559 agents **Data protection?** NA **Access to monitoring system?** No	**What may be included in the fee?** • Mobile agents for delivery to remote areas • Receipts after delivery / transaction reports • Customer service & technical support • Currency exchange fees
Note: Is probably also hired as 'agent' by other FSPs to deliver assistance		
Reported advantages • Accepts a wide range of identification types • Lower fees compared to other FSPs • Flexibility for individuals without national identification or bank accounts to access payments • Better delivery mechanism compared to other FSPs • Good quality of banknotes (e.g. damaged or old) • Short distance to the FSP / good location • Coverage related advantages (services provided to remote locations) • Availability of different banknotes (e.g. small denominations) • Liquidity related advantages (e.g. able to facilitate large transfer amounts) • Short waiting times during delivery • Availability of female staff (cashiers or screening officers) at payment sites • Good security measures taken for staff or recipients • No incidents of fraud (e.g. asking for extra fees from recipients)		
Field Concerns/ Anticipated Risks • NA		

Al Najm Exchange (Exchange Company)		
Delivery mechanisms • Cash delivery (through agent)	**Coverage?** 1.500+ agents **Data protection?** NA **Access to monitoring system?** No	**What may be included in the fee?** NA
Note: Is probably also hired as 'agent' by other FSPs to deliver assistance		
Reported advantages • Accepts a wide range of identification types • No incidents of fraud (e.g. asking for extra fees from recipients) • Flexibility for individuals without national identification or bank accounts to access payments • Short distance to the FSP / good location • Coverage related advantages (services provided to remote locations) • Liquidity related advantages (e.g. able to facilitate large transfer amounts) • Short waiting times during delivery • Availability of female staff (cashiers or screening officers) at payment sites		
Field Concerns/ Anticipated Risks • Limited security measures taken for staff or recipients	**Mitigation measures** • Security concerns to be included in the FSP agreement. Responsibility for the security to be clearly mentioned in the agreement. Involve FSP in the formulation and training on security SOP. Prepare for distribution during an emergency situation or crisis. Build strategic relationships with the community and local actors, to identify risks in advance, prevent insecurities or reduce impact. Investigate the use of digital delivery mechanisms or SMS messaging to improve beneficiaries' privacy and security during collection.	

MTN		
Delivery mechanism • Mobile Money	**Coverage?** Northern Governorates (17 MTN Yemen branches & 19 YKB branches across the north). **Data protection?** Encrypted and protected. **Access to monitoring systems?** GUI interfaces	**What may be included in the fee?** • Transfer fees as per the amount bracket and the service will be provided for free.
Note: Service only for MTN customers. Service relies on USSD in which MTN coverage is enough to be functioned. Will provide SIM cards for free.		
Reported advantages NA	**Field Concerns/ Anticipated Risks** NA	

Prodigy Solutions		
Delivery mechanisms • e-vouchers	**Coverage?** North of Yemen, 4 offices **Data protection?** Yes (Encrypted data, etc.) **Access to monitoring systems?** NA	**What may be included in the fee** • Customer service & technical support • Hardware and software
Note: Collaborates with Al Amal Bank (beneficiary collects cash assistance at bank branch using smart card) and directly with humanitarian organisations. Can provide digital solutions across Yemen.		
Reported advantages NA	**Field Concerns/ Anticipated Risks** NA	

Genius Tags		
Delivery mechanisms • e-vouchers (value and commodity)	**Coverage?** Has worked in Yemen before **Data protection?** Yes **Access to monitoring systems?** To digital tracking system and MIS system	**What may be included in the fee** • Customer service & technical support • Hardware and software
Note: Card is presented at specific terminal or at smartphone with NFC. Works online and offline. Can provide digital solutions.		
Reported advantages NA	**Field Concerns/ Anticipated Risks** NA	

Red Rose		
Delivery mechanisms • e-vouchers (value and commodity)	**Coverage?** Has worked in Yemen before **Data protection?** GDPR Complaint **Access to monitoring systems?** To digital tracking system and MIS system	**What may be included in the fee** • Customer service & technical support • Hardware and software
Note: Card is presented at specific terminal or at smartphone with NFC. Works online and offline. Can provide digital solutions.		
Reported advantages NA	**Field Concerns/ Anticipated Risks** NA	