

## TERMS OF REFERENCE

### SCOPING STUDY ON OPPORTUNITIES AND BARRIERS TO DIGITISE HUMANITARIAN AND SOCIAL ASSISTANCE IN NIGERIA

#### 1. Introduction

As cash transfer programmes increasingly become a standard component of humanitarian responses, aid agencies and donors seek a more comprehensive understanding of delivery mechanisms that are effective, efficient and offer good value for money, while meeting the preferences of affected people. The COVID-19 pandemic has increased the urgency for entities making transfers to Nigerians to use digital channels, avoid convening crowds at distribution points and reduce physical contact required to process transfers.

Compared to several peer countries in Sub-Saharan Africa, the use of mobile money and formal financial services in Nigeria remains relatively low. Low-income and vulnerable groups targeted by humanitarian transfers are likely to be financially excluded or use only informal (non-regulated) financial services such as moneylenders and savings groups.

As of 2018<sup>1</sup>, 82% of Nigerian adults received their main income in physical cash, and only about 10% had used any electronic channel to pay for goods or services in the prior year. However, Nigerian adults who receive income electronically are more likely to make digital payments<sup>2</sup>; highlighting the opportunity for digital disbursements of bulk payments to not only increase efficiency and transparency in the disbursement process, but also build more inclusive, efficient digital economies.

Digitising payments has the potential to dramatically reduce costs involved, increase efficiency and transparency, help build the infrastructure, and broaden familiarity with digital payments among customer segments. When governments shift their social payments to electronic form, it creates a foundation upon which the private sector and person-to-person payments, such as international and domestic remittances, can build on.

As a result, FSDA's Fragile Communities and States (FCAS) team and EFInA Nigeria seek to contract a Consultant ("the Consultant") to conduct a scoping study to understand the opportunities and barriers to digitising humanitarian and social protection transfers in Nigeria.

#### 2. Project Background

##### 2.1. About FSD Africa

Established in 2012 and supported by UK aid, FSD Africa is a specialist development agency working to build and strengthen financial markets across sub-Saharan Africa. We work to reduce poverty through a 'market systems development' approach, which means we aim to address the structural, underlying causes of poverty by improving how financial market systems function.

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<sup>1</sup> [EFInA Access to Financial Services in Nigeria 2018 Survey](#)

<sup>2</sup> <https://i2ifacility.org/insights/blog/advancing-financial-inclusion-executive-summary-nigeria-pilot-study?entity=blog>

We believe that investing in building a financial system that is transparent, stable and accessible creates the conditions for a fair and sustainable future, where inequality is reduced, corruption is tackled, and where individuals, businesses and governments alike are able to prepare for future challenges, from climate change to political instability.

From our headquarters in Nairobi, our team of financial sector experts work alongside governments, business leaders, regulators and policy makers to design and build ambitious programmes that make financial markets work better for everyone. Depending on the project, we can provide a combination of grants, investment capital, market insights or technical assistance to ensure we achieve our objectives.

We focus our work where the need is greatest, and where we believe the potential for impact is the most significant.

Please find more details about FSD Africa on our website at [www.fsdafrica.org](http://www.fsdafrica.org).

## **2.2. About Enhancing Financial Innovation & Access (EFInA)**

Enhancing Financial Innovation & Access (EFInA) is a financial sector development agency that is funded by the UK Department for International Development (DFID) and the Bill & Melinda Gates Foundation. Set up in late 2007, EFInA's mission is to make Nigeria's financial system work better, especially for the poor, by facilitating the emergence of an all-inclusive, growth-promoting financial system.

EFInA achieves its mission through four pillars:

- **Research:** Provide credible market information on the Nigerian financial sector
- **Innovation:** Catalyse the development of innovative, inclusive financial services for the unbanked and under-banked population in Nigeria, through our Innovation Fund
- **Digital Finance:** Bring and test emerging and disruptive ideas to Nigeria and redefine financial inclusion for the poor
- **Advocacy & Capacity Building:** Advocate for the development and implementation of policies that create an enabling environment for all key players in order to achieve financial inclusion, and equip stakeholders with the knowledge and skills needed to drive financial inclusion in Nigeria

For more information about EFInA, please visit [www.efina.org.ng](http://www.efina.org.ng)

## **2.3. About the GSM Association (GSMA)**

The GSMA represents the interests of mobile operators worldwide, uniting nearly 800 operators with more than 300 companies in the broader mobile ecosystem. Our mission is to further the strategic, commercial, technological, developing world and advocacy interests of our members.

Mobile for Development is a dedicated global team within the GSMA, which brings together our mobile operator members, tech innovators, the development community and governments to prove the power of mobile to create socio-economic impact in emerging markets.

Mobile for Humanitarian Innovation (M4H) is a DFID funded programme that works to accelerate the delivery and impact of digital humanitarian assistance. We will achieve this by building a learning and research agenda to inform the future of digital humanitarian response, catalysing partnerships and innovation for new digital humanitarian services, advocating for enabling policy environments, monitoring and evaluating performance, disseminating insights and profiling achievements.

### **3. Project scope and objectives**

#### **Research Objectives**

A set off partners, including Financial Sector Deepening Africa (FSD Africa), Enhancing Financial Innovation & Access (EFInA), the GSM Association (GSMA) and the World Food Programme (WFP), would like to carry out research and analysis to understand the opportunities and barriers to digitise humanitarian and social protection transfers in Nigeria.

This research will seek to understand the landscape of humanitarian transfers and government-to-person payments in Nigeria, identify opportunities and challenges related to digitising those payments, and analyse the feasibility of building digital economies around those payments.

The research will primarily involve the following payment streams:

#### **i. Government-2-person payments (limited to G2P payments that fall under social protection schemes)**

There have been commendable efforts towards digitizing government payments across the three government levels and between governments to persons in Nigeria. These have been augmented with the increased drive towards financial inclusion. The federal government commenced the independent revenue e-Collection Scheme under the Treasury Single Account (TSA) in a move towards promoting accountability and transparency. This is an example of policy measures adopted by the Central Bank, that have increased the gains made towards digitizing government payments and bringing the large unbanked population into the formal financial system. Digitizing payments offers easier and speedy government disbursements, through optimal and cost-effective distribution systems. Digitisation can be a transformational tool for payment beneficiaries, in improving their livelihood and addressing poverty. Cash payments create leakages in expenditure and revenue flows which easily fuel corruption and the diversion of public funds. Government initiatives built on physical cash payments challenge the ability of governments to effectively target effective payments at the vulnerable in the society.

#### **ii. Humanitarian transfers including the Conditional Cash Transfer (CCT) schemes and transfers to internally displaced persons.**

As cash transfer programmes increasingly become a standard component of humanitarian responses, aid agencies and donors seek a more comprehensive understanding of delivery mechanisms that are effective, efficient and offer good value for money, while meeting the preferences of affected people. There has been an uptake by several humanitarian organizations responding to the needs of internally displaced and host populations in the North East, using cash-based responses as the most effective and feasible way to reach and support the most vulnerable populations.

The use of mobile transfers and e-vouchers is seen as an effective way to minimize security risks (suicide bombers often target crowded places and events), as beneficiaries can choose when to go to the partner shops, banks or money agents to access funds.

Digitisation enables organizations to track cash disbursements and the use of e-vouchers in real-time minimizing corruption and diversion, facilitating monitoring and accountability processes. Post distribution monitoring reports and key informant interviews have indicated that affected communities prefer to receive assistance via cash or vouchers, reasons cited include flexibility and control over the resources, choice, and use of local vendors and markets, attributed to limited digital infrastructures in the communities

## Scope of Research

Please note that for this piece of research, when referring to government-to-person (G2P) payments, the scope is limited to **G2P payments that fall under social protection schemes (for example, The National Social Investment Program of Nigeria)** and excludes G2P payments such as salary and pension payments.

1. **Document the landscape of humanitarian transfers and government-to-person payments in Nigeria.**  
Through desk review and meetings with key stakeholders (to include, for example, government, donors and INGO's) this should include, but is not limited to:
  - Review of existing government, donors and INGOs' social protection & humanitarian cash transfer policies and programs, through desk review and meetings with key stakeholders.
  - Mapping of financial service providers (FSPs) active in Nigeria including how they operate within the Nigerian context.
  - Mapping and synthesis of the various entities disbursing funds and programmes they are operating under, and for each programme:
    - Recipient groups being reached
    - Current approaches being used to disburse money (cash, vouchers, etc.) including the FSPs that enables digital cash payments where applicable.
    - Total volumes of transfers being made, broken down via various channels if applicable (cash disbursements, vouchers, transfers into bank or e-wallet accounts, etc.)
  
2. **Outline challenges and opportunities related to digitising humanitarian transfers and government-to-person payments in Nigeria,** including but not limited to:
  - Suitability of infrastructure and technology
  - Relevance and accessibility of existing digital financial services products for target recipient groups
  - Interest and ability of financial service providers to offer relevant solutions, including existing providers as well as potential new providers who would operate under the Payment Service Bank licence
  - Existing and potential spread of financial access points, including via financial service agents
  - Pricing and affordability considerations
  - How the identity of recipients is captured and validated for onboarding and disbursements
  - Consumer protection considerations
  - Security and fraud considerations
  - The degree to which the regulatory environment is conducive to digitising humanitarian and government-to-person payments
  - Political economy considerations
  - Cultural and behavioural factors impacting recipients' interest in receiving transfers via digital financial services, to the extent that this information is available via secondary sources (this will be explored further in a subsequent project phase)

The above considerations' should have a particular focus on mobile financial service (MFS) payments', and how these payments' compare to other digital payment options.

3. **Analyse feasibility of building digital economies around humanitarian transfers and government-to-person payments in Nigeria,** taking into consideration factors such as:
  - Use cases for recipients to use money stored electronically in bank accounts or e-wallets
  - Current/potential level of acceptance of digital payments by merchants in beneficiary communities

- Recipient interest in having and using digital money (to the extent that this information is available)

As outlined in point two above, these considerations' should have a particular focus on mobile financial service (MFS) payments', and how these payments' compare to other digital payment options.

While this review is intended to be holistic, it should also include specific analysis regarding:

- Transfers to internally displaced persons (IDPs) and others who have been forcibly relocated, including in North East Nigeria
- Humanitarian transfers provided in context of, and in response to, the COVID pandemic
- Finally, develop a road map or action plan (for all concerned stakeholders) for implementing proposed recommendations. The recommendations should include what steps are necessary to build the digital ecosystem, including regulatory considerations, in Nigeria as a whole, but with some focus on northeast Nigeria and mobile financial services.

#### **Potential follow-on work**

In addition to the above piece of research, there are tentative plans to conduct end-user research regarding digital financial services preference, use and barriers. In light of the impact of COVID-19 and the restrictions/challenges around conducting fieldwork, this particular phase of work will be shaped and finalised at a later date (and will be informed by the outcomes of this desk-based/remote research). However, if possible, please also indicate the following:

- Interest in conducting end-user field work
- Example approach to conducting the field work (both in the context of COVID-19 and in the context where movement is less limited)
- Indicative timeline and costs for conducting fieldwork.

Please note that answers to the above questions will not affect scoring for this ToR.

#### **4. Project Approach**

We expect that this work will be carried out primarily through desk research and stakeholder interviews for the literature review and potentially, a Human Centred Design focused field-based research to follow as COVID-19 pandemic situation improves (as indicated above). This research may build on existing work, such as reports produced by the Nigeria Cash Working Group. In addition to publicly available information, the partner engaged for this work will be able to access:

- Reports, assessments, and data collected by the World Food Programme.
- Relevant sources of information from FSDA, EFINA and/or GSMA that are not in public domain, if any

#### **5. Project reporting**

The consultant will report primarily to the Project Steering Committee appointed for this project, comprising of team leads from FSDA, EFINA, GSMA & WFP.

## 6. Project Outputs & Payment Milestones

The final deliverables of this research should be a comprehensive report addressing the full Scope of Research.

We expect that the outputs delivered will be linked to milestone payments:

- An inception report outlining the proposed approach and work plan (20% payment)
- Delivery of a draft report (30% payment)
- Delivery of a final report (30% payment)
- Delivery of a detailed implementation roadmap factoring in policy, regulatory, institutional, and other recommended interventions that may be required to support the digitising of CVA and G2P Payments as well as the development of a digital ecosystem in NE Nigeria. Roadmap should include timings, costs and division of labour as part of this work (20% payment)

The project is expected to commence in **July 2020**. We expect that work should be completed by **October 2020** at the latest, although the bidding consultant/firm should propose a project timeline.

## 7. Invitation to Submit Proposal

We are inviting proposals from suitably qualified consultants/consultancy firms.

Your proposal should contain:

- CVs (maximum 3 sides of A4 paper each) of key individuals, tailored to the assignment
- Outline of team structure, including roles and responsibilities of team members
- A summary of your relevant experience for the assignment
- A short description of your understanding of the role of the Consultant and the approach to be used as outlined in these Terms of Reference
- A description of how you intend to fulfil the Services within the suggested timeline and confirmation of your ability to meet the timelines
- A financial proposal, including professional fees and number of days of effort for each team member. The total cost proposed should be inclusive of all relevant taxes and a breakdown of reimbursable expenses.

Your proposal, which should not exceed 10 pages (excluding annexures), should be sent by email to FSD Africa at [bids@fsdafrica.org](mailto:bids@fsdafrica.org) by **1200 EAT on 22<sup>nd</sup> July 2020**. Note that the above page limit excludes those wishing also to supply details of fieldwork experience.

## 8. Basis of award

FSDA will award a contract to the consultant based on the following criteria:

Mandatory requirements
Firm/individuals must be able to demonstrate experience conducting similar research / analysis based on primary and secondary data sources and key informant interviews
Firm/individuals must be able to demonstrate understanding of humanitarian and social protection transfer programmes and various approaches for delivery of cash transfers.

Firm/individuals must be able to demonstrate conversance with the themes of digital financial services and/or Mobile money expertise
Firm/individuals must be able to demonstrate understanding of the Nigerian context

Assessment criteria	Weighting (%)
Relevant, demonstrated experience and capacity of individuals in this area	30%
Understanding/interpretation of the task set out in the TORs / Content, quality and originality of proposal	30%
Demonstrated experience working on themes of humanitarian and social protection transfers, digital financial services and mobile money in sub-Saharan Africa	20%
Fee basis and total costs	20%
<b>Total</b>	<b>100</b>

**9. Contact**

Questions or comments in respect of these terms of reference should be directed by email to: [bids@fsdafrica.org](mailto:bids@fsdafrica.org) and be received no later than **1200 EAT on 13<sup>th</sup> July 2020**.

**10. Applicable Taxes**

As per Kenya’s tax law, FSD Africa will pay the Consultant after withholding the appropriate taxes at the applicable rate between Kenya and the Consultant’s country of tax residence, considering any tax treaties in force. It is the responsibility of the Consultant to keep themselves apprised of these applicable taxes