Developing guidelines
for cash transfers in Somalia:

Automation of the cash transfer process

This document *Recommendation 2 - Automation of the cash transfer* belongs to a larger set of recommendations aimed at improving mobile money cash transfer processes in Somalia. Topics covered in the set of recommendations include: MPSP service offering, automation of the cash transfers, post distribution monitoring, common recipient registry, proof of ID, and enabling ecosystem. This document focuses on the automation of cash transfers via API integration.

GSMA Mobile for Humanitarian Innovation

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The GSMA Mobile for Humanitarian Innovation programme works to accelerate the delivery and impact of digital humanitarian assistance. This will be achieved 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. The programme is supported by the UK Foreign, Commonwealth & Development Office.

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The Somalia Cash Working Group (CWG) leads the inter-sectoral cash coordination mechanism and aims to improve the coordination of cash assistance, quality of implementation of cash assistance monitoring, evaluation and learning. It is co-chaired by the World Food Programme and Concern Worldwide/Somali Cash Consortium. The Financial Service Provider (FSP) workstream's objective is improving the systems and processes of humanitarian mobile money cash transfers in Somalia, benefiting programme participants by working with implementing agencies, mobile network operators, private sector and learning partners. The GSMA M4H has supported the FSP's work since 2020.

Further information on the Somalia CWG can be found here: **www.humanitarianresponse.info/en/operations/somalia/cash-activities**

Altai Consulting partnered with Tusmo in Somalia

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1 Current state

The majority of INGOs/agencies that work in Somalia rely on MPSP employees to process cash transfers to recipients and share disbursement reports with the INGOs/agencies, leading to a lack of control over the process on the side of the INGO/agency. The current process relies on manual mechanisms and requires several steps:

1. The INGO/agency sends money, through a bank transfer, to the MPSP bank account, equivalent to the total amount to be transferred to recipients and the agreed upon transfer fees. A few INGOs/agencies have arranged to transfer the money in arrears, for a higher transfer fee;

2. The INGO/agency sends an MS Excel file by email to the MPSP focal point, which contains the recipients' names, phone numbers and amounts to be transferred;

3. The MPSP verifies this list against its own customer list and identifies eventual discrepancies (e.g., different name for the same phone number);

4. The MPSP shares a list of discrepancies with the INGO/agency. Funds cannot be transferred to those recipients until the discrepancy has been corrected either by manually correcting data entry/spelling mistakes or by re-verifying the information with the respondents;

5. The MPSP transfers the funds to the recipients' mobile wallets. In some cases, recipients are requested to enter a PIN code to authenticate themselves prior to the actual transfer and allow the fund transfer to their wallet;

6. The MPSP shares a mobile money disbursement report with the INGO/agency by email, highlighting the results of the funds transfers, e.g., for each recipient, an indication of whether the funds could be transferred or not, due to inactive SIM, blocked wallet or other;

7. The INGO/agency and the MPSP reconcile the data on the amount that was paid in excess by the INGO/agency to the MPSP (in the case where funds could not be transferred to the recipient due to discrepancies between the INGO/agency and MPSP lists, inactive accounts, blocked wallets, etc.). This is typically either sent back to the INGO/agency or offset against future transfers.

2 Identified challenges

There are several challenges and risks associated with manual processes for mobile money transfers:

1. **Fraud:** The data is typically shared via MS Excel files (which are easily accessible and modifiable) and with different people throughout the process (within the INGO/agency and the MPSP);

2. **Data entry error:** The process is entirely manual, so human mistakes can occur when entering recipients' phone numbers, names, amounts to transfer or when ordering the payment;

3. **Privacy and Data protection concerns:** Recipient transfer lists contain personally sensitive information such as the name of the recipient and the date on which they will receive a certain amount of money, and this data is shared by email, often with several people in copy including INGO/agency employees and MPSP employees;

4. **Time and complexity of the process:** The transfer process requires several steps and is dependent on each stakeholder (on the INGO/agency side and the MPSP side) to fulfil their responsibilities in a timely and accurate manner. In some cases, recipient lists are not saved in the MPSP system so a new list and the verification of recipients against the MPSP's customer list occurs prior to each new transfer.

There is therefore room for improvement regarding the level of security, efficiency and complexity of the transfer process, and to ensure personal data privacy and enable INGO/agency to have full control over its mobile money transfers to its recipients.

3 Potential solutions[1]

" Automation of the mobile money transfer process is essential for any market."
    – Technology provider, Kenya

According to technology experts, the automation of mobile money transfer processes is the norm in other markets and the way forward to increase security and trust in such transfers, as well as simplify the process for all stakeholders. Three solutions could be implemented to automate mobile money transfers:

1. **E-wallets for INGOs:** Each INGO/agency would have their own mobile wallet with each MPSP. They would top-up their wallets by making bank transfers to the MPSP, which converts this amount into e-money. Recipients' personal data would be protected and INGOs/agencies would then have total control over their wallet and could spend or transfer their mobile money as they wish.

2. **Payment portal:** Each INGO/agency would have access to their own payment portal, linked to their e-wallet. They would use the portal to upload new recipient data, launch payments to recipients and automatically receive feedback on the transfers (i.e. whether the money could be sent to recipients or not). The portal eliminates the need for human intermediation to operate mobile money transfers at the MPSP level. The entire process would be automated and managed autonomously by the INGO/agency directly from the portal. Validation and checking mechanisms could be implemented so that only authorised personnel at the INGO/agency could launch payments and payments would only become effective after validation from another person (e.g. a Chief Financial Officer).
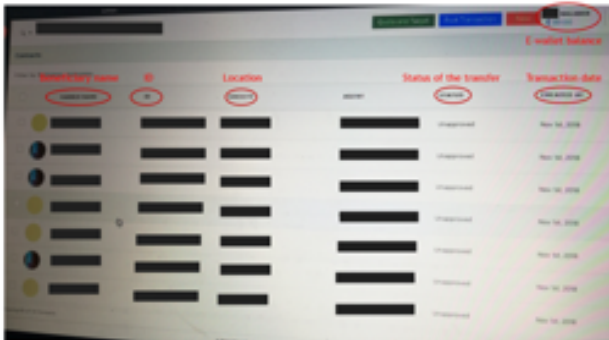
3. **API integration:** To enable this disintermediation on the MPSP side, APIs would be used to directly connect the portal to the MPSP mobile money infrastructure. This integration would allow the INGO/agency portal to "query" the MPSP customer list and automatically verify recipient data. On the portal, the INGO/agency would automatically see the recipients for which there is a discrepancy and would take the necessary actions, such as deduplication, to correct the data prior to sending the funds. Similarly, once a payment is launched by the INGO/agency using the portal, the system would be "queried" and error messages would be automatically sent to the portal to inform the INGO/agency about recipients whose wallets are inactive or blocked.

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1   Efforts are currently being made by the Federal Government of Somalia (FGS) with support from the World Bank Group to implement an inter-bank payment system through the Somali Core Economic Institutions and Opportunities (SCORE) programme. The inter-bank payment system would improve the process significantly. However, this initiative is expected to be developed over the long-term. The solutions provided here concentrate on the shorter-term to enable to process to be improved in the meantime.

Figure 1

Example of a mobile money payment por-tal[2]

A pilot for such a system has already been launched through Telesom in Somaliland and there are plans to expand the service to all customers in the coming months.

> " We have recently developed a system which allows humanitarian agencies to enter their orders for cash transfer into the system themselves, which cuts-out any errors. Humanitarian agencies will be able to easily obtain reports, such as how much has been sent, the balance remaining, and a list of recipients who haven't yet received the money, and any errors which may be present. We've used this system with a few agencies so far, but overall we have set an aim whereby we would like all our cash transfer customers to use this system within the coming 3 months." **- MPSP, Somaliland**

In South Central, a pilot has been launched using a similar system but was put on pause due to the Covid-19 pandemic. Feedback is therefore not yet available but the pilot shows potential and willingness on the side of the Somalia MPSPs to provide such services.

> " Rather than letting [MPSP] send money to recipients, [agency, in the framework of a pilot project] negotiated a portal. The money received by [MPSP] is in a [agency]-specific mobile wallet and [agency] has access to a portal whereby we control sending the transfers to recipients ourselves."
> **– INGO/agency operating in South-Central**

In other markets, technology providers[3] have specialised in the delivery of such systems to various types of customers, including INGOs/agencies. In addition to designing ad-hoc portals for their INGO/agency customers, they also manage negotiations with each MPSP (including opening e-wallets and API integration with each). This enables each INGO/agency to open one mobile money wallet with its technology provider and to manage all its mobile money transactions from a single portal with all MPSPs operating in the market. For INGOs/agencies that provide cash transfers to several markets, the portal can also integrate various MPSPs form various countries, which can all be managed from the same portal. However, such technology providers currently do not operate in Somalia due to the country's instability and uncertainty regarding regulations for digital financial services providers (other than banks or MPSPs).

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2   Source: Altai Consulting picture. Illustrative only.

3   For this research, we identified Segovia and Africa's Talking provided such solutions, although other firms may also operate in this market.

4 Targeted recommendations

Stakeholder	Recommendation	Difficulty[4]	Timeframe[5]	Cost[6]
CWG	Facilitate conversations between INGOs/agencies and external technology providers by inviting technology providers to present their services at CWG monthly meetings	Low	Short-term	Low
INGOs/ agencies	Systematically request API integration, a portal and corporate e-wallets when negotiating framework agreement with MPSPs for mobile money enabled cash transfers	Low	Short-term	Moderate
	Ensure a check and validation mechanism is integrated into the system to ensure that only authorised personnel can launch a payment to recipients and that another person is responsible for validating this payment (equivalent to a counter signature in the manual system)	Moderate	Short-term	Low
MPSPs	Continue to design and run pilots for API integration and portal development for INGO/agency customers	Moderate	Medium-term	Moderate
	Define the pricing for this service and systematically offer this option to INGO/agency customers	Moderate	Medium-term	Low
Government	Invite external technology providers to attend and participate in conferences such as the annual Somaliland Banking and Finance Conference in Hargeisa to encourage partnerships between external technology providers and MPSPs	Low	Short-term	Low
	Clarify, implement and develop regulations for digital financial service providers to encourage technology providers to enter the Somali market, thereby fostering innovation in the mobile money sector	High	Long-term	High
	Develop and implement an inter-bank payment system that will enable electronic bank transfers, card payments and inter-operable mobile payments through the SCORE programme with the World Bank Group	High	Long-term	High

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4   The level of difficulty refers to the level of effort and coordination required to implement the recommendations. Recommendations with a 'low' difficulty level might only require coordination within one type of stakeholder, while those with a 'high' level may require coordination between multiple types of stakeholders.

5   The timeframe refers to how long it is assumed to take for a recommendation to be implemented. 'Short-term' recommendations are those that could be implemented within a period of three months, 'medium-term' could be implemented between three months and year, while 'long-term' recommendations could be implemented over period of more than a year.

6   The cost refers to how much each recommendation is expected to cost to implement. 'Low'-cost recommendations should require little to no cost at all to implement, 'medium'-cost recommendations would require a certain amount of investment but which could be covered by one type of stakeholder, while 'high'-cost recommendations would require significant investment from multiple types of stakeholders.