

Cash Transfer Actors in Nepal – NRCS mapping exercise

March 2015

Background

Each year Nepal faces a series of natural disasters, including floods, landslides and food insecurity, causing immense hardship and challenges to communities in the affected districts. The Nepal Red Cross Society (NRCS) as the auxiliary to the government is first responder to the needs of the affected households. Whenever a natural disaster occurs, such as a flood or landslides, resulting in house damage or destruction, the normal channel of relief support from NRCS is in-kind, providing household kits, food and other non-food items. Whilst this intervention has proved effective, this type of humanitarian assistance is now under review, with alternative response mechanisms being considered.

The NRCS has embarked on a process to improve their emergency response capacity to meet the needs of disaster-affected populations. To include (but not restricted to) strengthening the processes, systems and knowledge required to implement effective cash transfer programmes. A vital component of this learning process is the development of accurate market baseline data to improve the response analysis to articulate response modalities and mechanisms.

The analysis below is an extract from a Household Economic Security deployment in March, with a specific focus on the flood recovery in the south western Nepal. Even so, the information gathered can be relevant to actors considering cash transfers as part of the earthquake response in Kathmandu and other affected areas.

Outline of the report (revised 24 March)

- 1) Provide analysis on the key service providers with the potential to support a CT in Nepal. In addition, outline key recommendations to assist NRCS in further developing their preparedness capacity when considering or designing Cash Transfer Programmes (CTPs).
- 2) Provide a list key CT related contacts met during the deployment, including contact details; the key learning's from INGO-UN led CTPs; and finally provide guidance to strengthen inter agency coordination for CTPs in Nepal

1. Analysis on the key service providers

When considering a Cash Transfer Programmes in western Nepal, the current options were implemented and available to the INGO-UN sector:

- a) **Under the leadership of Ministry of Federal Affairs and Local development (MoFALD)**, the government focuses on 21 districts for its Rural Community Infrastructure Work (RCIW). MoFALD's flagship social protection program, offers temporary employment (60 to 80 days) to vulnerable households to build and/or rehabilitate/refurbish assets such as roads, schools, basic health centres, community buildings, river bank reinforcements, water and sanitation facilities, irrigation channels,

bridges and culverts, foot trails, etcetera. MoFALD is looking at the WFP C&V technology but has not used it.

- b) **A collaboration with the banking institutions to implement a Point of Service (PoS) system.** WFP rolled-out this service in Surkhet to support 1000+ flood displaced HHs. They undertake Cash for Work (CfW) contracts, for a maximum of 50 days. Payments are made every 10:10:15 and 15 days. The nominated worker within the HH receives a card and uses a biometric system for identification. HHs is permitted to include one additional family member to collect payments.

WFP implements RCIW in 8 of those 21 districts: Dailekh, Jumla, Kalikot, Humla, Bajhang, Bajura, Achham, and Mugu. In those 8 districts, WFP uses a standard arrangement, whereby they team up their cooperating partner (SAPPROS, HCDA, and MDI) with a (local) bank (e.g. NIBL or NMB bank).

WFP negotiate with banks and they charge a fee for the whole operation, which we pay in instalments, following the instalments of the cash transfer program. The bank charges its fee (which I can't disclose because this is confidential/competitive contract information) in four instalments – thus it's not per transaction. It's a negotiated fee for a whole lot of transactions based on the circumstances, scope of the program.

- c) **Using a bank/remittance company to organise payments.** In Bardia district, Oxfam negotiated with the remittance company IME to pay flood affected HHs at the bank. IME was selected (they are a partner of Global Bank), as they were the closest banking institution in the target area. HHs were paid for CfW activities, every 12 days. Oxfam's partners agency provided the bank with a master list of HHs and this list was presented on payment days, and monitored by the partner. Oxfam paid the bank a 1% service fees. There is a recognition that the scale of the CT programme has to be significant enough to be worthwhile for a bank. Stressing the importance of coordination between actors planning to work with banks.

Note independent remittance companies are located throughout all districts and are extremely effective with payments. Crucially, they have the general trust of the sender and receiver. The sender (in the Gulf/Malaysia) is charged NRs 200 for transfers up to NRs 25,000 and NRs 300 for transfers between NRs 25,001-100 K

- d) **Cash in an envelope.** By far the most common mechanism of payment and used by WFP, the INGO Consortium in Surkhet for CfW projects and by NRCS for their pilot shelter construction project. Often this is the most practical option, given the significant distances between districts centres and some of the affected VDCs (one targeted VDC Neta is 50 kms from Birendranagar). Few banks have sub-branches in the districts, making HHs travel vast distances as counter-productive
- e) **The exception (in Surkhet) is the Citizens Bank.** They have 54 branchless agents in the 49 VDCs. Citizen Bank has a contract with the Government (DDC) to pay 25,000 HHs in the district their social welfare/pension payments every 4 months. They provide a PoS biometric service, only to the registered person. This service is extremely effective, however it has limitations: a) dependent on mobile communications to work effectively. The bank has 3 Sims (NTC, N-Cell and CDMA) to maximise coverage; b) the payments only occur over 5 -7 days every 4 months and does not operate outside of this period; c) the 49 branchless banks in the district are cash poor outside of this

payment period. Nevertheless its is a functioning system and there is scope for scaling-up

- f) Mercy Corps apparently used an Indian mobile company as a service provider to support their CfW for the flood affected in west Nepal, along the Terai border. I did not meet Mercy Corps staff but was informed through Oxfam. Apparently all mobile transactions costs were NRs 40 using this system. Extremely high costs, with Mercy Corps paying the service fee. Therefore an expensive service and hardly one that would be embraced by cash poor communities.

Mobile Technology

NTC and N-Cell advertise mobile banking and have established partnerships with banks. However this service is restricted to inter-bank payments between clients in that particular bank and not payments to other banks or institutions

N-Cell and NTC will eventually rollout mobile transfers by 2016. N-Cell has had their business plan approved but not yet endorsed by the Central Bank. This won't be considered until NTC present its own Business Plan. There are three key factors will determine a successful major roll out of mobile transfers; 1) a reliable Network; 2) establishment of Agents; 3) financial support to agents by super agents

One option that is currently operational and offers a real alternative to the 5 current payment mechanisms highlighted, is the **Hello Pisa platform**. They state "Hello Pisa is a highly sophisticated world class thoroughly tested Mobile Financial Service (MFS) business solution designed specifically to meet the requirements of Financial institutions, mobile Financial Service Providers and Mobile Service Providers"

Surprisingly none of the INGO –UN organisations are using the platform, despite Hello Pisa having partnerships with 5 banks, including Laxmi Bank

In the absence of the banks not having permanent agents in the VDCs, with cash and the mobile companies not yet operational in mobile banking, *Hello Pisa* is a genuine alternative to current payment mechanisms. Most HHs own mobile phones, therefore mobile transfers can work. The key is having agents in the VDCs who are operational and have cash assets to pay clients. Apparently the model works effectively in the urban Terai but as yet not expanded to the hills and rural communities

At present, inter-agency discussions for CT falls under the remit of the FS cluster. There is certainly the appetite within the key agencies to have a national CT focal person to direct developments in this sector. Possibly in the interim, this role could be rotated by the key agencies currently engaged in CT activities. NRCS has the opportunity to play a pivotal role in the development of this sector

Oxfam GB is providing technical support to the Government to develop a Guideline for CTs, within the Relief Distributions. The completion of the guidelines will allow for improved inter-agency dialogue and development in the sector. Otherwise the CT sector remains in its infancy with no agency, including the UN taking the lead in developing the sector, beyond rudimentary payment mechanisms

2. Cash Transfer Partners and Operators: Contact details

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