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MOBILE MONEY ASSESSMENT AND CONTRACTING GUIDE

Author: Greg Reeve, Mobile Finance Experts

elan
The Electronic Cash Transfer Learning Action Network

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Ethiopia – Bashir Hashi/Mercy Corps

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GLOSSARY

AML (Anti-money Laundering) – A set of procedures, laws or regulations designed to stop the practice of generating income through illegal actions. These may include limits on the amount of money that can be held in a mobile wallet or limits on the number of transactions that a user can perform per month.

API (Application Program Interface) – A set of protocols for building software and applications. By using an API, companies can automate communications between databases and mobile money platforms to simplify the process of sending bulk transfers.

(Automatic) Bulk Registration – Some jurisdictions allow the bulk registration of customers with minimal Know Your Customer (KYC) information. Where allowed, bulk registration is valuable to programs, since it enables program participants to be registered for mobile money service rapidly and without direct contact with the operator. Some operators can perform bulk registration automatically from receipt of a participant list. Other operators complete bulk registration using a manual data entry process.

B2P (Business-to-person) – A transaction from a business or NGO to a person; e.g., cash transfers or salary payments.

Back-end (or back office) – The term mobile money operators use to refer to their processing technology and operations; back-end technology is not directly accessed by the program participant/transfer recipient.

Bulk transfer (or bulk payment) – A simultaneous transfer of funds from one entity to many recipients. Bulk transfer services are required by almost all humanitarian agencies implementing mobile money e-transfer programs.

Cash handling network – Mobile money systems rely on local agents to distribute physical cash. Agents must maintain sufficient cash on hand (liquidity) to serve their customers' cash-out needs. Typically, they access cash via local cash partners such as banks or aggregators (if the agent is part of a masteragent's network). This group of stakeholders involved in moving cash is referred to as the cash handling network.

CICO (cash-in, cash-out) – In the context of mobile money, CICO describes the start and end of a money send transaction. Cash-in is the process by which a customer credits his account with cash. This is usually via an agent who takes the cash and credits the customer's mobile money account. Cash-out is the process in reverse: a customer deducts cash from his mobile money account. This is usually via an agent who gives the customer cash in exchange for a transfer from the customer's mobile money account.[1]

E-money – Short for "electronic money," is stored value held in the accounts of users, agents, and the provider of the mobile money service. Typically, the total value of e-money is mirrored in (a) bank account(s), such that even if the provider of the mobile money service were to fail, users could recover 100% of the value stored in their accounts. That said, bank deposits can earn interest, while e-money cannot.[2]

FSP (Financial Service Provider) – An entity that provides financial services. Money transfer services are offered by a number of different FSPs. Many mobile network operators provide mobile money services with a dedicated staff supporting the service. Banks and other providers may also offer mobile money or other bulk transfer services for humanitarian programs.

G2P (Government-to-person) – A transaction between a government entity and an individual; e.g., a social safety net payment.

IVR (interactive voice response) – An IT system that can be telephoned and guides the listener through a series of questions to access account information or conduct mobile money transactions. For example, "Press '1' to send money," "Press '2' to cash-out," etc.

KYC (Know Your Customer) – Also known as customer due diligence, KYC regulations are designed to combat money laundering, terrorist financing, and other related threats to the financial system. They refer to the ID checks that financial institutions perform to comply with national financial regulations. Typically, KYC checks take place when customers sign up for an account or conduct a transaction. However, KYC checks can also occur during events less visible to customers, such as creating customer transaction models and monitoring for unusual activity.

Liquidity – E-money and currency balances that agents must hold to provide cash-in or cash-out transactions; failure to hold sufficient balance will restrict service quality, thus good operators strictly manage liquidity.

Manual vs. automatic processes for bulk transfers (operator side) – Some operators' platforms automatically process bulk transaction instructions. Others may use a manual procedure that can mimic the bulk transfer operation, but can be as crude as a team of people conducting individual transfers on phones. Automatic processes are less error-prone than manual ones.

[1] GSMA. Mobile Money Definitions. July 2010. http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2012/06/mobilemoneydefinitionsnomarks56.pdf

[2] Ibid.

Masteragent (or aggregator) – An aggregator is a person or business that is responsible for recruiting new mobile money agents. A masteragent is responsible for managing the cash and e-money liquidity requirements of a certain group of agents. Often, these roles are combined and the two terms are sometimes used interchangeably.[3]

P2B (Person-to-business) – A transaction between an individual and a business; e.g., a utility bill payment.

P2P (Person-to-person) – A transfer from one individual to another; e.g., remittances.

POS (Point of Sale) Device – Devices that do not contain any money, but have the capability of performing transactions (e.g., in retail stores, restaurants, or mobile locations.)

Processing platforms – The technology used to manage the cash-in, cash-out and transfer operations for all e-money use. Processing platforms ensure messages are delivered and balances are accurately maintained. They also provide customers and agents with access to their e-money through USSD or IVR. Part of the "back-end".

Service Delivery Contract – The legal agreement that defines the service commitment from the operator and how services will be delivered.

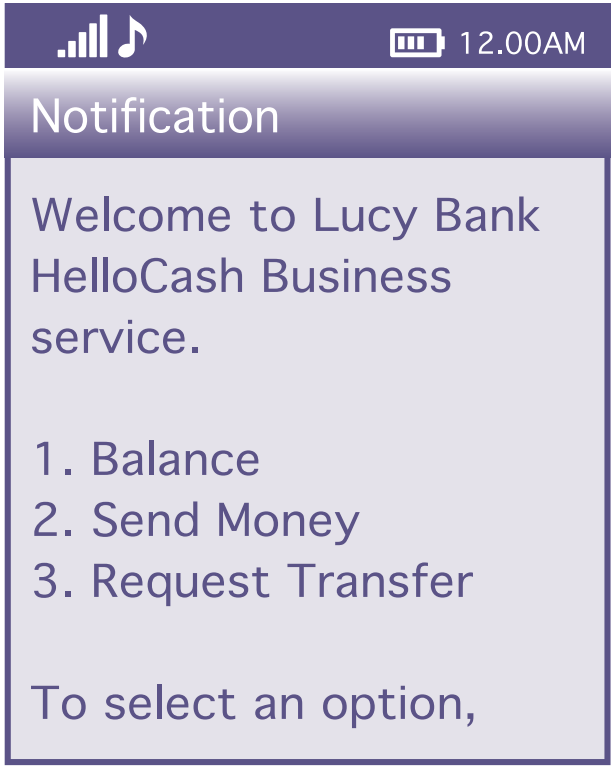
SLA (Service Level Agreement) – An optional (but recommended) annex to the Service Delivery Contract. SLAs define in greater detail the levels of service the operator will maintain.

Transaction code – Most mobile money operators assign a unique alphanumeric code to each transaction, which is used to confirm the transaction between sender and receiver. Often this code is referenced in the SMS sent to confirm a transaction has taken place.

[3] Ibid.

USSD (Unstructured Supplementary Service Data) – A method of communicating with the mobile operator's IT systems that is available on nearly all GSM phones. Instead of dialing a number, USSD is a set of codes that allows the user to communicate with the IT system. Sometimes these systems show up as menu of options (see Figure 1 as an example).

FIGURE 1: USSD MENU EXAMPLE



INTRODUCTION

Mobile money offers tremendous potential to enable cash transfers at scale and connect program participants to financial services. Oftentimes, however, humanitarian practitioners struggle to understand mobile money terminology to confidently evaluate different mobile money operators and to design contracts that lay the foundation for successful programs.

Furthermore, the majority of humanitarian work currently takes place in locations with weak or disrupted payment infrastructure. Using mobile money in these contexts requires careful assessments and joint planning with mobile money operators (hereafter "operators")[4] prior to, and throughout, program implementation.

Mobile money is a service in which a mobile phone is used to access financial services.[5] Mobile money often includes the ability to make payments, transfer money, or access insurance, credit or savings products through a mobile phone. Mobile money is a type of **e-cash** (or **e-money**), an electronic substitute for cash that provides full flexibility for purchases. Humanitarian agencies often utilize mobile money **bulk payments** (or **bulk transfers**), a simultaneous transfer of funds to multiple participants.

HOW TO USE THIS GUIDE

This guide is designed to help humanitarian practitioners understand mobile money operators' capacities, evaluate potential providers and design strong agreements for successful program implementation. The guide is designed to help you understand the operator's constraints and challenges so that you can anticipate and mitigate implementation challenges.

The guide has an overview section and then is divided into three parts, each of which addresses a particular element of evaluating a mobile money operator or developing a successful partnership:

Evaluating your operator's capacity in the field (part 1) will help you assess your operators' networks of agents and capacity to meet program participants' needs. Will they provide training to new users? Will they have enough cash on hand to meet your program's demand?

Evaluating your operator's technology (part 2) will help you evaluate what is happening "behind the scenes" at your potential operator(s). Is the mobile money service running on the best, most up-to-date technology? Is your operator prepared to provide a reliable, problem-free platform for you and your program participants?

Setting up Contracts and Agreements for Success (part 3) will help you review and structure agreements with your operator that set expectations for service delivery and allow you to maintain accountability during program implementation.

The annexed **Question Guide for Your Operator** should be used to support assessments in part 1 (field capacity) & part 2 (technology

[4] Most ELAN resources refer to financial service provider (FSPs). Mobile money operators are as subset of FSPs that offer mobile-specific accounts and services, including mobile network operators (MNOs), banks, and others.

[5] http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2012/06/mobilemoneydefinitionsnomarks56.pdf

capacity). The question guide offers suggestions for interpreting responses, which you can use to identify operator strengths and weakness and build these into your program planning and service delivery contract.

Additional annexes include a sample non-disclosure agreement (NDA), sample service delivery contract, and sample key performance indicator (KPI) and audit reports.

GETTING STARTED

Before digging into the detailed advice of this guide, you'll need to undertake an initial scoping to identify all operators in your program area and select those to be assessed in detail. Your office may have existing contacts or interactions with some providers (for example from previous programs or from your office's own payroll services.) Your local staff and program participants are typically the best source of information about available options, especially which networks are reliable in program locations. In sudden-onset emergencies, you may need to consider the damage to the relevant infrastructure. You may also want to consult your local Cash Working Group or refer to a resource such as **GSMA's deployment tracker**.

Initial scoping occurs early in program development – once you have determined that cash can be an effective tool to meet your program objectives. It does not need to be time or resource-intensive and could be conducted even before funding is guaranteed.

After identifying operators with good coverage in your program area, you will move to a more in-depth assessment of potential operators (described in more detail in the following sections of this guide). As you set up meetings with each relevant operator, prepare for these discussions by making sure you can clearly communicate your requirements, including:

- The number of program participants and their location(s)
- The value and frequency of transfers, as well the planned or estimated transfer schedule
- Whether the majority of your program participants currently have access to a phone or SIM card and what network(s) they use
- What ID types most program participants possess
- The general literacy and numeracy levels of your program participants

Bring this information to your meetings with potential operators, along with the questions in the Question Guide (Annex 1). As part of this in-depth assessment you will want to visit some of your program locations to observe agents in the field and compare with the capabilities promised by the operator's head office.

Following your in-depth assessment, you may select an operator and eventually develop a contract. Part 3 of this guide will be particularly helpful during the contracting phase.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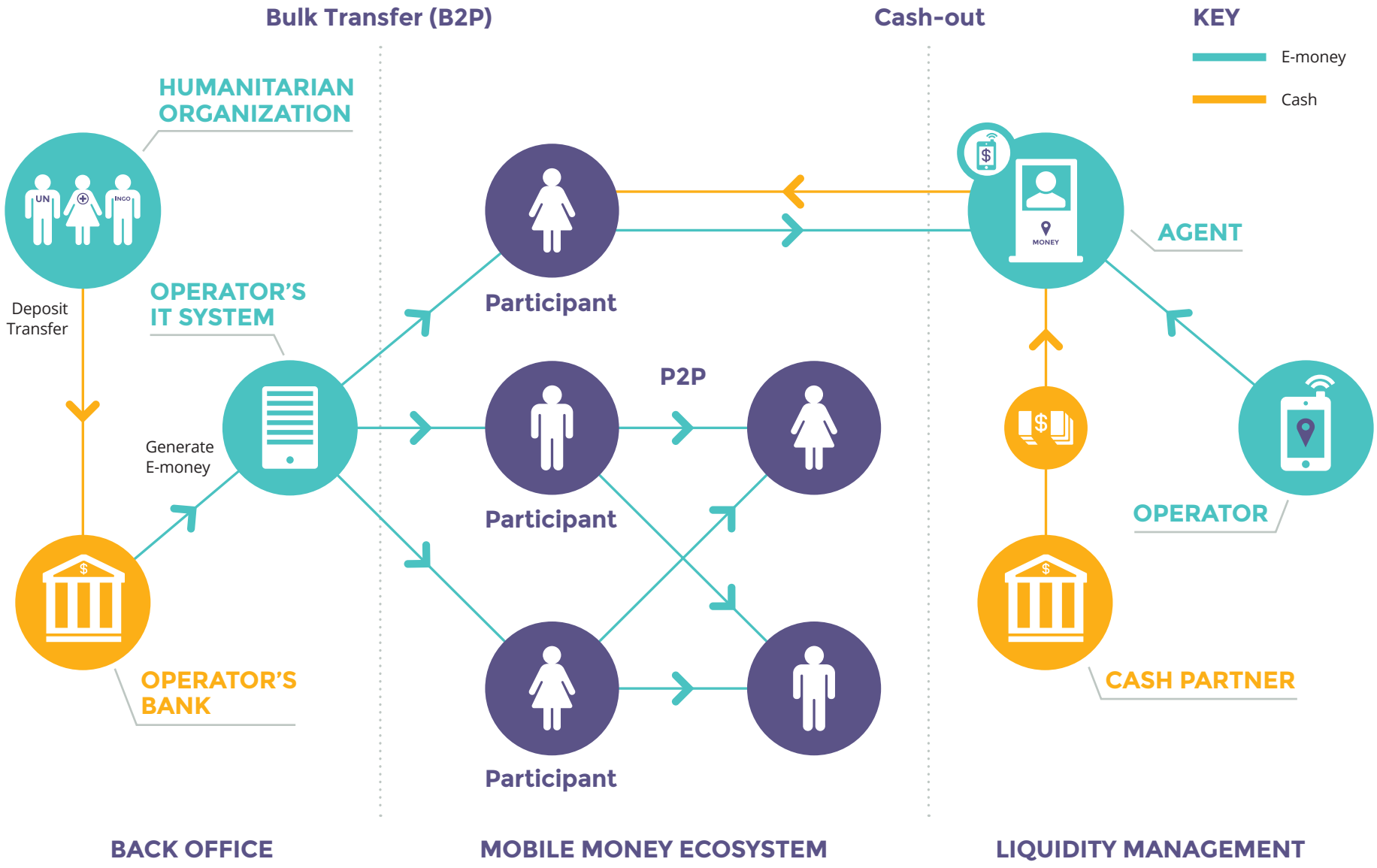
TYPES OF OPERATORS

Mobile money operators vary in their customer service and system capabilities. To help you judge the features offered, professionalism, and capacity of potential operators, we have developed three broad categories, which we refer to throughout this Guide:

Operator Category	Their Strategy
Best in Class The most capable operators; their systems have been customized to meet customers' needs.	**"E-money builder"** These operators will be focused on building their e-money system and will want your business as a part of an overall strategy. They understand that poor service will impede long-term customer usage and will only offer what they can deliver. These operators will ask questions to determine your specific requirements and to fully understand if they can deliver the required service.
Average The majority of mobile money operators; their capabilities are limited by the back-end technology solutions they have selected, which are generally not customized for their users.	**"Cash-in operators"** These operators will be thinking about the low level of maturity of their own offering and will see you as an opportunity to increase cash flows into their system. They will view your participants as new subscribers and may look to generate new transaction revenue from them. Average operators may not understand wider liquidity issues (further described in Part 1 - Evaluating Your Operator's Field Capacity) and may offer poor service without significant involvement from you.
Poor & Troublesome Operators with the lowest maturity level; they have selected cheaper, low-feature IT systems that lack sophisticated features. Often their service is delivered manually and prone to error, poor audits, and bad operational quality.	**"Any deal will do"** Oftentimes, these operators just want to win business and tend to oversell their capacity.

FIGURE 2: AN ILLUSTRATION OF THE MOBILE MONEY PROCESS FLOW



PART 1: EVALUATING YOUR OPERATOR'S FIELD CAPACITY

In your initial scoping, you narrowed down your search to a group of mobile money operators that provide good coverage in your program area. Now, you are ready to conduct an in-depth assessment of these operators. Schedule meetings with each of the operators you are considering and, if possible, send them an overview document with critical program details (noted above) in advance.[6]

OPERATOR FIELD CAPACITY

What is "field capacity", and why is it essential to the success of your cash transfer program?

Field capacity comprises the liquidity, customer service, registration and agent network issues that have been recurrent challenges for humanitarian programs using mobile money.[7] These elements of field capacity are critical for meeting program objectives and providing a smooth first experience for new mobile money users. Operators and humanitarian organizations have a common interest in providing participants a positive first experience with mobile money.

High quality field capacity is composed of four key elements:

- **Agent networks:** Does your operator have reliable agents where you need them?
- **Liquidity management:** Will those agents have sufficient cash on hand to meet the demands of your program?
- **New customer registration and training:** Will the operator support registration and training of new customers (your program participants)?
- **Customer service:** Are customer service mechanisms (for you and your program participants) available and reliable?

Low field capacity may leave you – and your program participants – confused and scrambling to make up for operator or agent shortcomings. Conducting a thorough initial analysis can help you identify potential weaknesses early on, set expectations for all partners and develop contingency plans.

These four components of field capacity are explained below. At the end of each section, you'll find a reference to a set of questions (Annex 1) for the operator head office and observations and questions to use when visiting the operator in the field, as well as categorization of responses by best-in-class, average and poor and troublesome.

AGENT NETWORKS

Mobile money agents will directly interact with your program participants. As such, it is critical to understand if their presence is robust enough to support your program needs, and if they are likely to provide quality service. Questions for the operator in this section are aimed at understanding clearly where agents are located, what volumes of customers they serve currently and what kind of support they receive from the head office. You will also want to know if the agents in your program areas are mostly cash-in or cash-out agents or

[6] Note: your agency's procurement procedures may indicate a different order or components of outreach and information sharing with providers.

[7] Krishnan, Vaidehi. Partnering for Success: E-cash use in humanitarian programming. ELAN. 2015. http://www.cashlearning.org/downloads/partnering-for-success-in-e-cashfinal-elan.pdf

if they perform both tasks equally, since your program will require the support of agents with additional cash-out capacity.

Temporary Expansion of Agent Networks

Some operators that lack sufficient agent presence in your target area may offer to temporarily assign agents to disburse cash. This is a complicated undertaking and involves significant logistics, security and management support from the operator. Typically, only a mature operator can successfully take on this challenge, so treat with caution any promises of agent expansion that are not accompanied with a full explanation of how it would be accomplished. Operators may also need to have a strategic purpose to take on this added responsibility (such as leveraging your program to complement an existing agent expansion strategy) and could charge higher fees to cover associated expenses.

See Question Guide section 1.1 and 2.1 for questions and observations for HQ and field agents about agent networks.

LIQUIDITY MANAGEMENT

Mobile money agents must have sufficient cash (liquidity) available to meet their customers' cash-out demand. This is particularly true for cash transfer programs, where participants almost always cash-out their entire transfer upon receipt. Even businesses with high levels of liquidity (such as pawn shops) may struggle to meet the demands of large cash transfer programs.

For this reason, it is important to understand how your operator plans to support their agents in planning for, and meeting, your program's cash-out requirements. Liquidity management can consume 20-30% of agents' time.[8] If liquidity management costs are not built into your operator's business model, your program's extra demands can negatively impact cash recipients' experience.

Typically, agents can increase cash liquidity in two ways: either the agent goes to a bank or other cash point or receives a cash delivery (usually by an operator representative or masteragent).[9] One or both of these channels should figure in your operator's liquidity planning.

Talking about cash management

Operators may be reluctant to discuss specifics about their liquidity management due to security concerns. Nevertheless, they should be able to provide general information that demonstrates a robust cash management system. If head office staff members are reluctant to discuss their liquidity management in detail, you may need to triangulate information by interviewing others involved in the process, such as agents and intermediaries (i.e., banks, masteragents).

See Question Guide section 1.2 and 2.2 for questions and observations for HQ and field agents about liquidity management.

[8] Tool 5.6 - IFC Mobile Money Toolkit – http://www.ifc.org/wps/wcm/connect/be4c9b804a1b7ad991ccfddd29332b51/Tool%2B10.5.%2BLiquidity%2BManagement.pdf?MOD=AJPERES

[9] A masteragent manages a group of agents, ensuring they have liquidity and are providing good service. Masteragents are rewarded with a percentage of their agents' commissions.

NEW CUSTOMER REGISTRATION

To capture the potential benefits of using mobile money accounts for other transactions, program participants who are not already mobile money account holders must be registered with your operator. (See textbox on sending to unregistered recipients on page 12 for a possible work around in limited cases.) If bulk registration is not available in your location, the in-person registration process will require work from your field team and support from your operator in the form of SIM card distribution, planning time, and technical support. Your operator may welcome your registration of new clients. If you want the operator to play a role in the process, be clear about expectations, roles and responsibilities for both field teams.

See Question Guide section 1.3 and 2.3 for questions and observations for HQ and field agents about customer registration.

CUSTOMER SERVICE

All operators should provide an avenue for their customers to troubleshoot account difficulties, learn more about company products, retrieve lost PINs, etc. Their customer service should extend to both you, as the humanitarian client, and your program participants, as product end users.

See Question Guide section 1.4 and 2.4 for questions and observations to clarify what type of support your operator will provide and interpretations of the reliability and accessibility of that support.

PART 2: ASSESSING YOUR OPERATOR'S TECHNOLOGY

Your operator's overall capacity is also rooted in the technology they use and the features they offer. Understanding this aspect of your operator's business will help you evaluate their capacity to support your program's objectives and identify any potential shortcomings.

Key aspects of operator technology include:

- **SMS notification:** Can SMS that accompany bulk transfers be customized for your program?
- **Bulk registration:** Can participants be registered in bulk?
- **Payment platform and payer interface:** How can your operator accept program participant details and payment instructions? Can you directly access a platform to send transfers?
- **Error messaging and retries:** Under what conditions will a transfer fail? How are transfers retried?
- **Error resolution:** How are errors recorded and what is the resolution process?
- **Reporting capabilities:** What type of audit report does the operator produce? What level of detail can they provide?
- **Interoperability:** Does the operator's system enable transfers to users registered with other operators?

Across these technologies, you are looking for signs of whether the operator has automatic or manual systems, as automatic systems will be more reliable.

Non-Disclosure Agreements (NDAs)

Some operators operate in formal legal environments and may be hesitant to provide details about their services (for example API or data file formats) without a signed NDA. A sample NDA can be found in Annex 2.

Each aspect of field capacity is explained below and linked to a question for the operator's head office (See **Annex 1 – Question Guide** for questions on each of the features below and a categorization of responses).

OPERATOR TECHNOLOGY AND FEATURES

SMS Notification

SMS notifications are text messages that mobile phone holders can receive from bulk or individual senders. Certain systems allow for the configuration of SMS notifications so that recipients can be notified in bulk that a transfer has been sent from a specific program. This feature can be particularly useful when your program participants are already utilizing mobile money (to differentiate program payments from other funds received).

Bulk Registration

Some systems are capable of registering your program participants in bulk if they are not already registered, which provides them with additional account functionalities. For either automatic or manual bulk registration, participants must possess (and in some cases you must have collected) required KYC documentation for registration to occur.

Sending to an unregistered recipient

Any user outside the service provider's network is an "unregistered recipient". Additionally, not all network users (SIM card holders) will have registered for the mobile money service. Most e-money systems permit sending to an unregistered recipient (within or off network); in these cases, the recipient must withdraw the entire sent amount at the service provider's agent, usually within a limited period of time. By contrast, a program participant registered with your operator will receive an SMS notifying them that money has been transferred to their mobile wallet. Their wallet balance will increase to reflect the transfer (minus any applicable fees). The registered user will have the opportunity to withdraw their cash at an agent or can use the wallet to perform other financial transactions, such as sending money to another person or paying for goods or services. An unregistered program participant will not have access to additional mobile wallet capabilities and there may be stricter limitations on the balance that can be sent to unregistered recipients (linked to AML/KYC regulations). To register for the mobile money service, users will have to undergo any relevant KYC checks. These are laid out in national legislation for different banking and cash transfer services. For more information about KYC in humanitarian programming, see the **ELAN KYC tip sheet**.

Payment Platform and Payer Interface

Most mobile money operators use an IT system to manage their accounts and transactions, referred to as a "payment platform." The payment platform is often purchased from a specialist vendor, but

may also be developed in house. Some payment platforms are quite basic while others are more sophisticated. The file formats that your operator can accept and whether or not they can schedule transfers for a particular time offer insight into the sophistication and reliability of their system.

Some services also provide programmable interfaces (known as APIs) so that NGOs' or other providers' IT systems can directly link to the mobile operator's systems.

Errors: Messaging, Retries and Resolution

An error message is logged when transaction instructions are not processed correctly (resulting in no transfer sent to the intended recipient). There are a number of reasons why a transfer cannot be completed, some of which are outside the operator's control. For example, a transfer may fail if new money sent to a recipient exceeds the mobile wallet's permissible amount or as a result of a data entry issue. In these cases, some systems will retry the transaction before recording as a failure to send. Errors will be highlighted in your audit report. Once resolved, the operator will be able to re-send the failed transactions, but the ease of error resolution may vary significantly between operators.

You also want to ask where the funds that you've provided for the transfer will be held if the transfer fails. It is preferable to have funds returned to your account for re-use rather than being trapped in a suspense account until the errors are resolved.

Reporting Capabilities

All systems should be able to produce a report that details transfers sent for audit purposes. Some systems may have the ability to confirm that a recipient has cashed-out their transfer. Reports should include:

- Start and end dates of bulk payment transactions
- Bulk payment identification number(s)
- Any unique identifying name for the bulk payment (e.g. "Payments to Field Workers for Agriculture Program")
- The identification codes for the individuals within the organization who acted as Generator, Verifier and Confirmer for the bulk payment transaction
- The total payment amount
- The total fees incurred
- Any errors, retries, and final results

For each recipient, reports should include:

- The recipient's name
- The recipient's mobile phone number
- Amount paid to recipient
- Fees, if any
- Transaction status (completed/in progress – refers to the transfer being successfully sent by the operator, not the participant having cashed out) *Note: If sending to an unregistered participant, "in progress" will appear until the user cashes out since there is no mobile wallet to receive the transfer*
- Payment status, or cash out (Paid/Not Paid) – *Note: may or may not be available depending on the operator*
- Transaction code (Some MNOs create this code for each recipient payment made; other MNOs can identify each transaction using the mobile phone number.)

Interoperability

Interoperability is the ability to send funds from one mobile money operator's network to another's. Some mobile money operators offer this wallet-to-wallet interoperability. Where interoperability arrangements exist, it is more likely that your participants will already be registered with a relevant provider.

SELECTING A MOBILE MONEY OPERATOR

You have collected detailed information on the field capacity (Part 1) and features and technology (Part 2) of each of your potential operators. Now you must decide with which operator(s) you want to contract to deliver assistance to your program participants (in line with your agency's procurement policies and guidelines). As you review answers to questions you have posed, do most of them group within the "best in class" category, "average", or "poor and troublesome"?

The most important factors to consider when selecting an operator are that operator's **coverage and presence** in your program areas and their **field operational capacity**. These two factors underpin the benefits an operator may provide to your program participants and to your team.

If, after conducting this assessment, you realize only "average" and/or "poor and troublesome" operators are available, you may want to consider another delivery mechanism. If no other options are available – or if mobile money is still preferred despite your concerns – some possible ways to mitigate any challenges include:

- Review your assessment findings to identify the expected challenges of working with the best available operator and consider whether you might need multiple operator partners to reach sufficient coverage across your program areas.
- Spend ample time during the contract negotiation process (See Part 3) to ensure expectations and service options are clear.
- Pilot a small version of the program, scaling up only when you are satisfied with the operator's performance.
- Consider how you could support the partner's operational planning. For example, you could notify the operator well in advance about scheduled transaction needs and work with them to project liquidity requirements for relevant agents.
- Consider whether any third parties could support the most challenging aspects for you preferred operator (e.g., an aggregator that can manage sending instructions across several operators to reach people who do not have reliable coverage from a single operator).
- Review your program timeline and community communications plans. Do these need to be adjusted based upon your operator's capacity and stages where delays are anticipated?

In Part 3, this guide will take you through the steps to successfully contract with your selected operator and to set performance requirements within the service delivery contract.

PART 3: ESTABLISHING EFFECTIVE CONTRACTS AND SERVICE LEVEL AGREEMENTS

Why are contracts and service level agreements (SLAs) critical for your program's success?

Whether you have selected a "best in class" operator or one where you know you will need to do careful joint operational planning, it is important to hold operators accountable for delivering agreed-upon service. Carefully structured contracts with appropriate service level agreements (SLAs) are essential to meeting your program objectives, particularly when working with "average" or "poor and troublesome" operators. This section will help you review and finalize agreements for successful programs. Note, however, that this guidance does not replace formal legal review of MNO contracts by your Legal and/or Compliance Teams.

THE SERVICE DELIVERY CONTRACT and ANNEXES

The service delivery contract is a legally-binding agreement between you and your operator that details the service and how it will be delivered.

Service delivery contracts usually contain:

- Definitions of terms used in the contract
- Timing and scope of the agreement, including the legal jurisdiction
- Description of the service
- A Service Level Agreement, which will contain Key Performance Indicators (KPIs) against each element of the service that you want delivered, and any agreed-upon penalty clauses (see SLA section below)
- Payment terms
- Clauses covering protection of intellectual property of the operator
- Rules for suspension and termination of the agreement
- Local tax information
- Dispute resolution procedures
- Confidentiality clauses
- Indemnity and liability clauses (restricting the liability of the operator)

Additional annexes are often included to specify the terms and conditions under which the service is used (including a planning schedule of bulk payments) and any regulatory limits of the service. You can find an example service delivery contract in Annex 3.

The service delivery contract is negotiated when service is requested (i.e., when you have selected your operator). Most operators will present the humanitarian agency with a standard contract where individual details are amended for your requested service. While a humanitarian agency can draft a contract to provide to the operator, the operator's lack of a draft contract is often a sign of limited capacity.

THE CONTRACTING PROCESS

Contract negotiation with operators has been one of the most time-consuming aspects of utilizing mobile money as a delivery mechanism.[10]

Each party approaches the contracting process from a different vantage point. It is important for you to understand your operator's priorities within this process, which are:

- **To gain clarity** – What do they need to demonstrate to win the contract at minimum cost?
- **To minimize overhead** – Wherever possible, operators will want to minimize costs; during implementation, this might mean sending reports rather than meeting in person.
- **To re-sign** – What can they do to win contract extensions and future work?

SERVICE LEVEL AGREEMENTS

A service level agreement details the types of service that are expected and the timeline within which the operator commits to proving them. In addition, the SLA identifies the KPIs (see next section) and any consequences for not meeting these indicators.

The SLA should also specify any operational reviews that will take place during the delivery period if time permits. These reviews offer the opportunity to check service against the KPIs and to manage expectations as the service is delivered.

Caution: Incentives to consider when negotiating your SLA

Note that operators will not agree to contract or service level terms outside their control.

As you negotiate amendments that apply in the case of service level failure, be aware that the operator will also consider whether they can meet the SLAs and still make a profit.

- If the answer is "yes," the operator will pursue the agreement and strive for quality.
- If the answer is "no," the operator may build the cost of the SLA "fines" into their margin and try to meet SLA. However, if they do not meet the SLA, **they will not be as concerned about failure**.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[10] Cheaper, Faster Better? A case study of new technologies in cash transfers from the Democratic Republic of Congo. Sara Murray and Fidelis Hove. Mercy Corps 2014. https://www.mercycorps.org/sites/default/files/MercyCorps_DRC_CashTransfersCaseStudy_November2014.pdf

KEY PERFORMANCE INDICATORS

Below are several common KPIs you may choose to include within your Contract's SLA, potential areas of weakness, and clarifications or measures to address these challenges.

KPIS – WHAT TO ASK FOR, POTENTIAL CHALLENGES AND WHAT TO DO ABOUT IT

KPI	"Best in Class" Practice	Potential Challenges (operator's capabilities, or the program situation)	NGO Responsibilities and Contingency Planning
Registration of recipients	100% registration of recipients within an agreed-upon time period.	Program participants lack ID documents.	Collect correct ID information (or verify its availability) and mobile phone numbers for program participants. If ID documents are unavailable, ask your operator about alternative registration options.
Cash liquidity	100% of cash-out within a reasonable time frame (e.g., within one week from transfer date in your target area).	The operator's response to this will uncover any concerns about operator liquidity and the ability of the cash partners to replenish within a reasonable timeframe. Operators may ask for more time (indicating a slow cash-partner delivery cycle) or lower KPI (alerting you to agents' low liquidity).	In some cases, it is possible to work with another third party (such as a cash delivery company). In this case, the operator would manage the transaction handling and reporting; the third party provides the cash handling facilities and traceability. In these situations, the operator usually assigns specific agents for cash-out. Cash out dates could also be staggered to manage liquidity.
Delivery window	100% of transfers are sent to the intended recipient within a reasonable timeframe (e.g., a rate of 60 send transactions/minute).	Operators with a manual system will want to set a lower KPI.	Ensure program participants understand when transfers will be sent and how they can reach you if it is not sent on time.

KPIS – WHAT TO ASK FOR, POTENTIAL CHALLENGES AND WHAT TO DO ABOUT IT (CONTINUED)

KPI	"Best in Class" Practice	Potential Challenges (operator's capabilities, or the program situation)	NGO Responsibilities and Contingency Planning
Successful transfers	100% of successful transfers (send); exceptions are allowed for conditions outside the operator's control (see "Operator Caveats" below).	Any operator reticence is an indication of potential problems with quality. Ensure your earlier operator capability assessments are correct.	If lower-quality operators are your only option, make sure to review transfer reports carefully. Ask field officers to ensure participants are receiving transfers and appropriate service from agents.
Retries	100% of all failed transactions are retried with an agreed-upon time period.	Failures can be caused by incorrect phone numbers, transferred SIMs and other operational issues.	For longer programs, use operator-generated reports to correct failures following each transfer round.
Reporting on cash-outs	This is a rare feature that can be provided by only a few operators.	Many operators cannot provide cash-out information.	Ensure field staff is proficient in the technology to train participants on cash-out procedures and you can process feedback and complaints.
Audit information	100% of payments covered in audit report.	In the case of transfer failure, basic audit reports may not uncover retries or indicate that non-transferred funds may be held in a suspense account unavailable for the organization to access.	Request an audit report example in advance to understand what report weaknesses may be present. (See Annex 4 for an audit report example).

OPERATOR CAVEATS

Operators will want to include caveats to the KPIs to account for factors that might preclude them from delivering on their service commitments. The following caveats are reasonable additions:

Availability and accuracy of participant information – Participants have IDs that meet KYC requirements for registration. If the humanitarian organization has collected this information, the operator will assume this information is accurate and not verify or take responsibility for errors in the data received. (See "Registration of recipients" in the table above.)

Completing the transfer – You define the values of the transfers and the transfer dates. Your operator will commit to sending the bulk transfer, but not commit to all the transfers being successfully received. This is due to valid reasons that may prevent receipt of the transfer that are outside the operator's control, such as regulatory account limits or technical failures on a participant's mobile phone. Very few operators will commit to reporting on the actual cash-out by participants, since few back-end systems allow them to easily access and verify this information.

System and network availability – Service quality is directly related to service availability. Consequently, the operator will seek to limit the impact of delivery KPIs by limiting their system and network availability.

- A good operator will agree on 99% system availability for their mobile money system and a lower figure of 98% for their network (which the mobile money system relies on for access).
- Poor operators will try to reduce these figures. Anything below a commitment of 90% represents poor service.

Acts of God, terrorism – Operators will want to include reasonable exclusions for events outside of their control. Be careful to ensure that events over which the operator does have control (such as electricity) are not included here.

MANAGING OPERATOR SERVICE USING THE SLA

The SLA should include a commitment to regular reporting on the agreed-upon KPIs as well as a meeting schedule to discuss results. Typically, this is referred to as a "KPI Report Template" and is included as a separate annex (See Annex 5 for an example KPI Report).

The KPI report can be used to set the agenda for regular service review meetings. During these meetings, consider each KPI requirement, the level achieved by the operator, reasons for failure (if any), and measures taken by the operator to improve (if required).

Performance against KPIs can fall into one of three categories:

- **Met** – KPIs are being met – service is being delivered
- **Not-Met** – KPIs are not being met, but shortcomings are sporadic. Service is being delivered with some failures. At the service reviews, the humanitarian organization and operator should acknowledge the failures and identify remedies.
- **Not-Met-Service-Impact** – KPIs are not being met and your participants are not receiving their assistance. The operator will understand that failure to meet the service KPIs will impact your program participants. The Not-Met-Service-Impact is usually defined as Not-Met status consistently across a number of KPIs and across a number of reporting periods, or outside of a range of KPI sensitivity. This category encompasses full failures as well as underlying critical lapses in quality.

For larger contracts, a set of penalties for not meeting the service levels may be agreed upon. Typically, this is the lengthiest part of contract negotiation.

Operators will prefer penalties such as:

- **Service credits:** Credits that can be redeemed against future service requests (such as a percentage reduction in fees paid)
- **Payment delays:** Delays in agreed-upon payment terms, e.g., moving to a 60-day payment instead of a 30-day one while the service level is not being met.

As a last resort, operators may agree to refund all or part of the service cost. However, such a concession is unusual for large supply contracts.

When there is a consistent **Not-Met-Service-Impact**, you may choose to execute your service penalties. However, if you exercise your penalty rights, you may tip your operator's balance of effort from trying to remedy the problem to accepting the penalties.

PROVIDING FEEDBACK ON OPERATOR SERVICE

At the end of the service delivery, hold a final meeting to review the service levels met against the KPIs over the course of the program. The operator will typically request a final service delivery rating using the same KPI indicators mentioned above. You may seek to retain the right to exercise penalties against this final report in your contract.

ANNEXES

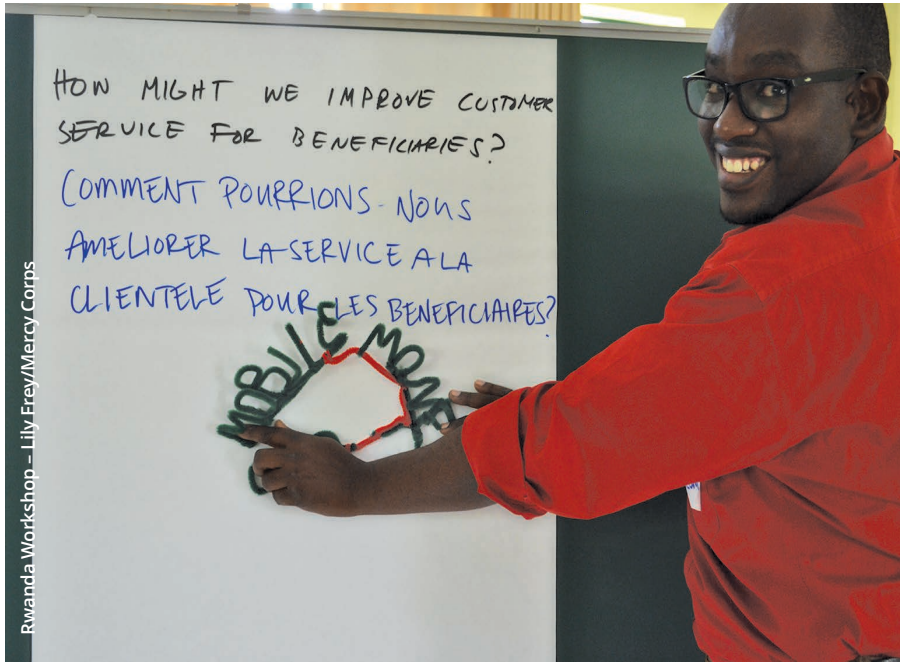
Annex 1 – Question Guide: Assessing Your Operator

Annex 2 – Sample Non-disclosure Agreement

Annex 3 – Sample Service Delivery Contract

Annex 4 – Sample Audit Report

Annex 5 – KPI Report Template



Rwanda Workshop – Lily Frey/Mercy Corps

This resource was created by the Electronic Cash Transfer Learning Action Network (ELAN). The ELAN works to improve how electronic cash and electronic vouchers are used to assist survivors of natural disasters and conflict. It brings together staff from humanitarian organizations and the private sector to improve e-transfer programs.

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The Electronic Cash Transfer Learning Action Network

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