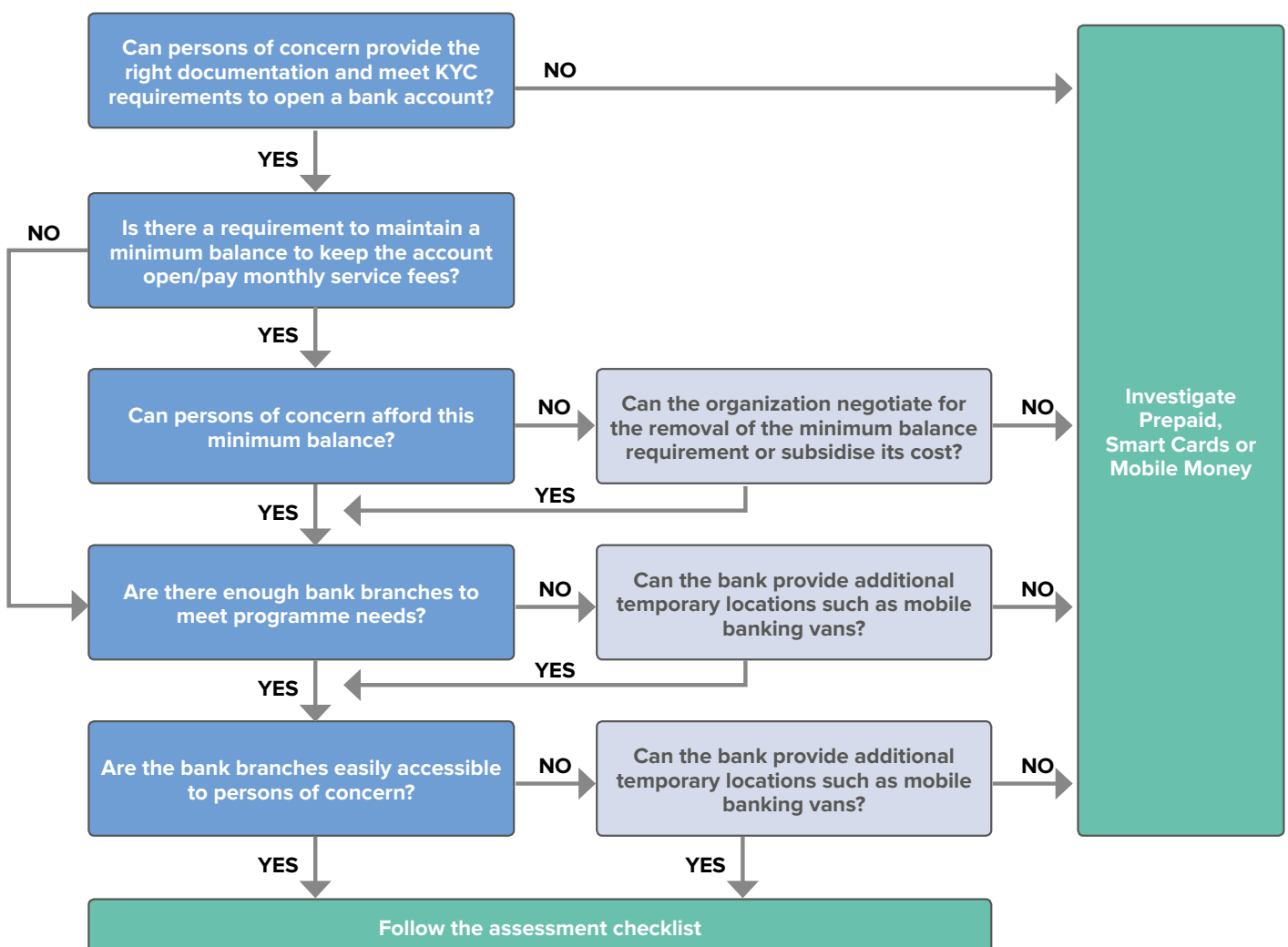


## 4. Decision Trees

### 4a. Bank Accounts Decision Tree

Using bank accounts is about opening an individual bank account in the name of each person of concern targeted for cash assistance. For persons of concern, bank accounts provide the highest degree of financial inclusion. However, it is not always easy for persons of concern to open a bank account as banks may have rigid requirements such as demanding proof of regular income in the form of a payslip, proof of address, legal residence in the country of asylum, etc. Other hurdles may include the requirement to maintain a minimum balance or to pay monthly service fees. As a way to foster financial inclusion, the possibility of opening bank accounts should be encouraged if the CDMAT is used during the preparedness phase.

#### Process



### 4b. Prepaid Cards and Smart Cards Decision Tree

Having followed the initial steps laid out in the high-level decision tree, by the time card-based transfers are being investigated, it has been established that digital financial service providers exist in the programme area. However, it is not possible to open an individual bank account for all persons of concern. As such the fall back option, should cards become unfeasible, is either mobile money, or ultimately, over-the-counter cash collection (delivery through agents).

**Prepaid cards** are also sometimes referred to as magnetic stripe, or magstripe, cards. They are the most basic plastic payment cards available, with a magnetic stripe capable of storing data using tiny iron-based magnetic particles on a band on the card. They need to be “swiped” at a point-of-sale (PoS) terminal or inserted into an ATM for a given transaction to be authorised in real-time, which is why network connectivity is required. Transaction authorisation is queried from the card reader (POS or ATM) to the server of the financial service provider holding the funds linked to the card. Prepaid cards can be provided by banks as well as non-bank financial services providers such as the Post Office, microfinance institutions, etc.

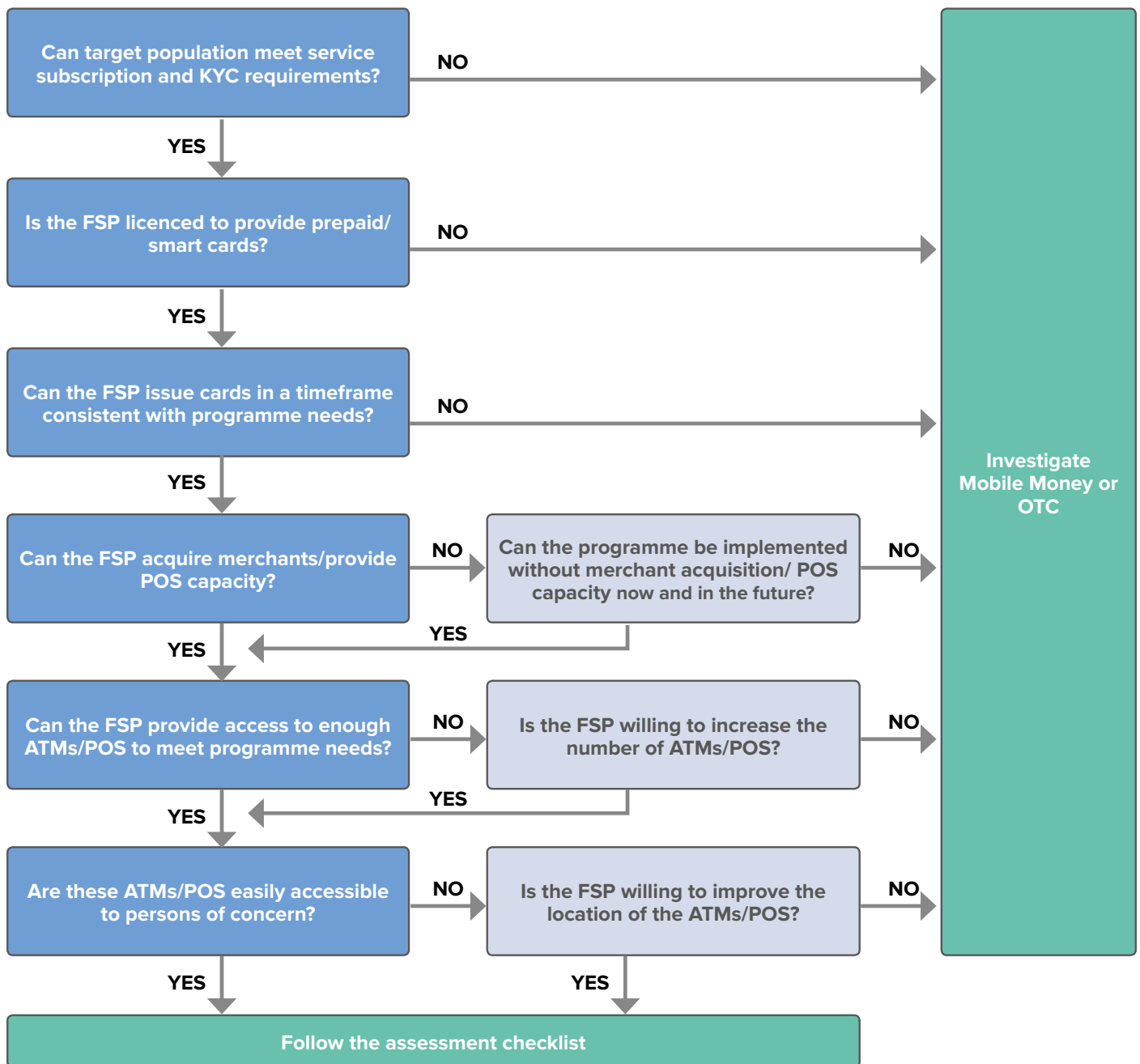
**Smart cards** are slightly more complex forms of payment plastic cards. They have an embedded chip containing financial information on the cardholder. The main difference with a prepaid card is that the amount of information that can be stored on a chip is exponentially greater than what a magstripe can contain. For example, a smart card can link into several accounts, work contactless and most importantly, complete transactions “off line”, without network connectivity. Instead, transactions are stored and uploaded on the system at a later stage when connectivity is restored. Smart cards are mostly provided by banks but non-bank financial services providers may also offer them.

For both prepaid cards and smart cards, transactions are secured by a PIN, a signature or biometrics and can be conducted using PoS devices, ATMs or over the internet. Both card types can be offered without the need for the cardholder to open a bank account at a financial institution.

Whether to use prepaid or smart cards depends on the objective of the programme and what functionalities are necessary for the persons of concern to access. A basic unconditional cash transfer programme can easily be managed using prepaid cards. Other more complex designs such as those involving multiple wallets on the same card require the use of a smart card. The card type should be considered having in mind current needs as well as the anticipated evolution of the programme. Attention should also be paid to how many PoS or ATMs are available to support the programme caseload and geographical spread. Finally, there is a distinct cost difference between both types of card with smart cards generally being more expensive to procure.

## 4. Decision Trees

### Process



## 4. Decision Trees

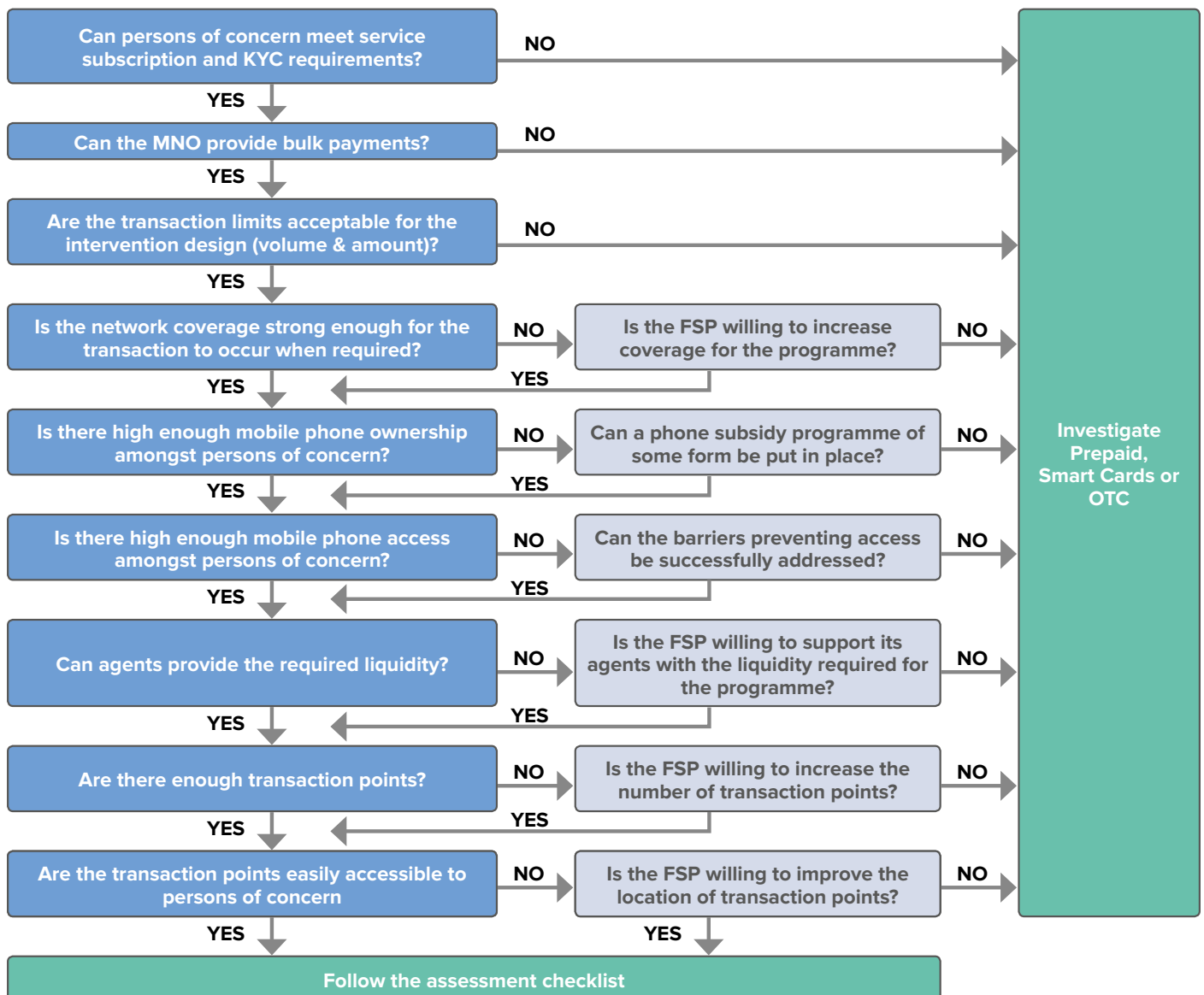
### 4c. Mobile Money Decision Tree

By the time mobile money transfers are being investigated, it has been established that digital financial service providers exist in the programme area. However, it is not possible to open individual bank accounts for all persons of concern. As such the fall back option, should mobile money become unfeasible, is either card-based transfers (prepaid or smart card), or ultimately, over-the-counter cash collection (delivery through agents).

**Mobile money** entails using a basic mobile phone to carry out financial and commercial transactions such as cash deposits, withdrawals and payments. Mobile money services are available from mobile network operators (MNOs), banks or technology service providers. Two main options are available: with or without a subscription to a mobile wallet account. Without a subscription (also referred to as a mobile token), the only transaction possible is a cash withdrawal of the full amount received. A subscription offers a much wider range of transactional capabilities and notably the possibility to store value on a mobile wallet and thus carries higher hopes for financial inclusion. Subscription to a mobile money service requires users to provide documentation to comply with KYC requirements.

Mobile money transactions are completed using a unique authentication code or PIN activated to payment release at an authorised agent. Mobile money users need to have constant access to a charged phone and to a SIM card that can be linked back to them for the duration of the programme. Merchants and agents need to have access to at least a basic phone.

#### Process

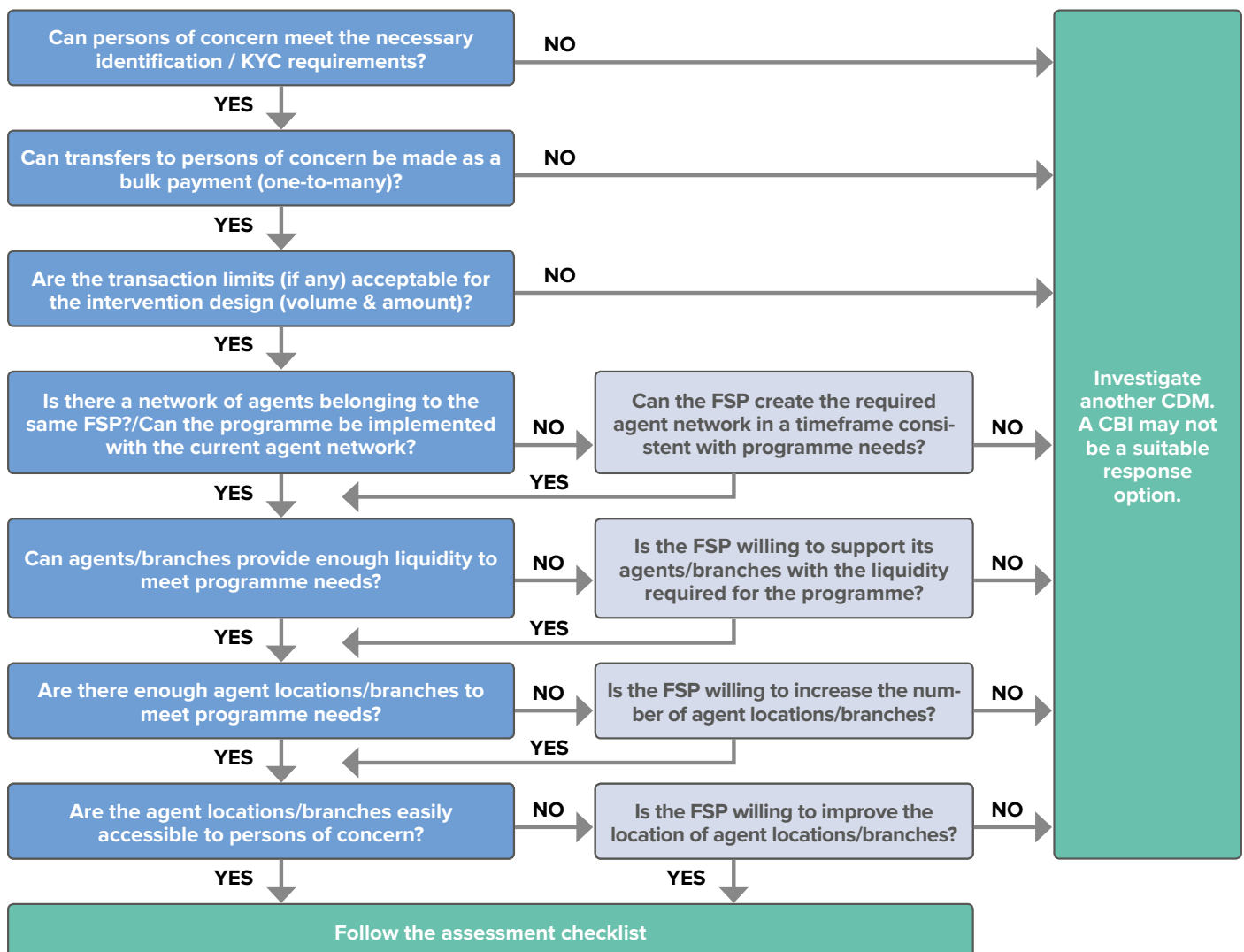


## 4. Decision Trees

### 4d. Over-the-Counter (OTC) / Payment Through Agents Decision Tree

Over-the-counter cash collection/delivery through agents is generally considered in places where it is not possible to work with a bank (or a mobile money service provider). This CDM is about making cash withdrawal without an account at a teller/agent. Agents that provide OTC cash collection/delivery can take many forms ranging from informal traders and hawalas to microfinance institutions and Post offices. The sender sends instructions so that cash is available for collection at a designated location upon presentation of varying forms of identification, depending on the type of agent used. Agents such as traders, hawalas and some MFIs may not be regulated within a given market, making it easier to negotiate the type of identification documents required from persons of concern to collect cash. However, they often also provide less guarantee in terms of the safeguarding an organization's funds. Thus, the choice of providers in this category will depend on various considerations that yield a more detailed analysis but as a general rule, the more formal the FSP the better it is to safeguard the organization's interests.

#### Process



## 4. Decision Trees

### 4e. Direct Cash Payment Decision Tree

Direct cash payments entail putting cash in an envelope for persons of concern to collect. However, there can be higher security risks, including fraud and a higher overall inefficiency of such a manual system. Generally, the counting of money and the packing of envelopes based on verified lists of entitled persons of concern and amounts are done by the finance department in line with segregation of duties and delegation of authority rules. It is considered best practice to have the persons of concern count their money in front of two staff before leaving the cash distribution site, which should preferably be a secured location other than the organization's office.

Having followed the initial steps laid out in the high-level decision tree, it has been established that financial service providers are not present in the programme area yet there is interest in investigating further whether a CBI can be a suitable response option.

#### Process

