

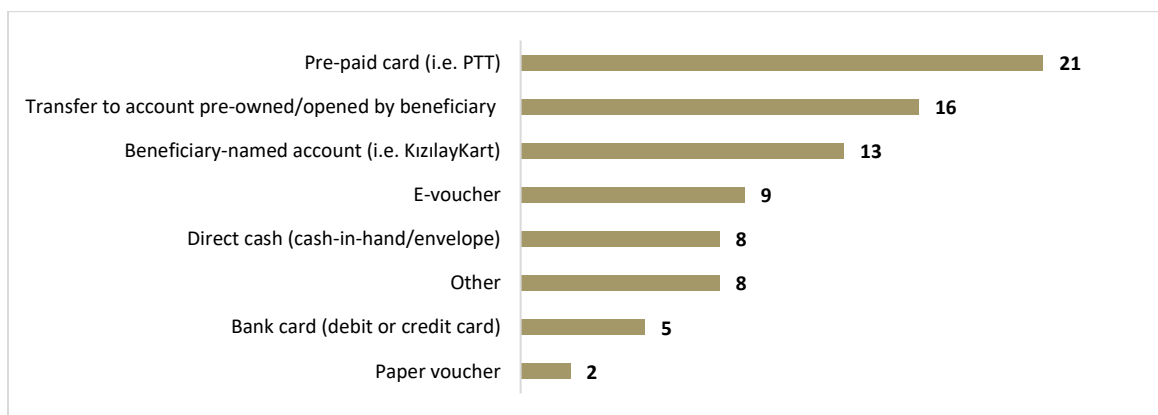


CBI TWG - Summary Note on FSPs in Türkiye

This note aims to provide insights into the key considerations that organizations should bear in mind when selecting an appropriate transfer mechanism or working with the Financial Services Providers (FSPs) during the programming period in the humanitarian interventions in Türkiye. The choice of transfer mechanism should align with the program's specific requirements across the dimensions including infrastructure/geographical services, cash/monetary considerations, system reporting/data protection, reliability, flexibility, delivery speed, risks, ease of implementation, cost-effectiveness, and inclusion. The organisations are recommended to consider all the available FSPs in Türkiye and approach the appropriate ones in line with their own procurement process to conduct the FSP assessment before partnering.

Introduction

In Türkiye, most of the Regional Refugee and Resilience Plan (3RP) partners provide cash assistance through transfer mechanisms including prepaid cards such as PTT cards, bank transfers, direct cash at hand, bank cards, etc., as seen in the graph below, that usually require working with specialised Financial Service Providers (FSPs). In this regard, Cash-based Interventions Technical Working Group (CBI TWG) and its partners have been active in focusing on and sharing experiences pertaining to the different aspects of working with FSPs. The most salient points with regards to the certain challenges, good practices and lessons learnt in this respect are shared below. The lists of FSPs and the specific examples are non-exhaustive. The full list of FSPs¹ that CBI TWG partners have been working with according to the recent CBI mapping exercises can be found in Annex 1.



Source: Interventions by Transfer Mechanisms, CBI TWG: Mapping of Cash-based Assistance Programmes in Türkiye in 2022-2023

Challenges & Risks

Cash assistance distribution may carry certain **risks** that might arise from various actors including FSPs. Possible risks related to FSPs can delay and/or hinder the deliverance of cash assistance to beneficiaries and even give rise to protection risks. In general, these risks can be related to the aspects listed below:

- **Fraud** and divergence of funds preventing assistance,
- **Lack of capacity** including liquidity problems,
- **Culturally insensitive and inappropriate** behaviour related to issues such as **PSEA** by FSP staff,
- **Data privacy** breaches.

In addition, there might arise other risks as those listed below which are based on **partner experiences**.

¹ Please note that this list in the Annex 1 is not an exhaustive list as well and is based on the specific experiences and reporting of the CBI TWG partners, similar to the lists of the FSPs and example practices mentioned throughout the document.



Coordination

- When signing an MoU with the **HQ** of an FSP, it is significant that the relevant **field offices** of that FSP are included in all relevant stages because otherwise problems may arise due to a **lack of coordination**.
 - ✓ **Ex:** When IOM was coordinating with the HQ of **Ziraat Bank** in Ankara to provide electronic bank transfers in Gaziantep, there were some delays because the FSP offices in Gaziantep were not informed beforehand in an adequate manner.

Intermediary Costs

- FSPs can impose additional **transfer charges** in certain cases on the basis of the specific composition of their **MoUs** and **standing against other FSPs**.
 - ✓ **Ex:** In IOM's CBI utilising the debit card modality with their FSP **TürkPara**, beneficiaries withdrawing money from ATMs were subject to the commission policies of the related banks since TürkPara did not have waiver agreements with any public or private banks concerning commission fees.
- Likewise, changing from one FSP to another, there are limits to the transfer amounts after which **banking procedures** would need to be followed and beneficiaries need to open bank accounts, which may lead to additional costs.
 - ✓ **Ex:** Depending on the specifics of a certain MoU with an FSP, additional costs may be incurred. For example, due to their MoU with the **PTT**, CARE had to pay some procedural fees. Also, PTT could withhold the transfer amounts by up to 15 days before disbursing them and could charge 1% fee for every TL of transfers and a 5 TL fixed fee for the card, including the first one.

Secure and Targeted Transfers

- Especially with regards to pre-paid voucher cards, **lack of encryption** may prevent beneficiaries from setting passwords for their cards.
 - ✓ **Ex:** In a CBI programme of IOM, beneficiaries could not set passwords for their **A101** cards, making them easier to utilise in case of theft, for instance.
 - ✓ **Ex:** When working with **LCW**, CARE changed from paper vouchers to electronic cards with serial numbers and barcodes to easily track withdrawals and complaints, but since the cards did not have beneficiary names on them, they could still not know if beneficiaries used the cards themselves.

Good Practices

Coverage

- Working with FSPs with **national coverage or significant presence** at the targeted provinces/districts depending on the necessities of the programme.
 - ✓ **Ex:** **A101** was the FSP of choice in a voucher programme of IOM targeting basic needs as it is among the most common retail market chains due to its national coverage.
 - ✓ **Ex:** **LC Waikiki** was chosen by CARE to be the FSP of its voucher programme for clothes due to its high level of presence in districts where targeted refugee beneficiaries were living in greater proportions.
 - ✓ **Ex:** **Ziraat Bank** was the FSP for the bank transfers of CARE due to its nation-wide coverage.

Data Protection & Quality

- **Data protection/sharing agreements** should be in place between FSPs and partners and data protection of beneficiaries should be upheld with utmost significance in line with the commitment of 'do no harm'.
 - ✓ **Ex:** **RedRose**, which became active in the Türkiye context during the earthquake response, signs contracts with a specialised Irish company with servers located in Ireland to ensure data protection. RedRose also offers on-premises hosting for servers.



- FSPs should only be given access to the data that is **absolutely necessary** for transfers to take place effectively. Thus, the relevant data should only be shared based on strong data protection conditions **incorporated in the MoUs** with FSPs.
 - ✓ **Ex:** When distributing pre-paid vouchers via FSPs such as **TürkPara** and **LCW**, organisations do not have to share their beneficiary lists as they can receive the cards and distribute them to beneficiaries.
- For the data that needs to be shared with FSPs, **quality** of data needs to be ensured in order to prevent inadvertent data-related mistakes and delays in cash assistance provision.
 - ✓ **Ex:** CARE shared the necessary beneficiary data with **Ziraat Bank** through the FSP's specific platform which does not allow to submit information unless it is totally free of error, which is said to help with avoiding data entry problems.

Secure Transfers

- It is also possible to ensure more secure cash provision with **encryption** through agreements with FSPs.
 - ✓ **Ex:** UNHCR's CBI beneficiaries could change the one-time PIN code of their **PTT** cards at any ATM during the first use. In addition, the FSP conducted "Know Your Customer" checks prior to issuing the card when beneficiaries visited their nearest PTT branch to get their IDs validated before receiving their PTT cards. There were inactive/anonymous cards readily available at the branches and after beneficiaries were matched with a card, their assistance was loaded to activated cards.
 - ✓ **Ex:** With **TürkPara**, IOM's beneficiaries could set their own passwords as the cards were encrypted.

Cost Efficiency

- Based on organisations' specific **MoUs**, FSPs can receive and then distribute the transfer amounts without any additional **transfer fees**, helping with cost efficiency.
 - ✓ **Ex:** IOM did not have to incur additional transfer fees when sending **A101** and **TürkPara** the transfer amounts, which were then deposited to the pre-paid voucher cards of beneficiaries in three business days. Additionally, since these vouchers did not have any expiration dates and because the FSPs replaced the cards when necessary without any charges, the cost efficiency was further increased.
 - ✓ **Ex:** In UNHCR's CBI implementation with the **PTT**, beneficiaries could withdraw money from their PTT cards from the ATMs of any bank without incurring additional costs. In addition, PPT was in compliance with UNHCR Refund Policy and thanks to this, balances not withdrawn could be refunded to UNHCR.
 - ✓ **Ex:** CARE could distribute money to beneficiaries' temporary transfer accounts based on their MoU with **Ziraat Bank** without the need to opening permanent bank accounts, with no fees for the cards.

Expenditure Trend Monitoring

- The ability to monitor the **expenditure trends** of beneficiaries, if included in the MoUs, can greatly support monitoring and evaluation effort and can make it possible to correct course if necessary.
 - ✓ **Ex:** **A101** were sharing the expenditure trends on their vouchers with IOM.
 - ✓ **Ex:** **LCW** and **Ziraat Bank** provided CARE with reports on spent/unspent amounts.

Flexibility

- The flexibility and speed of FSPs in cash assistance distribution can increase the effectiveness and efficiency of CBI programmes by **preventing delays** and increase **beneficiary satisfaction**.
 - ✓ **Ex:** UNCHR sent funds to **PTT** one day before the distribution and beneficiaries received their assistance without any delays. This FSP also utilised its **mobile branches** for distribution of cards at camps and for home delivery to beneficiaries over 65 during the Covid-19 pandemic.
 - ✓ **Ex:** During the **EQ response**, TRC's FSP **Halkbank** made it possible for beneficiaries to get their **KızılayKart** from any Halkbank branch, whereas before they could only do this in provinces where they were residing in. This made it possible for the high number of beneficiaries that had to move out from the earthquake region. In addition, thanks to an agreement between Halkbank, VakıfBank and Ziraat Bank, the beneficiaries could



withdraw their ESSN assistance from any ATMs and mobile branches of these three banks.

- ✓ **Ex: Redrose²** developed specific solutions for the Türkiye EQ response based on its partnership with MoneyGram for remittance payments in Türkiye through an all-in-one programme incorporating beneficiary management, and monitoring of transactions and payment status, making it possible to manage various aspects in a comprehensive and flexible way.
- ✓ **Ex: Nagis**, which has also been active in the EQ response, conduct direct cash transfers through Ziraat Bank infrastructure with the precondition for beneficiaries to have a bank account. However, Nagis makes it possible for beneficiaries without bank accounts to receive their cash transfers through prepaid **Param cards** in line with the principle of localisation.

Accountability

- It is highly important to incorporate clauses on the establishment and effective utilisation of **feedback, complaint and response mechanisms** in order to ensure **accountability to the affected populations** and to uphold the commitment of 'do no harm'.
 - ✓ **Ex: Nagis** team is reachable through various channels such as e-mail, phone call or live chat. Additionally, Nagis provides emergency support services to ensure that critical issues can be addressed promptly and have an active feedback and complaint mechanism.
 - ✓ **Ex: The FSP GeniusTags** which has also been active in the EQ context enables beneficiaries to submit their complaints and responses through their platform called GeniusFeedback, which also facilitates communication between all relevant stakeholders. The data received is stored in primary and back-up cloud-based servers in Netherlands and Ireland where **data protection** regulations are upheld.

Lessons Learnt

- Services of an FSP can be procured through a well-defined Terms of Reference (**ToR**), which would provide a clear road map for the FSP. Likewise, CBI partners should provide guidance to their FSPs on relevant issues such as accountability, PSEA, cultural sensitivity and so on as necessary.
- One option available among UN agencies is to piggyback on existing contracts. It is recommended for UN agencies to be in contact with each other with each other in order to seek for the most suitable and effective Financial Service Providers (FSPs), taking into consideration the capacity of the FSP.
- As gathered from the partner experiences, challenges such as the requirement by beneficiaries to provide **notarised documents** that can be significantly costly for them and delays pertaining to opening a bank account due to **address registration** issues can arise because of the general financial infrastructure in the country. It needs to be ensured that **document verification** processes for beneficiaries start early on as necessary to prevent delays.
- Partners need to be aware of and prepare for the **specific needs** of their target groups such as illiterate or non-Turkish beneficiaries who may need **extra support and translation services**.
- In order to prevent and mitigate pertinent risks, partners should undertake robust **joint planning** where they relay the details of their programme plans and expectations in comprehensive and **continuous coordination with FSPs**.
- In line with the characteristics of the target groups, organisations can work with **multiple FSPs through multiple modalities** such as bank transfers, pre-paid cards etc. to ensure a level of implementation as high as possible and minimise delays in the provision of cash assistance.
 - ✓ **Ex: STL** reinforced the effectiveness of their bank transfers with distributing pre-paid PTT cards to specific target groups in the context of their Covid-19 protection cash assistance. In this way, vulnerable beneficiaries did not need to bother with opening bank accounts.

² Please note that RedRose's activities conducted with MoneyGram was temporarily suspended due to the elections in Türkiye.



Annex 1 – List of FSPs with which CBI TWG partners worked in Türkiye (2020-23)

Market Cards

1. A101 Market Cards
2. BIM Market Cards
3. LCW Shopping Cards

Banks (Owned by government)

4. Ziraat Bank
5. Vakıf Katılım Bank
6. Halkbank

Banks (Private banks)

7. Akbank
8. YapıKredi Bank

Private FSP Mechanisms

9. GeniusTags
10. Nagis
11. RedRose
12. TürkPara

Other

13. PTT