Assessment of Financial Service Providers (FSP)

Preliminary Findings Presentation

April 2025

Contents

01
Introduction

Main Objective

Objective:

- To **inform the Cash and Voucher Assistance** (CVA) **programming** of the Cash and Markets Working Group **(CMWG)** and Food Security and Agriculture Cluster **(FSAC)** in Yemen by providing:
  - An updated, **comprehensive understanding of the financial landscape**, including the capacity, coverage and experience of Financial Service Providers (FSPs).
  - Available **mechanisms for delivering CVA.**
  - The **user experiences and preferences of the affected communities** including the host community, Internally displaced persons (IDPs), refugees, returnees, asylum seekers, and migrants.

Focus of the Research:

- The research will examine the **benefits, challenges, risks, and mitigation measures** faced by all groups including an understanding of **any payment delivery innovations.**

Specific Objectives

1 Identify currently operational and potential CVA delivery mechanisms in Yemen and the cash-based intervention that are used by CMWG / FSAC partners

2 Identify available FSPs, their capacity, mechanisms for CVA delivery, coverage, Know your Customer (KYC) requirements, accessibility, associated fees and experience. Evaluate FSPs on capacity, coverage, fees, accessibility, efficiency, and foreign currency liquidity.

3 Assess operational and programmatic challenges and risks associated with different delivery mechanisms as well as mitigation measures (such as accessibility, security, fraud / corruption and safety for the program participants and staff).

4 Examine digital payment opportunities in Yemen and barriers that impede inclusion of vulnerable groups (i.e., women, persons with disabilities, elderly, refugees, migrants) and opportunities for expansion.

5 Assess user perspectives, among the host community, IDP, refugees, asylum seekers and migrants, focusing on:

1. Familiarity with CVA delivery mechanisms and FSPs.
2. Acceptance and preferences.
3. Satisfaction levels among beneficiaries.

Roles & Responsibilities

REACH

- Provide **training and tools**

- Provide necessary **support for planning and coordinating data collection**

- **Process** collected data, **create cleaning logs,** and **compile** final **clean dataset**

- **Analyze** data

- Develop **outputs** : 3 clean datasets , 1 Presentation of key findings, 1 Report (TBD)

FSAC / CMWG

- **Conduct operational planning** for data collection (**identify data collection partners** and **obtain governmental approvals**)

Partners

- **Identify KIs** in the affected community

- **Collect data** with REACH tools

- Address the data checks on the **cleaning logs** when requested be REACH

02
Methodology

Assessment Methodology

- **Data Collection:** (17 October - 30 November 2024)

- **Populations of Interest**: NGOs, FPSs, representatives of the affected population (MPCA beneficiaries who have received cash assistance in the last 2 years)

- Proposed Sampling:

  - 15 - 20 KI interviews with humanitarian actors implementing CVA *(conducted by REACH)*

  - 10 - 15 KI interviews with FSPs *(conducted by REACH)*

  - 233 KI interviews with affected communities' representatives (Host community interviews = 114; IDP interviews = 119) (conducted by FSAC partners).

- Coverage: Government of Yemen (GoY)- controlled areas in the **South of Yemen**, where FSAC and CMWG partners operate.

Coverage: Data collection Summary

#3 types of surveys were conducted

KI Interviews with Humanitarian Actors

KI Interviews with FSPs

KI Interviews with Affected Communities

REACH conducted <u>14 interviews</u> with:

NGOs = 6 interviews
UN Agency = 1 interview
INGOs = 7 interviews

Most common office bases were in:
- Aden (100%)
- Sana'a (79%)
- Taizz (50%)

REACH conducted <u>9* interviews</u> with:

Banks = 8 interviews
Mobile Money Operator = 1 interview

- Data collection was mainly focused on **South Yemen operators.**

- Interviews were conducted via **phone calls.**

* Two interviews were done with one FSP

Partners conducted <u>244 interviews</u> with:

IDPs = 99 interviews

Host community= 122 interviews

INGOs = 7 interviews

Muhammasheen = 2 interviews

Refugee = 1 interview

Coverage Map

Yemen
Assessed Districts Coverage Map

03
Key Findings

Key Messages

- **Humanitarian agencies** in Yemen use cash-in-hand, mobile money, and bank transfers mechanisms, with FSP selection factors shaped by **accessibility, reliability, and security**. These mechanisms enhance transparency but carry risks like fraud and safety issues. **Digital payments** offer inclusion opportunities, though limited by tech and data protection challenges.

- **FSPs** mainly **deliver** services through **direct cash and money transfer agents**. While coverage is broad, **delays** and high **costs** remain challenges. **Mobile money** is widely used, though limited **by digital literacy, access for vulnerable groups, and infrastructure**. **National ID** is the primary means of beneficiary verification, reflecting a centralized approach.

- **Affected communities** mainly use and prefer **exchange offices for sending and receiving cash**. IDPs face the most difficulty accessing service providers and obtaining documentation. **Key challenges** reported include congestion at delivery sites, illiteracy, social barriers for women, and weak mobile network coverage.

3.1
Key Findings – Humanitarian Organizations Survey

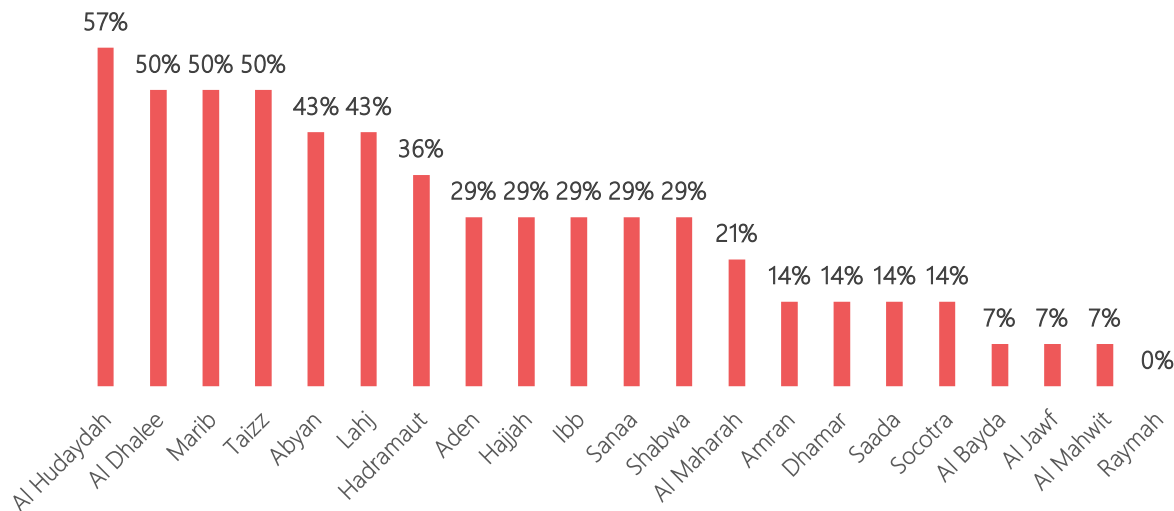# Key Findings – Humanitarian Organisations Survey

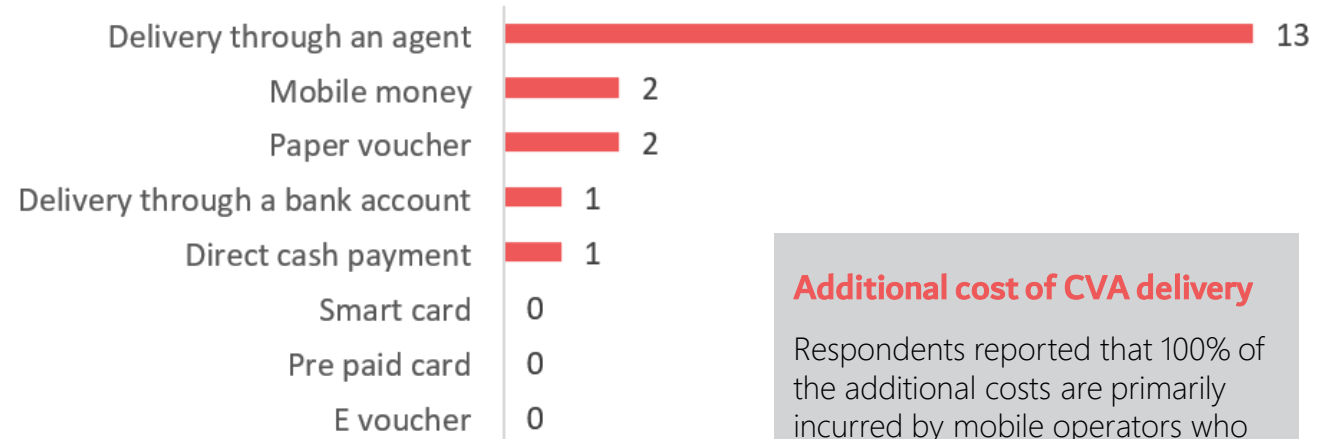## Overview of CVA programming

Most reported types of CVA programming*

1) Emergency food assistance (79%)
2) MPCA and Cash for protection (79%)**
3) Cash for work (43%)
4) Emergency livelihood (36%)
5) Voucher Assistance (36%)

Governorates with most implemented CVA programming

Delivery mechanisms of humanitarian organizations (Reported by 14 organisations)

Delivery through an agent	13
Mobile money	2
Paper voucher	2
Delivery through a bank account	1
Direct cash payment	1
Smart card	0
Pre paid card	0
E voucher	0

Additional cost of CVA delivery

Respondents reported that 100% of the additional costs are primarily incurred by mobile operators who charge a fee to provide mobile money services.

Top co-efficient CVA delivery mechanism

- Delivery through an agent (75%)
- Direct cash payment (25%)

Respondents reported that these mechanisms are efficient, offering lower operational costs, advanced systems that save money and time in the long term, and reduced expenses on cash distribution.
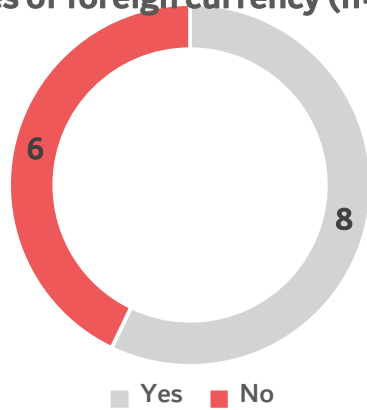
* The proportions were calculated per answer option
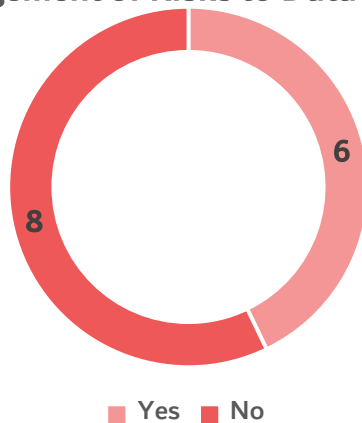* *Recorded as "other" answer

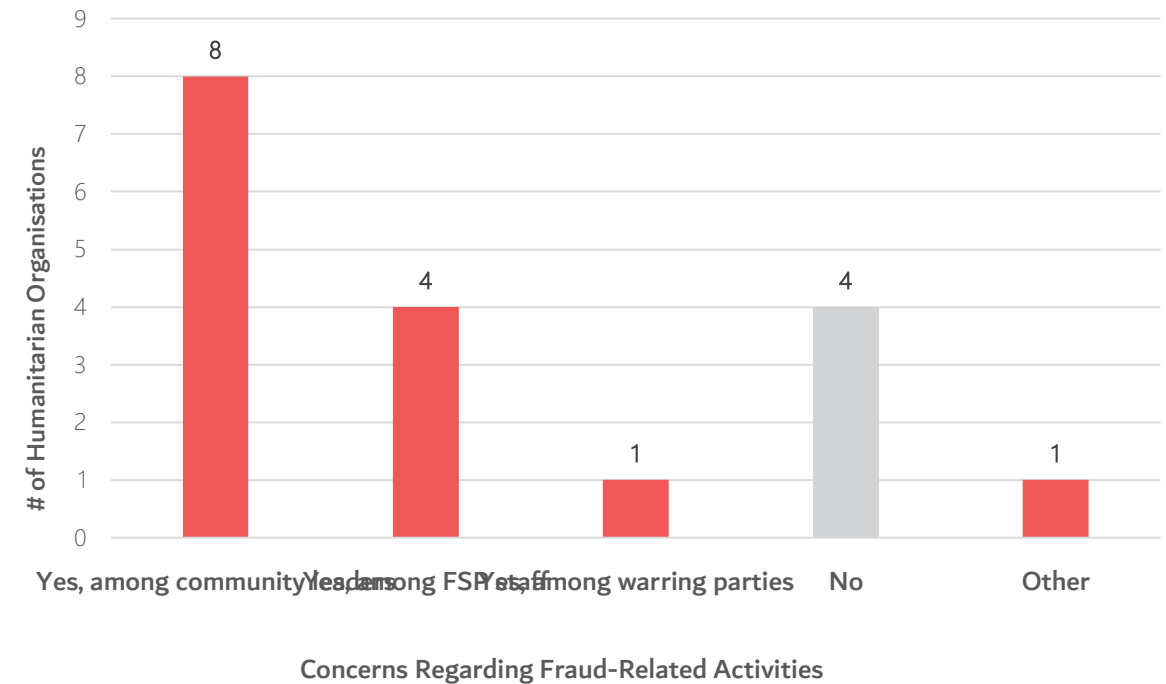# Key Findings - Humanitarian Organisations Survey

Programmatic challenges

# of humanitarian organisations by liquidity challenges of foreign currency (n=14)

Legend: Yes, No

Values: 6, 8

# of Humanitarian Organisations by Acknowledgement of Risks to Data Security (n=14)

Legend: Yes, No

Values: 6, 8

# of Humanitarian Organisations by Acknowledgement of Concerns Regarding Fraud Related Activities (n=14)*

Y-axis: # of Humanitarian Organisations

X-axis: Concerns Regarding Fraud-Related Activities

- Yes, among community leaders: 8
- Yes, among FSP staff: 4
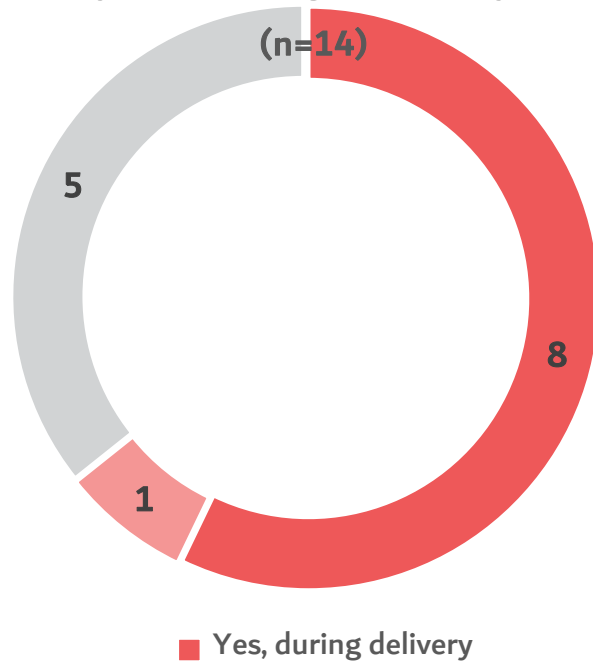- Yes, among warring parties: 1
- No: 4
- Other: 1

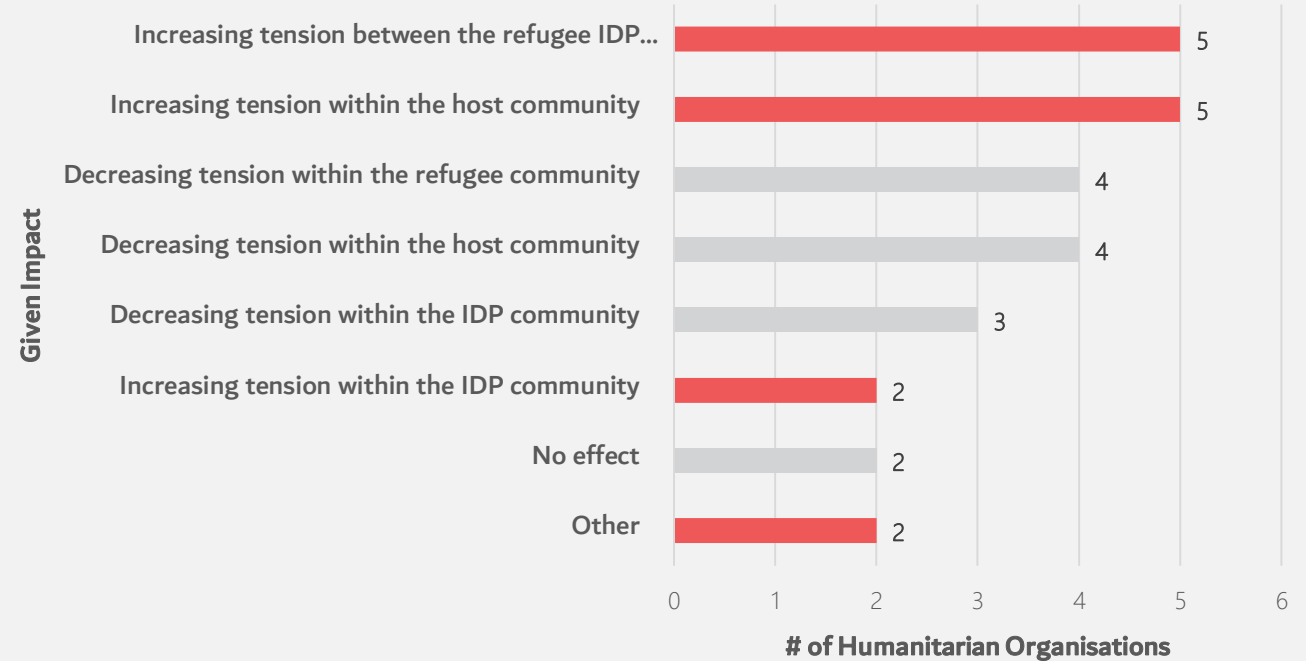The use of an * denotes multiple-choice questions

Key Findings - Humanitarian Organisations Survey

Safety & security concerns

of humanitarian organizations by concern that CVA delivery mechanisms might raise the risk of violence and insecurity either during the delivery or use of CVA

(n=14)

5

8

1

■ Yes, during delivery

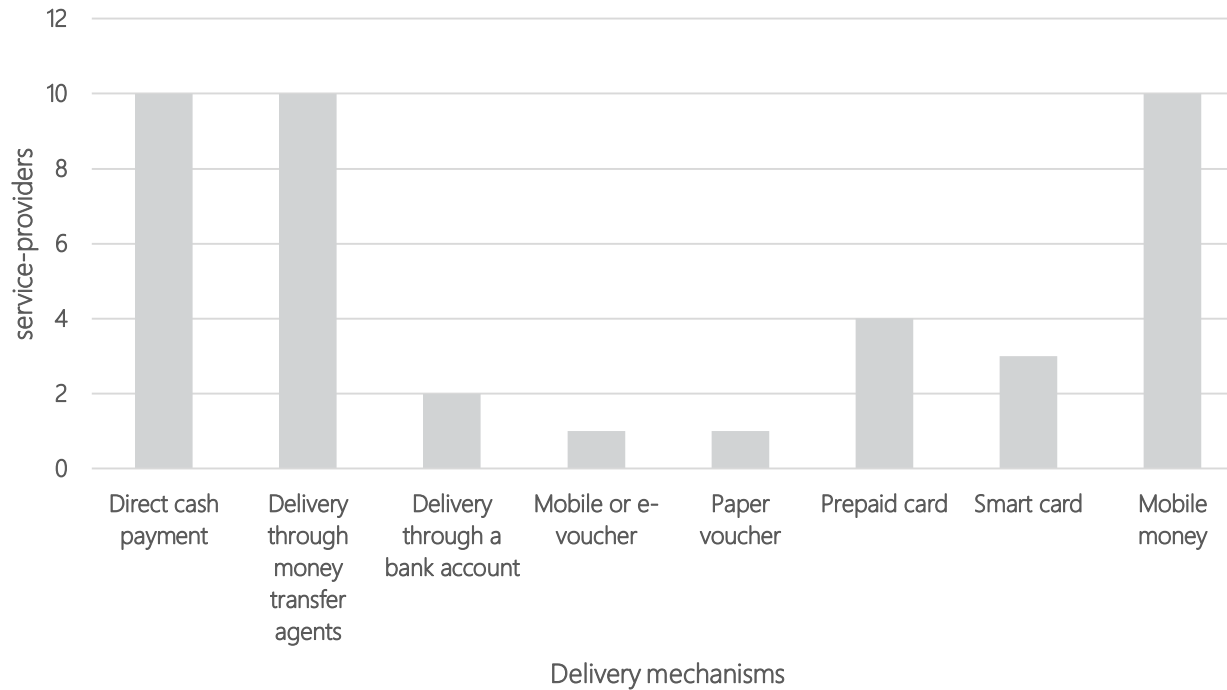### # of humanitarian organizations by positive or negative impacts related to the delivery methods of CVA (n=14)*

Given Impact

Increasing tension between the refugee IDP... 5
Increasing tension within the host community 5
Decreasing tension within the refugee community 4
Decreasing tension within the host community 4
Decreasing tension within the IDP community 3
Increasing tension within the IDP community 2
No effect 2
Other 2

# of Humanitarian Organisations

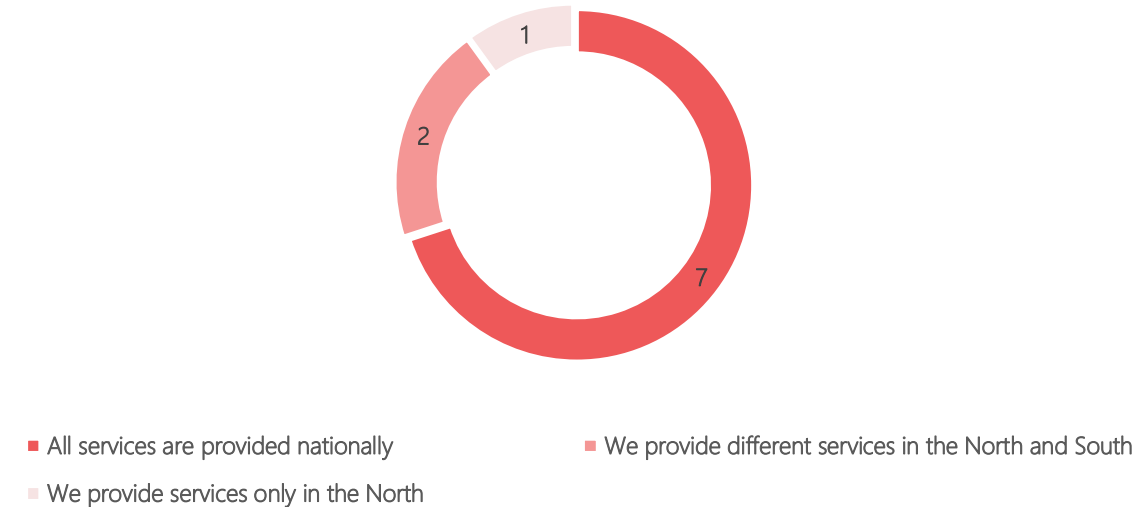The use of an * denotes multiple-choice questions

3.2
Key Findings – Financial service providers Survey

Key Findings – Financial Service Providers Survey

of FSPs by delivery mechanisms employed

service-providers (y-axis: 0, 2, 4, 6, 8, 10, 12)

Delivery mechanisms (x-axis): Direct cash payment (10), Delivery through money transfer agents (10), Delivery through a bank account (2), Mobile or e-voucher (1), Paper voucher (1), Prepaid card (4), Smart card (3), Mobile money (10)

of FSPs by ability to deliver services in given locations (n=10)

- ■ All services are provided nationally (7)
- ■ We provide different services in the North and South (2)
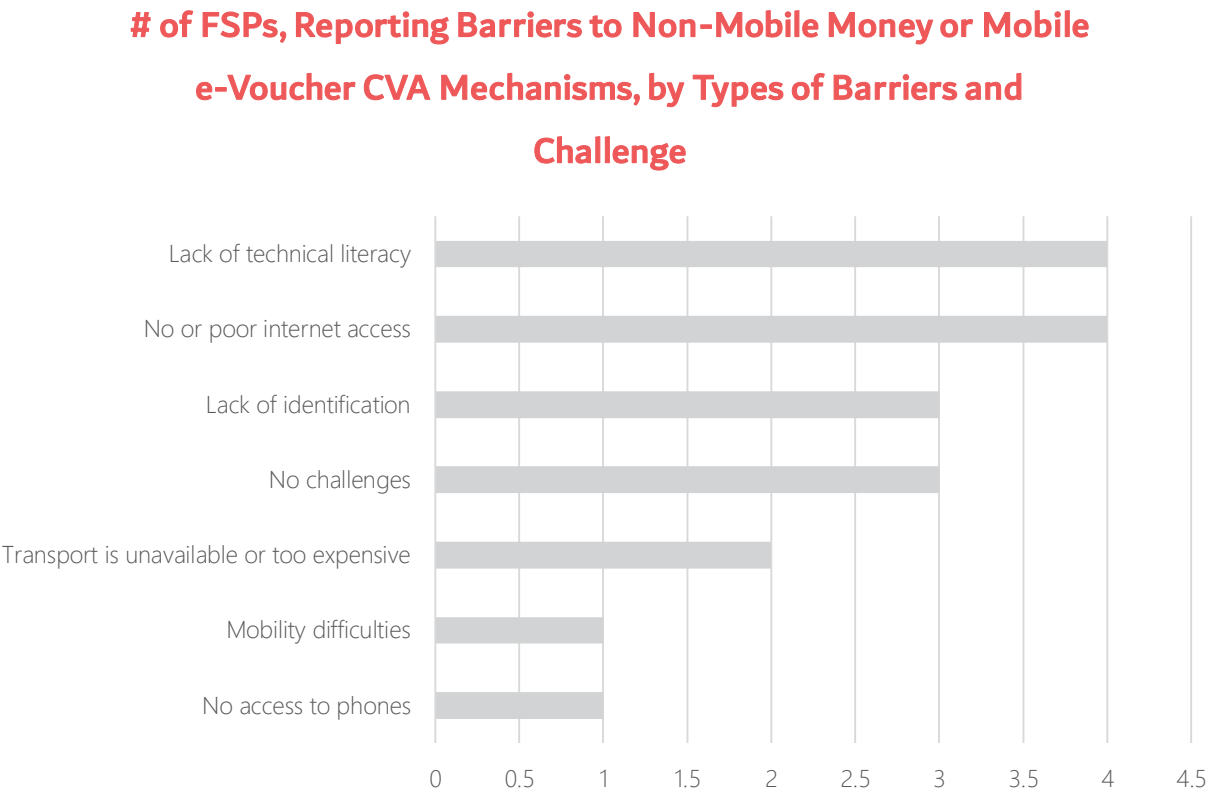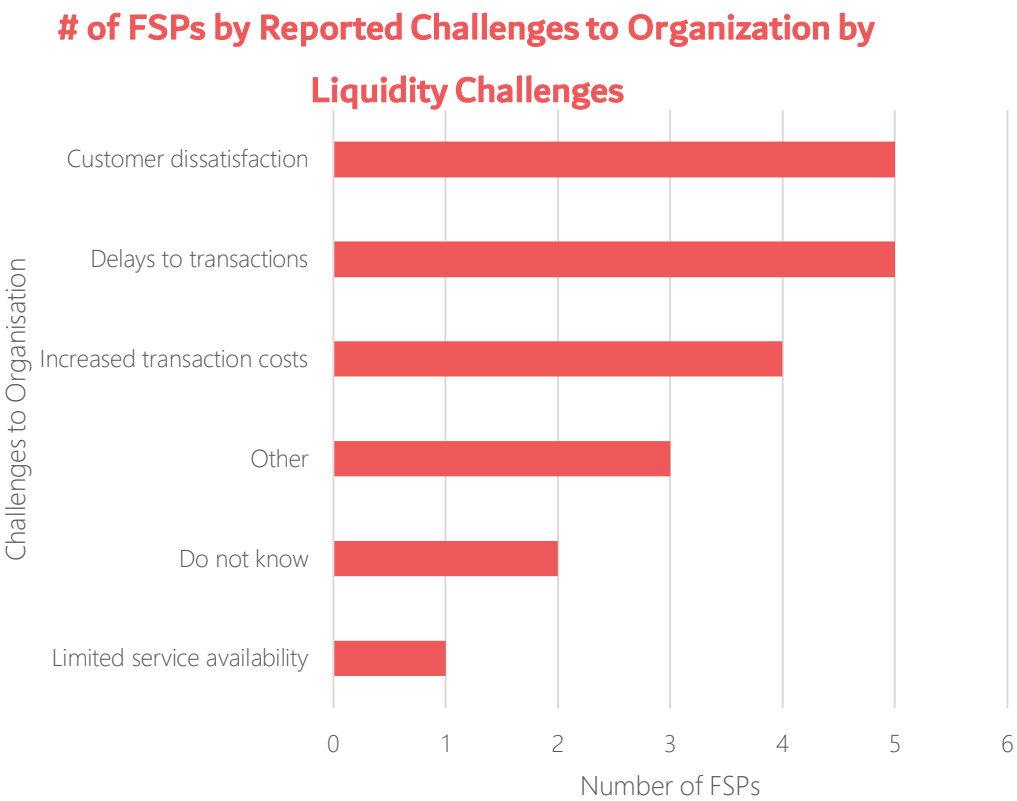- ■ We provide services only in the North (1)

Specific findings:

- Yemen Mobile, Aden Net and YOU are the mostly reported **mobile network companies** in partnerships with the interviewed FSPs.
- National IDs, family booklet, passport and IDs by NGOs are the mostly reported **forms of accepted documents.**
- All FSPs are experienced with **bulk payment**

- FSPs typically deploy delivery agents in remote areas based on the following criteria:
  - Compliance with the country's regulatory requirements sufficient capital to meet CVA beneficiaries data protection measures and a safe delivery environment.

Key Findings – Financial Service Providers Survey

Reported challenges

# of FSPs by Reported Challenges to Organization by Liquidity Challenges

# of FSPs, Reporting Barriers to Non-Mobile Money or Mobile e-Voucher CVA Mechanisms, by Types of Barriers and Challenge

Key Findings – Financial Service Providers Survey

# of FSPs by Reported Benefits of Mobile Money or e-Voucher Services
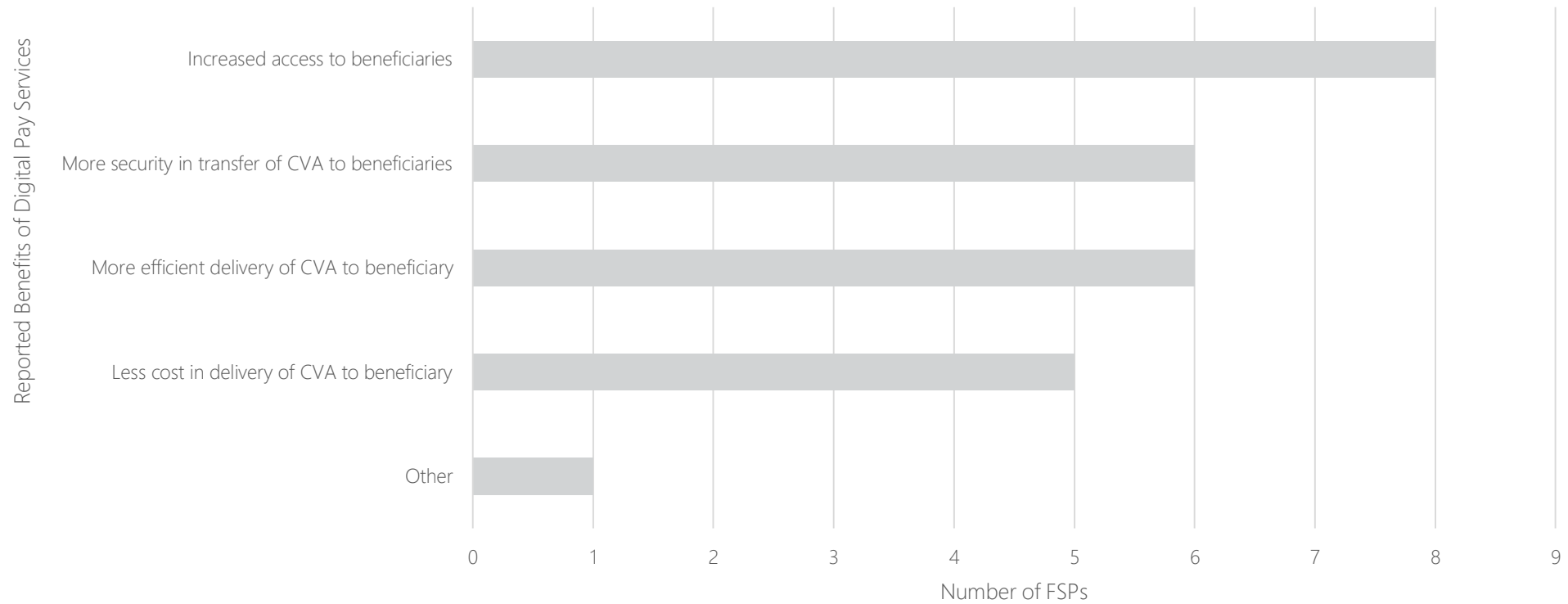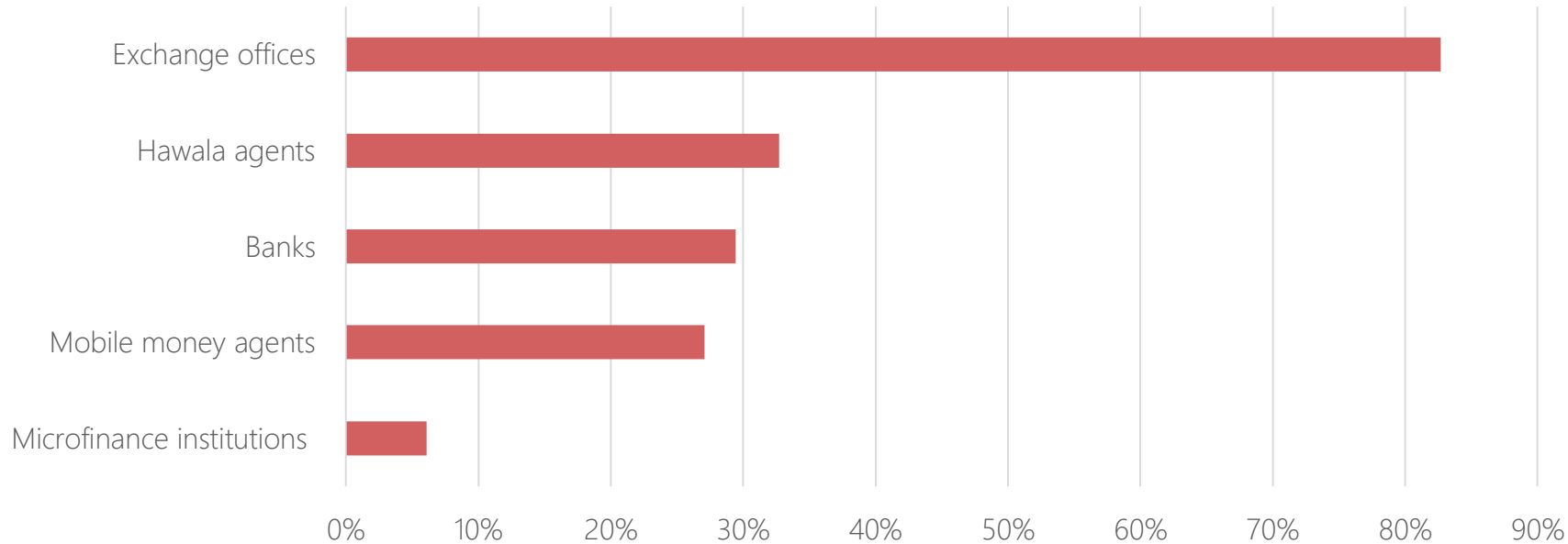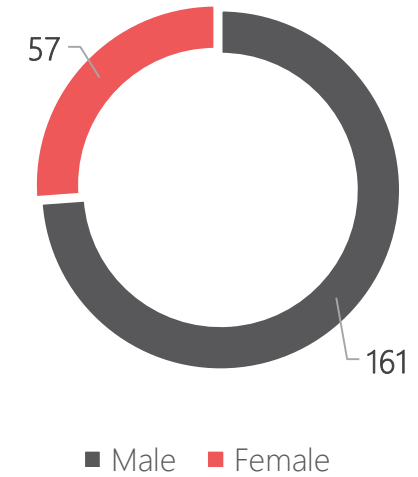
3.3

Key Findings – Affected Communities Survey

Key Findings - Affected Communities Survey

Transfer mechanisms commonly used by communities*

Gender distribution

- Familiarity and preference for exchange offices
- More use of mobile money (break with 2021 Assessment)

*KIs could select multiple options

Communities' obstacles to access FSPs/CVA

Distance, lack of financial knowledge and transportation costs are the most commonly reported difficulties when accessing FSPs

Physical barriers had **worsened** in 14% of communities. This was influenced by lack of electricity, lack of transportation and damages on roads. **Conversely**, **28%** of communities experienced **improvements**.

% of population groups with access barriers to financial services
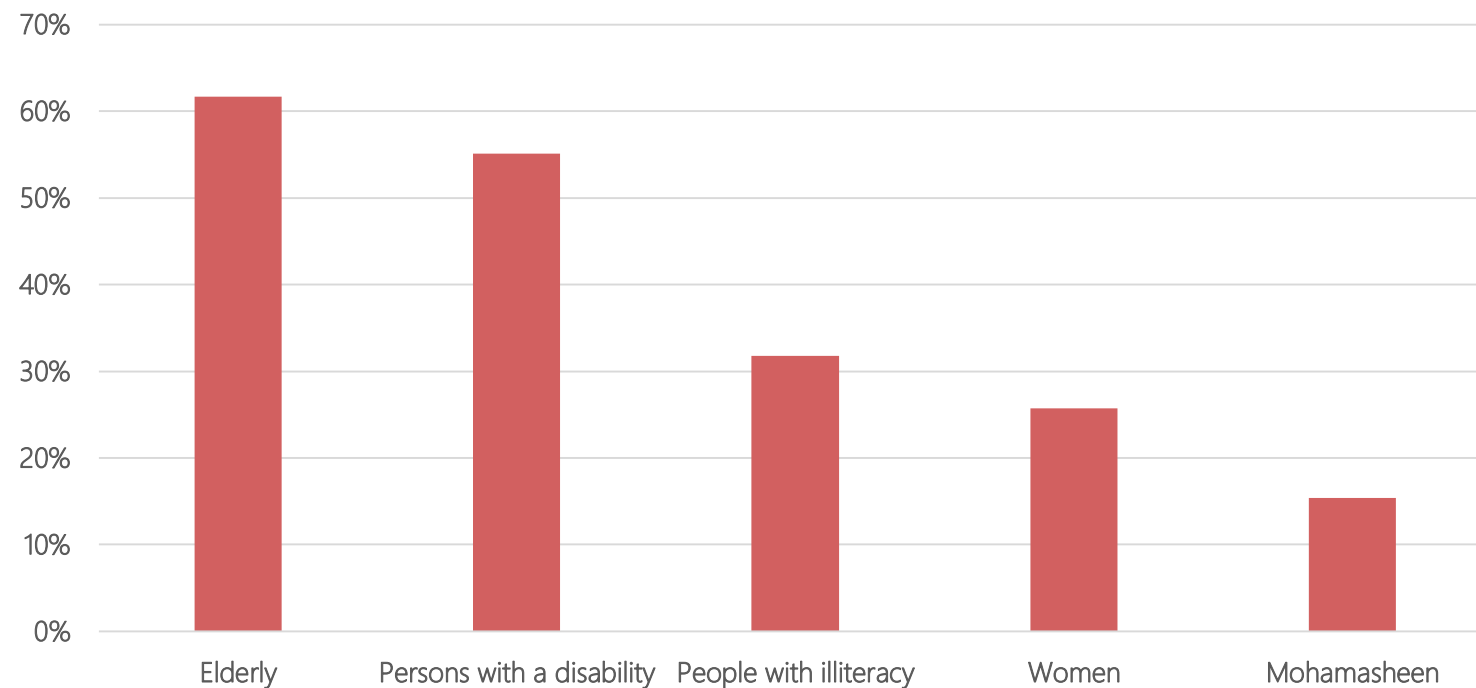
3.4

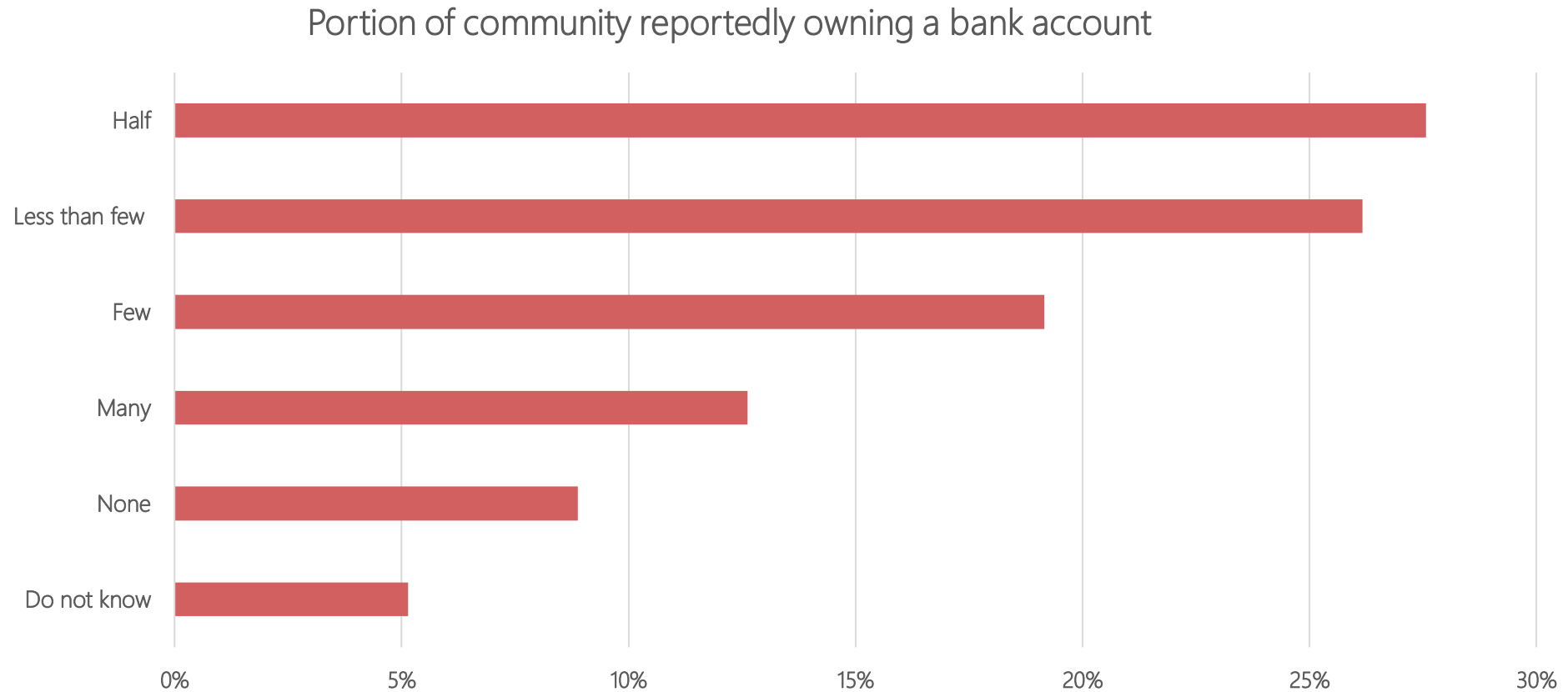# Key Findings - Considerations per Mostly Reported Delivery Mechanism

Key findings – considerations per mostly reported delivery mechanism

Mechanism 1: Delivery through Agent/ Over-the-Counter:

- **Functions in remote** areas with limited (financial) infrastructure.

- Draws on FSPs (banks, exchange offices) **most commonly used and preferred** by communities.

- Draw on **experiences** from many humanitarian organizations and FSPs.

Key findings - considerations per mostly reported delivery mechanism

Mechanism 2: Direct Delivery through Bank Account:

Portion of community reportedly owning a bank account

'Many' = 75% of community members, 'half' = 50%, 'few' = 25%, less than few = <25%, 'none' = 0%. 'all' (= 100%) unreported.

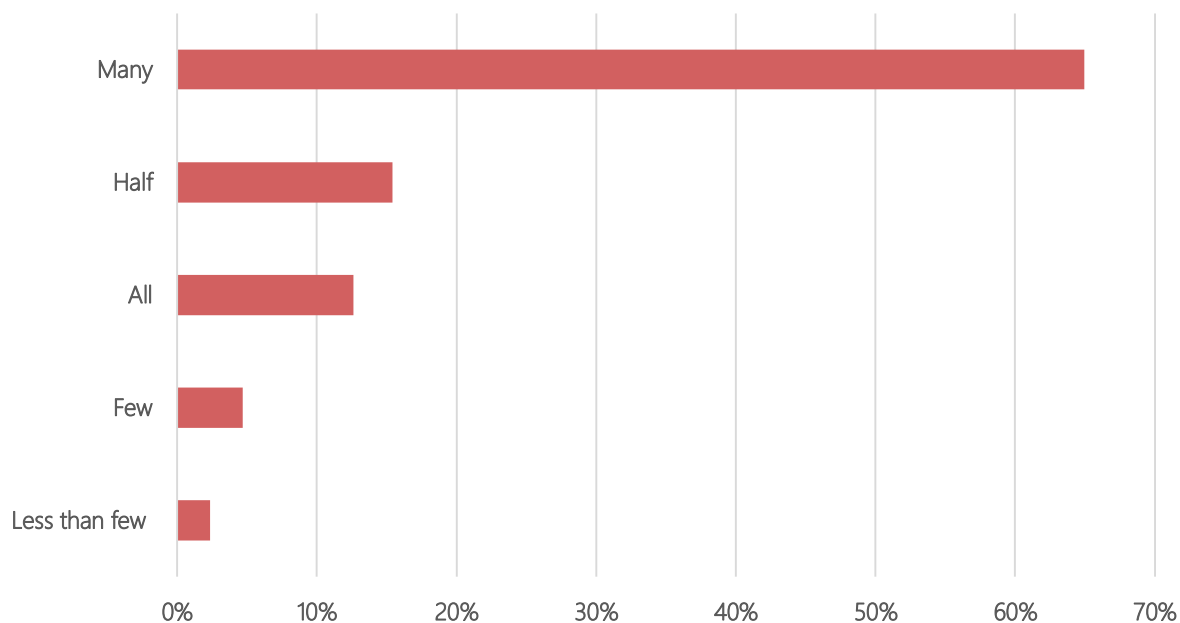# Key findings - considerations per mostly reported delivery mechanism

Mechanism 3: Mobile Money

- Compared to the previous round (in 2021), the ratio of the mobile money by community has increased by 200% (from 9% to 27%). KIs from 39% of the communities indicated their community would prefer to receive CVA via mobile money.

- Most of the interviewed FSPs reported that they provide mobile money service for beneficiaries with accounts.

- FSPs have established partnerships with phone network operators (Yemen Mobile, YOU and Aden Net) to activate mobile money service.
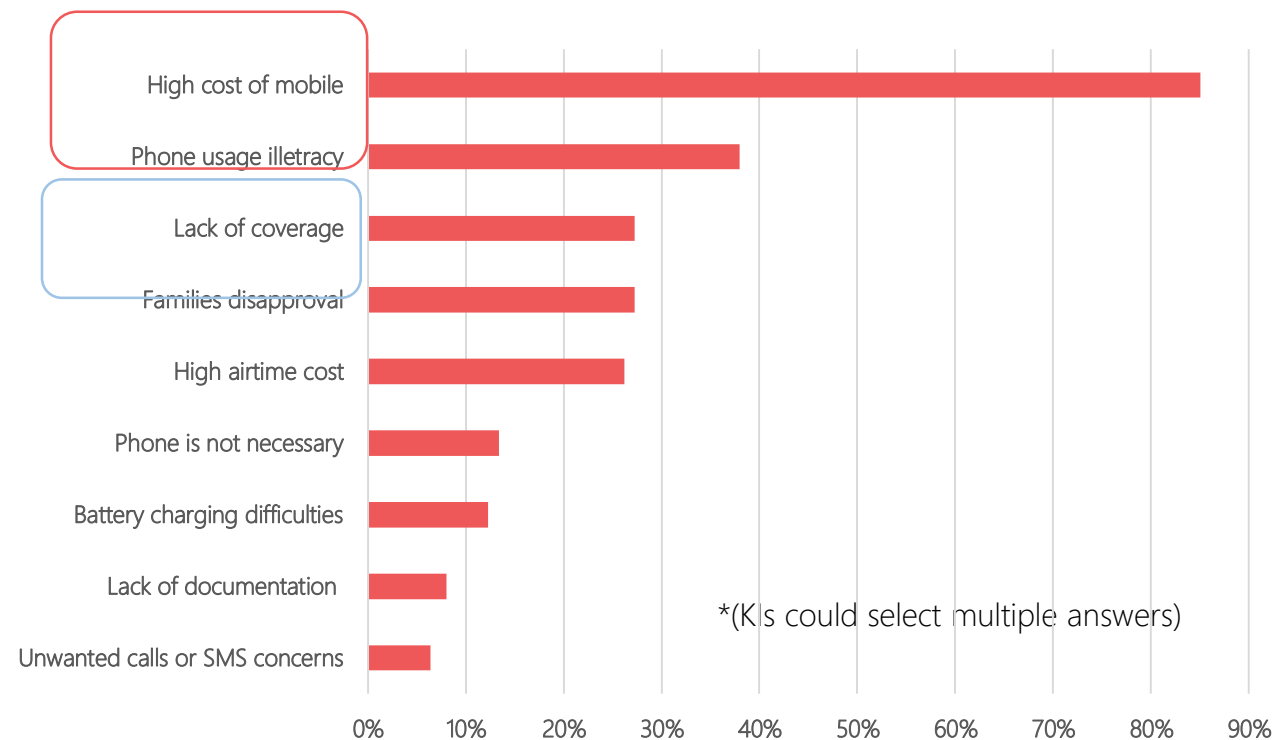
Most preferred methods to use by community
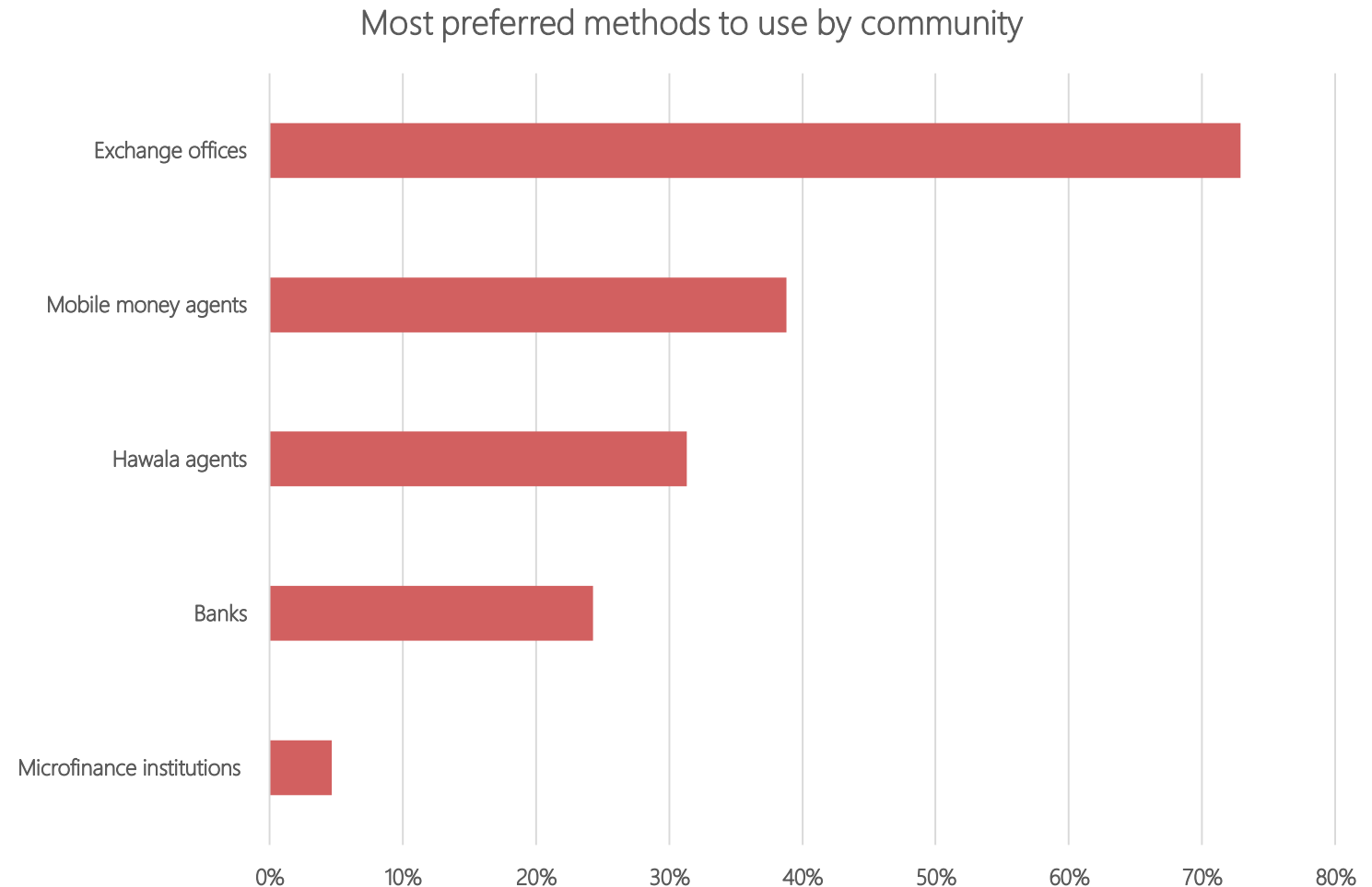
Mechanism 3: Mobile Money

Portion of community members that own a phone

Category	Percentage
Many	~65%
Half	~16%
All	~13%
Few	~5%
Less than few	~2%

Reported reasons for not owning a phone*

Reason	Percentage
High cost of mobile	~85%
Phone usage illetracy	~38%
Lack of coverage	~27%
Families disapproval	~27%
High airtime cost	~26%
Phone is not necessary	~13%
Battery charging difficulties	~12%
Lack of documentation	~8%
Unwanted calls or SMS concerns	~7%

*(KIs could select multiple answers)

Mobile money services require network connectivity, but the specific **requirements vary** by provider: some providers **operate solely via SMS messaging**, while others require a **mobile application and internet connection.**

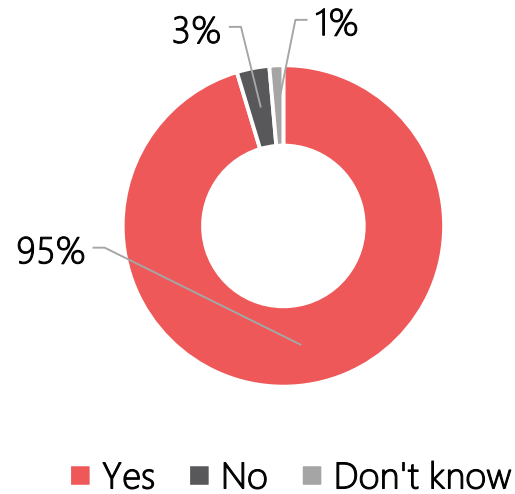**Poor** people, **illiterate** people, **women** and **the elderly** risk exclusion to phone usage or accessibility.

04

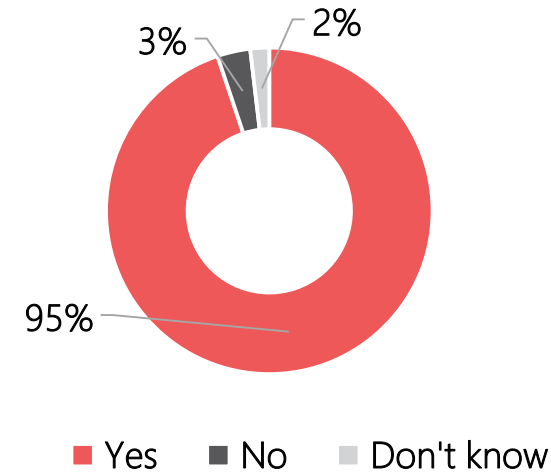# Accountability Towards Affected Persons

Accountability towards affected persons

% of Satisfaction with CVA delivery by NGO

3% 1%

95%

- Yes
- No
- Don't know

% of Satisfaction with CVA delivery by FSPs

3% 2%

95%

- Yes
- No
- Don't know

- Suggested improvements reported:
  - To increase the CVA amount ➔ (95%)
  - To increase the frequency of CVA delivery ➔ (84%)
  - Diversification the type of CVA since different type of assistance is needed (such as WASH, Shelter needs) ➔ (21%)

- KIs reasoned dissatisfaction with:
  - Long distance to reach the nearest FSP ➔ (43%)
  - The FSP does not provide payments in a timely manner ➔ (29%)
  - The FSP does not have enough cash on hand to deliver payments ➔ (14%)

Accountability towards affected persons

Transparency of CVA programs as reported by KIs

4%   7%

88%

■ Negative   ■ Positive   ■ Do not know
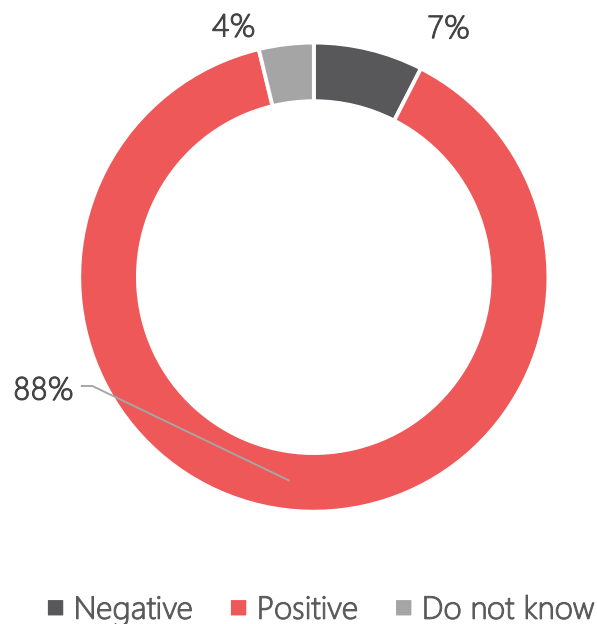
Most reported transparency issues

- The **criteria to receive CVA** is not well understood.

- The **amount of received CVA** in not well understood.

- The **frequency** of receiving CVA is not well understood.

- Lack of communication/received feedback **from NGOs.**

05

Reported Challenges and Key Recommendations

Reported challenges and key recommendations

Challenges

- IDPs find it **challenging when receiving their CVA** at delivery stations like exchange offices and banks due to a **lack of adequate documents and difficulties with access**.

- Long distances, congestion at stations, and social conservatism toward **female recipients**.

- **There is a lack of communication with NGOs -** for example, beneficiaries often don't have contact information to get answers to their questions.

Recommendations

- Create an ID card for IDPs used by all NGOs → eligible to be presented by beneficiaries at FSP stations when receiving their CVA .

- Assign female staff for female beneficiaries, and make appointment system to avoid congestions.

- Establish direct beneficiary communication channels.

Conclusion

- Humanitarian NGOS **view** regular monitoring and community feedback as essential for **addressing** challenges and enhancing CVA programming.

- **While digital** payments offer financial inclusion opportunities, they face barriers like technological limitations and data protection concerns.

- Most KIs reported that they rarely face **liquidity challenges**. Holding **larger** reserves of foreign currency and **hedging against exchange rate fluctuations** were the mostly **reported measures** to **overcome liquidity challenges.**

- **Regular monitoring of agents' cash stock** ensures sufficient liquidity for large-scale transfers

- Communities still rely heavily on agents for accessing financial services.

- Mitigating security risks requires a close collaboration with FSPs, local actors, and nearby humanitarian organizations.

- Humanitarian organizations should prioritize cross-learning through knowledge and best practice exchanges.

Participating Partners

Thank you for your attention

✉ IMPACTYEM@acted.org

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REACH Informing more effective humanitarian action