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This document covers humanitarian aid activities implemented with the financial assistance of the European Union. The views expressed herein should not be taken, in any way, to reflect the official opinion of the European Union and the European Commission is not responsible for any use that may be made of the information it contains.

Acronyms

ATM: Automated Teller Machine

BVN: Bank Verification Number

CBN: Central Bank of Nigeria

FSP: Financial Service Provider

GoN: Government of Nigeria

KYC: Know Your Customer

LGA: Local Government Area

MFB: Micro Finance Bank

MMO: Mobile Money Operator

MNO: Mobile Network Operator

POS: Point of Sale

Introduction

Purpose

This assessment was conducted as one component of a broader inter-agency exercise to inform the use of Multi-Purpose Grants in Nigeria. As such, it examines the financial services landscape in Nigeria, in order to support the review and selection of financial service providers (FSPs) for the delivery of cash assistance. The quantitative and qualitative data is representative and is not intended to prescribe a particular FSP or to inform the implementation of a specific programme. The audience for this report is humanitarian staff responsible for implementing cash transfer programs.

Methodology

Literature Review

The assessment team reviewed key documents (Annex 1: Bibliography), primarily from the Central Bank of Nigeria to understand the regulatory environment and financial service provider licensing, as well as various reports describing the financial services market in-country. Additionally, several humanitarian implementing organisations and FSPs were interviewed regarding their activities and payment programs in the Northeast.

Interviews

The assessment team worked with the ERC consortium partners and the Cash Working Group in order to identify Key Informants for interviews. Additionally, the assessment team reached out widely to financial service providers as well as agencies and ministries of the Government of Nigeria in order to understand the private and public sector and their influence on humanitarian operations.

Twenty-two different agencies and companies were interviewed and provided information for this assessment. Interviews were conducted in Abuja and in Maiduguri town. (Annex 2: Interview List) One Focus Group Discussion mixed of 12 men and 12 women of Internally Displaced Persons (IDPs) in Bakassi Camp was facilitated with the support of the Norwegian Refugee Council.

Several of the FSPs interviewed are included in the landscape summaries below. This report specifically reviews companies with clear potential to support humanitarian cash transfers, either because they have already engaged in similar work, have a presence in the relevant area, or specifically expressed interest to expand services to targeted humanitarian zones. Given the ever changing nature of the payments landscape in Nigeria, this list is by no means exhaustive of actors in country or with the potential to operate in Borno in the future.

Limitations and suggested follow up research

Further consultations should be conducted, particularly with actors with whom the assessment team was unable to meet during their two-week mission in country. Including the National Emergency Management Agency (NEMA)¹ as well as a number of the Microfinance Banks (MFBs) that were reported to have greater coverage than other actors and often serve similar target populations as humanitarian actors. Moreover, many FSPs are headquartered in Lagos, and while they have representation and/or travel to Abuja, interviews may be better facilitated with a few days spent in Lagos to meet face-to-face. Likewise, a deeper assessment of FSP presence and viability in targeted Local Government Areas (LGAs) and sub-regions is necessary to fully assess delivery mechanism options. In particular, a longer field assessment should

¹ Government of Nigeria, National Emergency Management Agency (NEMA). n.d. *Department of Relief & Rehabilitation*. Website: <http://nema.gov.ng/relief-rehabilitation/>. Additional information on recent announcement in May 2017 about NEMA working with the Red Cross Movement, Nigeria Red Cross and International Committee of the Red Cross (ICRC), to build capacity for cash transfer programming in relief response, found at: <http://leadership.ng/2017/05/29/nema-adopts-cash-transfer-programme-relief-response/>.

involve development actors and social safety net implementers, like the State Coordinator of Borno², and area representatives of FSPs, namely MFBs.

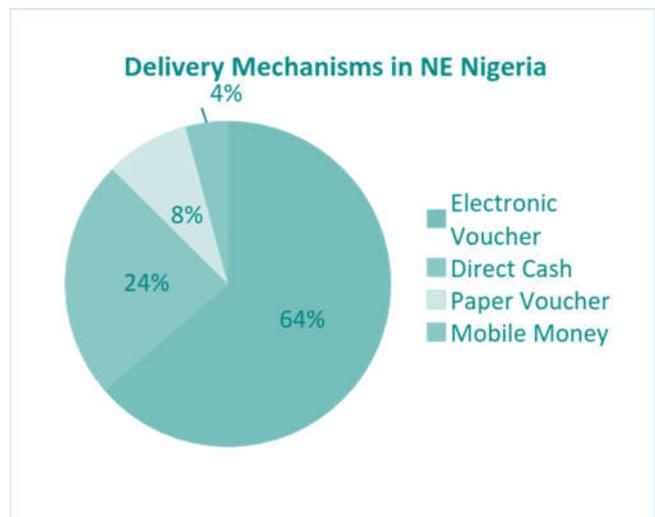
Additionally, the insecurity in the Northeast constrained the team from having access to meet with a broad cross-section of beneficiary communities receiving cash assistance. The conducted FGD findings may therefore not be representative of the entire IDP population. Information from the BNA, and Mercy Corps NE Nigeria response supplemented the conducted FGD.

Humanitarian Context

The conflict in Nigeria's north-east provoked by Boko Haram has resulted in widespread displacement, violations of international humanitarian and human rights law, protection risks and a deepening humanitarian crisis.

Since the start of the conflict in 2009, more than 20,000 people have been killed and up to 2.1 million people fled their homes at the height of the conflict, 1.9 million of whom are currently internally displaced (June 2017) and over 200,000 people are still in Cameroon, Chad and Niger, after having been forced to flee.

In the three most affected states of Borno, Adamawa and Yobe, almost 7 million people are in need of humanitarian assistance, more than 50 per cent of whom are children. In newly accessible areas vulnerable host populations are in critical need of humanitarian interventions including food, water, sanitation, protection, education, shelter and health services.



Escaping from attacks across the three most-affected states, IDPs are taking shelter in the relative safety of urban centres. Families are living in already overcrowded and highly inadequate living conditions, with resources and basic services under huge strain. Maiduguri, the capital of Borno state, and Greater Maiduguri (including Jere) have seen their population double from one to two million with the influx of people fleeing the violence in other areas of the state. In an area already economically deprived, more than three in four IDPs are living among host communities. Their lack of access to livelihoods and resources is leading to risky livelihood coping strategies.”

Cash transfer programming is an important component of humanitarian response efforts in NE Nigeria. As of January 31, 2017, OCHA reported that the humanitarian community had distributed cash assistance to 21,457 households across Biu, Yobe and Adamawa states. Ninety-two percent of this cash was distributed as unconditional cash transfers, and the most prominent delivery mechanism was an electronic vouchers, followed by direct cash transfers of physical cash.³

² New Partnership for Africa's Development (NEPAD) Nigeria. n.d. *Borno State*. According to interviews, each state has a State Coordinator that helps to support the government's development initiatives and also should have a liaison officer for social safety programmes. Website: <http://www.nepad.gov.ng/index.php/about-us/state-coordinators/212-borno-state>. The New Partnership for Africa's Development (NEPAD) is a socio-economic flagship programme of the African Union (AU). NEPAD's four primary objectives are to eradicate poverty, promote sustainable growth and development, integrate Africa in the world economy and accelerate the empowerment of women.

³ OCHA: Ongoing Cash Transfer Programme as of January 31, 2017: http://reliefweb.int/sites/reliefweb.int/files/resources/31022017_ocha_nga_ongoing_cash_transfer_programme.pdf

Program Requirements

The program requirements summary provided here was generated through a combination of key informant interviews with Mercy Corps and other implementation teams, an IDP FGD in Maiduguri and review of proposals as well as SOWs designed to procure FSP services in the Northeast. This information is illustrative and not exhaustive, and would need to be further elaborated for specific programs.

Environmental

- **Network connectivity:** Three mobile network providers operate with varying levels of coverage in Borno. Continuous coverage can however not be guaranteed, with signal strength varying day to day, and concentrated in more urban areas. Two of these networks are strong enough for internet access in urban areas. The ability for payment solutions to function in the absence of continuous or reliable mobile network connectivity is an important parameter, particularly outside of urban hubs.
- **Electricity:** In the Northeast, outages are frequent and consistent power to support hardware for payments mechanisms is unlikely (i.e. hardware needs backup power supplies or decent battery life, particularly in rural areas).

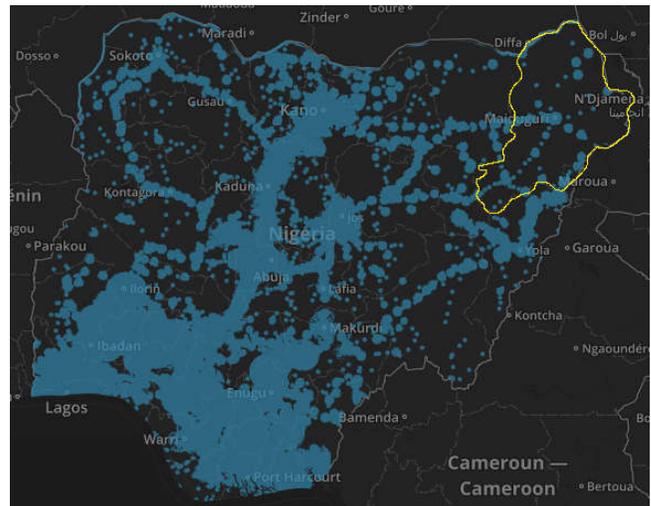


Figure 1: Nigeria with mobile network coverage shown in blue, taken from [FSP Maps](#)

Beneficiary Profile and preferences

- **Beneficiary experience:** Delivery mechanisms should be accessible for a population with low levels of familiarity with digital and formal financial mechanisms. The majority of potential beneficiaries have limited or no experience with formal financial institutions or digital payments. FGDs in Maiduguri said they had no experience receiving remittances via mobile money, or any other digital payment scheme. Few FSPs service rural areas, or the poorest segments. Income is more commonly stored with local adashes⁴ or community savings mechanisms and money is often moved between communities physically by trusted family members.
- **Access to ID documents:** Delivery mechanisms must not rely on creating accounts that require BVNs, or comprehensive identity documentation. Access to ID documents is limited among IDPs and poorer population segments. Although voter registration has reportedly increased access to ID in recent years, and IDPs sometimes have NGO or UN generated IDs, access to BVNs generally remains extremely low. Tiered KYC legislation has increased the number of accounts and payment products with lower ID requirements that would be accessible to this population, however limits on volumes and transactions will need to be carefully monitored.
- **Literacy levels:** Delivery mechanisms will need to be accessible for illiterate and semi-literate populations. With a 51% literacy rate in Nigeria, IDP populations in the Northeast will likely struggle with the introduction of too much unfamiliar technology. However, earlier programs have demonstrated that enumerators, partners and vendors have been successfully trained on technology material and mobile technology usage.

⁴ Adashes are informal local savings and lending groups.

Volume

One of the limitations of this assessment was a difficulty to accurately or concretely estimate the anticipated volume of transfers that will be put through any delivery mechanism. All FSPs consulted indicated they could provide better information about their potential to provide services against more concrete program parameters (very specific locations, numbers, volume of money and timing of transfers).

Payments Landscape

Key Policies and Regulations

Nigeria has a highly regulated financial services space. The mandate of the Central Bank of Nigeria (CBN) is derived from the 1958 Act of Parliament, as amended in [1991](#), [1993](#), [1997](#), [1998](#), [1999](#) and [2007](#). The CBN Act of 2007 of the Federal Republic of Nigeria charges the Bank with the overall control and administration of the monetary and financial sector policies of the Federal Government and is referred to as the apex bank.

In order to contextualize the operational environment and the local laws that impact humanitarian assistance, the assessment team undertook a review of the regulations and considerations for programming cash transfers.

In 2011, Nigeria and the CBN became a signatory to the Maya Declaration, committing to reducing financial exclusion from the 46.3% it stood at in 2010 to 20% by 2020.⁵ To do this, the CBN drafted the National Financial Inclusion Strategy, in which it presented a series of coordinated interventions aimed at extending financial services. Among the priorities articulated, and most relevant to humanitarian cash payments, are; tiered KYC, and the regulatory frameworks for mobile money operators and agent banking networks to reach the previously unbanked.

Tiered Know Your Customer (KYC)

The Central Bank of Nigeria (CBN) introduced a three-tiered set of KYC requirements in 2013 for opening formal and mobile accounts with balances below certain thresholds. In 2016, the transaction limits on the first and second tiers were increased in order to facilitate greater financial inclusion.⁶

The transaction limits and KYC required for each level currently sit at:

	Threshold Limitations	Customer Identification Requirements
Tier 1: Low Value Accounts	<ul style="list-style-type: none">● Maximum single deposit: N50,000● Maximum cumulative balance: N300,000 <p><i>Mobile banking</i></p> <ul style="list-style-type: none">● Single transaction limit: N3,000● Daily transaction limit: N30,000	<ul style="list-style-type: none">● passport photograph● name, place and date of birth● gender, address, telephone number● information may be provided electronically

⁵ National Financial Inclusion Strategy Preamble, vi

⁶ January 2013 circular: <https://www.cbn.gov.ng/out/2013/ccd/3%20tiered%20kyc%20requirements.pdf> July 2016 Circular: <https://www.cbn.gov.ng/out/2016/fprd/july%202016%20circular%20tkyc%20review.pdf>

<p>Tier 2: Medium Value Accounts</p>	<ul style="list-style-type: none"> ● Maximum single deposit: N100,000 ● Maximum cumulative balance: N500,000 <p><i>Mobile Banking</i></p> <ul style="list-style-type: none"> ● Single transaction limit: N10,000 ● Daily transaction limit: N100,000 	<ul style="list-style-type: none"> ● Evidence of basic customer information (passport photograph, name, place and date of birth, gender, address etc) ● May be forwarded electronically ● Information to be verified against information in national databases <ul style="list-style-type: none"> ○ National Identity Management Commission (NIMC) ○ Independent National Electoral Commission (INEC) ○ Voters Register ○ Federal Road Safety Commission (FSRC)
<p>Tier 3: High Value Accounts</p>	<ul style="list-style-type: none"> ● No limit placed on deposits or cumulative balance <p><i>Mobile Banking</i></p> <ul style="list-style-type: none"> ● Single transaction limit: N100,000 ● Daily transaction limit: N1,000,000 	<ul style="list-style-type: none"> ● Must comply with KYC requirements in CBN AML/CFT regulation⁷ ● BVN and proof of address required

Bank Verification Number: The absence of a unique identifier in the Nigerian banking industry has been a major challenge inhibiting the effectiveness of the Know Your Customer (KYC) principle, with negative consequences on the growth of financial products, particularly credit. In February 2014, the CBN launched a centralized biometric (fingerprint and face) identification system for the banking industry, the Bank Verification Number (BVN). The BVN is a unique 11-digit number linked to biometric data that enables a bank customer to have a single, universal identity and serves as a means of identification across the entire banking system. The Nigerian Interbank Settlement System (NIBSS) currently reports that 30,262,813 BVN were issued as of September 10th, 2017,⁸ the majority of whom live in the more developed southern states.

BVNs are an important element of the GoN's strategy to increase financial inclusion, though tiered KYC regulations mean that humanitarian programming is less likely to run into barriers caused by beneficiaries' limited access to BVNs.

Mobile Money Operations

Under the Regulatory Framework for Mobile Payments Services in Nigeria, which addresses technology, security, operational and customer protection issues, the CBN has licensed telecoms and technology companies to launch mobile payments services in Nigeria under Bank-led, Bank-focused and Non-bank-led models (further detailed below).

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<https://www.cbn.gov.ng/OUT/CIRCULARS/BS/2009/CIRCULAR%20ON%20CBN%20AMLCFT%20MANUAL.PDF>

⁸ <https://www.nibss-plc.com.ng/bvn>

The CBN’s mobile money guidelines exclude Mobile Network Operators (MNOs) from becoming licensed as mobile money operators in their own right. So unlike many other countries, MNOs in Nigeria cannot independently provide financial services (like mobile wallets) and have to partner with banks in order to provide a cash-out distribution network. This has also meant that technology companies are able to partner with banks and telecoms to provide mobile money services that sit across multiple mobile networks. Recently, the CBN has given approval to mobile network operators to function as “super agents” for banks and licensed mobile money operators.

Access to Financial Services

The National Financial Inclusion Strategy

Despite CBN and GoN commitments to increasing financial inclusion and the reach of financial services, large portions of the population have only limited access to financial services. Furthermore, there continues to be significant disparities between services availability and access across the country’s geo-political regions, with the Northeast showing the highest rates of financial exclusion.

According to a 2016 survey conducted by Enhancing Financial Innovation and Access (EfinA),⁹ of the 96 million adults in Nigeria, 58.4% are financially served while 41.6% are still financially excluded.¹⁰ These numbers were even higher in the Northeast, where financial exclusion is as high as 68%.

North West	2012	2014	2016
Total Adult Population	19M	21M	22M
Formally Included	23%	35%	24%
Informal Only	14%	9%	6%
Financially Excluded	64%	56%	70%

North Central	2012	2014	2016
Total Adult Population	13M	14M	14M
Formally Included	48%	49%	48%
Informal Only	20%	19%	14%
Financially Excluded	32%	33%	39%

South West	2012	2014	2016
Total Adult Population	19M	20M	21M
Formally Included	58%	63%	78%
Informal Only	18%	13%	4%
Financially Excluded	25%	25%	18%



North East	2012	2014	2016
Total Adult Population	11M	11M	12M
Formally Included	26%	26%	25%
Informal Only	15%	5%	14%
Financially Excluded	60%	68%	62%

South South	2012	2014	2016
Total Adult Population	14M	15M	16M
Formally Included	52%	52%	55%
Informal Only	18%	15%	14%
Financially Excluded	30%	33%	31%

South East	2012	2014	2016
Total Adult Population	12M	12M	12M
Formally Included	52%	63%	59%
Informal Only	22%	11%	13%
Financially Excluded	26%	25%	28%

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These statistics depict general numbers and context of the reach of financial services, and mirror the trends in coverage reported by FSPs interviewed during this assessment, implementing agencies should conduct assessments in their targeted geographies and surveys with their beneficiary communities, as the percentages often do not adequately represent the poor and very poor segments of the population.

⁹ Enhancing Financial Innovation and Access (EfinA). 2016. Scoping Study...

¹⁰ Enhancing Financial Innovation and Access. 2016. <http://www.efina.org.ng/assets/A2F/2016/Key-Findings-A2F-2016.pdf>.

¹¹ EFINA 2016 Key Findings, <http://www.efina.org.ng/assets/A2F/2016/Key-Findings-A2F-2016.pdf> slide 18

The discrepancies in access by geographic region are well depicted in FSP maps¹² (an initiative of the Gates Foundation), that includes representative numbers and locations for each type of provider in the country. Each dot in the map represents an agent or location of an FSP. Borno has been outlined in yellow to more clearly draw attention to the area in question.

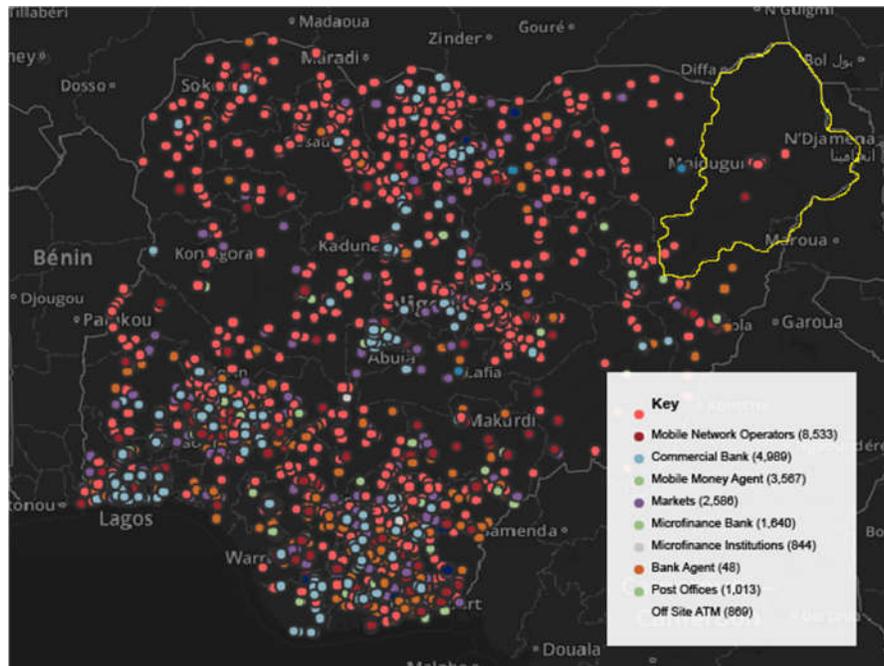


Figure 2: Colored dots represent different types of financial agents or institutions, taken from the [FSP Maps](#)

FSPs and Delivery Mechanisms - Nationally

Commercial Banks

The CBN labels commercial banks “Deposit Money Bank”, defined as “a financial institution licensed by the regulatory authority to mobilize deposits from the surplus unit and channel the funds through loans to the deficit unit and performs other financial services activities.”¹³ Twenty two deposit money banks are licensed in Nigeria.¹⁴

Mobile Money

The CBN defines the scope of mobile payments in Nigeria as covering “the various components required to deliver mobile payment to the banking and non-banking community,” and has approved the following models:

- **Bank Focused Model:** a licensed deposit-taking bank provides the mobile money service
- **Bank Led Model:** a bank (or consortium of banks) acts as lead initiator and partners with other qualified organisations to provide mobile money services
- **Non-Bank Led Model:** a CBN-licensed corporate entity has the role of lead initiator. The model excludes mobile network operators (MNOs) and other telecoms companies from being lead initiator.

The CBN has deliberately steered away from a model that has a MNO as the lead initiator, as is the case in Kenya. This stems from concerns about potential regulatory gaps, since the MNOs are primarily regulated

¹² <http://www.fspmmaps.com/#/Nigeria/finance/map@11.921103,13.779602,z6,dark>

¹³ <https://www.cbn.gov.ng/supervision/AllFinInstitutions.asp>

¹⁴ <https://www.cbn.gov.ng/supervision/Inst-DM.asp>

by another body, the Ministry of Communication, with the CBN keen to ensure any “deposit taking” institution is duly licensed and supervised. It also reflects the CBN’s desire to ensure openness and interoperability, which may not be possible under such a model.

As of 2013, the CBN had licensed 26 individual MNO payment schemes.¹⁵ Three of the licensees are banks (GTBank, UBA and Stanbic IBTC), operating under the bank led model. The remaining licensees come under the non-bank led model, and include Fortis Mobile Money, Pagatech and Monitise.

Irrespective of the model used, the MNOs are key partners to the lead initiators (banks or non-banks), providing access to their mobile payment infrastructures and agent networks to establish accounts and a broader customer base. Furthermore, the rules allow them to partner with more than one lead initiator. For example, MTN, a leading GSM operator, has partnered with GTBank, UBA and Fortis Mobile Money.

In 2014, though, only 2.3% of Nigerians had a mobile money account (World Bank, 2014), demonstrating a slow start to the tiered systems. See Alliance for Financial Inclusion (May 2016), www.afifinancial.org/sites/default/files/publications/2016-casestudy-btg-nigeria.pdf

In February 2017, the CBN announced new charges on cash deposits and withdrawals, as part of its ongoing effort to make Nigeria a cashless society.¹⁶ While the Payments System 2020 Vision¹⁷ pushes for a cashless society, areas with poor to no telecom network coverage like in the Northeast continue to have limited to no financial services that are available, accessible and affordable.

Due to the bank-led nature of the mobile money licensing in Nigeria, telecoms’ companies require a partnership arrangement with a backing bank. There were indications these regulations may ease up in the coming years, which could increase the volume and diversity of mobile money services available.

MicroFinance Banks (MFBs)

There are a small number of MicroFinance Banks licensed in the Northeast that could provide payment services for humanitarian actors. To date, Mercy Corps has partnered with Development Economic Cooperation (DEC) to facilitate cash distributions in and around Biu and Gombe.

The MFBs are licensed to distribute money, typically have mission statements or objectives that align with humanitarian programming, and have established relationships in the communities they operate in that could be capitalized on for humanitarian cash distributions.

Unfortunately, the assessment team was unable to speak with any MFBs directly while in country. This therefore remains a potential payment partner that could require further assessment to determine scalable capacity.

Payment Services in Borno State

As described earlier in this report, financial services in the northeast are much more limited than the full range of services available in Nigeria at a national level. Three groups of service providers were identified as offering some type of cash delivery service that could be used for humanitarian cash transfers in Borno: commercial banks, mobile money operators, and MFBs. All three groups offered services primarily in urban (and to a lesser extent, peri-urban) areas.

¹⁵ Payments System Vision 202 Release 2.0, 4.3.5 Mobile Payments, pg 20. September 2013

¹⁶ Economic Intelligence Unit. n.d. *Nigeria: Regulatory/market assessment*. Website: https://country.eiu.com/article.aspx?articleid=1045388488&Country=Nigeria&topic=Regulation&subtop_13.

¹⁷ Central Bank of Nigeria. 2013. Payments System 2020 Vision. http://www.cbn.gov.ng/icps2013/papers/NIGERIA_PAYMENTS_SYSTEM_VISION_2020%5Bv2%5D.pdf.

Commercial banks

Most bank branches are concentrated in Maiduguri town centre. A few programmes are supporting beneficiary communities to cash-out at bank branches providing transport stipends; others are working with banks to mobilise cash distributions in targeted areas.

Although, some organizations initially worked to provide ATM cards to beneficiaries with sufficient ID, this was reported as a solution with limited opportunity to scale up, and in some cases has been halted.

ATM and POS networks in Borno are heavily concentrated in Maiduguri, with ATMs primarily restricted to bank premises only. Furthermore, as formal salaries are typically paid into bank accounts, ATMS are regularly overwhelmed with long lineups and often experience liquidity issues when salaries are paid.

This limits the usefulness of prepaid ATM or debit cards for humanitarian transfer programs. Alternatively, some commercial banks have provided Over the Counter (OTC) services for humanitarian cash distributions which have encountered fewer challenges.

UBA: UBA is currently working in partnership with several humanitarian actors to distribute cash transfers. To facilitate this process, they have opened their branch on Saturdays specifically for humanitarian transfers. The agencies then bring beneficiaries to the bank, or provide an additional transport allowance for them to reach the branch. Beneficiaries are then provided with their cash as an over the counter transfer.

Zenith Bank: Zenith is a bank who operates with particular focus on the Northeast, with one branch in Bauchi, and three in Maiduguri town. They have a virtual account product that has limited ID requirements (phone number and passport photo) that enables the user to access ATM services and were interested to explore opportunities to work with NGOs. Their only ATMS in Borno are located in the bank premises in Maiduguri.

Mobile Money

There is some limited mobile money coverage and increasing agent presence in Borno, again primarily centered in Maiduguri. Network coverage is limited, and was further reduced during the insurgency limiting the potential reach and coverage of mobile money services. Although agent networks and services to Borno are currently quite limited, there was interest from many of the mobile actors to expand their agent networks in the state.

Due to the bank-led nature of the mobile money licensing in Nigeria, telecoms' or technology companies require a partnership arrangement with a backing bank. There were indications these regulations may ease up in the coming years, increasing the volume and diversity of services available.

Below is a summary of several potential mobile money options to facilitate payments in Borno. All are currently very limited, with insufficient agent networks to facilitate large cash programs at this time. There may however be potential to partner with these companies and support the development of agent networks for future programming. The list is certainly not exhaustive, but represents the players our assessment team was able to consult.

Access Bank in partnership with Airtel: Access Bank is currently distributing money for a few humanitarian actors via two methods

1. *Temporary mobile agents to accommodate planned* distributions in areas with low mobile money agent penetration. With this system, beneficiaries are provided with SIM cards that are inserted into the agents' phone, the transfer amount verified and then provided to the beneficiary.
2. *Established network of Airtel agents* who facilitate payments to beneficiaries through their normal business operations. Airtel anticipated, and indicated this had happened in some areas, that over

time this would generate sufficient demand and familiarity for a more normalized agent network or marketplace. In Maiduguri, where they have been distributing for a while to a larger number of HHS, this has apparently started to happen and money can be transferred to beneficiary phones and asked/cashed out through an established mobile money agent's regular procedures.

At least one implementing NGO spoke of having to stop their work with Access Bank/Airtel due to limited network constraints and inadequate agent numbers in their target area. As the insurgency settles, communications network and general business capacity may start to improve again.

MTN Diamond Yello Account: Diamond bank in partnership with MTN has a mobile money account. Services include money transfers, retail payments, bill payments, and purchase of airtime through USSD codes. Withdrawals can be made at MTN agents, or payments made at registered merchants. They have a [published a list of agents](#) on their website that currently includes 279 active agents in Borno.

Teasy Mobile: Teasy is licensed as a Mobile Payments Operator and has developed several payment options that could be used by humanitarian actors. In the Northeast, their presence is currently limited to a few agents in Maiduguri, and several in Yola, Adamawa. However, Teasy Mobile has a significant commitment to working in the Northeast and plans to expand in that region.

As well as operating a more traditional MMO agent network type services, Teasy has also integrated their platform and services with retailers. This means that they are able to provide NFC cards that can be used at registered retailer POS. With this additional capacity, the Teasy platform can work offline through NFC cards.

To date, Teasy has run programs with ICRC in Yola, Benue, Kaduna, and Adamawa as well as several government projects that included partnering with the Kaduna State Government, and the Federal Ministry of Health.

The Teasy presentation can be found [here](#).

Chams Mobile: Chams presented the Kegow mobile money platform. They currently have a limited agent presence in Borno with only 2 operating agents as of July 2017. They do however have the capacity to quickly register a local business as an agent. Chams has been licensed to register individuals with a BVN and is currently working with the Nigerian pension scheme.

The Chams presentation can be found [here](#).

Paga: Paga is as a payment platform that works in partnership with mobile networks, Banks, and MFIs to enable payments and money transfers between individuals and retailers. On the platform, users are able to transfer money, pay bills, buy airtime, and deposit to a bank account. The platform currently has [12,709 agents across Nigeria with 40 in the North East](#). Although none are currently operational in Borno, they have targets in place to increase their operations there.

Paga is currently working with the Dangote Foundation to distribute cash transfers to vulnerable women across Nigeria.

Interswitch Financial Inclusion Services (IFIS) with AppMart: IFIS is the division of the Interswitch group primarily focused on expanding financial inclusion and was setup to drive the expansion of their agent network. IFIS presented a payment platform they had integrated with an identity management service provided by AppMart. Together the two companies provide a service that includes data gathering and biometric backed ID management, issuance of ID cards and/or e-wallets, funds processing and disbursements, cash payments through agents, and reporting to support audits.

- IFIS provides technology to facilitate the movement of money, and includes both payments collections and disbursement services. In this capacity they work with government bodies, and have partnerships with all of the major mobile operators in Nigeria. IFIS currently have over 7,000 agents across Nigeria, with plans to scale to 25,000 by March 2018. They have reported that there are currently 201 active agents in the Northeast, however further data breakdown was not available during the assessment.
- App Mart is a software development company who provides services including identity management and payroll solutions. They have integrated with IFIS to improve the management of large payment distributions through the IFIS platform.

Interswitch and AppMart provided a joint presentation slide deck to the Mercy Corps team that can be accessed [here](#).

Funds and electronic Transfers Solutions (FETS):¹⁸ FETS is licensed by the CBN as a mobile money operator that enables payments and transfers between customers, to bank accounts, and to unregistered customers. Cash out is currently enabled through an agent network, however they are in the process of setting up a system for cardless ATM withdrawals in partnership with Sky Bank and FCNB.

FETS current agent network is approximately 2000 active agents, and they plan to expand that to 10,000. In order to expand their agent network in all LGAs, FETS has recently signed an MOU with the Association of Pharmacists to register all members as FETS agents, and are in consultation to do establish a similar arrangement with NiPost. Agent transactions can be done through USSD message.

They also have a prepaid card product that is currently chip based, however have plans to expand to an NFC card in order to improve services in areas with limited or no network connectivity.

FETS have worked with the National Cash Transfer Office to provide payments to 10,400 households as part of a social safety net. To date, Bauchi is the only state in the Northeast they have distributed in, however are expecting to expand their work with the safety net soon. When consulted in July, FETS indicated they had plans to disburse cash to IDPs in camps in Borno in the coming weeks.

Conclusion

The assessment findings illustrate that there are limited financial service providers in the Northeast and there is an overall lack of distribution network for cash-outs or POS payments in the state of Borno and specific LGA target areas.

Analyzing the coverage (geography and penetration) and capacity (uptake and usage) nationally helps to understand the macro-financial environment – and potential for mature FSPs to expand business; however, due to the lack of providers with clear capacity in the Northeast, implementing humanitarian organizations will need to seek out partnerships that support or encourage the evolution of services in the region, and perhaps consider directly engaging with efforts to expand payment agent networks. Furthermore, it is likely that, at least in the short term, humanitarian actors looking to distribute cash at scale in the Northeast will need to work with a combination of payment actors in order to reach the scale and coverage they are looking for. There is no obvious provider with the capacity to reach scale across the state.

GoN and CBN policies and initiatives to move towards a cashless society provide some degree of motivation and a strong enabling environment for the expansion of agent networks and payments services to reach financially excluded populations. While these initiatives serve as a driver to increase access to payment

¹⁸ <https://www.fetswallet.com/home/page/about#/index>

services, they have also created a highly regulated payments eco-system. As such, humanitarian actors should ensure that they are not designing or operating programs which may run counter to CBN regulations, for example, by using payments by non-licensed agents.

Key Findings

Lack of financial services in Northeast Nigeria

Despite efforts by the government to increase access to financial services across Nigeria, the Northeast states, Borno in particular, remain severely underserved. Fewer FSPs are present in the state than the rest of the country, and those that remain have limited their presence to larger town centres. This was primarily ascribed to the impact of years of insecurity, weak infrastructure, and high poverty rates across the state. In some instances FSPs spoke about closing branches in Borno as the insurgency intensified, while newer operators simply hadn't yet explored establishing a presence there as they felt it was too high a risk for limited potential return. Most telling was the spread of agent networks in the NE vs. nationally. For example, one provider reported over 12000 agents across Nigeria, with less than 5 in Borno. The limited financial infrastructure that does exist is generally concentrated in Maiduguri town, meaning that rural populations are even more excluded from banking and cash transfer infrastructure.

Tiered KYC expands the potential for humanitarian partnerships with FSPs

Access to financial services in Nigeria is rapidly increasing, in part aided by government regulation and initiatives intending to increase financial inclusion. Notably the introduction of tiered KYC facilitated the expansion of low risk financial services to a greater portion of society, in particular those with limited access to formal identification.

For humanitarian actors looking to distribute cash, the tiered ID requirements increase the range of services they could utilize in communities with limited or no formal IDs, as well as provides opportunities to design humanitarian programs that build towards full financial inclusion.

By expanding the potential user base for financial products, tiered KYC is also a key component to encourage FSPs to expand their agent networks and service offerings in previously less viable or attractive regions, such as the Northeast.

Potential scope for humanitarian partnerships with FSPs to facilitate service expansion in the Northeast

Many of the FSPs interviewed expressed an interest and desire to expand their reach and agent networks in the Northeast, although the area was admittedly viewed as risky there was also a recognition that it represented a potential new market. Infrastructure issues (network, etc.) will remain a significant challenge outside of main centres, however interest to expand was high and humanitarian programming at scale, along with expanding social safety nets represent significant potential demand to help drive this expansion.

With increasing stability in the Northeast, humanitarian actors should engage in new partnerships with FSPs in order to determine business needs (demand side) and work to develop plans for access to financial services (supply side), particularly for vulnerable populations and low-income segments of the population.

Lessons Learned and Recommendations

This assessment was carried out as part of a larger initiative (the ECHO funded ERC grant), aiming to improve collaboration around multi-purpose cash. The assessment provided an opportunity to test a new way of assessing cash delivery mechanisms and resulting in many lessons learned about the approach to such an assessment. Key findings are detailed below.

Beneficiary Preferences

The FGD referenced was conducted close to Maiduguri town and may not have been entirely representative of the experiences of communities in more rural areas. Furthermore, IDPs included in the FGD had little to no experience at all with formal financial services. Given that the group represented the poorest segment of the population, their lack of experience with mobile money, remittances, or other financial services may not have presented an entirely accurate of the services available. In future, FGDs with a higher wealth group, although less likely to inform potential beneficiaries comfort and experience with various services, may provide a better picture of what is actually available and feasible in the region.

Given the limited information provided in the FGD, programme requirements and beneficiary limitations regarding their use and familiarity with financial services were informed by Mercy Corps programme experience as well as information gathered intentionally to inform this report.

Assessment Exercise Chronology

Due to timing constraints, this assessment team conducted several of the recommended assessment exercises simultaneously rather than consecutively. This meant that much of the broader regulation and actor mapping was carried out during the same time period as the in depth FSP and implementer interviews. Future assessments would benefit from following the recommended chronology to ensure a fully comprehensive understanding of payment options in country.

Detailed FSP Mapping

This assessment had initially been planned to provide a more detailed and comprehensive mapping of services available in the humanitarian implementation areas of concern, Borno in particular. Given the limited services available in Borno, that mapping was less relevant than had been anticipated. The assessment therefore focused more on the nature of payment services in Nigeria more broadly, with higher level examples of payment services providers and their potential to expand into the Northeast.

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