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CASE STUDY

G2PX IN NIGERIA: Piloting Rapid Response for the Urban Informal[1]

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To provide assistance related to COVID-19 and to inform future shock response, Nigeria piloted digital delivery of a cash transfer program geared toward reaching the urban informal. The pilot made use of mobile technology and direct deposit, but it relied on in-person site visits and struggled to make full use of available data, hindering implementation speed. Low account penetration among informal populations and inadequate access points, among other issues plaguing the financial ecosystem, added to sluggish rollouts during pilots. While the program evolved significantly over time, incorporating the lessons from the pilots, the lack of monitoring and evaluation data prevent a full understanding of its ultimate effectiveness.

Context: A growing urban informal sector with low mobile money account ownership

Nigeria has a large and growing urban informal sector. Approximately half of the country's 213 million people live in cities, making it disproportionately urban in comparison to the SSA region. Just over half of the labor force is employed in the informal sector. While Nigeria's informal sector employment is below the regional average of over 85 percent (Cunningham et al. 2023), three-quarters of all new jobs are informal, and the informal sector makes up more than half the value of such industries as real estate and food and accommodations (Pulver and Ubah 2022).

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1   This case study was prepared by Brian Webster, drawing from a background report by Caroline Pulver and Ubah Thomas Ubah referred to as Pulver and Ubah 2022.

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Nigeria's informal workers are generally daily wage earners whose work requires human contact, which made them particularly vulnerable to the COVID-19 shutdowns.

The vast majority of Nigerians have access to a mobile phone. Nigeria's five MNOs reported a total of 192 million subscriptions in 2021, a figure close in size to the total population. Despite high penetrations rates, however, women have less access to cell phones. Ninety-five percent of men report having access to a phone, and 84 percent own a SIM card, as compared to 90 percent and 73 percent of women, respectively. Ownership rates are also lower among other disadvantaged groups, especially the rural poor (Pulver and Ubah 2022). With a national adult literacy rate of 62 percent,[2] barriers to use exist for many that do have access to a cell phone.

Nigeria lags SSA in financial inclusion, and especially in the ownership of mobile money accounts. The latest Global Findex Database indicates that 45 percent of Nigerian adults have an account, 10 percentage points less than the regional average. Account ownership in urban areas is higher, however, at 54 percent, as access to traditional banks is better compared to rural areas. Growth has occurred in Nigeria's interoperable agent network. A tiered KYC framework facilitates account opening by those who lack documentation; opening the most basic accounts requires only a phone number (Pulver and Ubah 2022). Although mobile money is growing in presence, only 9 percent of Nigerians have a mobile money account, as compared to 33 percent for SSA overall (excluding high-income countries). Mobile money penetration is only slightly higher in urban areas, at 12 percent, and men are more likely to possess an account than women (12 percent versus 5 percent, respectively) (Demirgüç-Kunt et al. 2021).

Social Protection in Nigeria: Toward Serving the Urban Informal and Rapid Response

The Government of Nigeria has limited tools to identify people, either as individuals or as potential social protection beneficiaries. Approximately 40 percent of the population has a National Identification Number (NIN). The National Social Registry (NSR), an amalgamation of state social registries built through a community-based targeting process, encompassed about 25 percent of Nigerians in 2022. It is predominantly rural in coverage; only about 20 percent of those listed are in urban areas (Pulver and Ubah 2022). A second registry, the National Beneficiary Register, is a database of beneficiaries of the Household Uplifting Programme (HUP) cash transfer and comprises the poorest 60 percent of the NSR.

Prior to COVID-19, HUP was the most prominent cash transfer initiative in Nigeria. Beneficiary households are identified through the NSR using a community-based targeting mechanism. HUP began in December 2016 as a predominantly rural program, with beneficiaries being assigned a time and place to receive payment. Payment service providers (including banks, mobile money operators, and agent networks) were contracted to distribute payments, with one provider serving an entire state. Recipients were required to withdraw their entire benefit at once, as payments were done over the counter at predetermined locations (Pulver and Ubah 2022). More recently, in an attempt to improve payment services and improve

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2   Literacy Rate, Adult Total (% of people ages 15 and above), World Bank, Washington, DC, accessed October 24, 2022, https://data.worldbank.org/indicator/SE.ADT.LITR.ZS?locations=NG.

financial inclusion, changes have been made to allow for beneficiaries to receive their payment through a transaction account with a linked debit card and more flexible collection points. Though the NSR eventually drew beneficiaries from peri-urban and urban areas as it expanded, HUP remained a predominantly rural program.

The pandemic and low HUP coverage among informal urban workers motivated the development of the COVID-19 Urban Cash Transfer Programme. It was first launched as a pilot in March 2021 in Abuja and Lagos, with the intention of later being scaled nationally. Poorer urban wards were identified using a poverty map built through AI-driven analysis of satellite imagery correlated against poverty indicators. Once a ward was selected as eligible, mass text messages inviting applications were sent from cell towers servicing those areas to all mobile phones within range. Applicants were required to dial a USSD code and submit their name, address, and phone number. An official, at times accompanied by a financial agent, would then confirm this information through a home visit, recording socioeconomic proxy indicators as well. When found eligible, beneficiaries received a monthly benefit of N5,000 (approximately $11.60) deposited into their choice of a bank or mobile money account. Nigeria's tiered KYC rules enabled the opening of a restricted account, if necessary. The Urban Cash Transfer Programme intended for women to be favored as recipients within a household, but those with existing bank accounts were generally selected regardless of gender.

Aimed at establishing a targeting methodology for shock response, the Rapid Response Registry (RRR) was developed in tandem with the urban pilot program. Information on individuals is gathered through a process similar to the urban pilot, in which people enroll via text message and the information provided is verified through site visits. Those included in the NSR and already receiving cash transfers under the conditional cash transfer program are not included in the RRR, but plans exist to harmonize both registries. The RRR is intended to be used as a model to respond to future shocks. Thus far, 6.8 million people have registered, and 2.1 million have had their information verified through site visits.

Nigeria's Successes in Serving the Urban Informal Sector

ELEMENTS OF THE COVID-19 URBAN CASH TRANSFER PROGRAMME PILOT LEVERAGED THE URBAN ENVIRONMENT FOR MORE EFFICIENT SERVICE.

The pilot utilized cell phones for account opening and communication. In 2018, Research ICT Africa estimated mobile phone ownership rates to be roughly 24 percent higher in urban areas of Nigeria than rural areas (Gillwald, Odufuwa, and Mothobi 2018), making the phones a particularly useful tool for programs designed to serve that market. Enabling beneficiaries to open restricted bank accounts using only a mobile number for identification purposes under tiered KYC rules allowed the program to avoid documentation issues, such as lack of ID or proof of address. Such issues are widespread in Nigeria, with a majority of the population lacking a NIN, and are common to urban environments more generally (Avalos et al. 2021). Using mass text messages to advertise the program and solicit applications also allowed the government to engage quickly with a large number of potential beneficiaries through a medium common to urban areas.

Distributing transfers through accounts took advantage of the denser financial networks in urban areas and offered convenience while also advancing financial inclusion. Although first-tier accounts, which can be opened only with a cell phone number, cannot hold balances above N300,000 (roughly $700), their ability to store value and the greater access to cash-out points offered by cities allow for more flexibility in withdrawal than what existed under previous HUP policies, when the program predominantly operated in rural areas.

THE PILOT EFFECTIVELY USED TECHNOLOGY TO FIND POTENTIAL BENEFICIARIES.

The pilot was likely able to identify potential beneficiaries more efficiently than traditional community-based targeting, at least in the initial stages of onboarding. At the community level, the targeting map built on satellite imagery was effective in identifying urban wards in particular need of assistance. At the individual level, by accepting applications directly from potential beneficiaries, the pilot was able to avoid potential pitfalls in community-based targeting methods created by the urban environment. Greater anonymity and unstable living arrangements lead to lower levels of social cohesion in urban areas, generating possible frictions for targeting systems that rely on community knowledge. Direct application was insufficient, however, to resolve ambiguity around household membership, as urban households often comprise members of multiple families living under the same roof (Avalos et al. 2021).

Limitations of the COVID-19 Urban Cash Transfer Programme in Serving the Informal Sector

IMPLEMENTATION REQUIRED FACE-TO-FACE INFORMATION GATHERING WHEN EVALUATING APPLICANTS, AND FAULTY COMMUNICATION SLOWED DOWN THE ROLLOUT EXERCISE.

In-person visits by officials in urban settings may have slowed the application and onboarding process. Visits by officials to confirm applicant addresses and gather proxy indicators of poverty took 10 to 15 minutes each, not accounting for travel time, a significant investment for a program intended to reach thousands of beneficiaries quickly. Coordinating the timing of visits proved more difficult in the urban environment, as individuals were less likely to be home or available, necessitating the scheduling of visits, which could be unreliable.

Although financial and cell phone data could have facilitated eligibility assessments and beneficiary registration, the regulatory environment prevented their use, contributing to the need for in-person information gathering. Different methods of identifying vulnerable households within targeted areas were considered during the design phase of the pilot, including the following: gathering data on mobile phone users through the National Communication Commission, identifying those with account balances of less than N5,000 through the Nigeria Inter-Bank Settlement System, using existing community-based information, and self-identification and application by vulnerable households. Telecommunications and financial account data would have been well suited to urban communities, given their disproportionate financial and digital inclusion rates, although potentially somewhat less so for the informal sector (Smith and Ammoun 2021). Existing privacy regulations put in place to protect the misuse of individual data also prevented the use of

individual mobile phone data by the government for targeting purposes. These restrictions similarly made individual bank account balances inaccessible to the program administrators, preventing the potential use of bank account balances as a proxy for assistance eligibility. These limitations contributed strongly to the decision to rely on individually submitted applications.

It is unclear why existing NSR data was not used for targeting and screening purposes. While the approximately 7.9 million households included in the NSR live predominantly in rural areas, roughly 1.6 million of them are urban. Furthermore, as only households identified as poor or vulnerable are included in the NSR, many of them likely belong to the informal sector.

Delays in implementation were also caused by unforeseen challenges in communication. While texting all mobile phones in reach of specific cell towers allowed for rapid mass solicitation of applications, especially in urban areas where cell phone ownership is higher and populations are denser, the practice proved to be insufficiently localized. Applications were received from outside the intended target zones, in some cases from individuals who were a nine-hour journey away from the areas served by the program. To resolve this issue, it was necessary to obtain a license from the Nigerian Communications Commission for a special short code containing an intervention, state code, LGA code, ward code, and community code. The pace of implementation was delayed as well by low uptake by the individuals solicited, despite the indiscriminate nature of the texting campaign. This was partially due to a lack of prior advertising for the program, causing many people to mistake the official texts as fraudulent messages. Delays were caused as well by a general disconnect with the government, which may be particularly strong among members of the informal population, given their reluctance to officially register enterprises. Future plans for expansion of the pilot include mass radio advertising prior to initiation.

MANUAL ACCOUNT OPENING WAS CUMBERSOME AND FAVORED PRIOR ACCOUNT OWNERS, POSSIBLY PRIVILEGING MEN OVER WOMEN.

The reliance on traditional financial institutions and agents for account opening also generated inefficiencies. Automatic account opening based on mobile phone numbers would have been more viable in urban areas, given the higher rate of cell phone penetration. Using agents to open accounts for unbanked beneficiaries, however, created an unnecessary hurdle in instances where agents did not accompany surveyors on site visits, requiring beneficiaries to travel to a branch or agent location to open an account.

The practice of favoring account holders for enrollment may have disadvantaged women. Only 35 percent of women have a financial account in Nigeria, as opposed to 55 percent of men (Demirgüç-Kunt et al. 2021), suggesting that men were more likely to be selected to receive the funds within beneficiary households and thereby exert greater control over them. Favoring account holders for enrollment also represents a missed opportunity, as opening accounts through the program could have boosted female financial inclusion.

The COVID-19 Urban Cash Transfer Programme had reached 70 percent of its intended beneficiary levels after 15 months of operation. Originally designed to serve one million urban informal households, the program had delivered transfers to only 700,000 recipients as of May 2022. The slow rollout has impaired the government's efforts to support urban informal households quickly and at scale, as well as undermined its ability to assess the new RRR database fully as a screening tool for emergency social assistance. Due to the lack of trust in the text message–based application process, the rate of program uptake was so low that any individual who applied eventually received benefits under the pilot. As a result, plans to use the RRR for eligibility evaluation during the pilot in order to test the efficacy of the new database were derailed.

Determining the overall effectiveness of the pilot is difficult due to insufficient evidence. At the time of this brief, no monitoring and evaluation data has been collected, making it challenging to identify pain points and to ensure that women and other marginalized groups often found in the informal sector are being reached effectively. Additionally, regulatory restrictions that complicated targeting have also affected program tracking.

Looking Forward

Moving forward, the Government of Nigeria intends to expand HUP while also incorporating lessons from the pandemic. The experience of the COVID-19 Urban Cash Transfer Programme will inform the development of a shock-response system that can be deployed quickly as needed, with the RRR serving as a foundational database.

Toward this end, Nigeria should prioritize the collection of monitoring and evaluation data. The COVID-19 Urban Cash Transfer Programme underwent significant evolution over the course of its planning and implementation. During the design phase of the pilot, multiple targeting and evaluation methods were considered before an approach was settled on. The program was then tested using mass texts, only to identify later the need for a location-specific encoding process and preliminary advertising. These adjustments represent a normal process of learning-by-doing and have been observed in other contexts, such as in the Philippines (Cho et al. 2021). It is impossible to understand the full effectiveness of the final product design, however, or to identify further enhancements to the program, without accurate data on beneficiary access, satisfaction, and empowerment. With detailed monitoring and evaluation data, Nigeria will be better able to adapt its distribution of G2P payments to urban informal beneficiaries.

Similarly, Nigeria could consider ways to make more efficient use of existing data for targeting and evaluating potential G2P recipients. While the government is developing the RRR social registry for use in future crises, when attempting to reach the urban informal during the pandemic it did not leverage the information already at its disposal within the NSR and National Beneficiary Register. Provisions should be made to make full use of the tools within the government's control in future emergencies. One concrete step in this regard is increasing the penetration of Nigeria's NIN. Such national ID numbers can facilitate both recognition of duplicate records and compilation of individual data when working across multiple data sources. The NSR and RRR capture NINs when they are available, positioning these registries well

to benefit from increased NIN presence. The government could also explore urban-specific use cases for telecommunications and financial data in a way that does not violate privacy. For instance, call detail records could be used to identify potential beneficiaries, with mobile numbers leveraged for automatic account opening. Also, cooperative arrangements in which private entities hold data and can identify individuals that meet certain conditions could be explored, or individuals could be given the opportunity to share their information with consent. Similar measures were undertaken in Namibia, where applicants were asked for their consent before personal data was accessed (Gelb and Mukherjee 2020). Developing a framework to incorporate up-to-date data into traditional social registries may enhance the effectiveness of targeting, as suggested by research conducted in Togo (Aiken et al. 2022). Such methodology may prove especially beneficial in reaching the urban informal, given the dynamism of that sector.

Finally, Nigeria should open accounts automatically for unbanked G2P beneficiaries as part of future shock responses. Leveraging tiered and remote KYC regulations to allow payment service providers to open accounts automatically for beneficiaries once they are accepted into the program can make program implementation more efficient, at least for those with cell phones, as evidenced Togo's Novissi Program. In contrast, Nigeria's urban pilot struggled to expand rapidly in part due to its reliance on in-person screening and account-opening procedures. Automatic account opening for beneficiaries without accounts could also improve financial-inclusion rates for women in Nigeria. Ninety percent of women have access to a cell phone in Nigeria, yet only 35 percent have a financial account, and a mere 5 percent possess a mobile money account, suggesting that automatically opening accounts for unbanked women beneficiaries could contribute to advancing women's financial inclusion.

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