

PUTTING RURAL FIRST USING DIGITAL TOOLS TO GROW AGRICULTURE AND FINANCIAL INCLUSION IN ETHIOPIA

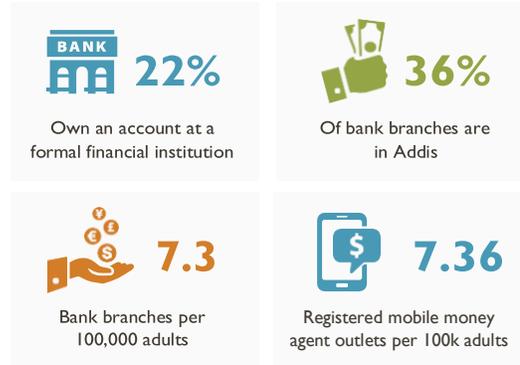
Realizing Feed the Future's Commitment to Use Digital Tools to Grow Agriculture and Financial Inclusion in Ethiopia

Ethiopia is making important strides in the use of digital technology to improve farmer livelihoods and meet ambitious national goals for financial inclusion by 2020. Commercial product offerings are driving this advancement specifically for digital financial services (DFS). With the broader availability and growing use of DFS-enabled banking products, the Government of Ethiopia (GOE), Feed the Future, through USAID, and its development partners now can integrate digital technology to facilitate food security, transformative agriculture-led growth, resilience and women's economic empowerment priorities under the U.S. Government Global Food Security Strategy (GFSS).

I. Feed the Future's Commitment to Supporting Ethiopia's Goals of National Financial Inclusion through Digital Technology in USAID Programs

Improving agricultural-led growth and building resilience in the population are key components of Feed the Future's work in Ethiopia. Feed the Future's Ethiopia Country Strategy to implement the GFSS recognizes the enabling role of digital technology and encourages its broader use:

The financial sector has limited reach but is extended by growth in digital technology



"In 2017, the GOE adopted a National Financial Inclusion Strategy (NFIS) that recognizes the contribution financial inclusion can make to GTP II and specifically the role of digital technologies in providing financial access to those living outside of urban centers. The GFSS recognizes and encourages the broader use of digital technologies to access financial services as a proven means of building resilience to withstand shocks, foster women's economic empowerment, and improve agricultural productivity."

This recognition complements USAID's agency-wide requirement to use electronic payment systems as the default under all USAID awards. The procurement requirement, adopted in 2014, implements USAID's commitment to the Better than Cash Alliance to use the power of its portfolio to promote financial inclusion and development outcomes. Ethiopia is also a member of the Better than Cash Alliance and has committed to move its budgetary outlays to electronic payments.

II. The Ethiopian Approach to Agent Banking and Mobile Money: Surprising Innovation

Current DFS offerings in Ethiopia provide significant opportunity for Feed the Future implementing partners to integrate DFS in their programming and operations. Ethiopia's regulations follow a bank-led model that challenges many assumptions of a functioning DFS market. Ethiopia has a sole mobile network provider and a banking sector that is closed to foreign ownership. **Despite these constraints, regulated financial institutions are working with technology service providers to build and expand their agent networks and the largest, state-owned bank in Ethiopia, Commercial Bank of Ethiopia, has acquired its own technology and uses the large reach of its branch network to field and manage agents in rural areas.** The menus of mobile and agent banking products provide user interfaces in multiple languages, offline capabilities and multilingual customer service centers. **Agent access points are used primarily to extend rural access and are not urban-centric.** The Country's National Financial Inclusion Strategy, released in 2017, recognizes the role of digital technology in improving financial inclusion, especially in rural areas where agriculture is the predominant livelihood.

Ethiopia DFS: A Bank-Led Model with Innovation to Expand Access



Current DFS offerings in Ethiopia include:

PRODUCT BRANDING	LICENSED BANK OR MFI	REPORTED REACH (OCT. 2018)	PRICING (OCT. 2018)	BULK PAYMENT PLATFORM
	Commercial Bank of Ethiopia	3,390+ agents, 2,000+ merchants	Free	Yes
	ACSI, DECSI, OMFI, OCSSCO, OMFI, AdCSI, PEACE MFI	7,500+ points of presence nationwide (except Somali region)	Transaction Fees	Yes
	Somali MFI, Lion International Bank, Cooperative Bank of Oromia, and Wegagen Bank (More in the pipeline)	7,500 agents and branches access points nationwide	Transaction Fees	Yes
	Established MFI	9,000 agents	Transaction Fees	Yes
	Licensed as a Financial Intermediary by the Ministry of Trade	Integrates with other platforms through online platform	Transaction Fees	Yes

III. Growing the Use Cases for DFS-Enabled Bank Accounts

Feed the Future implementing partners, through USAID, have already begun to incorporate DFS into their cash assistance programs. In its USAID-funded PRIME project, Mercy Corps facilitated the use of the Hello Cash-branded DFS platform for Somali MFI to process drought relief payments. The Hello Cash platform, used by four institutions, as of October 2018 has more than 1 million registered customers and processes 60,000 transactions a day. Food for the Hungry distributed Productive Safety Net Program (PSNP) payments in Amhara in 2018, under a USAID award, through the largest MFI in Ethiopia, ACSI, using the M-BIRR technology platform.

DFS has applications beyond cash transfers and can be used by implementing partners as a tool to achieve GFSS Objective I of inclusive and sustainable agricultural-led economic growth and Objective II of strengthened resilience among people and systems. Increasingly, learnings show that targeting farmers' diverse financial needs promotes broader and sustained use of financial services. In addition, DFS can play an important role in facilitating transparent, efficient, and financially inclusive payment flows in agriculture value chains, as shown in the **USAID Guide to the Use of DFS in Agriculture**. The guide includes a complete methodology for evaluating DFS solutions and their application in value chain programs.

Feed the Future programs can expand farmer access to financial services as a tool for resilience and improved livelihoods

- Farmers' lives revolve around more than just agriculture activities
- Feed the Future can help farmers understand and holistically integrate DFS products (saving, payments, insurance, credit/lending)
- It can help build other relevant service ecosystems that increase production and resilience



IV. How Can Implementing Partners Understand and Incorporate DFS Now?

There is an abundance of resources for implementing partners in Ethiopia to evaluate, procure and integrate DFS products in their Feed the Future programs. These tools provide guidance on identifying suitable areas of application for DFS in Feed the Future programming and include a ten-step **Toolkit** on making the journey from cash to digital payments. In addition, Food for the Hungry's test of e-payments for PSNP disbursements led to the identification of some best practices for structuring a relationship with a financial institution that offers a mobile money product; the learnings are being captured in a Collaborating, Learning and Adapting (CLA) case. The DFS market system exists in Ethiopia for Feed the Future partners to make the journey with USAID and the people of Ethiopia to greater digital financial inclusion.