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Prospects and Bottlenecks of Reciprocal Partnerships between the Private and Humanitarian Sectors in Cash Transfer Programming for Humanitarian Response

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Abstract

As an alternative to commodity-based programming (in-kind aid), Cash Transfer Programming is attracting both humanitarian organizations' and institutional donors' attention. Unlike in-kind aid, Cash Transfer Programming transfers purchasing power directly to beneficiaries in the form of currency or vouchers for them to obtain goods and/or services directly from the local market. In distributing currency to beneficiaries, the private sector, especially financial service providers, plays a prominent role, due to the humanitarian sector's limited relevant resources. The present work unveils challenges for the private and humanitarian sectors, which hinder implementing Cash Transfer Programming. Based on primary and secondary qualitative data, the paper presents the main characteristics and the mechanisms of Cash Transfer Programming to explore how the private sector is involved with Cash Transfer Programming. Then, this study presents bottlenecks of reciprocal relationships between financial service providers and humanitarian organizations in Cash Transfer Programming.

Key words: Cash Transfer Programming, Humanitarian Response, Financial Service Providers, Private Sector.

1. Introduction

Conducting efficient, effective and fair humanitarian operations is an earnest desire of humanitarian organizations (HOs). For the attainment of this goal, Cash Transfer Programming (CTP) has attracted HOs' increasing attention as an alternative to in-kind assistance (commodity-based programming) (Harvey and Bailey, 2011, Ali and Gelsdorf, 2012). For the delivery of both, cash and in-kind aids, HOs are entering into partnerships with the private sector as a means to address the complex humanitarian problems that exceed the ability of a single organization and sector and to offer better services and products to beneficiaries (Nurmala et al., 2017, Van Wassenhove, 2006).

CTP aims to transfer purchasing power directly to households and individuals in the form of cash or vouchers for them to obtain goods and/or services directly from the local market. CTP allows beneficiaries to access health services, food, transportation and education by providing them with cash, vouchers or electronic transfers (Doocy et al., 2011, Adato & Bassett, 2008). Despite the increasing use of CTP in humanitarian aid, it accounted for only 10% of humanitarian assistance

in 2016 (CaLP,2018). To boost the share of CTP based aid, the humanitarian sector and major institutional donors launch international and comprehensive efforts (CaLP, 2017). For example, via the Grand Bargain signed at the World Humanitarian Summit 2016 in Istanbul, Turkey, major donors and HOs made a public commitment to increase the share of CTP in their humanitarian responses (Grand Bargain, 2016).

Previous relevant research (Doocy et al., 2011, Ali and Gelsdorf, 2012, , Hoddinott et al., 2014, Margolies and Hoddinott, 2014, Maunder et al., 2015, Heaslip et al., 2018) on CTP concludes that aid provided via CTP allows HOs to achieve more cost-efficient and effective aid than in-kind aid because CTP enables HOs to employ more straightforward logistics. However, HOs' limited relevant resources and technologies to transfer purchasing power to beneficiaries cause a bottleneck in promoting CTP. Thus, the participation of the private sector, especially of financial service providers (FSPs), is essential to execute and have CTP prevail (Bailey and Gordo, 2015, Andersson et al., 2013). FSPs are entities that provide financial services, including e-transfer services. Depending on the context, FSPs include e-voucher companies, financial institutions (such as banks and microfinance institutions) (CaLP, 2017a).

Private-humanitarian partnerships are assumed to have positive results for both sides and especially for HOs since private companies could provide them with technical expertise, and innovative solutions (Cozzolino et al., 2017, Numala et al., 2017, Tomasini and Van Wassenhove, 2009). Recent literature on private-humanitarian partnerships focuses on relationships between HOs and Logistics Service Providers (LSPs). A research of Bealt et al. (2016), explored barriers and benefits of establishing collaborative relationships between HOs and LSPs. Lack of trust between partners, poor governance and accountability of HOs as well as lack of process and clear visibility are seen as the main barriers for building a successful partnership between HOs and LSPs. Cozzolino et al. (2017), explores the contribution of logistics service providers' initiatives to disaster relief and how LSPs are engaged with the humanitarian sector. Outsourcing of humanitarian logistics to commercial LSPs is also investigated in Vega and Roussat (2015). They found that LSPs could play a significant role in relief response and they could take the role of coordinator, operator and partner in the different disaster phases. For the implementation of cash aid, financial service providers appear to play an important role by providing technology and expertise in transferring money to beneficiaries. Despite the recent growth of humanitarian sector's expectation toward CTP, relevant literature is limited (Tappis and Doocy, 2017, Doocy and Tappis, 2016).

A systematic literature review on CTP from Doocy and Tappis (2016) concludes that only nine studies are in peer-reviewed publications and none of them focus on the role of the private sector. The majority of peer-reviewed articles are case studies about CTP implemented in different geographical areas while others modeling the cost efficiency and effectiveness of cash versus in kind. For example, applying an economy-wide modelling framework and a social accounting matrix to the long-term famine crises of Ethiopia in 2000s, Gelan (2006) uses an economy- wide modelling approach to examine the effectiveness and efficiency of cash and in-kind aid. He found that cash aid provided efficiency gains from savings on logistics, avoided disincentives to local food production and had greater multiplier effects. Margolies and Hoddinott (2014) applies activity-based costing methods to interventions in four countries (Ecuador, Niger, Uganda, and Yemen) and they have found that the per-transfer cost of providing cash is always less than food. Based on a case study of the famine crisis in Somalia in 2011, Ali and Gelsdorf (2012) also

indicates that a large-scale cash program could be even more successful than the distribution of foods. Simpson et al. (2017) investigates the parameters which can be measured to determine the added value of employing CTP on water and sanitation programs.

To our best knowledge, all previous relevant academic literature (Doocy et al., 2011, Ali and Gelsdorf, 2012, Hoddinott et al., 2014, Margolies and Hoddinott, 2014, Maunder et al., 2015) is evidence-based research which focuses on the effectiveness of CTP versus in-kind aid. Another stream of modelling literature of CTPs investigates the relationship between cash and education and nutrition of beneficiaries in development aid. Combining modeling techniques and evidence data, researchers found that conditional cash is positively correlated with education and school enrollment and school attendance (De Janvry et al., 2006, Filmer and Schady, 2011, Glewwe and Kassouf, 2012). Also, previous research shows that cash transfers have demonstrated large impacts on health and nutrition of children (Adato and Bassett, 2009, Paxson and Schady, 2010). Exceptionally, Andersson et al. (2013) addresses a bottleneck of CTP associated with HOs' limited abilities to implement CTP. The authors indicate that HOs participating in the political crisis of Bosnia in 1997 did not have the necessary skills and resources to implement CTP smoothly. Despite the fact that the private sector plays an essential role in the execution of CTP, academic research, which sheds light on this area, is limited. Recently, Heaslip et al. (2018) explores the CTPs' impact on humanitarian logistics from the perspective of supply chain strategies. Based on empirical data, the authors conclude that developing strategic partnerships between commercial companies and aid agencies is a determinant of successful CTPs. However, they do not conduct an in-depth analysis on the issue, including obstacles to overcome for partnerships between the private and humanitarian sectors.

The present exploratory study focuses on the role of the private sector, specifically of FSPs in the delivery of CTP. It also analyzes the mechanism of CTP, which would expose benefits, risks and challenges. We employ a qualitative approach accessing primary data from interviews with experts from HOs and the private sector and secondary data from HOs' and institutional donors' reports as well as from academic articles. We have interviewed cash experts in HOs (DRC, NRC, CRS, WFP, Red Cross, and Welthungerhilfe), DG ECHO of the European Commission and from private sector MasterCard and the RedRose, which is a private technology company that offers software for the execution of CTPs. We have also talked to two independent consultants who are collaborating with HOs and with development agencies for CTP. In addition, Cash Learning Partnership (CaLP) and UNHCR provided us with useful documents for this research. The interviews are conducted from July 2017 to October 2017. Table 1 presents the organizations that we have interviewed.

The structure of the paper is as follows. Following the section of introduction, section 2 overviews the mechanism of CTP. After overviews CTP, in section 3, we discuss advantages and disadvantages associated with the implementation of CTP from the perspective of HOs and beneficiaries. Section 4 discusses private sector's motivation to participate in CTP and associated challenges. Lastly, section 5 presents conclusions and future research avenues.

Organization	Country	Date
Danish Refugee Council (DRC)	Denmark	July 2017
Catholic Relief Services (CRS)	USA	July 2017
DG ECHO (European Commission)	Belgium	July 2017
Consultant of CTPs for HOs	France	July 2017
Consultant of CTPs for HOs	USA	July 2017
WFP	Italy	July 2017
Red Cross	Canada	September
Norwegian Refugee Council (NRC)	Norway	October 2017
Welthungerhilfe	Germany	November 2017
MasterCard	USA	September 2017
RedRose	UK	September 2017

Table 1: List of the interviews

2. Overview on the mechanism of CTP

As preliminary information to discussions in sections 4 and 5, this section elaborates on the mechanism of CTP in terms of three aspects: relevant stakeholders in CTP, decision criteria that HOs apply to implement CTP, and delivery mechanism that HOs utilize to transfer purchasing power to beneficiaries. Looking into the mechanism of CTP allows us to recognize how the private sector is involved with CTP.

a. Stakeholders

Many indispensable stakeholders are involved with CTP. They are: HOs, donors (private and institutional), the private sector (FSPs, suppliers, logistics providers, wholesalers and retailers), national government and beneficiaries. The following explains each of the stakeholders in detail to obtain an insight on their roles and interactions.

HOs: HOs are acting as implementing agencies for CTP. The role of HOs is to establish the mechanism for providing cash to beneficiaries, monitoring and evaluating the conditions and managing the data collected from the field. HOs are also responsible for managing all contracts with financial and logistics providers for the distribution of cash as well as to coordinate the partnerships with other HOs and the private sector.

Donors: Donors include institutional donors (e.g., European Commission Humanitarian Office (ECHO)) and private donors. HOs rely on donations from private and institutional donors to operate CTP. In terms of donated money to HOs, discrepancies between private and institutional donors can be observed. Unlike private donors, institutional donors usually execute their discretion over how HOs must use their donated funds, either for CTP or for in-kind programming. In many cases, their decisions are based on political criteria. In our interviews, a cash expert from CRS explained “*some countries like US have recently decreased the amount of money given for CTP and they are funding more in-kind programs because they want to minimize the chances that pure cash will be used by potential terrorists.*” We have also found that institutional donors are willing to contract FSPs directly for CTPs, instead of via HOs. This new trend of fund flow from donors is discussed in detail in section 4.

Private sector and FSPs: The private sector includes financial and logistics service providers, suppliers of technologies, retailers and wholesalers in the affected areas. The private sector, especially FSPs, plays an essential role as a partner of HOs, in terms of planning, assessments, implementation, and preparedness for CTP. The private sector uses its own existing infrastructure, so that it can shorten implementation time and reduce costs, security risks as well as duplication of efforts (World Bank, 2016). Private provides services and products that HOs are either unable to provide or which they can provide in a better way (Hoxtell et al., 2015). The role of the private sector is discussed in detail in section 4.

National governments: National governments usually run large scale cash programs and have the regulations in place to allow or reject CTP. In many cases, national governments have strong ownership and leadership of CTP in their countries. HOs are required to collaborate and use the existing infrastructure at the national level to achieve effectiveness and efficiency of CTP (World Bank, 2016). FSPs also have to follow national regulations with respect to data privacy and cash transfer in affected areas. A financial expert from MasterCard explained in our interview, “we always follow the laws that each country has in place with respect to cash transfers and we always sign agreements with organizations for data privacy”.

Beneficiaries: Beneficiaries may be defined at an individual or household level, and may be selected based on geography, age, wealth status, vulnerabilities or other characteristics specific to the needs of the humanitarian basis. Depending on their family situations, HOs usually provide cash to a member of the family and not to each individual within the family (World Bank, 2016).

b. HOs’ decision criteria for the implementation of CTP

This subsection introduces a typical HO’s decision-making criterion applied when they determine the implementation of CTP.

HOs’ decision-making processes consists of three major steps: market analysis, risk analysis and selection of response options (i.e., how to deliver CTP). First, HOs assess whether the market or a neighboring market can supply goods; then, they examine accessibility to markets. Market assessment aims to confirm the impact of introducing CTP on the local market in an affected area. Market assessment also helps to distinguish between goods and services which can be purchased locally, or which require direct delivery or complementary support from HOs. HOs also look into interventions by governments and other humanitarian organizations, which would positively or negatively affect the total supply chain. Following the step of market analysis, HOs conduct risk analysis. If HOs recognize security issues, then they decide to use vouchers or e-cash as a distribution measure.

The next step is the selection of response options. In this step, HOs look into the necessity of providing beneficiaries with some tasks (i.e., either conditional or unconditional CTP). *Conditional cash* transfers require that recipients meet certain requirements before the transfer is fulfilled. Cash transfers with conditions are those given after the recipients have performed some tasks or activities as a condition of receiving the cash transfer (CaLP, 2017a). *Unconditional cash* transfers are direct cash with no conditions or work requirements with the assumption that money will be used to meet basic needs or be invested in livelihoods. (CaLP, 2017a). Unconditional cash transfers are usually common in the aftermath of a disaster to cover the first needs of the affected

populations. If the initial market assessment indicates that the local market does not have the capacity, then HOs either help local traders to build their capacities or provide in-kind aid from international markets.

At the same time, HOs examine the conditions and liquidity of the local financial systems. Our interviews reveal that liquidity issues can occur which result in delays on the delivery of cash to beneficiaries. In this case, HO look for alternative solutions either by physically importing cash of goods. In addition, HOs need to pay attention to the impact of currency exchange rates in the local black market in affected areas since some vendors only accept the unofficial exchange rate. Figure 1 presents the decision- making process which HOs apply in executing CTPs.

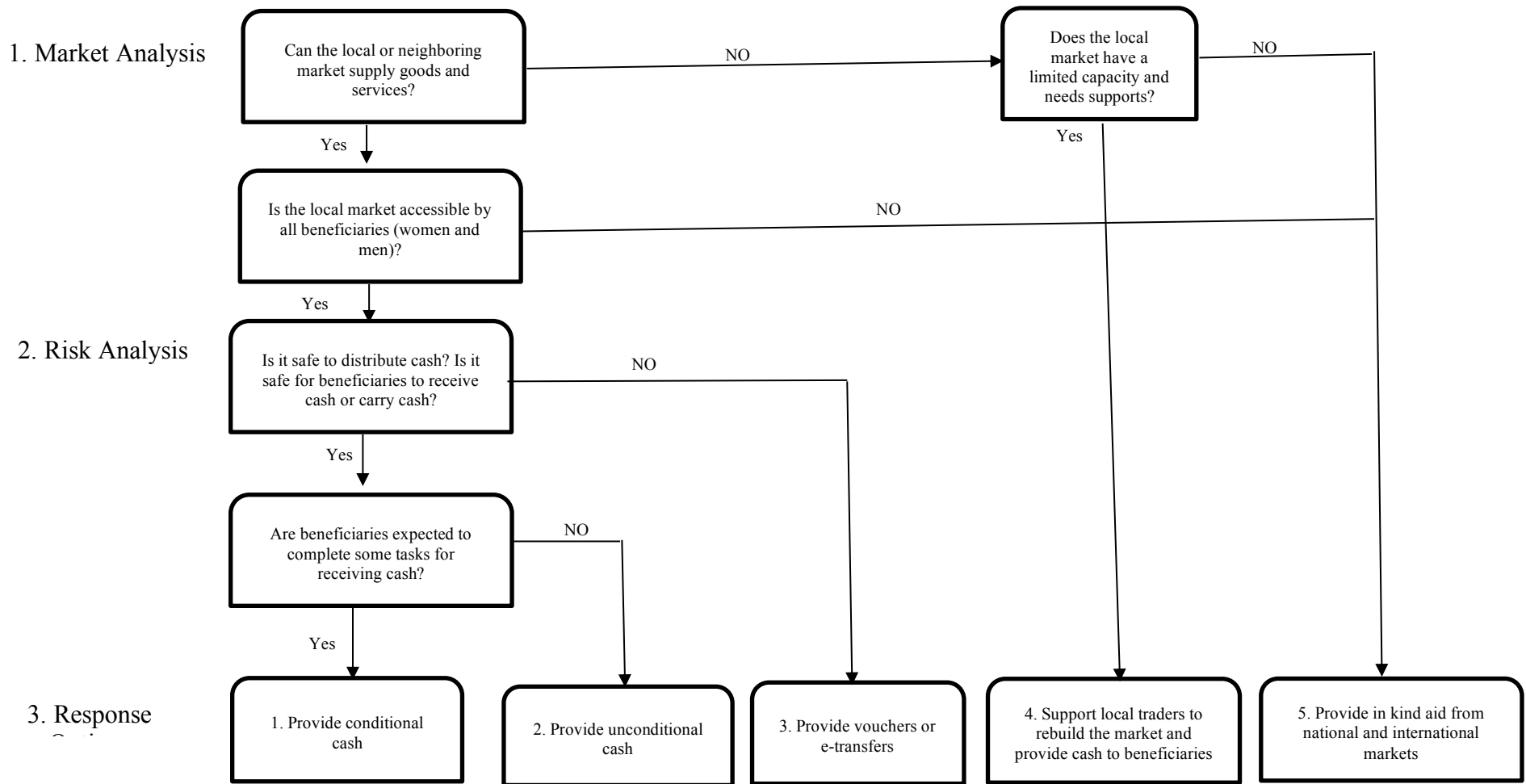


Figure 1: Decision Tree of HOs for CTPs based on empirical findings

c. Delivery Mechanism

Once HOs determine to employ CTP, they next select the means of delivering cash or voucher transfer to beneficiaries. Based on primary and secondary data, this subsection explains the delivery mechanism of CTP.

Depending on conditions of the affected areas, CTP has the following four different means of delivering: *cash in hand, commodity vouchers, e-cash and hawala transfer system*. Regardless of the modalities and delivery mechanism, cash is transferred to beneficiaries either conditionally or unconditionally, as explained in subsection 2.b.

Cash in hand, in envelopes or cheques: Beneficiaries are provided with money directly from a HO or a third-party provider. Our interview with a cash expert from CRS confirmed that cash in hand is employed in “*very remote areas, where there is no infrastructure and FSPs are not present. Also, we use them in the very first days of the response in order to give beneficiaries money to cover their first needs*”. Case in hand requires that HOs have sufficient cash flow, staff members and logistics support. Security in transporting and distributing cash and the acceptance by local authorities is essential. Cash in hand is cost efficient because no transfer equipment and no literacy skills as well as training for beneficiaries are required. However, organizing logistics support for cash distribution to rural areas would generate costs. Additionally, during the process of cash distribution, corruption and/or security risks for staff members in charge of transportation need to be considered. Logistics providers which distribute cash and/or financial providers which issue checks are involved.

Cash or commodity vouchers: cash or commodity vouchers, for example, coupons, tokens or smartcards, magnetic stripe cards, which can only be used in particular shops and/or on particular items from local markets are used from HOs. Private sector is involved with CTP as the supplier of coupons, tokens or smartcards and as a retailer of items in case of commodity vouchers. Voucher is a useful to collect data on beneficiaries’ preferences. The data are used by HOs to avoid item shortages. As confirmed by an interviewed humanitarian expert, his organization has employed a private company to collect and analyze beneficiaries’ consumption data. These data are then given to HOs to be used in future interventions: “*our providers not only distribute cash to beneficiaries, but also monitor our programs and analyze data on beneficiaries’ purchase preference.*” mentioned by a cash expert from Welthungerhilfe organization.

FSPs are also involved in cash or commodity vouchers, especially in using smartcards or magnetic stripe cards which need to link an agency bank account to an individual bank account. The use of smartcards or magnetic stripe cards require connectivity and related infrastructure that can read and authenticate the card such as PoS and ATMs, which generate additional costs for HOs. In the process of implementing, smartcards or magnetic stripe cards, HOs provide FSPs with beneficiaries’ ID information. Although, these modalities can speed the delivery of cash, they require training for the beneficiaries on how to use the cards, ATMs and on how to manage their PINs.

E-cash: Recently, HOs are using *e-cash* for humanitarian interventions. E-cash is used in 34% of all CTPs around the world (CaLP, 2017). Many HOs are using mobiles to transfer cash. The system is based on SMS codes to beneficiaries’ mobile phones which can be cashed out at a specific shop in affected areas. E-cash reduces total distribution costs for HOs as well as program

recipients' costs of obtaining the cash transfer (Aker et al., 2011). A cash expert from CRS elaborated that the use of e-cash is easier and more practical in developed countries and can support also the new phenomenon of refugees on the move: "...mobile transfers are increasingly used for the Syrian refugees especially in countries such Greece. For the beneficiaries on the move such as the refugees who moved from Turkey to Greece and from there to Germany, mobile and credit cards are the most appropriate modalities to use since they can use them in each country where they go". E-cash requires connectivity to a network, training to beneficiaries on how to use it and the ID of beneficiaries. E-transfers could also involve biometric technologies, such as iris scanning technology to authenticate identities. E-cash has the highest level of preference among beneficiaries who either have previous familiarity and capacity to utilize technologies, such as phones (Creti, 2014). FSPs, suppliers of advanced technologies and retailers at the local markets are involved in e-transfers.

Hawala transfer system: In some cases, HOs are using the so called hawala transfer system. Hawala system is an informal money transfer system which is based on the trust that enables the transfer or remittance of money between two parties in a fast and inexpensive manner, without the direct involvement of a financial institution (Redín et al., 2014, p.327). This type of system was originally developed to facilitate trade between distant regions, where conventional banking institutions were either absent, incapable or unsafe. In some cases, this system is used by HOs to distribute cash to areas where formal financial institutions are inaccessible or do not exist and in unsecure areas, for example in Somalia and Syria.

A standard hawala transaction can be described as follows: a HO approaches a hawala dealer—called hawaladar -to request the transfer of money to another city or country or to a remote area. If they agree on the fees of services, the hawaladar contacts another hawaladar in the area of destination who organizes the delivery of money to the recipient. The beneficiary receives the money within a few hours since the remitting person ordered the transfer. As a result of this operation, an "outstanding debt between both hawaladars, which will have to be canceled out in the future, is generated." (Redín et al., 2014, p.328). It is actually a transfer of money without actual movement of money. A cash expert from NRC explained in our interviews: "*this system provides the means to transfer money without a legal contract between the entry and the exit point...because the system is informal, we need an information system that can be used to track the money flow to beneficiaries and to report back to donors. Donors need a guarantee that their money is successfully delivered*".

3. Advantages and Disadvantages of CTP from HOs' and beneficiaries' perspectives

To better understand HOs' motivations to use CTP, this section overviews advantages and disadvantages linked to CTP from the perspective of HOs and beneficiaries.

Advantages: Previous relevant references agree that CTP would respect beneficiaries' individual choice, which actually contributes to reducing the mismatch between beneficiaries' needs and HOs' aid (Doocy et al., 2011, Glewwe and Muralidharan, 2015, UNHCR, 2016). Previous research (Doocy et al., 2011, Glewwe and Muralidharan, 2015, Maunder et al., 2015, UNHCR, 2016) indicates cost-efficiency of humanitarian aid as a major advantage of CTP. CTP is also expected to facilitate monitoring of its impact on households, markets, and communities. A cash expert from DRC explained "... CTP can provide more comprehensive feedback on people's

needs, vulnerabilities, and coping strategies in addition to the humanitarian impact on local contexts and communities.”

Disadvantages: Although CTP empowers recipients by allowing them to decide how the cash would be spent and it raises the bargaining power of women in the decision making (De Brauw et al., 2014), CTP may have inadvertently reinforced the traditional role of women of being responsible for daily household keeping (Soares and Silva, 2010). CTP could also affect the power balance within household members and within community members, which sometime ignites a conflict between recipients and non-recipients. Defining targeted beneficiaries who enjoy aid by CTP is a sensitive task for HOs because the task often has inclusion and exclusion errors (Andersson et al., 2013). The errors would cause security risks both for beneficiaries and HOs: “*beneficiaries who receive and organizations which deliver cash could be a target,*” said a cash expert from WFP.

HOs also need to pay attention to the negative impact of CTP on the local market, such as inflation caused by supply shortages and/or price control by oligopolistic or monopolistic firms. During the market assessment, HOs ensure whether the supply is reliable, prices are affordable, and markets will be able to respond to increases in demand which result from cash infusions without negative distortions (Doocy and Tapis, 2016).

4. Private sector participation in CTPs

HOs’ partnership with FSPs is an essential element in delivering cash to beneficiaries (Bailey and Gordon, 2015). This section highlights why FSPs are interested in participating in CTP and what their main opportunities are. This section also discusses bottlenecks for the further growth of reciprocal relationships between private and humanitarian sectors in CTP. Furthermore, based on our interview results, we discuss the new trend of donation flows from institutional donors to FSPs as well as its potential impact on HOs.

FSPs’ motivation for participating in CTP

Three key drivers have been identified in relation to engagement of FSPs in CTP. As previous literature (Johnson et al., 2010, Bailey and Gordon, 2015) indicates, our interviews also confirm that FSPs’ pursuance of corporate social responsibility (CSR) is one of their main motivations to engage with CTP. New business opportunities and the related profits are also FSPs major drivers to participate in CTP. FSPs recognize CTP as a fast-moving industry which allows them to enter into new markets and to develop new innovative technological products. Technology is changing the way HOs provide assistance, from experimenting with blockchain technology to provide cash to the use of biometrics to register and track beneficiary assistance through iris scans and fingerprinting (Sandvik, 2017). Established companies such as Visa and MasterCard are working together with UN agencies and other HOs to develop new technological solutions in distributing CTPs and help HOs to scale up CTPs (Harvey et al., 2011, p. 25).

As the financial expert from MasterCard explained, “*I think that there are multiple motivations behind the engagement of private sector in CTPs. The nature of crises is complex, and it needs a cross-sector thinking and analysis on how to do things differently...So, first is that we want to help, second there is an innovation angle. Taking a part in humanitarian operations gives us an opportunity to learn peoples’ needs and to develop robust products and services. Third,*

participation in humanitarian response is a marketing tool for the company to attract young talents and also there is a commercial aspect and the sustainable growth both for the societies and companies.”

Bottlenecks for further growth of reciprocal relationships between FSPs and HOs

Analysis of our interview results leads to the conclusion that challenges related to collaboration between private and humanitarian sectors stem from the two sectors’ perception gaps. Specifically, they are: knowledge on finance, governance structure, market competition and services offered, as well as humanitarian data protection.

Knowledge on finance: One of the challenges of the relationships between FSPs and HOs is the different expertise that may result in communication gaps and different perceptions. Bailey and Gordon (2015) discusses that HOs are in a new territory, where they need to manage a significant amount of money and deliver it to thousands of beneficiaries. A humanitarian expert that provides consultancy to HOs confirmed, “*HOs do not speak the financial language and are not familiar with national and international financial regulations. Actually, they do not know what they don’t know.*” Humanitarian experts recognize that CTP could not be executed effectively and efficiently without FSPs: “*we (HOs) really need FSPs’ expertise, we cannot manage cash transfers without banks and the system behind... financial service providers are more effective and adapt quickly to our needs in some of the most difficulties places that we work*” as a cash expert from NRC mentioned. HOs may need additional resources and more expert personnel to manage the relationships with FSPs.

Governance structure and planning horizon differences: We learn from our interviews that the discrepancy of governance structures of FSPs and HOs hampers their collaboration in CTP. FSPs take centralized governance models, which allows them to execute faster decision making. In contrast, HOs usually take decentralized governance models, which enable the field to enjoy autonomy and flexibility in its decision making for rapidly changing affected areas’ circumstances.

Budget planning discrepancies between the two sectors also block collaboration in CTP. The humanitarian sector applies a project-based and short-term budget planning. As a cash expert from Red Cross confirmed, “*We usually get grants and donations after a disaster occurs, but we try to establish framework agreements with FSPs in different countries before disasters as part of our preparation plan.*” FSPs, on the other hand, usually work on long-term plans and need information for planning, such as information about the next few years’ programs. HOs face difficulties to provide this kind of information, partly due to the nature of their work and their limited resources to work on forecasting and projections (Bailey and Gordon, 2015).

Market competition and service offered: HOs demand tailored solutions to adapt to the environment where they operate. This adaptation may not be affordable for FSPs in that the market is not large enough to pursue tailored services. FSPs are risk averse when it comes to tailored solutions: “*we (FSPs) are thinking very much on scale basis which requires us to be a bit more conservative on what we offer, and we are not promising a lot in terms of customization. We explain what our technology does and if it does not fit the operations of our partners, we do not collaborate...*” as confirmed by MasterCard expert.

Humanitarian data protection: Concerns about beneficiaries' privacy and data protection and security associated with private sector involvement in CTP are raised. Financial transfers require that those sending and receiving money must know their customers; however, data privacy and humanitarian regulations require protection of beneficiaries' personal data (Bailey and Gordon, 2015). In e-transfers, the personal data is more extensive than in in-kind aid and has to be shared with FSPs. Also, the use of the newest technologies that require biometric data, such as iris scanning, is considered as an affront to beneficiaries' human dignity (WFP, 2016). *"We protect our beneficiaries, we do not give names to banks, we give them a number linked to a beneficiary,"* said a cash expert from WFP. However, it is common practice for HOs to have agreements with the providers on private and confidential data protection of beneficiaries.

The Know Your Customer (KYC) regulations, which are applied to all FSPs, refer to the ID checks that financial institutions perform to comply with national financial regulations. KYC is designed to combat money laundering, terrorist financing, and other related threats to the financial system (Elan, 2017). HOs are not subject to KYC regulations directly, but via the FSPs. An additional challenge related to KYC regulations is that many beneficiaries often have no identity documents. Thus, HOs have to find alternatives to serve them. FSPs show some understanding to the circumstance that HOs face. However, FSPs are reluctant about risks related to data security. An expert from MasterCard explained, *"I think it is a public and private effort to understand how to work together on how to secure data from vulnerable people. From the private sector perspective, I think there is no single company that wants to associate with organizations or situations which are involved in data security issues because it is a reputational issue for us"*.

Signs of new donation flows from institutional donors: Our interviews also reveal a new trend of fund flows from donors. Intentional donors, such as ECHO, are willing to contract directly the private sector, instead of via HOs, to execute CTPs. Institutional donors consider that the directly contract with the private sector could enable donated cash to reach beneficiaries faster and inexpensively (ECHO, 2017). As an interviewed cash expert from DRC explained, *"what ECHO tries to do is to eliminate financial costs. They are working a lot with UN and that's very inefficient from their perspective. They are spending 3% for the financial service providers and then they add a 13% to 15% to UN to manage these contracts. It's pretty silly. For other HOs, (overhead and plus the operational costs) are a bit less, which is 7%; however, that's still 7% overhead and plus the operational costs in the country. It is understandable why ECHO wants to do it"*.

The private sector is positive to this initiative, *"we are very excited about this initiative since this is the work that we know how to do it and donors should take advantage of our expertise,"* highlighted an expert from MasterCard. Issues related to the ownership of the programs and management of the data are related with this direct partnership between institutional donors and FSPs. An interviewed cash expert from DRC said, *"...there is an issue of the ownership of the data, which is not clear on the guidance of ECHO. UNHCR collects data of refugees, but with the new plan of ECHO, who manages the data? If ECHO contracts directly the private sector, then who is handing the data?"* The new trend in the flow of donations from institutional donors directly to FSPs may end up decreasing donations to HOs. A cash expert from NRC said, *"we clearly need to communicate to donors and especially to private donors the importance and the*

value of the other phases of CTP like assessment, targeting and registration to receive funding.”
This evolution may affect the role of HOs in the humanitarian response.

5. Conclusions and future research

The presented work makes a unique contribution to studies on CTP in that it sheds light on the reciprocal relationship between the private and humanitarian sectors. The Private sector's participation is essential for a successful implementation of CTP due to the humanitarian sector's lack of the relevant expertise. Despite the essential role of the private sector in CTP, no study has explored the partnership between these two sectors in CTP. To fill in this research gap, we have first overviewed the mechanism of CTP. Specifically, we have looked into the mechanism from the three key perspectives: stakeholders in CTP, HOs' decision criteria which support their determination on an appropriate CTP option, and CTP actually used in delivering cash to beneficiaries. Furthermore, through a series of interviews, we have discovered challenges related to those three perspectives.

Looking into the observed interaction between the private and humanitarian sectors in CTP, this research unveils challenges, which would hinder partnerships between the two sectors. In addition, our interviews reveal private sector's motivation to be involved with CTP. Regarding the private sector's motivation, interviewed private companies are involved with CTP not only for their pursuance of corporate social responsibility goals, but also for an opportunity to develop robust products and services under various extreme circumstances. Concerning challenges for establishing partnerships in CTP, we identify that the challenges are attributable to five perception gaps (knowledge on finance, governance structure, market competition and services offered and humanitarian data protection). We have also discussed recent new donation flows accompanied by CTP, in which funds are sent from institutional donors directly to the private sector, rather than via the humanitarian sector.

In closing the paper, we highlight three avenues for future research. We find signs of new donation flows from donors through our interviews. Institutional donors are increasingly willing to contract directly FSPs in CTP because they consider that cash would reach beneficiaries more efficiently. This new trend of donation flows would warrant further research on dynamics between the two sectors as actors is humanitarian response. Secondly, considering that CTP rely on donations collected after a disaster, stakeholders need to consider consequences of liquidity problems. Horizontal cooperation can be observed for in-kind aid by the United Nations Humanitarian Response Depot (UNHRD). The applicability evaluation of a horizontal cooperation system to CTP between HOs is worth exploring. Lastly, we recognize that the hawala system transfers money without a legal contract between the entry and the exit points. What kind of information systems should be designed for the informal cash flow from the perspective of vendors and HOs is a promising future research area.

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