

Can Markets be Developed to Promote Economic Self-Reliance of Refugees?

An Evaluation of the Promotion of Digital Financial Services in Ethiopia by SHARPE

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Introduction

The Strengthening Host and Refugee Populations in Ethiopia (SHARPE) programme uses a market systems development approach to promote increased self-reliance and economic opportunities for refugees and host communities in three areas in Ethiopia: Jijiga, Dollo Ado, and Gambella.¹ SHARPE aims to generate economic opportunities for refugee hosting communities through the piloting and scaling of interventions across different sectors. This approach is based upon understanding the economic barriers that refugee and host communities face, and working with key stakeholders – including businesses, government, and service providers - to improve market function for both host community members and refugees residing in target communities.

SHARPE identified the financial market as a strong target for market systems interventions, based on reforms to the Refugee Proclamation in Ethiopia in 2019 allowing refugees to access telecommunications and banking services. As a result, nascent mobile money platforms aligned with banks could begin to market digital financial services to refugees. As digital financial services had already been growing in Somali region, we focused impact evaluation work around the investments SHARPE was making in the financial market system in the two areas of Somali region (Jijiga and Dollo Ado).

To promote digital financial services and inclusion through partnership with a financial institution, SHARPE chose to work with Shabelle Bank, known as Somali MFI when the contract was initially signed; the support that SHARPE provided to Shabelle Bank is detailed in a [project brief](#) (DAI|SHARPE, 2022). Shabelle Bank uses a mobile money service called HelloCash, which can be used to transfer money, pay bills, and make payments for services, as well as savings. SHARPE gave

¹ SHARPE is funded by the Foreign, Commonwealth, and Development Office (FCDO) of the United Kingdom, and SHARPE is implemented by DAI with technical support from Opportunities Unlimited.

Shabelle Bank specific targets for onboarding customers, agents, and merchants. Customers were onboarded in target communities with the aid of Know Your Customer (KYC) officers, who helped with door-to-door visits, distribution of promotional materials and flyers, participating in public meetings, or other related activities. They also advertise through TV and radio, billboards, and other ways. Shabelle Bank also helped identify viable small businesses with the potential to become mobile money agents, focusing on the target areas and businesses associated with refugees. Finally, SHARPE supported Shabelle Bank in signing up merchants to accept HelloCash in target areas.

To understand the impacts of those investments, IFPRI designed an impact evaluation with three primary components. The first component is the overall evaluation, which used a quasi-experimental, mixed methods design. Quantitative data were collected among 865 HelloCash and non-HelloCash users in late 2022 in Jijiga and Dollo Ado; and focus groups and key informant interviews took place at two different times during the evaluation. The second and third components are two randomised trials that were co-designed by IFPRI, SHARPE, and Shabelle Bank to test methods of overcoming constraints to meeting social goals for HelloCash enrolment and use.² The randomised trials were adapted to specifically attempt to help overcome constraints to market system development found while implementing the programme.

Conceptual Framework

SHARPE focused its work within the financial market system in Somali region around the promotion of digital financial services. Digital financial services had begun to grow rapidly in Somali region as a result of recent policy changes, but in initial scoping they were found to be growing slower in areas surrounding refugee camps in both Jijiga and Dollo Ado.

SHARPE's initial scoping found that although digital financial services were growing rapidly in Somali region, their presence was weak in refugee hosting areas. As a result, the intervention was designed to help build the market in those areas. To think about when and why a programme like SHARPE might be necessary in the context a rapidly spreading technological development like mobile money, we can consider the spread of a new technological development like mobile money in a conceptual framework, to consider when and why a public intervention might be necessary (Figure 1). We first assume that actors in the economy (or market system) will act on their own to catalyze adoption of that technology, with the expectation those actors will reap returns from its use. Without any intervention, there would be some outcomes from the technology or product adoption, based on incentive structures within the economy.

² Details about the impact evaluation design and results can be found in the [main academic report](#) (de Brauw, et al., 2023).

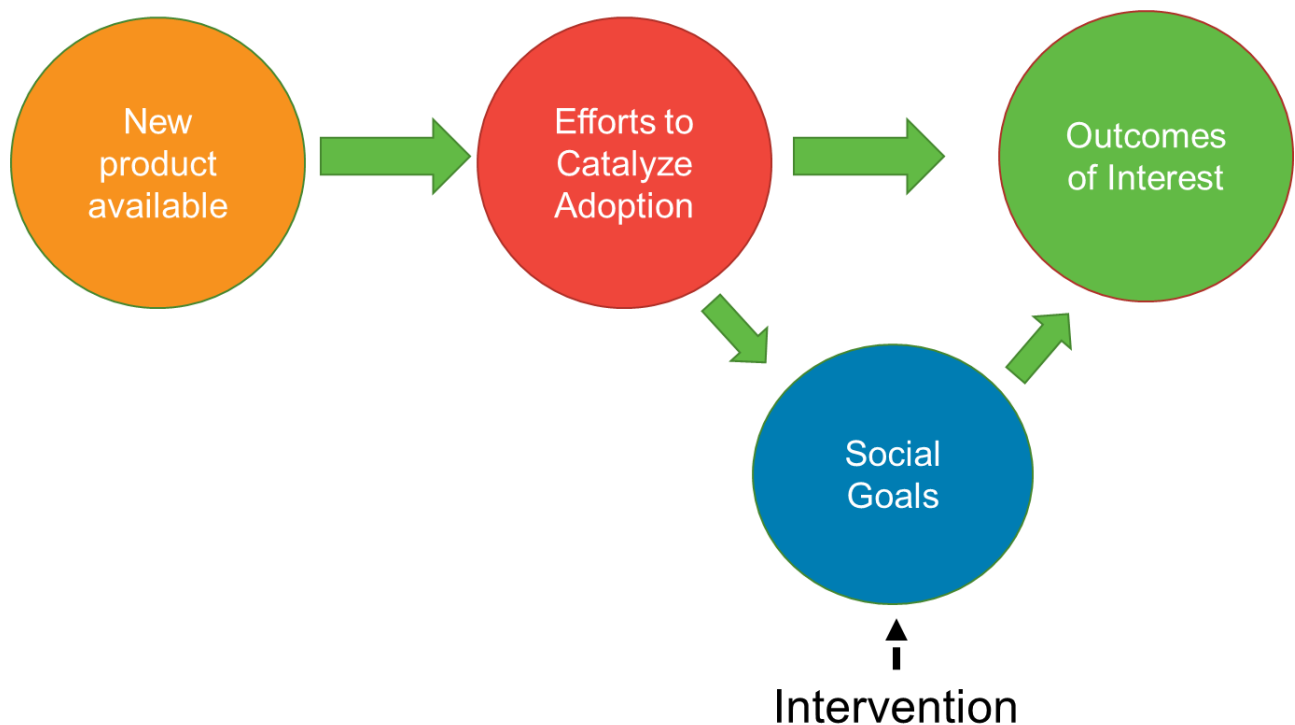


Figure 1. Generic Theory of Change for a New Product or Technology

However, the incentive structures within the economy may not reflect *social* goals for the new product. The actors who earn returns from the product may not invest in roll-out in specific geographies either because they do not have information about those areas (so returns are uncertain), or potentially because the investments needed to make the product profitable in those areas are beyond budgets. Without a catalyst to reduce the uncertainty or kickstart the investment, those areas might remain neglected. Similarly, private sector actors might not think carefully about whether women or other groups might be neglected by their marketing strategies. In cases in which uncertainty dominates or investments required are too large, they will not occur (unless for some reason uncertainty were to decline). The only way that such investments would take place is if returns are perceived as lower in those areas, and investments would eventually take place. Nonetheless, the idea here is that if social welfare would be higher in aggregate if those groups were included as users of the technology sooner than later, then it would be possible to change outcomes through well-designed interventions.

Turning to the context of the Somali region financial market system, we recognize that there are two parts to the mobile money adoption decision among customers—a decision to enrol for use in the product, and then a decision to use the system once one is enrolled. We conceptualize two different types of constraints that could affect the decision to enrol—we call them internal and external constraints. The idea is that a social programme or an actor within the market system could potentially affect the internal constraints, but they would not be able to affect the external constraints. We therefore design the impact evaluation to learn about whether internal constraints are overcome by the intervention; we also ensure we can describe whether the external constraints are binding.

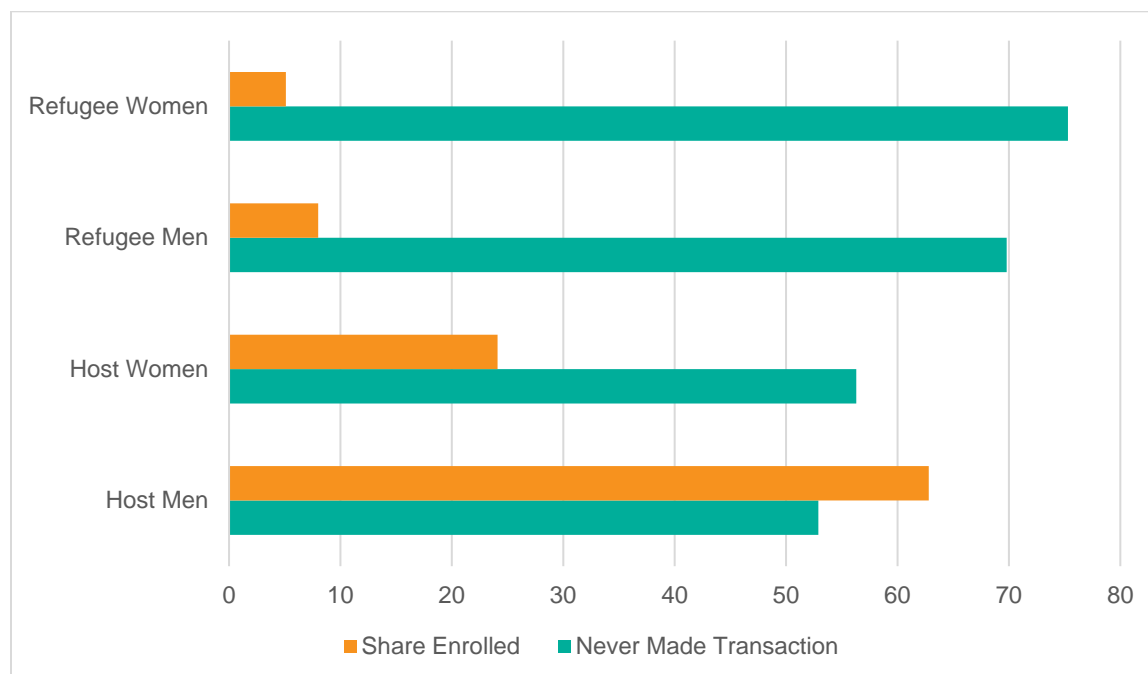
Outcomes

We study two types of outcomes in the impact evaluation. First, we study what we call intermediate outcomes; these are mobile money enrolment and use. Without enrolment and use, it would be impossible for further goals to be met, such as increases in financial inclusion or income among users. Second, we study a set of what we call final outcomes, including first whether households report having another formal financial account, or a formal financial account or another type of mobile money account. Next, we examine measures of both self-employment and overall income, including a measure of whether their income is more resilient to shocks. Finally, we measure food insecurity through the food security experience scale.

Results

Intermediate Outcomes

As noted, we focused our theory of change first around enrolment and use, as without HelloCash enrolment and use, a market system cannot develop. Shabelle Bank's administrative data suggests strong enrolment in HelloCash in the target areas; over 75,000 individuals signed up for HelloCash during the intervention period studied (August 2020-November 2022). However, perhaps not surprisingly enrolment is skewed towards men in the host community. Looking at shares of enrolment in Figure 1 between April and September 2022, we see that 62 per cent of those enrolled are host men, with host women being about 24 percent of enrollees, and refugee men and women making up the remainder. But even conditional on enrolment, refugees are much less likely to ever use HelloCash; 70 to 75 per cent of enrollees had not made a transaction as of 30 September 2022.



Source: Shabelle Bank Administrative Data

Figure 1. HelloCash Enrolment and Use in SHARPE Target Areas, HelloCash, April-September 2022, by Gender and Refugee Status

Endline Survey

The quantitative endline survey we conducted uses data collected among both HelloCash and non-HelloCash users, and we use quasi-experimental methods to reduce the bias in just comparing final outcomes among the two groups. First, we find that HelloCash users are more likely to either have bank accounts or other mobile money accounts (in addition to their HelloCash account). This result suggests that HelloCash users are finding ways to use formal financial accounts even above and beyond their use of HelloCash.

We find that HelloCash users are somewhat more likely to have self-employment income than non-users. This result is at least suggestive that HelloCash may have helped individuals start income generating activities that were not possible beforehand; it could also suggest that individuals managing even very small businesses might have found it advantageous to begin using digital financial services. As refugees are likely to start microenterprises if they start businesses at all, this finding is encouraging for continuing to promote the development of HelloCash in refugee hosting areas.

Qualitative Survey

We also conducted qualitative surveys at two different points in time to attempt to better understand the constraints to uptake and use. Considering first potential barriers to the decision to enrol, we found almost complete awareness of HelloCash in both host areas and refugee camps. Clearly, their advertising has been effective. According to the quantitative endline survey, there also appears to be a great deal of knowledge about perceived benefits of use. While qualitative respondents reported finding the enrolment process relatively easy, some of the quantitative survey respondents called it “somewhat difficult” (28 percent). So a minority of individuals who have signed up have some difficulty, which could translate to a lack of use.

Turning to potential barriers to use, respondents generally report finding the system easy to use. Though service costs are considered high by many users, use has continued to grow in refugee hosting areas, despite increases in fees. And we note that agent and merchant availability seem strong in many of the areas, though perhaps not as strong in the Dollo Ado area as in the Jijiga area. The difference in agent and merchant network strength may manifest itself in higher system use by enrollees; for example, in June 2022 enrollees in Jijiga were 19 percentage points more likely to have made a transaction than those in Dollo Ado.

Finally, though internal constraints appear to be met for many users, two further points are worth making. First, there are clearly external constraints that affect the consumer experience. Mobile coverage is not always reliable, which means that when cash is needed for immediate needs, people feel the need for cash rather than being able to rely on digital payments. Second, among some respondents illiteracy is also an issue; this constraint is more binding among women and refugees.

Referral Study

To test one potential solution to overcome barriers to enrollment, we collaboratively ran a referral pilot as a randomised control trial. High frequency users were randomised into groups that would receive different small incentives for each new customer they referred to the system, and a control group. The “community referrers” were stratified so there were equal numbers of men and women recruited as referrers, as well as host community members and refugees.

Though few of the community referrers made any referrals at all, the trial nearly doubled enrollment while it was occurring in the SHARPE target areas (Table 1). The pilot was not successful at enrolling a larger proportion of women or refugees but did shift the broad location of many referrals to Dollo Ado from Jijiga. The latter finding was partially due to one referrer in Dollo Ado; she clearly made referrals into a business, making just over half of all successful referrals.

Table 1. HelloCash Enrolment in SHARPE Target areas, September 2022, by Referral Program or not

	Through Referral Program	Through Standard Enrolment
Number of Enrollees	1,117	1,310
Per cent of Enrollees, Women	33.7	32.6
Per cent of Enrollees, Refugees	13.2	18.2
Per cent of Enrollees, Jijiga area	14.8	48.6

Source: HelloCash administrative data and referral pilot data.

Incentives Study

We ran a second pilot programme to test ways of incentivising people to use HelloCash. In early November 2022, we randomised all individuals who had enrolled in September, but had not made a transaction in that month, into three groups: a group that received a small payment by HelloCash (25 birr), and a text message telling them to use it however they wanted (unconditional group); a group that received a promotional text message telling them that if they made three transactions of any type in the next three weeks, they would receive a 25 birr incentive (conditional group); and a control group. To ensure we learned more about women and refugees, we stratified the sample so more women and refugees were in the conditional and unconditional groups.

We found the unconditional group was 9.3 percentage points more likely to have made at least one transaction during the study period relative to the control group. Both men and women appear to have responded to the unconditional incentive with additional use, but refugees did not respond differently than non-refugees relative to the control group. We only find one statistically significant finding from the conditional incentives; women in the conditional group made more transactions on average than the control group. However, none of the other results for the conditional transfer were statistically different from zero. So although the pilot was able to catalyze some use, particularly among women, the size of the impacts are unlikely to make similar promotions cost effective.

Selected Lessons from the Impact Evaluation

We believe that there are some key lessons for SHARPE or follow-up projects that arise from the impact evaluation:

1. A robust market system has been developed in refugee hosting zone in the Jijiga area. Refugee enrolment appears to lag behind host enrollment (at least in the areas other than Kebri Beyah), but multiple merchants and agents do robust business in those areas. HelloCash users and non-users alike report the system is easy to use and convenient. The market system is less developed in the Dollo Ado area, which is far more isolated. Hence, the concept of market development seems feasible.
2. In the Jijiga target areas, it is worth continuing work to build up the agent network in refugee camps, as there are entrepreneurs already identified as potential agents. More agents within camps would make HelloCash (or any mobile money product) more valuable to refugees in general. Making businesses formal that can serve as agents in refugee camps clearly takes a long time, and the difficult work both on both identifying the types of retailers that can make good

agents, and in assisting their registrations through governmental processes. Streamlining these processes would help local actors find potential agents to help register their businesses.

3. In the Dollo Ado area, the financial market system appears to be less developed near refugee camps, suggesting more emphasis is needed to continue fostering its development. HelloCash is well known, and there is a strong customer base, so continuing to intervene by building up the merchant and agent base would seem worthwhile. That said, the relative geographic isolation of Dollo Ado in Ethiopia may make it more complex to develop that market system, but it is worth trying to continue given the larger number of refugees there and the efficiencies that could be gained in transiting aid to digital cash.
4. The main difference between refugees who use HelloCash and those who do not—that could potentially be addressed—is through literacy. We think a valuable addition to further programming related to the digital financial system near refugee camps would be to pilot test solutions such as short videos to assist with adult phone use within camps, particularly among women. It is unlikely that such programs would be a silver bullet, but they could help foster more enrollment among refugees who could then potentially receive social transfers that way.
5. In Jijiga, it seems that the digital financial system would appear ready to handle cash transfers to refugees by digital payments. It could only be strengthened by the presence of more agents within camps, and that might catalyze remaining enrollment. In Dollo Ado, the system appears a bit less ready, though piloting would be the way to learn if it was ready.
6. From the two randomized trials, the “best” learning about catalyzing use among women or refugees was through small incentives offered for HelloCash use. Though the incentives did not increase use among refugees, they positively affected by women. There are at least a couple of versions of this trial that would make sense as a second attempt—one would be to confirm the effects with a larger sample (perhaps including those not targeted by SHARPE, so that a larger sample size was possible), and second would be to test a conditional version with a lower transaction threshold (e.g., 1 transaction in 2 weeks).

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