

Innovative Technology Serving Social Cash Transfers in Remote Rural Areas of Ethiopia

written by the Bureau of Labour and Social Affairs Tigray and the Ministry of Labour and Social Affairs of the Government of Ethiopia

In 2011 the Bureau of Labour and Social Affairs (BoLSA), UNICEF and a number of donors including Irish Aid initiated the Tigray Social Cash Transfer Programme (TSCTP) in the Tigray region of Ethiopia. The Programme aimed to reduce poverty and hunger in extremely poor and labour-constrained households. From 2011 to 2014, 3367 households received a monthly cash payment of a least ETB155 (approx. USD8)¹ made by the Dedebit Microfinance Institution (DECSI) through five payment distribution points. To access these payments, beneficiaries face the following challenges:

- payment points that are on average 10–20 km away from their homes;
- transportation costs of about ETB20 (approx. USD1) to reach payment points;
- beneficiaries' inability or difficulty to collect the benefit themselves, and the subsequent need to delegate its collection to another individual on their behalf (considering that about 70 per cent of beneficiary households are headed by elderly individuals, and 2 per cent by children);
- long queues and waiting times (up to several hours) at some distribution points; and
- limited payment days (maximum of four days each month).

Objectives and benefits of the M-BIRR pilot

To overcome the difficulties faced by beneficiaries, in early 2014, under the initiative of BoLSA, Irish Aid and UNICEF, the decision was made to pilot the M-BIRR Mobile Money Service to deliver the cash transfer. In the Tigray region, DECSI is the provider of the M-BIRR mobile and agent banking service. Mobile and agent banking allows a financial institution to set up a large number of agents (e.g. shops) in areas without branches, without any capital expenditure costs. The electronic payment is made to the M-BIRR beneficiary household² account each month. Withdrawals may be carried out by programme beneficiaries at their convenience, without any time or date constraints, or associated fees.

As such, the potential benefits of the M-BIRR service are clear:

- **Proximity and cost reduction for households:** by setting up four DECSI M-BIRR branches and accrediting four proximity agents within most communities;
- **Financial inclusion:** in communities where no financial services were available before the TSCTP, all households now have a DECSI M-BIRR account into which money could be conveniently deposited by family members working in cities or even abroad;
- **Convenience:** the replacement of five payment points by a large number of branches and proximity agents gives the beneficiary more flexibility to withdraw their cash wherever and whenever is convenient for them (any time after transfer from DECSI). This removes the risk of beneficiaries missing their monthly payment due to illness or any circumstances that might prevent them or their proxies from presenting themselves at the former payment points, and eliminates queues and long waiting times;
- **Fast reporting process and easier monitoring:** the system generates automatic reports;
- **Better auditability:** all electronic transactions are recorded and time-stamped;

- **Scalability:** easily replicable in other areas and/or regions;
- Very **secure** and minimised occurrence of theft: as the National Bank of Ethiopia requires a Know Your Customer (KYC) process to be carried out for each household representative to open an account, the risk of fraud and 'ghost households' is drastically reduced; and
- It uses **mobile networks**, and an **off-line** version is currently under development.

Challenges

The first phase of the TSCTP M-BIRR pilot was dedicated to raising grass-roots awareness and collecting feedback from households and social workers involved in the TSCTP. It transpired that households targeted by this programme were so poor that none of them had a mobile phone. It also became clear that due to the remoteness of some rural areas and the age of the beneficiaries, having to remember a secret Personal Identification Number (PIN) to access their DECSI M-BIRR account through the agent's phone would be extremely challenging. Based on these findings, the programme stakeholders then asked the M-BIRR service technology provider (MOSS) to come up with an alternative solution.

Innovation

The solution designed to overcome these challenges relied on agents being equipped with an Android™ smartphone with an integrated Near Field Communication (NFC) reader and each household receiving an NFC wristband containing their PIN. The PIN can only be read by the agent's smartphone and is not visible on the bracelet.

The combination of photo identification card, account number and PIN has allowed every household to withdraw money securely from their DECSI M-BIRR account at their nearest agent.

Scalability

The M-BIRR Mobile Money Service is now delivered nationwide in Ethiopia by the five largest microfinance institutions through the sole existing mobile network (Ethio Telecom)³. The M-BIRR service reaches users across Ethiopia through Unstructured Supplementary Service Data (USSD), a Global System for Mobile Communication (GSM) legacy technology available on all mobile phones. After the successful TSCTP pilot experience, the M-BIRR Mobile Money Service expanded in January 2015 into the Oromia region via the Productive Safety Net Programme (PSNP), one of the largest African social protection programmes.

Notes:

1. The minimum monthly payment per beneficiary is ETB155 (Ethiopian Birr)—approximately USD8. It can increase depending on the number of beneficiaries in the household and their characteristics (i.e. dependence grant for out-of-school children and disabled or elderly family members).

2. Even though the account is in the name of one household member—often the head of the household—payments may target more than one beneficiary in the household.

3. Additional information on the M-BIRR service, including its fee structure, can be found at: <www.mbirr.com>.

This One Pager is part of the DFID-supported project: "Brazil & Africa: fighting poverty and empowering women via South-South cooperation".