International Labour Organization

Assessment and mapping of cash transfer payment modalities and frequencies in the Occupied Palestinian Territory

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Background and purpose

This technical paper provides practical guidance for the Ministry of Social Development (MoSD), the Ministry of Finance (MoF) and the European Union (EU) on strengthening the delivery of social assistance schemes in the Occupied Palestinian Territory. It focuses on payment modalities and frequencies, with recommendations based on international social security standards and the current practices of actors across the humanitarian-development-peace nexus. While this paper builds on the International Labour Organization's (ILO) long-term engagement with the Ministry of Social Development for systems strengthening, its findings are especially relevant since 7 October 2023, and offer operationally-feasible options for social assistance delivery in crisis contexts.

The EU is re-designing the support it provides for social assistance through its Mécanisme Palestino-européen de Gestion de l'Aide Socio-économique (PEGASE mechanism). Until now, quarterly payments have been made to heads of households, with funds transferred to the Palestinian Authority's Ministry of Finance, which in turn transfers payments to recipients through banks. In this redesign phase, there is an opportunity to move to monthly payments at the individual level using PEGASE funding, if operationally and financially feasible. This is more aligned with international social security standards and life-cycle benefits as transfers based on individual rights, paid periodically to provide predictable, reliable income support for recipients.

Work is ongoing to improve nexus alignment between humanitarian cash actors and the Ministry of Social Development, including analysing opportunities for the alignment of administrative tools. The situation in the Gaza Strip – where the war has caused immense safety risks, interrupted banking activities, and restricted movement – traditional payment modalities used by the national system may not be currently feasible. Instead, these can be complemented by other alternative modalities currently operating in the Gaza Strip, such as transfers through payment service providers.

In light of the current context, this paper assesses available options to improve and diversify payment modalities and increase the periodicity of payments under the national social assistance system run by the Ministry of Social Development, including the National Cash Transfer Programme (NCTP) and recently introduced right-based social allowances (SA). Chapter 1 assesses and compares the trade-offs between the different payment modalities available to, and used by, the main cash actors in Occupied Palestinian Territory. It explores the feasibility of adopting digital payment modalities under the Ministry of Finance and PEGASE mechanism. It then recommends both short- and long-term options to improve the delivery of benefits and alignment of programming by actors across the nexus. Chapter 2 assesses and provides recommendations on the financial and administrative feasibility of different payment frequencies (monthly vs quarterly) and mechanisms (individual vs household level) for payments by the national social assistance system through the PEGASE mechanism.

1

Strengthening the national social assistance system's delivery mechanisms

1.1. Main payment modalities available for cash transfers

This section maps the main payment modalities available in the Occupied Palestinian Territory.[1]

1. **Individual accounts in banks** (Bank of Palestine, Al-Quds Bank, etc.): This modality is mainly used by the Ministry of Finance, the Ministry of Social Development and other Palestinian Authority bodies, such as Zakat and the Alimony Fund, among others. As per the National Cash Transfer Programme, this modality allows the transfer of cash assistance directly to the bank accounts of intended recipients. A number of bank branches and automated teller machines (ATMs) are in place in the West Bank and the Gaza Strip, but their operations have been affected by the ongoing hostilities in the Gaza Strip.
2. **Over-the-counter (OTC) cash distribution through banks**: Another modality previously used by the Palestinian Authority's agencies, including by the Ministry of Social Development in the Gaza Strip, is the transfer of cash assistance to recipients through the banking system, but without the need for recipients to have an individual bank account. The ministry provided banks with a list of recipients, and notified the recipients via SMS to bring their identity cards to the nearest bank branch to collect their cash assistance over-the-counter. The bank would verify that each recipient was on the ministry's list, and check their identity card, before giving out the cash assistance. This modality was primarily used where not all recipients had access to bank accounts, such as for beneficiaries of the National Cash Transfer Programme in the Gaza Strip.
3. **Payment service providers (PSPs)**: PSPs allow development and humanitarian actors to transfer cash assistance quickly and directly to intended recipients, either through e-wallet accounts or over-the-counter payments. These payment service providers cover large areas of the West Bank and the Gaza Strip (rural, urban and refugee camps) through a network of more than 6,000 points of sale/agents distributed among shops, pharmacies, telecommunications shops.

[1] While other payment modalities exist in the Occupied Palestinian Territory (such as pre-paid cards, post offices, etc.), this paper only examines the most relevant modalities for the national social assistance system.

A recipient can redeem their transfer by going to a sales point/agent, showing their identity card and a code received via SMS. E-wallets are a digital tool, usually for mobile phones, that enable people to make digital transactions, purchases, and receive/cash out transfers. E-wallets may also be used to store other information and products, such as coupons, gift cards, tickets and identification documents. Five PSPs are certified by the Palestinian Monetary Authority (PMA).[2]

1.2. Trade-offs between payment modalities for the national system

The Ministry of Social Development currently uses the banking system to deliver cash assistance to recipients, through the Ministry of Finance. This section assesses the two main payment modalities currently used in the Occupied Palestinian Territory – that is, banks and payment service providers – against five key dimensions/criteria (see the table below).[3] While each payment modality used for cash transfers has some advantages, they cannot all perform adequately in every circumstance, particularly during shocks. The choice of modality should take into account the cost-effectiveness of each modality in light of context-specific constraints.

Table 1. Trade-offs between banks and payment service providers

Criteria/ dimension	Banks	Payment service providers (PSPs)
Cost	Banks impose higher fees per transfer than payment service providers. Recipients may incur costs for maintaining a bank account (even if minimal). Bank fees are clear, with no room for manipulation (for example, no hidden fees, informal fees, etc.).	PSPs usually involve lower costs per transaction compared to traditional banking methods (for example, around €1.5* for PalPay compared to €3 for PEGASE over-the-counter transfers). PSP agents may, and have in past cases, imposed informal agent fees on withdrawals, and charged recipients additional fees that are not agreed with PSPs.** This results in an additional financial burden on recipients and reduces the amount of the cash benefits.

[2] Palestinian Monetary Authority, "Payment Service Companies Directory".
[3] This assessment tool was prepared by the Inter-agency Social Protection Assessments (ISPA) Working Group. The group includes representatives of the International Labour Organization (ILO), the World Bank, the Consultative Group to Assist the Poor (CGAP), the World Food Programme (WFP), the Organisation for Economic Co-operation and Development (OECD), the German Agency for International Cooperation (GIZ), Save the Children United Kingdom, the United Nations Development Programme (UNDP), the International Policy Centre for Inclusive Growth (IPC), and the Food and Agriculture Organization of the United Nations (FAO). These representatives have expertise in payments, social protection and financial inclusion. For the purposes of this paper, the tool has been simplified and the most relevant criteria dimensions have been extracted for the Occupied Palestinian Territory to assess the payment modalities.

Criteria/ dimension	Banks	Payment service providers (PSPs)
Accessibility (during shocks)	Banks and ATMs are less flexible in terms of operating during periods of shock/ conflict, as they rely on buildings with security, IT equipment, staff, etc. If severe damage to infrastructure or other operations occurs, functionality on the ground becomes limited, for instance, with no dedicated staff on duty. This has been evident in the Gaza Strip, with 50 of its 56 bank branches partially or totally destroyed by March 2024.	PSPs are more flexible than banks in times of shocks/conflict. For example, PSP agents have greater flexibility to move with their equipment (usually a simple point of sale). Although agents on the ground may be reduced due to high levels of risk in a specific area, there will always be agents ready to distribute cash on-the-spot, with variations from one area to another. In general, PSPs can build a network after a crisis more quickly than banks, as the latter depend on rebuilding infrastructure. Recipients can create e-wallets with PSPs online through self-activation through a mobile application. This makes it easy for a beneficiary to create a new e-wallet and receive a transfer, and allows providers to rapidly respond to needs/crises. PSPs allow operations without an internet connection by using unstructured supplementary service data (USSD) – an SMS based technology – to perform transactions between wallets and with merchants, in addition to cash out. This is already in place in the Occupied Palestinian Territory, and works for both smart and non-smart phones. PSPs can provide wider access to recipients who may not have easy access to banks, as they can visit a broader network of agents recognized as points of sale – including phone shops, grocery stores and supermarkets – to withdraw benefits. PSPs are considered to enable easier and wider access for the population, including illiterate and low income recipients. Opening times are usually better suited for recipients, as they do not have to take a day off to travel to the closest bank branch. They can also access PSPs on weekends.

Criteria/ dimension	Banks	Payment service providers (PSPs)
Appropriateness and dignity	Given that banks do not offer goods, recipients cannot be nudged towards using their benefits at the withdrawal point. Therefore, receiving transfers through banks may give beneficiaries greater freedom to use cash benefits as they wish/as per their needs.	If beneficiaries receive cash assistance through a supermarket (i.e. if the PSP agent is a merchant), it is possible that some recipients might feel compelled to use the benefit to buy groceries or food from the same supermarket. There are reports of cases where points of sale have pushed beneficiaries to buy directly from the same store, which negatively affects the intended use of the benefit, and/or may indirectly change beneficiaries' purchasing behaviour.
	More established complaints and grievance mechanisms are in place at banks compared to PSPs' grievance mechanisms.	Some recipients may prefer non-banking modalities due to cultural preferences, or mistrust of formal financial institutions.
Security and regulatory control	Banks have extensive financial experience and competence, and are subject to the regulatory control of the Palestinian Monetary Authority.	PSPs are also under the supervision of the Palestinian Monetary Authority. As licensed institutions, PSPs are required to abide to the same anti-money laundering and combatting the financing of terrorism (AML/CFT) rules as banks.
	Payments through banks can ensure the security and transparency of transactions, reducing the risk of fraud and corruption.	As the amounts transacted through PSP accounts are limited in most countries (with a cap on transactions per day/month, as well as caps on the total balance of PSP accounts), PSP transactions are viewed as less risky than bank transactions.
	However, ATM cards and/or passcodes could be stolen or used by individuals who are not the account holder to withdraw benefits.	Point of sale systems may be susceptible to identity theft or fraudulent activities, potentially allowing others to impersonate recipients and receive funds.
Financial inclusion	Banks promote financial inclusion by encouraging recipients to open bank accounts, providing greater access to formal financial services for poor and low-income individuals. This can contribute to economic growth by stimulating entrepreneurship, increasing savings, and expanding investment opportunities.	It is now internationally established and recognized that PSP accounts (or e-wallets) contribute to financial inclusion as effectively as bank accounts. PSP accounts are included among the World Bank's financial inclusion indicators. PSPs also provide several services and products to particularly low-income recipients, who are the target of many social assistance schemes.

Notes: (*) This is an average fee and may vary, depending on the programme's volume and duration.

(**) This has been apparent during the current crisis in the Gaza Strip, where some agents have tried to compensate for the extra risks they run by charging beneficiaries additional informal fees. Checks are required to ensure that PSPs' claim systems are easy for beneficiaries to use in such cases, and that procedures are in place to monitor agents. The Cash Working Group is working to address these challenges with PSPs on an ongoing basis.

(***) Research by CGAP shows that PSPs are conducive to financial inclusion for two main reasons. First, opening an e-wallet is easier than opening a bank account. Although Know Your Customer (KYC) requirements are identical to those for bank accounts, e-wallets do not require a minimum income. In this respect, they are similar to "basic bank accounts". Moreover, e-wallets do not usually involve maintenance costs. Second, PSPs typically rely on a network of agents to distribute their products and services. These agents can be merchants or small businesses who are part of the community, and offer better access to low-income customers compared to banking products. For instance, they offer more suitable opening times, involve relationships of trust with agents, and offer greater geographical proximity, etc. Agents also usually offer customer support, such as explaining products, showing beneficiaries' their functionalities, etc.

1.3. Overview of payment modalities used by nexus actors in the Occupied Palestinian Territory

The table below highlights the payment modalities used by the main cash actors in the Occupied Palestinian Territory, as well as the frequency of payments and the cost per transfer. As noted above, national programmes largely rely on the banking system to deliver benefits, while humanitarian cash actors – particularly since 7 October 2023 – have relied on PSPs, particularly PalPay, to deliver timely cash benefits in the Gaza Strip.

▶Table 2. Payment modalities used by nexus actors

Programme	Modality	Frequency of payments
Ministry of Social Development National Cash Transfer Programme and social allowances	Banking system	Quarterly
Zakat	Banking system	No determined frequency
UNRWA Gaza Social Safety Net Programme (pre-7 October 2023)	PSPs	Depends on the programme
UNRWA-West Bank Social Safety Net Programme (SSSN)	PSPs	Depends on the programme
WFP cash voucher assistance (CVA)	PSPs, vouchers	Monthly for WFP food voucher assistance in the West Bank Monthly in the Gaza Strip before 7 October 2023 (halted since December 2023)

Programme	Modality	Frequency of payments
Gaza Cash Working Group (CWG) actors	Banking system, PSPs, vouchers Since 7 October 2023, all multi-purpose cash assistance (MPCA) actors have used PalPay	Depends on the programme Monthly for MPCA (although this is not always the case in emergencies) Any type of frequency (monthly, quarterly, one-off, etc.) for sectoral cash, normally the largest part of cash voucher assistance in the Occupied Palestinian Territory
West Bank Cash Working Group actors	Banking system, PSPs, vouchers, cheques	Depends on the programme Monthly for MPCA (although this is always the case in emergencies) Any type of frequency (monthly, quarterly, one-off, etc.) for sectoral cash

1.4. Feasibility of different payment modalities for PEGASE

To gauge the feasibility of using PSPs as a second modality for disbursing payments by the Ministry of Finance, several meetings have taken place between the ILO, the Ministry of Social Development, the Ministry of Finance, the EU, the World Bank, CGAP, and PEGASE ex-ante and ex-post auditors.[4]

First, as mentioned above, it is worth noting that PSPs are financial institutions licensed by the Palestinian Monetary Authority. Both bank accounts and e-wallet accounts require Know Your Customer (KYC) verification by service providers, as well as anti-money laundering and countering the financing of terrorism (AML/CFT) checks, in line with regulations set by the authority. Auditors confirm that e-wallets involve the same procedures, documentation and rules laid out by the authority for banks accounts, thereby conforming to EU audit requirements.

Both ex-ante and ex-post auditors confirm that disbursing payments through PSPs using the e-wallets modality is in line with audit requirements. However, ex-post auditors highlight that over-the-counter payments through PSPs entail risks that could pose a challenge in terms of alignment with EU audit requirements. Ex-post auditors have requested that PSPs provide documentation to trace end beneficiaries, such as payslips, identity cards, beneficiaries' signatures, etc. Based on the documentation provided, ex-post auditors will undertake a preliminary ex-post assessment to verify whether over-the-counter payments through PSPs are compatible with PEGASE audit requirements.

[4] The EU contracts ex-ante (Ernst & Young) and ex-poste auditors (Mazar) to support the implementation of PEGASE's direct financial support to the Palestinian Authority, and specifically to monitor the disbursement of National Cash Transfer Programme transfers funded by PEGASE.

As part of this work, the ILO and CGAP have reached out to two PSPs – PalPay and JawwalPay, which share similar streams of services – to enquire about the documentation required for over-the-counter payments. Responses indicate that agents use a point of sale (POS) machine to enter the 7-digit code received by each beneficiary via SMS, followed by the beneficiary's national identity number. At this stage, the agent is meant to verify the beneficiary's identity by making sure that he/she is the real national identity card-holder. When the transaction is successfully completed, and to ensure fluid tracing and documentation, the POS machine prints two receipts. One is to be kept by the agent, while the other is to be handed to the beneficiary. PSPs' systems have information on all types of transactions completed through each POS machine, allowing them to be easily tracked and traced by auditors.

Auditors have also raised questions about uncollected payments. PSPs indicate that over-the-counter payments are not transferred from the PSP to the agent until the recipient shows up to redeem the payment. The PIN code sent to each recipient to collect their, payment or to transfer it to their e-wallet, remains active for a limited period of time (14–60 days) as per the agreement between the PSP and the distributing agency.

Box 1. E-wallet transfer and cash redemption process at PSPs

- The beneficiary visits any agent authorized by the PSP, and requests the agent to withdraw their cash.
- The agent uses a POS machine to select the programme, and then enters the 7-digit code received by the beneficiary via SMS, followed by the recipient's identity number as a password, to complete the redemption process.
- When the redemption process is complete, the agent hands the beneficiary the transferred amount in cash. The value of the amount withdrawn is transferred instantly from the institution's bank account to the agent's bank account.
- The agent gives the recipient two options for receiving the payment amount – either in cash, if available, or through a transfer to their e-wallet.
- If the recipient does not have an e-wallet, the agent helps open an e-wallet account. No paper signature is required, and full conformity to the KYC processes is ensured, as regulated by the Palestinian Monetary Authority.
- The agent uses the POS machine to add the balance to the recipient's e-wallet.

Box 2. PSPs' supervision and monitoring of agents

- All agents undergo thorough training on company policies, ethical standards, security protocols and legal requirements. Training is ongoing to ensure that agents remain up-to-date on any changes or new procedures.
- All agents sign pledges, committing them to comply with all instructions.

Box 2. PSPs' supervision and monitoring of agents (continued)

- PSPs issue a verbal warning to agents against whom at least one verified/ substantiated complaint has been lodged.
- PSPs take immediate action against any agent with at least three verified/ substantiated complaints by suspending their contracts for a limited period.
- If an agent persists in fraudulent practices after multiple suspensions, PSPs consider terminating their contract.

The information above and discussions with stakeholders indicate that disbursing payments to (bank or e-wallet) accounts is generally preferable to providing cash over-the-counter. The Ministry of Social Development has confirmed its interest in adopting the e-wallets modality alongside the existing bank accounts modality. This will offer several payment modalities for recipients, particularly in times of shock when quick payment delivery is needed.

From the Ministry of Finance's perspective, there does not appear to be any significant difference between banks and e-wallet providers in terms of the efficiency and security of delivering social benefits. However, the ministry has expressed concerns about its own "system readiness" to allow for the disbursement of PEGASE payments through PSPs. To overcome this concern, it has proposed to transfer PEGASE payments from the ministry to banks, which will, in turn, transfer payments to PSPs for disbursement.

In addition, the Palestinian Monetary Authority is developing the iBuraq system and initially offering it in the Gaza Strip as a gateway that all PSPs can leverage for seamless transactions. The system allows instant transfers between e-wallets and bank accounts at different institutions – for instance, from a PalPay to a JawwalPay individual account, or between an e-wallet and a bank account, etc.

It is worth noting that humanitarian cash actors have been at the forefront of efforts to pilot and leverage e-wallet payments in the Gaza Strip, with a strong rate of e-wallet activation (currently 88 per cent). As of mid-July 2024, three transfers had been made through e-wallets by the United Nations Children's Fund (UNICEF) alone, and Cash Working Group members are engaged in different phases of e-wallet implementation.[5]

As such, contracting PSPs as a second modality, working in parallel with banks, will offer beneficiaries the chance to choose their preferred payment modality based on their needs, encourage competition between PSPs, potentially improve their compliance and agents' behaviour, and reduce fees on social assistance schemes.

It will also contribute to the nexus alignment of the payment modality used in emergencies, offering beneficiaries the same experience no matter whom they receive funding from, and allowing for easier cross-checking between lists of targeted beneficiaries. In the Occupied Palestinian Territory, e-wallets may offer advantages in terms of allowing the quicker deployment of social assistance payments during and after crises. As noted above, PSPs rely on a network of agents who can quickly resume their work in targeted communities. By contrast, banks will take longer to resume full services, given mass destruction of bank branches in the Gaza Strip – with an estimated 50 of 56 branches damaged or destroyed.

[5] Cash Working Group – Gaza Strip, *Mobile Money and E-wallet Modalities: Gaza CWG Guiding Note*, June 2024.

2

Strengthening the design and operationalization of the national social assistance payments system

This chapter assesses the feasibility of different payment mechanisms, frequencies (monthly vs quarterly) and modalities for the national social assistance system, including whether social allowance transfers should be made to individuals' or households' bank accounts.

In the past, up to 60 per cent of the national assistance system was funded through the Palestinian Authority's revenues. However, as of mid-July 2024, cash transfers will be entirely funded by the PEGASE mechanism and will only cover the West Bank. Therefore, this chapter focuses on the feasibility of payment modalities specifically for PEGASE, as the sole funding mechanism for the national system at present.

2.1. Trade-offs between payment frequencies

Table 3. Trade-offs between monthly vs quarterly payments

Monthly payments	Quarterly payments
1. Although amounts are lower, monthly payments provide a more regular and predictable source of income replacement/ support for recipients. They help them plan their budgets more effectively and boost their consumption. 2. Monthly payments stimulate the economy and boost beneficiaries' purchasing power during the month in question.	1. Quarterly payments provide a larger lump sum, allowing recipients greater flexibility in terms of managing larger expenses or investments. 2. Recipients may have the opportunity to save or invest their funds more effectively with less frequent, but larger payments. These could be used to pay off debts or to invest in livelihoods or income-earning assets.

Monthly payments	Quarterly payments
3. Monthly payments are in line with international social security standards that emphasize Member States' responsibility to apply the principle of the "predictability" of benefits.* 4. Monthly payments enable recipients to pay monthly bills, including for electricity, water and gas. If such utility bills are not paid monthly, recipients run the risk of being disconnected. Thus, such payments align with typical monthly expenses, making it easier for recipients to manage their finances and cover recurring bills.	3. As quarterly payments are collected less frequently (i.e. once every quarter, rather than once a month), their collection requires less effort and lower travel costs for beneficiaries or their agents. This is especially beneficial for older persons and persons with disabilities.**

Notes: (*) ILO, "C102 – Social Security (Minimum Standards) Convention, 1952 (No. C102)", NORMLEX database, accessed 11 July 2024; ILO, "R202 – Social Protection Floors Recommendation, 2012 (No. 202)", NORMLEX database, accessed 11 July 2024. (**) Monthly payments could also be collected by the beneficiary on a less frequent basis (e.g. quarterly), but this would mean that the funds would remain awaiting collection for an extended period of time.

Overall, the optimal frequency of payments depends on a programme's objective. If its objective is to provide income replacement for recipients currently unable to earn an adequate income independently (e.g. social allowances), then monthly payments are recommended, in line with international social security standards. If the objective is, for example, to lift people out of poverty by providing a lump-sum cash transfer (as in the case of the National Cash Transfer Programme), then quarterly payments could be considered.

▶ 2.2. Financial feasibility of changing the frequency of PEGASE payments

The table below outlines the impact on costs if the frequency of PEGASE payments were changed from a quarterly to a monthly basis, based on the new National Cash Transfer Programme's design, which will begin disbursements in late July 2024. This section assesses the feasibility and cost-effectiveness of transitioning the national social assistance system from its existing quarterly approach to a monthly payment schedule. Three factors are used to calculate the transfer costs:

1. The ex-ante cost for audits per payment, which is approximately €17,000.
2. Bank fees for PEGASE payments made over-the-counter (only in the Gaza Strip) of €3 per beneficiary. For beneficiaries with individual bank accounts, there are no fees in place paid by PEGASE funding. However, the Ministry of Finance pays a fee from its own budget of 5 new Israeli shekels (equivalent to €1.20) per bank account transfer. In the design for 2024, up to 38,605 transfers will be made under PEGASE funding – that is, payments through bank accounts in the West Bank – to which no fees will be deducted from the PEGASE budget.[6]
3. The ex-post audit cost per payment, which is approximately €14,000.

[6] This cost will initially be lower (as payments are made per household not per beneficiary), but equally might increase in the long-term as the overall number of beneficiaries increases.

▶Table 4. Cost impact of changing the frequency of PEGASE payments, quarterly vs monthly

PEGASE*	Cost per unit under PEGASE (€)	Annual number of transactions, if quarterly	Annual number of transactions, if monthly	Cost per annum, if quarterly (€)	Cost per annum, if monthly (€)	Difference (€)
Bank fee per transfer	0	4	12	0	0	0
Ex-ante audit cost	17,000 ~~	4	12	68,000	204,000	136,000
Ex-post audit cost	14,000	4	12	56,000	168,000	112,000
Total cost per annum				124,000	372,000	248,000

Note: (*) Numbers are approximate and provided by the EU Office in Jerusalem based on previous number of National Cash Transfer Programme payments with different number of beneficiaries.

For 2024, the over-the-counter bank fee of €3 is not applicable for PEGASE-funded cash transfers. According to the Office of the European Union Representative in Jerusalem, PEGASE previously paid a fee of €3 for each transfer made over-the-counter. This applied in the Gaza Strip, where thousands of beneficiaries did not have bank accounts. However, given the ongoing situation in the Gaza Strip, it is unlikely that over-the-counter payments will be made by the EU in the near future. Therefore, this is not relevant to the costing for this paper. What is relevant is the fact that this fee this is significantly higher than other regional bank transfer costs, as well as higher than fees charged by PSPs in the Occupied Palestinian Territory for over-the-counter payments. To avoid reverting to this excessive fee, the Ministry of Finance should seek to open bank accounts/e-wallets for all beneficiaries, including in the Gaza Strip, when applicable. Otherwise, PEGASE stakeholders should consider whether it is possible to negotiate for a lower fee for over-the-counter transactions.

The cost for both the ex-ante and ex-post audit of each PEGASE payment is around €31,000 combined. Payment by quarter (four payments per year) involves a cost of €124,000, compared to €372,000 per year if paid monthly – an annual difference of €248,000.

The audit is required to assess the soundness and reliability of beneficiaries' information under the National Cash Transfer Programme, as well as to identify the overall population of eligible PEGASE beneficiaries (the "reference population") in line with the EU's audit and eligibility criteria. One option would also be to keep a yearly audit frequency.

Ultimately, the Ministry of Social Development, the EU and PEGASE stakeholders need to conduct an assessment based on the costs and benefits of these options. An increased cost of €248,000 annually is less than 0.05 per cent of the total PEGASE allocation for 2023 (€123.4 million), and only 0.007 per cent of the amount of direct transfer support for the National Cash Transfer Programme (€35 million). Monthly payments involve numerous benefits, particularly for social allowances that aim to provide predictable income security for recipients. This suggests that switching to monthly payments involves a minimal cost considering how much it would improve the overall effectiveness of the Palestinian social assistance system.

2.3. Administrative feasibility of changing the frequency of PEGASE payments

The average time required to process each PEGASE payment is five weeks. A brief summary of the process is as follows:

- To initiate a PEGASE disbursement process, the Ministry of Finance submits a payment request to the EU, indicating the required financial contribution.
- For every payment, the Ministry of Finance sends the Ministry of Social Development's database, listing eligible beneficiaries, to the EU audit firm to verify beneficiaries' eligibility and data in accordance with the eligibility criteria defined in the EU's service contract with the ex-ante auditor.
- The ex-ante audit firm reviews the data provided, and liaises with the Ministry of Social Development to obtain missing information or/and correct data (requiring between 1 and 30 days, depending on bugs in the list. This results in a final list of eligible beneficiaries, which includes the breakdown of the overall contribution allocated to the payment, split by local bank. For each beneficiary, the list includes the value of the PEGASE contribution and the bank account details to which the contribution is to be credited, or the local bank and branch where the beneficiary will collect the allowance over-the-counter.
- The final list is approved by the EU and endorsed by the Ministry of Finance. For each payment, one report is required, which goes through a sequence of approvals internally at the EU Delegation in Jerusalem.
- Within four weeks of the starting date of the payment, the audit firm will conduct an ex-post evaluation of the PEGASE contribution. This audit covers the transfers executed through individual bank accounts or over-the-counter, including reports on all PEGASE transactions executed, rejected or not executed.

If the decision is made to switch to monthly payments, the EU may have internal concerns regarding the risk of late payments in the case of delays, or an increase in administrative procedures.

Brussels may also raise concerns with regard to the cost-efficiency of the system.The first internal concern about the risk of delayed payments can be overcome by processing multiple payments at once, meaning that the process for the next monthly payment would begin more than 30 days before the payment is due. The second and third concerns are to do with internal EU affairs, and need to be discussed based on priorities and capacity.

Alternatively, to overcome the administrative and operational difficulties outlined above, the EU could pre-finance an advance for three payments, which it would transfer to the Palestinian Authority's treasury with ex-ante control. The Ministry of Finance would disburse the relevant amount to each final beneficiary in three tranches over three months. This alternative, if accepted for PEGASE, would maintain administrative costs close to those associated with quarterly PEGASE payments. It would also address the concern of EU overload vis-à-vis administrative procedures.

2.4. Transfers to individuals' vs households' bank accounts for individual social allowances

Social allowances, including those introduced by the Ministry of Social Development, are individual rights that should be treated as such during their delivery. Social allowances offer a level of income replacement and help cover the costs associated with life cycle contingencies, including old age, disability, and unemployment. In line with the existing mechanism for delivering benefits in the ministry's cash programming, social allowances are delivered to the head/agent of the household. For example, if three persons with disabilities live in a household, the total amount of the disability allowances to which they are entitled is transferred at once to the head/agent of their household.

In accordance with international social security standards, individual allowances should be transferred directly to the intended recipient through their individual bank account, except when there are concerns that the recipient is not able to receive the payment themselves (e.g. children, persons with mental disabilities). In this case, a care-giver would receive the allowance on the recipient's behalf. The table below highlights some of the advantages and disadvantages of the two approaches (household vs individual transfers), and offers relevant recommendations.

▶Table 5. Trade-offs between household vs individual transfers

Payment modality	Pros	Cons
Household transfer	1. Transfers to households may enable them to pool resources, potentially benefiting all of their members collectively. This can be particularly useful for addressing shared expenses, such as rent, utilities, or food. However, this modality may overlook the individual needs of persons with disabilities and older persons. 2. Household level transfers may contribute to overall household stability, ensuring that needs are met for all members, especially in situations of economic hardship or crises.	1. There is a risk that the distribution of allowances within households may not be in line with the originally designed scheme. This may be inequitable and potentially disadvantage vulnerable members, including persons with disabilities and older persons. 2. Transfers to households may limit the individual autonomy and dignity of persons with disabilities and older persons if heads of households do not use the allowance to benefit the intended recipients, and if decisions about allocating benefits are made at the household level. This will not be suitable in cases where individual needs vary significantly.
Individual transfer	1. Individual transfers enhance the autonomy of intended recipients and allow them to prioritize their unique needs and circumstances. This approach recognizes that individuals are best placed to make decisions about their own lives.	1. If household members have interdependent needs, providing transfers directly to individuals' bank accounts may not address the collective needs of the entire household. However, this is not the objective of social allowances.

Payment modality	Pros	Cons
Individual transfer	2. Transfers to individuals allow for a more tailored response to the specific needs of older persons and persons with disabilities. This is especially important when the assistance is meant to address the challenges of life cycle contingencies. 3. Individual transfers ensure that intended recipients receive social allowances as per the scheme's original design. They simultaneously limit the chances that heads of households will unilaterally decide how to use the benefits.	2. Individual transfers could exacerbate inter-household tensions, for instance if the recipient changes from the head of household to members with disabilities, older persons, or female family members. This can be addressed by ensuring that the programme's design and objective are clearly communicated.

Choosing whether to provide social allowances to the heads of households or to individuals should be guided by careful consideration of the scheme's specific objectives and the nature of the needs it targets. Social allowances are an individual right, designed to better respond to the needs of persons with disabilities and older persons – needs which entail additional costs.

In practice, and to align with the overall objective of the social allowances' scheme and international social security standards, the Ministry of Social Development and the EU should consider transferring individual allowances directly to the intended recipients through their individual bank account, except when there are concerns that recipients are not able to receive the benefits themselves (such as children and persons with mental disabilities). In these cases, a care-giver would have to receive the benefit on the recipient's behalf.

In terms of the poverty-targeted programme, the Ministry of Social Development and the EU should retain the current mechanism of transferring benefits to heads of households.

3

Recommendations

3.1. Recommendations on the trade-offs between payment modalities and nexus alignment

1. The Ministry of Social Development and the Ministry of Finance should consider offering recipients a **broader choice of financial institutions for the disbursement of social assistance payments**, including banks and PSPs. This would improve accessibility, both in general and especially in times of crisis, for instance when quick delivery is needed in a crisis-hit area, when ATMs are not working, and/or when banks are closed due to an emergency situation.[7] This is also necessary to increase shock-responsive alignment, including with humanitarian actors as far as possible. It will need to be undertaken rapidly, so that the Ministry of Social Development is able to resume social assistance payments in the Gaza Strip.
2. The Ministry of Social Development and the Ministry of Finance should consider **expanding payment modalities by contracting more than one PSP** to allow for further flexibility in times of shock and rapidly changing situations.
3. The Ministry of Finance should **explore its own "system readiness" in-depth, and adapt both its payment and management information systems** to allow for the disbursement of PEGASE payments through PSPs.

3.2. Recommendations on the frequency and mechanism of PEGASE payments

Monthly payment frequency and transfers to individual bank accounts would better meet programme objectives for social allowances, as well as international social security standards.

PEGASE stakeholders, including the Ministry of Social Development and the EU, need to consider the costs and benefits of introducing such a shift. For monthly payments, a cost increase of less than 0.05 per cent of the total PEGASE annual budget seems feasible, given the benefits that monthly payments could offer.

[7] PSPs are also encouraged to offer choice to recipients for them to best assess the product that best fits their needs. PSPs' distribution network often ensures greater proximity to recipients, and elicits greater trust in agents who are part of local communities, as noted above.

Once the question of financial feasibility is resolved, it should be possible to overcome administrative and operational concerns related to internal procedures and the starting date for processing payments. Practical solutions can be implemented for these concerns, if the political will exists. In the immediate to medium-term, this would require the following steps:

1. The **Ministry of Finance should seek to open bank accounts or e-wallets for all beneficiaries**, including in the Gaza Strip – when applicable – to reduce the transfer costs associated with over-the-counter payments.
2. If over-the-counter payments remain, **the Ministry of Social Development, the Ministry of Finance and the EU should negotiate over-the-counter transfer fees** to understand the realistic cost of moving to a monthly payment frequency when expanding the national social assistance system to recipients without bank accounts or e-wallets in the Gaza Strip.
3. Both **ministries and the EU should consider the financial feasibility of shifting from quarterly to monthly payments**, and whether the benefits of doing so outweigh the marginal costs.
4. Both **ministries and the EU should consider transferring individual allowances directly to the intended recipients** through their individual bank accounts or e-wallets.

Once the decision is made, a roadmap can be developed on how to implement these action points in administrative terms, including timelines and concrete steps for adjusting administrative procedures.

Overall, this paper finds that the EU and the Ministry of Social Development should aim to move towards monthly individual payments to provide more regular, predictable income replacement/support. This should be done with due consideration for the needs of different recipients.

Assessment and mapping of cash transfer payment modalities and frequencies in the Occupied Palestinian Territory

This technical paper provides practical guidance for the Ministry of Social Development, the Ministry of Finance and the European Union on strengthening the delivery of social assistance schemes in the Occupied Palestinian Territory. It focuses on payment modalities and frequencies, with recommendations based on international social security standards and the current practices of actors across the humanitarian-development-peace nexus. While the paper builds on the International Labour Organization's long-term engagement with the Ministry of Social Development for systems strengthening, its findings are especially relevant since 7 October 2023, and offer operationally-feasible options for social assistance delivery in crisis contexts.

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