

## Annex 6 - e-PSNP recipients' findings

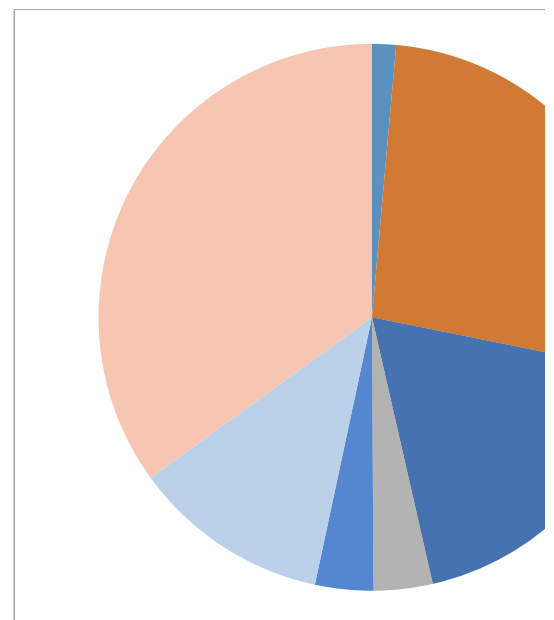
### 1.1.1. ePSNP recipients' findings from primary sources

For this study we interviewed recipients of cash transfers who were part of the new electronic payment system. These ePSNP recipients had mobile money accounts, anchored in OMO MFI, and received at least six payments annually of between 195 and 1200 ETB per transfer.

#### 1.1.1.1. Income

Monthly income of the interviewed ePSNP recipients varied from 117 to 1450 ETB per month. Their most important income source is the PSNP payment (35%) with "casual labour" being second largest (27%) and "other employment" (18%) being third most important. While all these PSNP recipients were primarily farmers, they reported very limited income from farming, just 4% and 3% for "crop agriculture income" and "livestock income".

Figure 1 - PSNP recipient income distribution

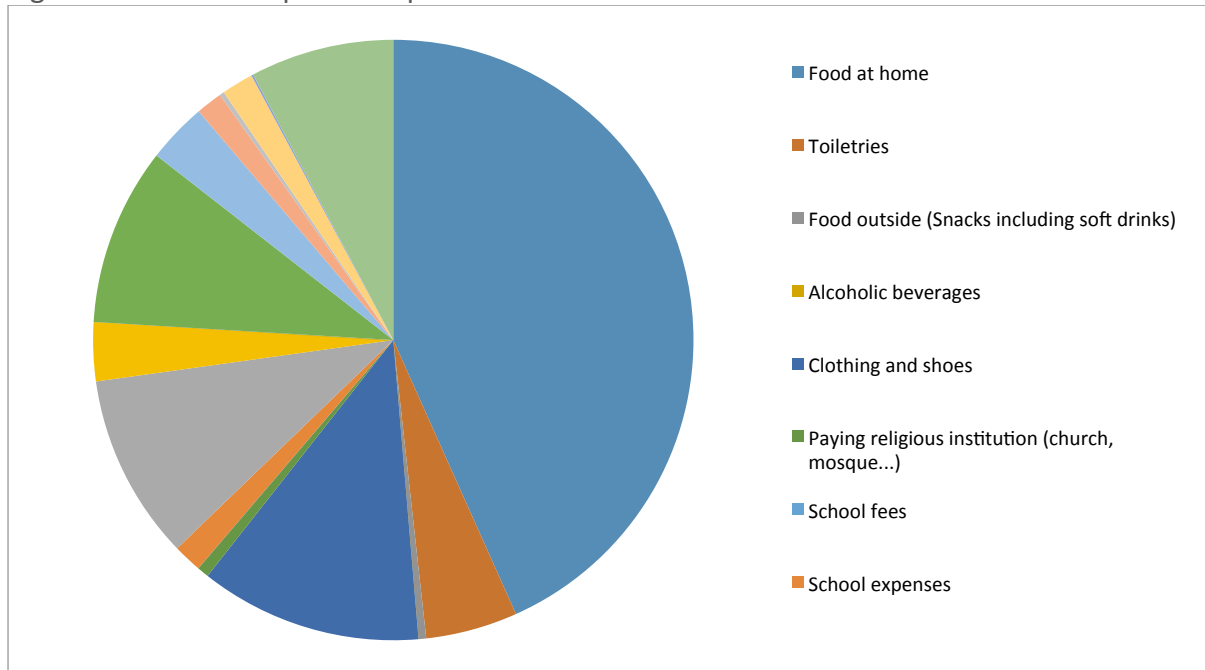


Source: Author's primary data

#### 1.1.1.2. Expenditures

The reported monthly expenditures ranged from almost 400 to 950 ETB. The largest component in expenditures was "food at home" (43%), "clothing and shoes" (12%) and "transport" (10%).

Figure 2 - ePSNP Recipients' expenditure distribution



Source: Author's calculations

#### 1.1.1.3. Financial inclusion

While each of the ePSNP recipients were financial included in the sense that they have an M-BIRR account, none of them were actually aware of having such an account and even had not heard of the name of the channel (just one of them had heard that the ePSNP payment comes through M-BIRR but this person had not seen her M-BIRR account). This can be considered their main pain point, their lack of information and ability to control their existing account. On the other hand, they have all been given an OMO MFI savings book and they are saving in their OMO savings account. They are aware of this. The ePSNP respondents reported that savings were imposed on them and that they had no control over the amount or when the savings could be accessed. For as far as they had information how and when the savings could be accessed, the ePSNP recipients reported that they would only be able to access it once they would “graduate” and would no longer receive the PSNP payments. They mostly were positive about saving but then it should be accessible in case of emergencies or other vital expenditures. Moreover, the amount now saved was too high.

Apart from these savings, ePSNP recipients did not access other forms of saving apart from “saving at home” and “saving in wallet/on the body/in clothes”, i.e. the most informal forms of saving. Just one of them saved in a RUSACCO (savings group).

All the ePSNP recipients reported to take loans. They mostly access short-term loans from local shops or from family. These short-term loans may incur interest of between 20 and 30% per month. The uncertain and often late arrival of the PSNP money results in ePSNP recipients having to take loans which are costly.

#### 1.1.1.4. Price sensitivity

ePSNP recipients are price-takers. They are used to elevated prices for loans and higher prices for goods as well, e.g. They are used to paying a 20% fee when buying 5 ETB mobile phone airtime. They are willing to pay substantially for getting access to reliable services that give them full control over their PSNP payment. (For more details about ePSNP recipients and their experiences with the electronic account, refer to section 4.6.1.)

They would pay 30 to 50 ETB to make a transfer to children schooling away from home. They would pay loan interest from 7% per month (for buying a mobile phone on credit, paid off in 4 months) to 30% per month for borrowing a small amount for monthly food needs.

#### 1.1.1.5. Pain points

The ePSNP recipients face several pain points related to the payment they receive. One of these is related to deductions taken from the payment, e.g. for repaying fertilizers. The “pain” is particularly due to the recipients feeling out of control of their payment. The payments are also unpredictable to arrive resulting in uncertainty when the next payment comes and related cash-flow challenges. As a result ePSNP recipients take loans with high interest rates from their local shop keeper to bridge the period until the payment arrives. A related pain point consists of them buying goods in small quantities. For instance they may buy just enough sugar for a day: two spoonfuls of sugar in a piece of paper. This way they pay three to four times more for sugar and other goods than if they would have sufficient liquidity to buy a kg of sugar or a full bottle of oil. The local stores also put a higher margin on the goods than stores in urban centres. For instance, buying 5 ETB phone credit costs 6 ETB (a full 20% mark-up) while in an urban centre 5 ETB credit costs exactly 5 ETB and the shop receives a commission from Ethio Telecom instead of adding a fee to the buyer.

Finally, the ePSNP recipients have no ability to accumulate any savings and are therefore barred from acquiring assets. More than other groups, they need savings and loans to be able to access even small assets like 300 to 350 ETB mobile phones.

#### 1.1.1.6. Digital finance use cases

The use cases that resonated strongest with the ePSNP recipients were:

1. Getting full control over their existing electronic account
2. Loan for mobile phone to be repaid with future ePSNP payments
3. Digital savings and loans service (MoKash)
4. Buying airtime online

#### 1.1.1. Productivity Safety Net Program (PSNP) findings from secondary sources

Table 1 - Percent of people who received assistance by type and place of residence

	PSNP	Free Food	Food for work / cash for work program	Inputs for work program	Other
<b>Rural</b>	4.4%	11.9%	2.3%	0.4%	0.8%
<b>Small Town</b>					
<b>Urban</b>	1.2%	7.6%	2.2%	0.2%	1.9%
<b>Large Town</b>					
<b>Urban</b>	0.0%	2.0%	0.4%	0.1%	0.3%
<b>Country</b>	3.3%	9.6%	1.9%	0.3%	0.8%

Source: CSA

Table 23 shows that as well as PSNP being social welfare payment, there are various other types of similar programs, notably those who were recorded as receiving free food.

#### 1.1.1.1. Detail of Rural PSNP

1. PSNP has a target of 9 million people in more than 300 woredas
2. Average 2.8 members per household (maximum 5 per households depending on region)
3. Amount 31-41ETB per day worked and each person can do 5 days of work i.e. 175 - 205 (though instances of 230 ETB were found) multiplied by up to 5 people in a household = maximum is approximately ETB 1,000 / month / household
4. 5 out of 6 households get paid for 6 months' work (PW, Public Work). 1 out of 6 households get paid year round without any work requirement i.e. 12 payments (this is named Direct Support)
5. Rural PSNP costs close to 1 bln US\$ per year.<sup>1</sup>

#### 1.1.1.2. E-PSNP

1. In 2017 M-BIRR operational in 61 Woredas, Kifiya 5woredas, Somali MFI 5 woredas.
2. M-BIRR, in partnership with the five largest MFIs has a target of 750,000 household beneficiaries for 2017 (around 1.7 million individual beneficiaries)
3. Kifiya has partnered with ACSI (through branchless banking) and is planned to be transferring to 49,807 PNSP beneficiaries in 2017.

#### 1.1.1.3. Urban PSNP

1. Target of 417,000 beneficiaries
2. Beneficiaries can earn 60ETB/day for up to 5 days / month. There can be up to 4 recipients per household i.e. maximum of ETB 1,200 / household / month
3. Currently 190,000 beneficiaries with 123,000 in Addis.

#### 1.1.1.4. Findings from E-transfer study

In an emergency assistance project similar to rural PSNP implemented by Mercy Corps in Ethiopia's Somali and Afar Regions from April through September, 2016, it was investigated "Can E-Transfers Promote Financial Inclusion in Emergencies: A Case Study from Ethiopia".

Table 2 - Mercy Corps E-payment pilot - HelloCash transaction records

Type of Transaction	Unique customers using this service	Number of transactions	Average value of transaction
P2P receive money	6 (3%)	8	178 ETB (7.98 USD)
P2P send money	40 (17%)	56	546 ETB (24.48 USD)
Cash in / deposit	4 (2%)	4	935 ETB (41.93 USD)
Payment (for goods or services)	0	0	0
Top ups (purchase of mobile phone credit)	178 (75%)	1,409	35 ETB (1.57 USD)

<sup>1</sup> The total budget for five years 2014 to 2018 was slightly over 4 bln US\$. (Verbal communication from Save the Children Fund)

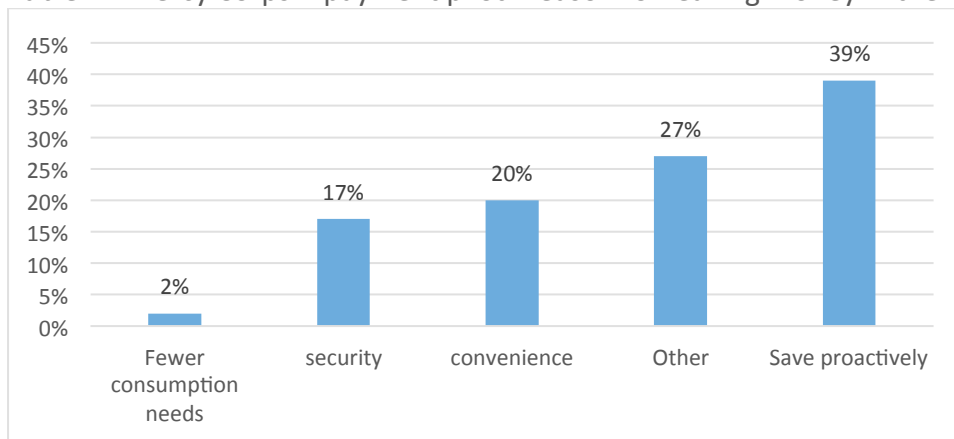
Table 3 - Mercy Corps electronic payments - preference for e-payment

	Count	Percentage
Mobile money	83	41%
Cash in envelope through SMFI account	33	16%
Cash in envelope without bank account	74	36%
other	13	6%
Total	203	100%

The findings from Mercy Corps stand in contrast to what the Transaction Pools study found with the few ePSNP recipients. The ePSNP recipients did not transact in any kind of way with their electronic account. Not even mobile phone top-up was bought by any. This is at least partly because the ePSNP recipients had not been informed about having an electronic account and the way the payment took place was practically identical to the cash payments of before.

On the other hand, the majority of the respondents had answered in another study that they preferred the new payment over the previous manual payment.

Table 4 - Mercy Corps E-payment pilot. Reason for leaving money in the wallet



Contrary to the above chart from the Mercy Corps report, the ePSNP recipients did not leave any balance in their M-BIRR account.