

SOCIAL PROTECTION & JOBS

DISCUSSION PAPER

No. 2308 | JULY 2023

Constraints to Digital Financial Inclusion of Beneficiaries of PSARA Cash Transfer Program in Haiti

A demand-side Analysis and Recommendations

Cristina Martinez Cuellar
Cornelia M. Tesliuc
Pascal Jaupart
Ailo Klara Manigat



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1818 H Street NW Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

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Constraints to Digital Financial Inclusion of Beneficiaries of PSARA Cash Transfer Program in Haiti

A demand-side Analysis and Recommendations

Cristina Martinez Cuellar, Cornelia M. Tesliuc, Pascal Jaupart, Ailo Klara Manigat

Abstract: The Adaptive Social Protection for Increased Resilience project (ASPIRE or PSARA for its acronym in French), financed by The World Bank and implemented by the Government of Haiti, aims to design and implement a cash transfer program for vulnerable households in Haiti, with a focus on increasing financial inclusion and digitizing payments. This report analyzes the financial inclusion landscape of beneficiaries; identifies demand-side barriers to the uptake of Digital Financial Services (DFS); and provides recommendations for promoting the use of DFS among beneficiaries and their communities. The findings of this report show that while access to formal financial services is limited, there is more access and usage of mobile money and informal services through the Village Savings and Loan Associations (VSLAs). The report recommends actions to remove barriers to DFS usage, such as creating and promoting DFS use cases among beneficiaries, increasing trust and confidence in using e-wallets, working with policymakers to provide IDs for beneficiaries and with regulators to reduce Know Your Customer (KYC) on low-tier accounts, and increasing mobile phone ownership. Additionally, the report suggests strategies to support a robust DFS ecosystem, including designing attractive products for low-income customers and building a sustainable Cash-in and Cash-out agent network.

JEL: G2, G5, O1, O2

Keywords: Financial Inclusion, Digital Financial Services, Adaptive Social Protection, Haiti

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Acronyms

AML/ CFT:	Anti-Money Laundering / Counter-terrorism financing
ASPIRE:	Adaptive Social Protection for Increased Resilience (acronym <i>PSARA</i> in French)
BRH:	Central Bank of the Republic of Haiti
BMGF:	Bill and Melinda Gates Foundation
CICO:	Cash-in Cash-out
DFS:	Digital Financial Services
FSPs:	Financial Services Providers (I.e., Banks, Microfinance Institutions, Credit Unions)
G2P:	Government-to-Person Transfers
HDVI:	Haitian Deprivation and Vulnerability Index
KYC:	Know Your Customer
MAST:	Ministry of Social Affairs and Labor
MMOs:	Mobile Money Operators
NFIS:	National Financial Inclusion Strategy
P2P:	Person-to-Person Transfers, including remittances
PDM:	Post-Distribution Monitoring
SIMAST:	Information System of the Ministry of Social Affairs and Labor
VSLAs:	Village Savings and Loan Associations
WFP:	World Food Programme

Executive Summary

On March 2021, The World Bank approved the Adaptive Social Protection for Increased Resilience (ASPIRE or PSARA by its French Acronym) project with the objective of i) designing and implementing a cash transfer program for highly vulnerable households; and ii) setting up the delivery systems for a shock-responsive social safety net program. The program includes accompanying measures to increase resilience and adaptation through Digital Financial Services (or DFS) as part of implementing cash transfers. Despite the program's intention to principally channel the PSARA cash transfers through digital channels, mainly mobile money wallets, the challenges have been significant as many beneficiaries prefer to receive the payment in cash.

At the beginning of the program's rollout in April of 2022, only 3% of beneficiaries opted to use digital payments, independent of whether they had an e-wallet. Despite recurrent attempts by the World Food Programme's (WFP) field teams, the implementing partner supporting the government, to sensitize and educate beneficiaries to receive digital payments and use the wallets, uptake was slow, and this added much pressure on the program given the situation of violence, shortage of fuel and liquidity in the country at the time. As a result of these factors, on November 2022, the local authorities, the World Bank, and the WFP agreed that any beneficiary with a valid National ID would receive their benefits through MonCash's e-wallet (the Mobile Money Operator partner of the PSARA program). This led to a substantial increase in digital transfers, with 57% of targeted beneficiaries receiving the payment through e-wallets as of April 2023. It is important to recognize these efforts to digitize PSARA's payments; however, there is still a wide gap between having a payment instrument and using it digitally and not only for cash-out.

This report has the dual objective of i) quantifying financial inclusion among beneficiaries across the three dimensions of access, usage, and quality; and ii) providing recommendations on supporting poor households to move from cash-based transactions to formal DFS.

Haiti's Economic Development and Financial Inclusion Landscape

Haiti is one of the world's poorest countries, with over 60% of its population below the poverty line. Rural dwellers, women, and persons with disabilities are the most vulnerable. Haiti's socio-political history has led to decades of under-investment in basic infrastructure like water, electricity, roads, etc., creating an endless cycle of poverty in the country¹. In recognition of the importance of inclusive financial markets for poverty alleviation and improving economic outcomes, the government has been working on financial inclusion since 2014, when it launched the National Financial Inclusion Strategy (NFIS)². Despite these efforts, financial inclusion statistics keep lagging, especially when compared with most low-income countries and the region of Latin America and the Caribbean.

¹ World Bank Group (2022). Haiti: Systematic Country Diagnostic

² Alliance for Financial Inclusion, The Central Bank of the Republic of Haiti (2018). Haiti: Digital Financial Services (SFD)

One of the latest attempts to break this poverty cycle and create a more inclusive economy is the launch of PSARA, supported by The World Bank and planned to last six years. As of April 2023, this program included over 22,000 households in the region of Grand’Anse, which is especially vulnerable to poverty and natural disasters. As part of its cash transfers component and goal to digitize such payments, the program has a financial education component and a strategy to strengthen “community banking” through building the capacity of existing and new Village Savings and Loan Associations (VSLAs) where beneficiaries participate (see appendix for more information on Grand’Anse VSLAs and PSARA’s initiative).

Research Background

This report leverages the data from the PSARA impact evaluation baseline survey collected in the second half of 2022, which includes a module on ownership and usage of formal and informal financial services. The quantitative analysis of this survey is complemented with data from the Information System of the Ministry of Social Affairs and Labor (SIMAST) 2021-2022 social registry, the Grand’Anse VSLA diagnostic survey (2022), and the Post Distribution Monitoring (PDM) surveys gathered in two disbursement cycles (both for cash and digital payments) in December 2022 and February 2023. To complement the quantitative analysis, an extensive literature review was conducted on international experience promoting DFS and recent studies in Haiti related to PSARA and financial inclusion. In particular, this study leverages the research and findings of the Bill and Melinda Gates Foundation (BMGF) PSARA beneficiaries’ baseline study³, the WFP study of Women’s Financial Inclusion in Grand’Anse, and the WFP research on the viability of partnering with MonCash to distribute PSARA cash transfers digitally to beneficiaries.

Research Findings

Financial inclusion, understood as the access and usage of formal financial services, among beneficiaries is low, and it is consistent with nationally representative surveys and other more recent studies. The PSARA baseline survey indicates that only 20% of respondents have an account at a Financial Service Provider (FSP), 39% have an active mobile money account with a Mobile Money Operator (MMO), and 54% have used mobile money through an MMO. Access to DFS is limited mainly due to a lack of mobile phones (32% of respondents argue that they don’t have an e-wallet (of an MMO) for this reason, and 13% argue the same for FSP accounts. Lack of documentation (25%) and insufficient funds (19%) are the most cited reasons for not having an FSP account; no knowledge of products (17%) and no electricity (15%) are more pervasive barriers for mobile money accounts. Moreover, 30% of respondents participate in community “banking” groups or Village Savings and Loan Associations (VSLAs), which are considered informal sources of savings and lending.

Regarding usage, mobile money transfers, including receiving, sending, and withdrawing funds, is the most used formal financial service. Formal savings are very low: only 10% of those with a mobile money wallet use it for this purpose, and only 21% have an FSP account. The most prevalent reason provided for not saving is lack of funds. In contrast, over 90% of beneficiaries

³ Bill & Melinda Gates Foundation, WFP Project (April 2022). PSARA Beneficiary Baseline Survey Report

participating in VSLAs also report saving in these groups. The gap between formal and informal savings is interesting. On the one hand, there is a difference in perception of what is “enough funds” to save at an FSP vs. a VSLA. On the other hand, it provides evidence that formal FSPs do not have adequate saving and lending products attractive to this segment of the population.

When looking at lending, 31% of the sample confirm that they are currently in debt, and a vast majority, 78%, borrow from VSLAs. The second most popular borrowing source is friends and family, 17%, and in high contrast, only 3% borrow from a formal financial institution. It is essential to highlight why beneficiaries are borrowing, given that there is an unequivocal message of “lack of funds” as the main reason not to access and use formal financial services. The survey finds that almost half of the sample, 43%, use loans to cope with hard times, 15% use them for educational expenses, and 10% for medical expenses. Only 21% acquire loans to start a business, and 11% use them for agricultural investments. These percentages are worrying: beneficiaries mostly borrow to cover expenses, which come with interest rates and a high risk of over-indebtedness, which can trap families in a vicious credit cycle. This also presents an opportunity to understand better how to break the cycle by creating savings and insurance products that better align with customer’s needs, as well as educating customers on the responsible usage of such products.

Regarding specific socio-economic demographics, women tend to fare worse from an access perspective but do better in usage when looking at payments and formal savings. By age group, those between 40 and 64 enjoy better access; use varies by product type, with young people making more digital payments. The elderly, those above 65, are the most financially excluded. Not surprisingly, being more educated tends to correlate with more access and use of formal products. Economic activity is also associated with different levels of access and usage of DFS: the salaried are the most included (however, only 2% of the sample falls into this category). Self-employed beneficiaries follow in access, and those that work primarily at home are the most excluded. Finally, persons with disabilities and the most vulnerable households (measured by the Haitian Deprivation and Vulnerability Index or HDVI) are also the most excluded from an access and usage perspective.

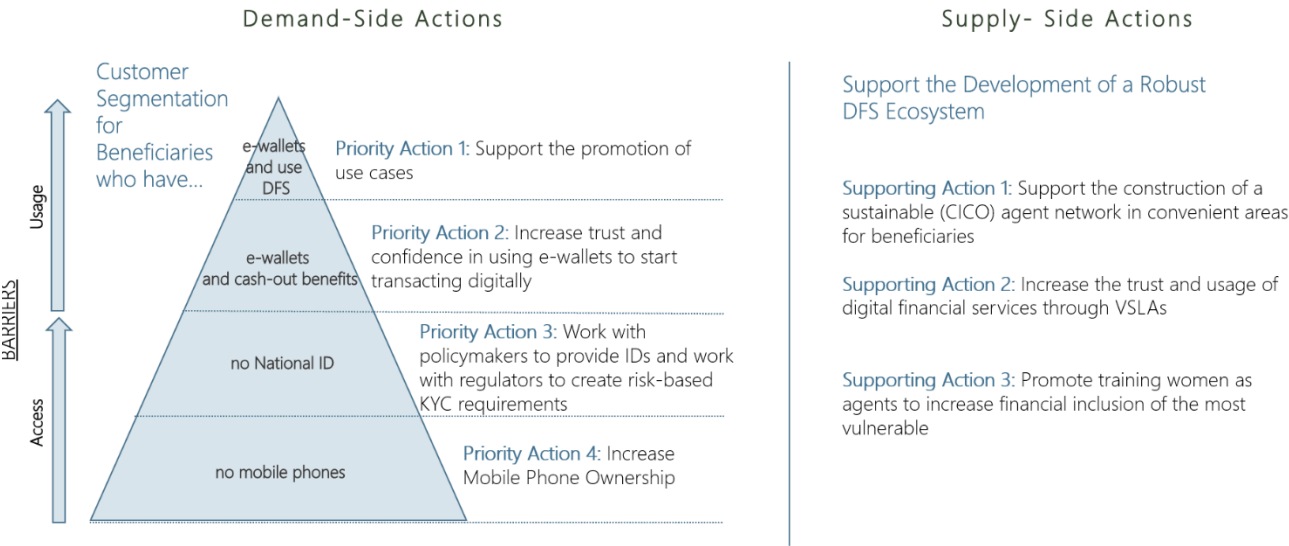
Beneficiaries living in the eastern part of Grand’Anse have more access and better usage across all products, including VSLAs, compared to their western counterparts. This could be explained by the fact Jeremie, the capital of the region, is located in the eastern part, which is better connected and has a more developed road network, making it more integrated into the national economy. In this line, there is also evidence of a positive relationship between financial inclusion, receiving remittances, and having previously participated in social assistance programs. This can be primarily because households likely used a financial intermediary for these activities.

Recommendations

The main conclusion from the research is that there is no one-size-fits-all solution to increase the demand for access and usage of DFS among beneficiaries: PSARA must first identify which beneficiaries are facing barriers to *access* or *usage*, and then design different *priority actions* to meet each customer in their digital and financial journeys. Furthermore, the research also

highlights that a distribution channel strategy is vital for success and PSARA can influence the providers strategy through the below *supporting actions*. MMOs⁴, particularly MonCash (at least in the short term), are best positioned to provide attractive products for the target population and create accessible and robust agent networks. Given the community nature and relative popularity of VSLAs, they should be leveraged to increase the trust in DFS among beneficiaries. Lastly, PSARA should work with policymakers and regulators to remove access barriers regarding National ID ownership and the required documentation (Know Your Customer or KYC) to open accounts at formal DFS providers.

SUMMARY OF RECOMMENDATIONS



Priority Actions to Remove Barriers to Usage

Priority Action 1: Support the promotion of use cases for beneficiaries who have e-wallets and already perform digital transactions

The research results show that beneficiaries that have a MonCash e-wallet, and use it digitally, have notably high customer satisfaction. The goal for this segment is to offer beneficiaries products that are attractive to them, like merchant and bill payments, so they have more use cases to transact digitally. PSARA should support DFS providers by helping them identify and recruit merchants, schools, and healthcare facilities to accept digital payments. Additionally, provided that many beneficiaries use VSLAs to save and borrow, promoting the digitalization of payments to and from VSLAs, can help increase the use cases where beneficiaries can directly pay with the e-wallets.

⁴ PSARA and WFP have partnered with MonCash since the beginning of the project; however, Haiti Pay will start participating in the program in April 2023. Conversations with NatCash are at an early stage.

Priority Action 2: Increase trust and confidence in using e-wallets to start transacting digitally for beneficiaries who have e-wallets and cash-out benefits

As of April 2023, a significant portion of beneficiaries belong to this segment. This is due to the change in PSARA's program rules, where now every beneficiary with a National ID is defaulted to receiving the payment digitally. PSARA needs to focus on increasing the knowledge and confidence of these customers in using the wallets beyond cashing out at a Cash-in Cash-out, or CICO, agent by leveraging the financial literacy training courses to double down in providing hands-on experience and demos of the wallets. Furthermore, it can set up "clinics" with DFS providers on cash-disbursal days to help beneficiaries solve doubts and troubleshoot issues with the e-wallets. Finally, given PSARA's initiative in relation to VSLAs (see appendix), it should work on identifying savvy members to become "DFS Champions" that can teach others in the group and their communities how to use the e-wallets and thus increase their trust in this service.

Priority Actions to Remove Barriers to Access

Priority Action 3: Work with policymakers to provide a National ID to beneficiaries who lack this requirement to open an e-wallet, and work with regulators to create a risk-based Know-Your Customer (KYC) approach for low-tier e-wallets

The lack of documentation is the most biding barrier for DFS access at the moment. This has become more critical as of December 2022, when regulators increased the KYC requirements to download e-wallets. PSARA should partner with policymakers to ensure anyone who has the required documentation to get a National ID does so, and in parallel, work with regulators on a risk-based KYC approach to avoid excluding vulnerable populations from being able to access DFS. It should be highlighted that PSARA officials and other partners in Haiti have already begun talks with policymakers and regulators in these dimensions.

Priority Action 4: Increase mobile phone ownership among beneficiaries who lack one

Not having a mobile phone is the most critical factor in accessing and using DFS (from survey correlations and customer perceptions). Based on multiple answers referring to "lack of funds" to access and use DFS, PSARA should think about how, either directly or through partnerships, to provide mobile phones for free, subsidized, or through a lending program.

Both lack of ID and mobile phones are relatively more prevalent for women, the elderly, and persons with disabilities. PSARA should prioritize removing the barriers for beneficiaries in these categories.

Supporting Actions to Promote a Robust DFS Ecosystem

In parallel to increasing the demand for DFS following the *priority actions* above, there also needs to be a partnership with DFS providers and VSLAs to promote a flourishing digital financial ecosystem. While supply-side efforts will be more dependent on DFS providers' actions, PSARA can play a role in influencing and supporting them.

Supporting Action 1: Support the construction of a sustainable (CICO) agent network in convenient areas for beneficiaries

Many beneficiaries must travel long distances to reach CICO agents. PSARA needs to support and facilitate opportunities and partnerships to, for example, recruit shops where beneficiaries buy food and other household items to become agents. This will make it easier for customers to access agents. In addition, onboarding these agents to accept merchant and bill payments (*priority action 1*) will reduce the pressure of agent liquidity management for the entire network: most customers will be incentivized to transact digitally while helping balance PSARA's transfer cash-out activities. Lastly, a potentially attractive solution is to hire and train VSLA's financially savvy members to become agents; this will bring customers and formal DFS providers closer, both physically and socially, to the communities they serve, as agents will live closer to customers, and they will also have a better understanding of their financial needs.

Supporting Action 2: Increase trust and usage of DSF through VSLAs

In Haiti, as in many parts of the world, trust can be a significant barrier to DFS uptake. Being part of the beneficiaries' communities, VSLAs should be seen as partners, to connect formal and informal financial services. PSARA should identify and train VSLA's savvy members to champion DFS in their communities to gain trust and increase personal DFS usage among its members; having a close relationship can lead to building up their members' digital financial confidence. As mentioned above, these members can also be eventually recruited to become CICO agents and further embed formal DFS in these traditionally hard-to-reach communities. Finally, the digitalization of VSLAs transactions (that is that members can send the savings contribution and receive credit through their e-wallets) can increase usage of e-wallets.

Supporting Action 3: Promote training women as agents to increase financial inclusion of the most vulnerable

PSARA should advocate for policymakers and DFS providers to invest in women agents. Recent research shows that in contexts where there are restrictive social norms toward women, like in Haiti, there are positive effects of recruiting women as agents on the financial inclusion of vulnerable segments in rural populations, like women, the elderly, students, and persons with disabilities – precisely the same segment that PSARA targets. Furthermore, research shows that women becoming agents can also have positive effects at the women's individual, household and community levels.

The report is structured as follows: Section 1 provides Haiti's context on economic development, financial inclusion, and background information on the PSARA program, as well as the data sources that were used for the analysis. Section 2 will present the results on the current state of financial inclusion in Haiti and identify barriers to further deepening Digital Financial Services. Section 3 provides recommendations on how to incentivize the usage of DFS and suggests obstacles to be removed to facilitate access to such services. Section 4 concludes.

1. Introduction

1.1 Context

1.1.1 Social and Economic Development in Haiti

Haiti is one of the poorest countries in the world, with approximately 60% of its population under the poverty line in 2020, and in 2022 over a third of the population was expected to face high levels of food insecurity. According to the World Bank Systematic Country Diagnostic Update report published in June 2022⁵, the country's development continues to face obstacles related to recurrent political instability, economic and governance mismanagement, high levels of violence, and frequent natural disasters. All four combined have created a vicious cycle of poverty and vulnerability that has trapped Haiti for decades.

The low public investment and governmental capacity have translated into most of the basic services being provided privately, like water, electricity, education, and health, taking a sizable portion of people's income, which disproportionately impacts the poorest households. For example, less than 40% of homes have access to electricity, and outside the capital, the average is 4-6 hours of electricity a day at uncertain times. Furthermore, poverty has been historically concentrated in rural areas, with subsistence agriculture and self-employment being the main economic activities. Women and persons with disabilities are persistently the most vulnerable sector of society, with 30% of the former being illiterate and less than half of the latter having ever worked.

Haitians have proved resilient despite so much instability and shocks. Community networks, such as the VSLAs, have been at the center of social and economic development and have helped many households become more resilient against social and natural shocks, particularly in rural areas. Haiti's diaspora has also become a pivotal element in facing multiple challenges; at least 10% of Haiti's population resides outside the country, and over 70% of households in Haiti receive local and international remittances.

1.1.2 Financial Inclusion in Haiti

In 2014, the country launched the National Financial Inclusion Strategy (NFIS)⁶ to develop an inclusive financial market recognizing its role in creating more income-generating activities, poverty alleviation, and economic growth. Despite many efforts in the past decade, financial inclusion statistics keep lagging, especially when compared with most low-income countries and the region of Latin America and the Caribbean⁷22.

⁵ World Bank Group (2022). Haiti: Systematic Country Diagnostic

⁶ Alliance for Financial Inclusion, The Central Bank of the Republic of Haiti (2018). Haiti: Digital Financial Services

⁷ World Bank (2022). Global Findex

In 2016, due to the struggle to make meaningful advances, The Central Bank of Haiti and The World Bank launched a survey to better understand access and usage of financial services (this is the most recent survey conducted in Haiti that is nationally representative). This nationally representative survey, conducted between September 2016 and March 2017, highlights that only 27% of the population has access to a formal financial institution account; 22% of adults have savings or checking accounts, and 14% have a mobile money account. Not enough money is cited as the main reason Haitians state they don't have an account, followed by high fees and a lack of trust in financial institutions.

When looking at disaggregated data, the survey finds that higher-income segments are significantly more included, with 40% of this population having an account at a formal institution, in contrast with just 15% of low-income households. Likewise, people living in urban centers are more likely to have an account than their rural counterparts, with 48% and 15%, respectively. As for men vs. women, 24.3% of the former have an account, while only 18.5% of the latter do so. Finally, more sophisticated financial products like insurance and investment are practically inexistent in low-income and rural households.

When zooming in on usage, 85% of the Haitian population doesn't save, 57% have not used credit products, and only 35% expressed using remittances. The difference in formal vs. informal financial services usage within different population segments is also worth highlighting. Formal services, like savings and lending, are used by higher-income and urban segments, while the rural segments rely on informal versions of these products.

When looking at Haitians who are involuntarily excluded from formal financial services this is primarily due to lack of physical access, inability to afford the products, or lack of the required documentation to open accounts. Those voluntarily excluded don't participate in the traditional financial markets mainly because of a lack of funds: most respondents argue that they struggle to meet daily basic needs and hence don't have any money left over for savings. This is particularly true in rural areas due to a lack of income-generating activities, where more than 75% of households report being self-employed or working in agriculture, which usually translates into low and volatile incomes.

1.1.3 The Adaptive Social Protection for Increased Resilience Project

In response to the continuous economic and social struggles, on March 2021, the World Bank approved a grant of USD 75 million to the Republic of Haiti to finance the Adaptive Social Protection for Increased Resilience Project, or PSARA. The project aims to support building a bridge between the urgent humanitarian aid currently needed and the foundations of a national adaptive social protection system. PSARA has two primary areas of support: i) the design and implementation of an unconditional cash transfer program for highly vulnerable households (named Klere Chimen); and ii) setting up the delivery systems for a shock-responsive social safety net program. Haiti's Ministry of Social Affairs and Labor (MAST) is responsible for its execution, with support from the WFP for the first three years of implementation.

As of April 2023, PSARA served over 22,000 vulnerable households in the 14 communes of Grand'Anse (this region was chosen given its high poverty and vulnerability rate, and susceptibility to natural disasters). The targeting is based on the 'most-vulnerable' HDVI group, i.e., the bottom 25%-30% of the welfare distribution and the demographic composition where households with children under age 5, pregnant women, or persons with disabilities are prioritized. The program targets adult women when possible. The benefit is planned to be disbursed monthly and varies between USD 35-70 depending on the demographic composition of the household⁸; the World Bank assistance is programmed to last six years.

Klere Chimen – Unconditional Cash Transfers

To support the mission of increasing resiliency, the safety net program has a component of financial inclusion that aims to educate and incentivize the use of DFS to promote the ownership and usage of mobile money, savings, formal lending, and insurance⁹. The ultimate goal is to provide these vulnerable segments with the tools to prepare for crises through savings, accumulation of human capital, smoothing consumption, and being able to adapt as needed.

Given this focus on digital financial inclusion, beneficiaries were initially asked at enrollment to indicate their preference to receive the monthly transfers in cash or via e-wallets. In the early stages, most beneficiaries opted for cash in envelopes and were reluctant to accept mobile money, even if they owned an e-wallet (only 5% of beneficiaries with a wallet initially accepted having the subsidies be transferred digitally). As much as 80% of beneficiaries interviewed by the BMGF believed their money was at risk of theft with these products¹⁰.

Later, in November 2022, when the program faced severe delays in delivering physical cash due to security issues, and a national fuel and liquidity shortage, consensus was reached that any beneficiary with a valid ID and a phone would need to open an account with MonCash, to receive their funds digitally. The program also distributed Digicel (MonCash's parent company) SIM Cards to all beneficiaries that didn't have one already. In addition, all new beneficiaries have been oriented at the program's enrollment stage about opening and using the e-wallet. In April 2023, 57% of beneficiaries received their payment through MonCash, and almost all beneficiaries cashed out the entire benefit.

1.1.4 Key Local Partners for PSARA

Mobile Money Operators

Since the spectacular growth of M-PESA in Kenya, policymakers worldwide have recognized mobile money's role in leapfrogging financial inclusion, especially in developing countries with nascent financial infrastructure. Haiti has not been the exception in taking note of this trend and has worked on developing the mobile money market in recent years. Digicel, the biggest Telco in the

⁸ World Bank Group (2021). Haiti Adaptive Social Protection for Increased Resilience Project

⁹ World Bank Group (2020). Digital Financial Services

¹⁰ Bill & Melinda Gates Foundation, WFP Project (April 2022). PSARA Beneficiary Baseline Survey Report

country, has led this charge with the creation of MonCash. Numerous studies, including many where PSARA is involved, have recognized the unique role MonCash can play in the supply and demand side of DFS, especially for program beneficiaries. Hence MonCash, so far, has been the only DFS partner of the program. HaitiPay planned to start operations in May 2023, and it will work on expanding its merchant and bill payments services in areas where beneficiaries shop. NatCash is in early conversations with PSARA officials.

From the supply side, as of March 2023, MonCash had 1.5 million users¹¹ (roughly 15% of the population) and 242 active agents deployed in 12 out of the 14 communes in Grand'Anse¹². A study commissioned in December 2021 to inform the PSARA program of the feasibility of using MonCash to route all cash transfers concludes that MonCash has adequate infrastructure in the region to distribute payments.

Based on recent studies in Haiti¹³ and the PSARA Post Distribution Monitoring Survey, from a demand-side perspective, MonCash is highly trusted among its users and enjoys strong brand recognition in the general population. Furthermore, their digital solution has a simple and intuitive user experience that is well-understood by agents and customers¹⁴. Users also value the speed at which transfers are made, the security that an e-wallet provides, as opposed to carrying cash, and the ability to make transfers in response to financial emergencies¹⁵. Specific to women, they have seen additional value in e-wallets as it allows them to manage their money more independently, save discreetly, and empower them by providing them leverage in the household decision-making process. It is important to highlight that most transactions performed through MonCash are cash-in/cash-out, and customers are not always directly using the App, but rather asking the agent to complete such transactions.

Despite the readiness and willingness of MonCash to provide its services to beneficiaries and the excellent brand recognition from its clients, some barriers still need to be addressed for this solution to reach its potential. International studies stress the importance of building a far-reaching network of CICO agents that are trustworthy, efficient, liquid, and profitable to have a well-functioning DFS ecosystem¹⁶. This is true for Haiti too; agent liquidity management, that is, the ability of the agents to balance deposits (cash-in) and withdrawals (cash-out), is one of the biggest challenges MonCash has, more so when benefits are distributed to all beneficiaries simultaneously. This is exacerbated in rural areas, where the program operates, as the ecosystem is not developed enough for agents to receive cash-in activities, like bill-pay or merchant payments, and the distances to rebalance cash needs are significantly higher and hence more

¹¹ MonCash [webpage](#)

¹² World Food Programme (2021). MonCash Feasibility Study in Grand'Anse

¹³ World Food Programme (2021). MonCash Feasibility Study in Grand'Anse and Bill & Melinda Gates Foundation, PAM Project (April 2022). PSARA Beneficiary Baseline Survey Report.

¹⁴ Brett Hudson Matthews (2019) Hidden constraints to digital financial inclusion: the oral-literate divide, *Development in Practice*, 29:8, 1014-1028, DOI: 10.1080/09614524.2019.1654979

¹⁵ Tavneet Suri, Jenny Aker, Catia Batista, Michael Callen, Tarek Ghani, William Jack, Leora Klapper, Emma Riley, Simone Schaner, and Sandip Sukhtankar (2023). "Mobile Money" *VoxDevLit*, 2(2)

¹⁶ CGAP (2019). Agent Networks at the Last Mile

costly. Another more general constraint they face is that Digicel antennas have sporadic interruptions, bringing the MonCash system to a halt. Customers also face difficulties accessing their e-wallets when they cannot charge their phones due to a lack of access to electricity.

Village Saving and Loan Associations

VSLAs are uniquely positioned to advance financial inclusion in Haiti given how they have risen in popularity as a response to the lack of formal financial services available to low-income and rural customers. Both the Grand'Anse study and the baseline survey of BMGF find that *community banking* is the most popular financial solution and is the most trusted “provider” by the community¹⁷. However, legal and regulatory standards consider their access and usage informal.

Introduced to Haiti in 2010, VSLAs are finance community groups that, in little over a decade, have grown to at least 10,000 with around 250,000 active members: in 2022, more than 1,000 VSLAs were identified in Grand'Anse (see appendix for further details on PSARA's VSLA diagnostic survey, digitalization, and capacity building initiatives). Like many other Self-Help Groups (SHG) worldwide, people gather to save together and take turns borrowing funds. Haiti has an additional category, the Solidarity Box, where members contribute to an emergency fund to support any members facing difficulties. The groups vary between 25 and 30 members who have similar objectives, and 71% are composed of women¹⁸. The group cycles usually last one year, and some can reach capitalizations of USD 10,000. The operational activity is elementary and manual (not digitized), where cash is kept in boxes and transactions are recorded in books.

Recognizing the importance of VSLAs in Haiti, and the potential they have in creating the desired savings behaviors and building resilience, one of PSARA's components aims to support these groups from an operational perspective and encourage them and their members to use DFS. As part of the capacity-building work stream, the program targets existing and new VSLAs, where PSARA beneficiaries participate, and trains them to strengthen their capabilities to:

- Increase the financial security of households through the provision of mechanisms and financial resources accessible and adapted to their needs.
- Provide VSLA members access to credit for investment purposes and to be able to respond to personal emergencies or shocks.
- Create a space for discussions on topics related to gender roles in decision-making regarding household resources, money in the home, and the importance of harmony within the home for financial well-being.

It should be highlighted that only 2% of VSLAs have an account at a formal financial institution. This brings many disadvantages, among which are higher risks of theft or loss of funds due to

¹⁷ Bill & Melinda Gates Foundation, PAM Project (April 2022). PSARA Beneficiary Baseline Survey Report and World Food Programme (2022). Analysis of barriers to digital financial inclusion and economic empowerment of women in Grand'Anse.

¹⁸ Results of the formative study on financial inclusion for PSARA/ Klere Chimen

natural disasters, as well as it can be a missed opportunity for formal providers to access the financial behavior of individuals or use the funds saved as collaterals, which can help them build a credit history and in turn the possibility of accessing formal financial services.

In recognition of the role that VSLAs play in their communities and their lack of connection for formal financial services, there are existing initiatives to digitize the VSLA's record keeping and transactions. MonCash and NatCash provide group money accounts for these groups, while FINCA and HaitiPay are testing their methodologies. Most often, the groups are given tablets or smartphones to their loan officers, who record customer data and then transmit it to the platform, which allows transactions to be monitored and can eventually lead to access to capital of formal financial institutions or create a credit history for individuals that can then help them access more traditional financial products¹⁹.

1.2 Research Background

The analysis primarily focuses on the data derived from the PSARA baseline survey. To supplement the survey, the report uses the Human Deprivation and Vulnerability Index constructed as part of the SIMAST social registry, the VSLA diagnostic survey, and the Post-Distribution Monitoring (PDM) surveys from beneficiaries that received the payments in cash and those who used MonCash for funds disbursement.

1.2.1 PSARA Baseline Survey

The PSARA project incorporates an impact evaluation study to rigorously measure the impact that Klere Chimen interventions will have on beneficiaries and inform a potential program scale-up. This report will use its baseline survey as the primary resource for analyzing the current financial inclusion landscape in the beneficiary population. Two questionnaires comprise the survey: i) Households and ii) Women and Children. Both were collected in two enumerator field deployment stages: the first was completed between July and August 2022, and the second one from November to December 2022.

Informed by statistical power calculations, a sample of households was drawn from the social registry SIMAST. The households were drawn around (on each side of) the INPV score threshold determining eligibility for the Klere Chimen program. A household reserve list was created for situations where households were absent or refused to participate in the survey. The survey is, therefore, not representative of the whole Haitian population or the population of the Grand'Anse department. Instead, the sample was defined to be able to estimate best the welfare impact of the Klere Chimen cash transfer program on beneficiary households. The size of the survey is nonetheless large enough to generate informative statistics on the vulnerable population targeted by the program. This analysis will consider 11,684 responses from beneficiaries, adult women that live in the same household, and adult heads of household (male or female).

¹⁹ VSLA training manual

Each household member had to complete the demographics section of the household questionnaire. The head of household completed specific sections, including questions on access and usage of financial services. Furthermore, all the women in the household answered the Women and Children questionnaire and included a section on financial inclusion, and so, the responses of the analysis included the responses of all the women of the household, and only the responses of men who are the heads of the household. Whenever the head of the household was a woman, they only answered the financial inclusion questions of the household questionnaire to avoid duplications. The analysis pools the data of all beneficiaries; that is, there is no differentiation if more than one respondent belongs to the same household. It does not consider potential intra-household dynamics affecting financial inclusion or other relevant variables, such as mobile ownership.

The financial inclusion questions focus on access to FSPs accounts and MMOs e-wallets, and usage indicators are based on savings, payments, and borrowing. Finally, the questions include "why not" sections relating to account ownership, savings, and credit that complement the analysis of barriers to accessing products and the perceived quality of the services. The questionnaires also explore beneficiaries' participation in VSLAs.

Demographic variables such as gender, age, geolocation, education, and economic activity will be used to compare the levels of financial inclusion across the different segments. In addition, the literature suggests that characteristics such as mobile ownership, ID, receiving remittances, and having previously received social assistance positively affect financial inclusion. Therefore, the analysis will also include these variables. Finally, the vulnerability level of the household can also affect the level of financial inclusion; the report will also explore evidence of this.

1.2.2 SIMAST Social Registry Survey

The MAST's social registry, named the Information System of the Ministry of Social Affairs and Labor (SIMAST) and conceived in 2014, is the main government database of households in situations of deprivation and vulnerability. As of November 2022, the SIMAST covers about 25% of the Haitian population. The report will use this data to match the beneficiaries in the baseline survey with the level of vulnerability of their households²⁰.

²⁰ The SIMAST methodology generally relies on municipality census sweeps to collect demographic and socio-economic data. After data is collected, a proxy-means test (PMT) algorithm is run to determine the Haitian Deprivation and Vulnerability Index (HDVI). Based on 20 socioeconomic and demographic indicators, the index classifies households by degree of vulnerability into four categories: non-vulnerable, less-vulnerable, mid-vulnerable, and most-vulnerable.

1.2.3 Post Distribution Monitoring Surveys (e-money and cash disbursements)

The PSARA program conducts Post-Distribution Monitoring (PDM) surveys for a random sample of e-money and cash disbursement recipients after payment cycles.

The PDM e-money surveys are used to monitor the uptake of DFS (beyond cashing out the subsidy) and the quality of MonCash's service and its agents. The surveys used for this report were conducted in January and February 2023 for the cycle of payments of December 2022 and January 2023 and jointly covered 303 beneficiaries in 10 municipalities. The surveys were deployed two weeks after the funds were disbursed to give enough time for beneficiaries to collect them at a CICO agent point or use it digitally. They were conducted by phone by the WFP and the MAST staff.

For the PDM surveys on cash-in-envelope disbursements, the interviews were conducted on-site after the beneficiaries collected PSARA subsidies in the form of cash. The data includes responses from 364 beneficiaries in 11 municipalities for the December 2022 and March 2023 cycles.

1.2.4 Village Savings and Loan Associations Diagnostic Survey

As previously mentioned, the PSARA project has a program dedicated to supporting and strengthening VSLAs in the region of Grand'Anse. This report will include data on the initial diagnosis of the current landscape of VSLAs in the region. The survey was collected in May 2022 and included 1,035 such organizations. More details of the survey results can be found in the appendix.

2. Research Findings

2.1 Access, Usage and Quality of Financial Services

Access

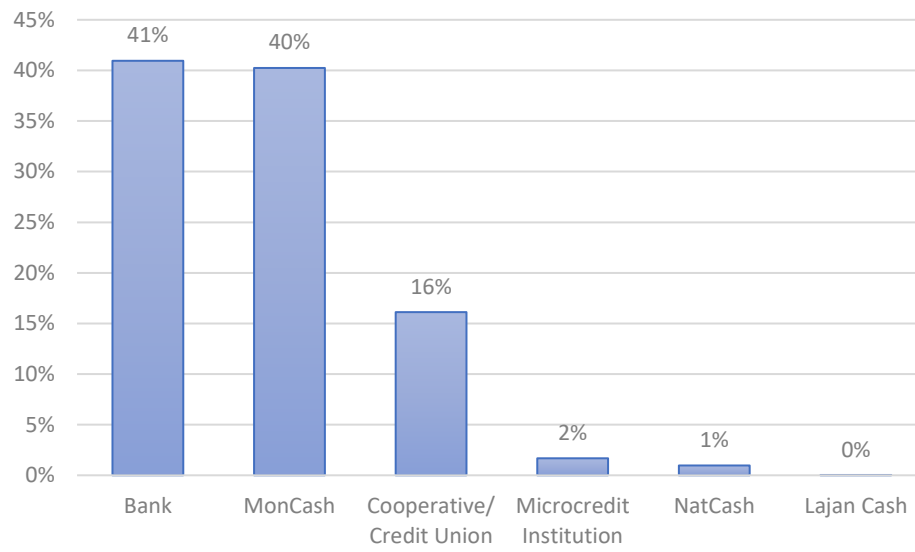
Consistent with previous research, the PSARA baseline survey results reveal low levels of financial inclusion. Overall, only 20% of respondents have an account at an FSP²¹. A higher percentage, 39%, own or have used a mobile money account with an MMO. When looking at informal institutions, VSLAs, 30% of respondents have participated in a group.

These results are somewhat consistent with different studies (including the 2016 representative survey from The World Bank mentioned in the research context section). The exact percentages found in other studies differ from the results found here as the populations under review are different; however, they all show lower penetration of traditional financial institutions and better penetration of mobile money accounts and VSLAs. For example, the BMGF study on PSARA subjects finds that 12% of beneficiaries have a financial institution account, and 40% own a mobile money account. Interestingly they find that 64% use VSLA groups, which is double what the PSARA baseline data indicates.

Of those respondents that confirmed having a formal account, 59% use an FSP, and 41% use an MMO. Banks are the most popular FSP, followed by cooperatives and credit unions. It is also worth highlighting that there are only three bank branches in Grand'Anse, and they are all concentrated in downtown Jérémie. Regarding mobile money, MonCash is the most popular provider used by respondents, with 40% using its mobile wallet (usage of NatCash and Lajan Cash, also MMOs, is practically non-existent among program beneficiaries).

²¹ The way the survey asked about FSPs and MMOs accounts may have created some confusion among respondents. The household questionnaire first asks about knowledge and usage of mobile money and then follows with a question about having a formal account (FSPs and MMOs). There is a possibility that respondents got confused and thought that the second question was only inquiring about financial institutions since a higher percentage of respondents answered that they have more of the former than the latter, which is inconsistent with the percentage of respondents confirming they have a mobile money wallet and other recent studies. Furthermore, the mobile money questions were not asked in the Women and Children questionnaire; therefore, i) there could be a difference in the interpretation of the question (as aforementioned), and ii) there is only data for half of the sample on those questions.

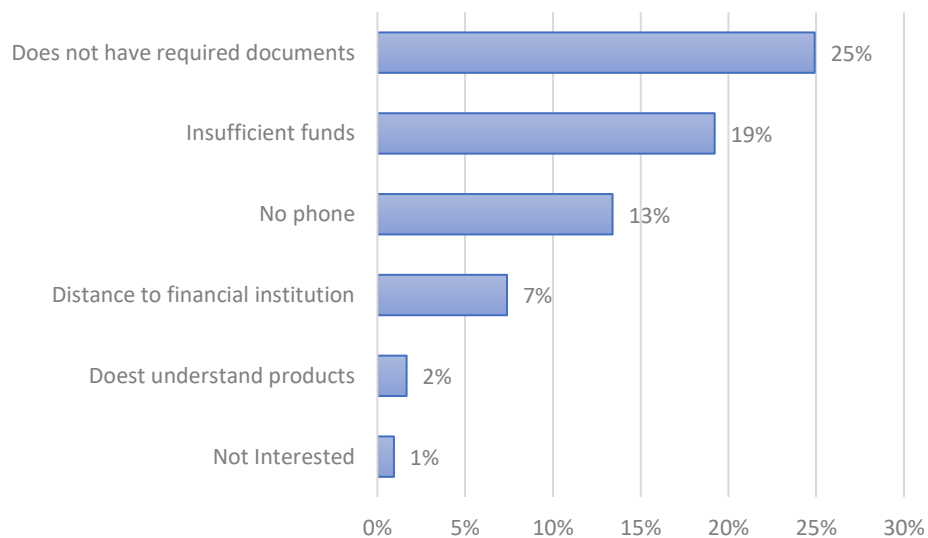
FIGURE 1: DISTRIBUTION OF BENEFICIARIES WHO HAVE A FORMAL ACCOUNT BY DFS PROVIDER



Source: Author's calculation based on the PSARA Baseline Survey Data

The survey respondents face various voluntary and involuntary barriers to accessing financial services. Most significantly, over 25% of those who do not have an FSP account argue that they do not have the required documentation, and 19% claim insufficient funds as the main reason. This is followed by 13% who do not have a phone and 7% who live far away from a financial institution.

FIGURE 2: REASONS RESPONDENTS DON'T HAVE AN ACCOUNT AT AN FSP

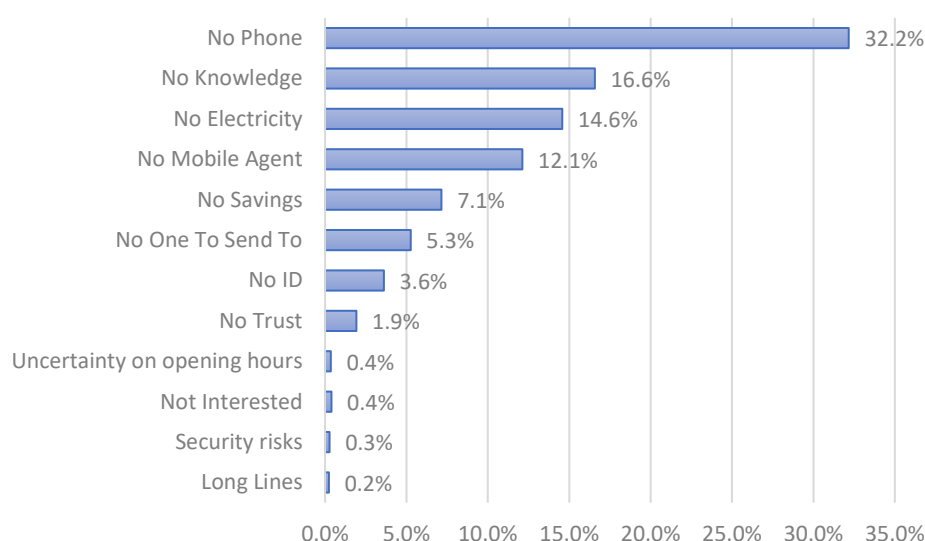


Source: Author's calculation based on the PSARA Baseline Survey Data

A qualitative study commissioned by the WFP on the barriers to financial inclusion and empowerment of women in Grand'Anse²² finds that lack of funds is the most pervasive reason for exclusion. Furthermore, the study highlights the lack of availability of services, lack of information, and distrust in providers as other important variables.

When looking into mobile money accounts, a third of the beneficiaries cite the lack of a phone as the primary reason for not having an e-wallet; 17% argue having no knowledge, and 15% of the respondents say that not having electricity is the main reason. No mobile agents close by (12%), no savings (7%), and not having anyone to send money to (5%) are other reasons provided. Interestingly not having an ID (4%) and no trust (2%)²³ are very low.

FIGURE 3: REASONS FOR NOT HAVING A MOBILE MONEY ACCOUNT



Source: Author's calculation based on the PSARA Baseline Survey Data

Usage

The PSARA survey also reveals usage trends among the participants, specifically regarding transfers (which can be either P2P – person to person - and G2P – government to person), savings, and borrowing.

Transfers

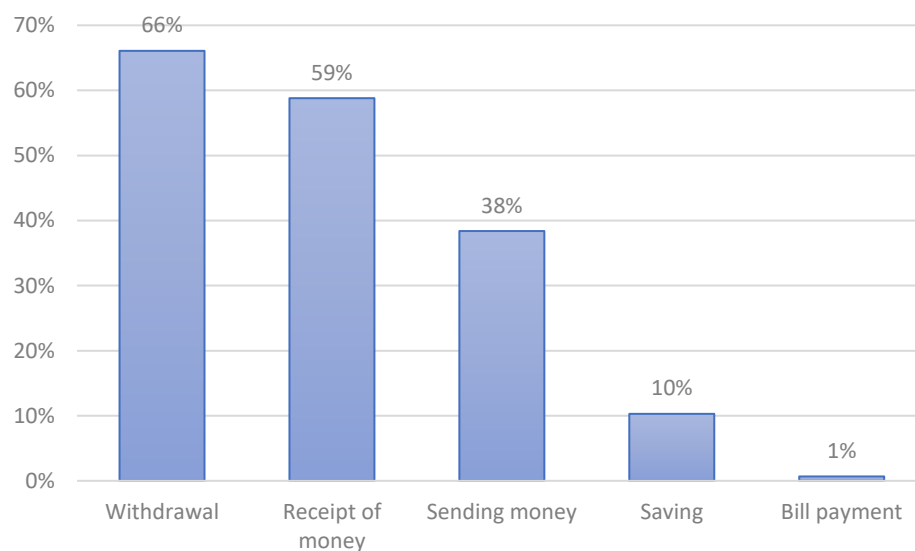
Mobile money is mainly used to make transfers and cash-in cash-out transactions: 66% use the service to make withdrawals, 59% to receive money, and 38% to send money. Only 10% of

²² World Food Programme (2022). Analysis of barriers to digital financial inclusion and economic empowerment of women in Grand'Anse

²³ The formative PSARA study finds consistent results where respondents argue that the lack of access to mobile phones or electricity to charge them, low digital literacy skills, and lack of ID as the main reasons not to have e-wallets.

respondents use e-wallets to save, while bill payments are rarely made. Other services, like merchant payments, are nonexistent. This is also consistent with the BMGF baseline study for PSARA, where withdrawals is the most common service used, followed by making or receiving payments. Paying for public services (water, electricity, etc.), paying in stores, or buying insurance are nonexistent. Similarly, the Women in Grand'Anse study finds that 72% of participants have used financial services to send and receive money.

FIGURE 4: SERVICES USED WITH MOBILE MONEY

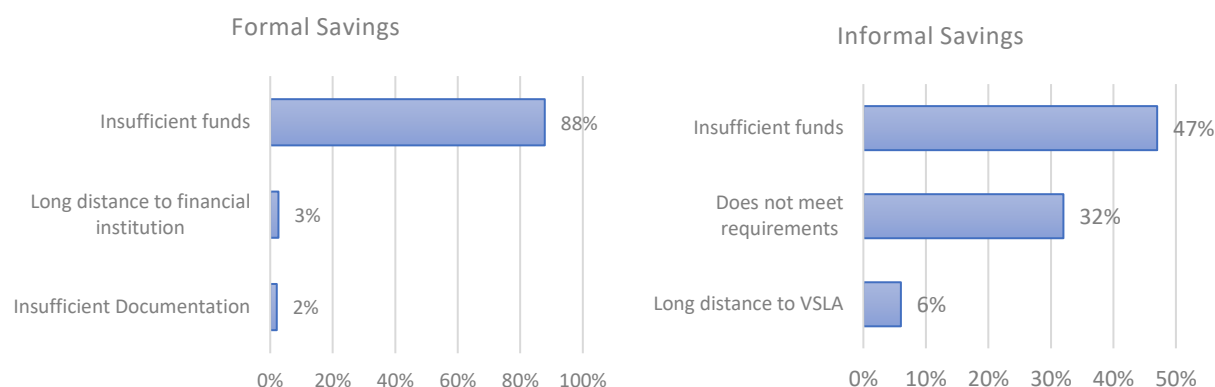


Source: Author's calculation based on the PSARA Baseline Survey Data

Savings

21% of participants with FSP accounts confirm they have used it to save; of those that have yet to save, 88% mention insufficient money for this purpose. Interestingly, when looking at informal financial services, that is, VSLAs, 92% of those that have participated have saved. This is a significant finding on participants' preferences regarding where to save and the perception that they have enough money to keep at a VSLA, but it is not enough when thinking about financial institutions.

FIGURE 5: RESPONDENTS' REASONS FOR NOT SAVING BY PROVIDER



Source: Author's calculation based on the PSARA Baseline Survey Data

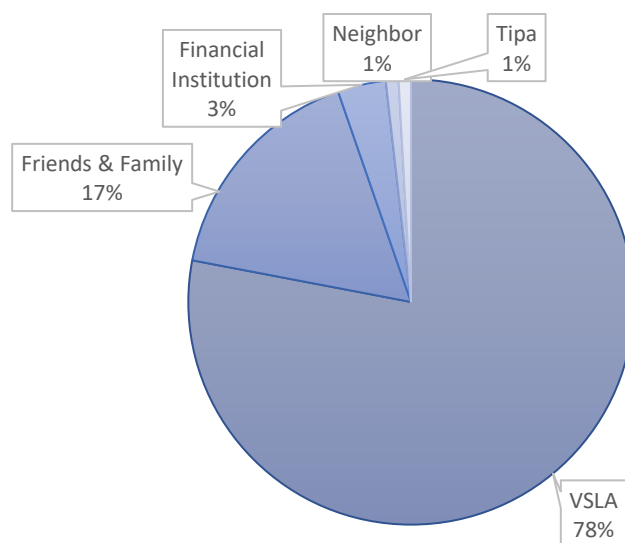
Credit

As evidenced in other research, one of the most interesting variables is borrowing, given its popularity among participants. The World Bank 2016 survey finds that around 50% of respondents borrowed; however, only 10% did so from an FSP. Rural households are also more likely to have borrowed; however, 60% of the households in this segment report having borrowing being over-indebted²⁴.

From the PSARA survey, 31% of the sample confirmed borrowing. Of these, 78% did so from a VSLA, followed by 17% who borrowed from friends and family, and under 3% from a formal financial services provider. For those who have not taken out a loan, 28% fear debt, 20% argue there are no providers in the area; and 11% do not meet the requirements. This product's level of informality reveals a significant unsatisfied need from this population regarding formal financial services, creating an opportunity for DFS providers to better serve this segment with products that align with their needs.

²⁴ World Bank Group (2019). Financial Capability and Inclusion in Haiti. Results of a Demand-side Survey

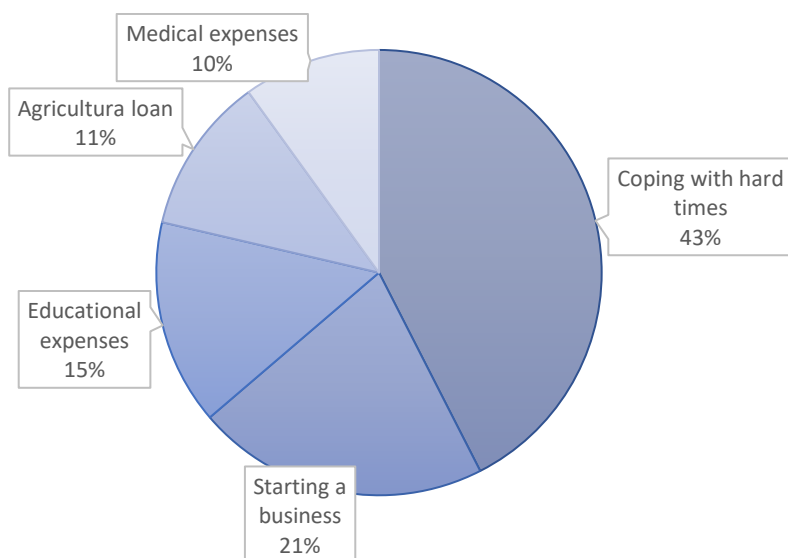
FIGURE 6: BORROWING SOURCES RESPONDENTS USE



Source: Author's calculation based on the PSARA Baseline Survey Data

Further looking at the borrowing needs of this population can shed light on the type of products they need and if, indeed, extending credit is the right solution. For example, 43% of respondents stated they needed a loan to cope with challenging times as the main reason. Borrowing is not an optimal coping mechanism: savings and offering insurance products are better suited for these situations. With these products, people will avoid paying interest and falling into over-indebtedness cycles if the problems are solved ex-ante. Others borrow for educational (15%) and medical (10%) expenses; this reason could again be met with a better strategy, such as savings to smoothen consumption, rather than borrowing. A last segment of beneficiaries borrows to start a business (21%) or need an agricultural loan (11%); both reasons are more aligned with a healthy strategy for seeking a loan, as it is presumed that the additional funds will be used to increase their working capital and will have the means to repay.

FIGURE 7: RESPONDENTS' REASONS FOR BORROWING



Source: Author's calculation based on the PSARA Baseline Survey Data

Other studies also show that Haitians, in general, borrow for daily expenses: an impact evaluation finds higher borrowing percentages, with 62% of the households under their study borrowing funds to purchase food, 31% for education, and 24% for medical expenses²⁵.

Quality

The PSARA baseline survey does not have direct questions regarding the quality of formal financial services. However, insufficient funds is a frequently cited reason for not having accounts, not making payments, and not savings with formal providers (while the story differs for VSLAs). This can allude to the fact that customers do not feel served by formal providers or that the products are not aligned with these segments' needs. A similar hypothesis can be obtained for borrowing: this is the most used product; however, more than three quarters prefer VSLAs, and less than 3% get a loan from formal sources. Finally, most of the respondents with an active loan use the funds for purposes that could be better suited by savings or insurance products.

Quality of MonCash Service

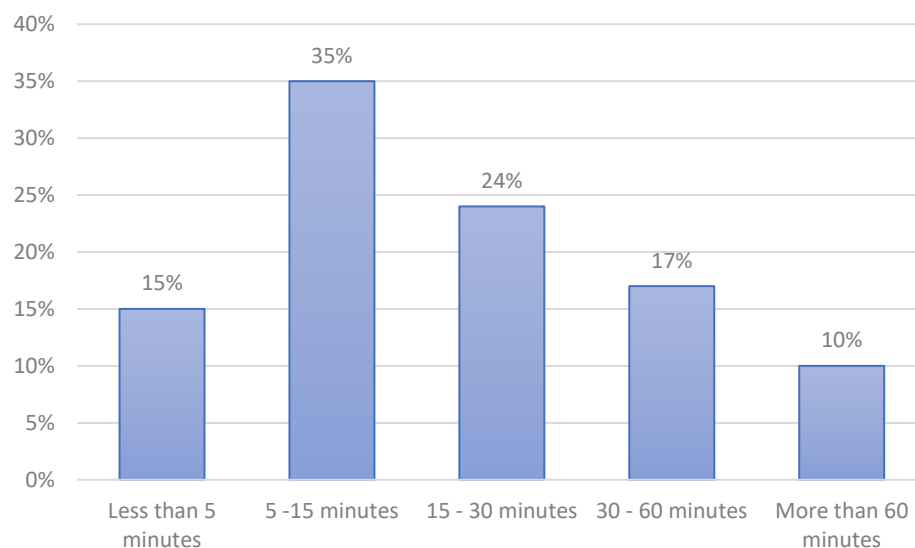
Since MonCash is the only DFS provider currently being used by PSARA, there is more data that can shed light on the experience of beneficiaries that have used the service to receive the cash transfer. The PDM survey shows that the perception and quality of the service provided by this MMO is high. Of the 301 beneficiaries interviewed, all but five thought it was favorable or very favorable to receive the funds digitally, and 93% were satisfied or very satisfied with the assistance they received. The BMGF beneficiaries survey also finds good customer satisfaction, where 76% of users are happy with the MonCash services (those who are not satisfied mention lack of access

²⁵ IMPACT (2021) Baseline Report: Evaluation of the Emergency Cash Transfer Program in Haiti

to a phone or laptop, insufficient knowledge, and network difficulties while withdrawing cash as the main issues).

The PDM data also shows that 87% of customers had no issues with the transaction, and they all argued that they received good service - some indicated that the agent helped them perform the transaction or did it for them -. 12% of respondents experienced difficulties, and only two customers reported that the transaction didn't go through. Of those with problems withdrawing funds, 62% blamed the long waiting lines, and the rest had issues manipulating the phone or presenting the code to the agent. In this regard, 15% of the sample had to wait less than 5 minutes to collect the funds; 35% between 5 and 15 minutes; 25% between 15 and 30 minutes; 17% up to one hour; and 10% more than one hour.

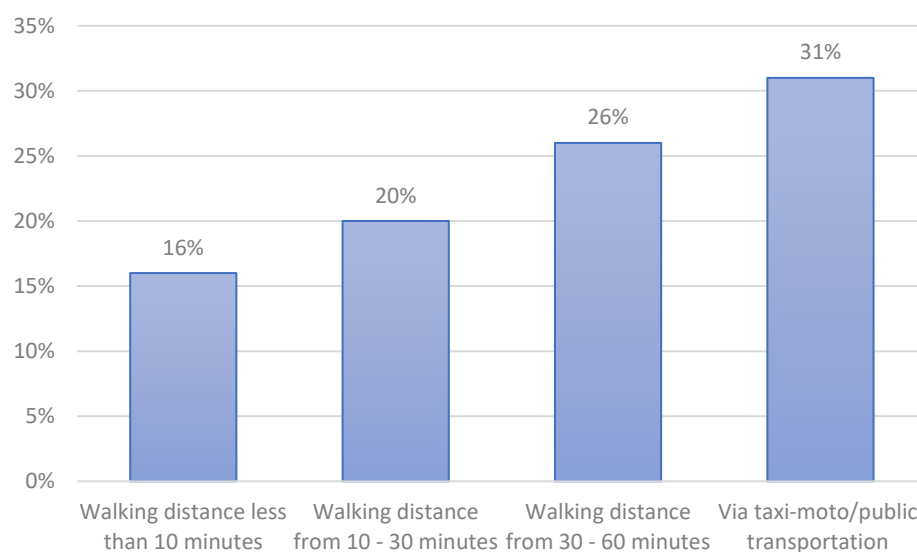
FIGURE 8: WAIT TIME TO WITHDRAW PSARA BENEFIT PAYMENTS AT A MONCASH AGENT (PDM DATA)



Source: Author's calculation based on the Post Distribution Monitoring Survey Data

When looking more specifically at the respondents of the PDM survey, who are traveling to the agents exclusively to withdraw the subsidy, 36% of the sample traveled less than 30 minutes walking; 26% took between 30 to 60 minutes, and 31% needed to take private or public transport. Moreover, 39% of respondents know to have 1 or 2 agents nearby, 45% argue that they do not have an agent conveniently located, and 3% don't know.

FIGURE 9: DISTANCE TO MONCASH AGENT (PDM DATA)²⁶



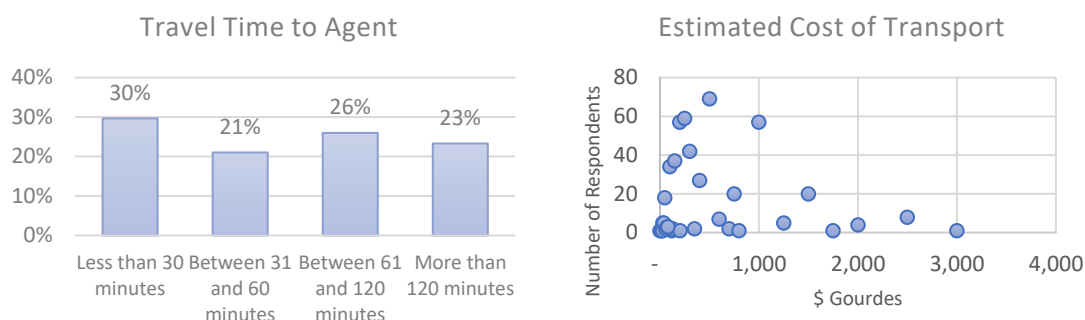
Source: Author's calculation based on the Post Distribution Monitoring Survey Data

Beyond cash-in and cash-out transactions of subsidies, the PDM data shows that 74% use MonCash for additional services, and most are satisfied or very satisfied with the service. 20% know merchants where they can pay with their wallets, and 12% have used MonCash to pay for goods and services.

Outside the collection of PSARA's benefits, the PSARA baseline survey (which was collected before the program's disbursements started) shows that around half of those that use the service live within 60 minutes of the agents, and the other half take more than one hour to get to a service point. Transport costs can be high for some respondents; half of the sample spent more than 250 Gourdes in transportation costs (for reference, this is around USD 1.62; the estimated earning per day is less than a dollar for more than half of the population).

²⁶ In contrast to those that receive the subsidy in cash, 3% live within 10 minutes from the cash disbursement site; 14% must walk between 10 and 30 minutes; 48% between 30 and 60 minutes; the remaining beneficiaries took over an hour to travel, and one participating reported taking up to 9 hours.

FIGURE 10: TRAVEL TIME TO NEAREST MONCASH AGENT AND ESTIMATED COST OF TRANSPORT (PSARA BASELINE DATA)



Source: Author's calculation based on the PSARA Baseline Survey Data

Despite all the positive aspects that MonCash provides, there is room for improvement, particularly in the accessibility of agents and the availability of use cases for digital payments. Concerning the former, MonCash needs to improve the capillarity of its agent network in the region of Grand'Anse. From the PSARA baseline survey, 12% of customers argue that no agents are nearby as the main barrier to accessing the service, and 50% of respondents take longer than one hour to get to an agent; for some, transportation costs are prohibitively high. For the latter, although there are some signs of beneficiaries transacting digitally, this is where the most progress needs to be made. From the PSARA baseline survey and BMGF, there is virtually no evidence of e-wallet usage beyond cash-in cash-out. The PDM survey reveals that 88% of beneficiaries immediately withdraw all the funds. Of those that left funds behind, unfortunately, 12 did so because the agent didn't have enough cash at hand. However, 17 voluntarily left some funds in the e-wallet for expected or unexpected expenses, which could be interpreted as a sign of some level of sophistication and trust in the wallet.

2.2 Usage and Access Depends on Demographic Characteristics

Gender

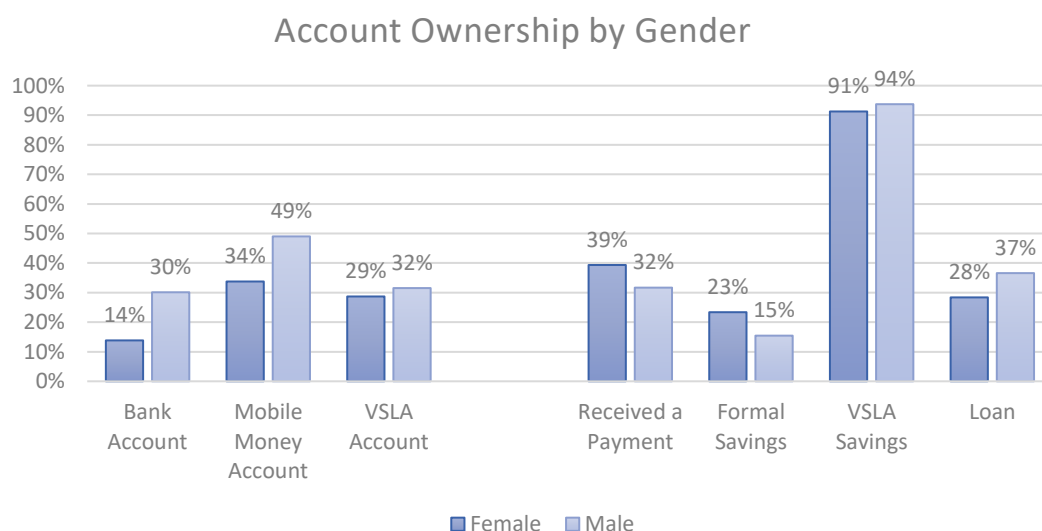
The baseline survey respondents are 65% women and 35% men. As previously mentioned, the over-representation of women is because all women in the households answered the sections regarding financial inclusion, while only the men who are heads of households did so.

Consistent with the literature (both from Haiti and internationally), women usually fare worse in financial inclusion indicators. The results show a significant gap in FSP accounts, with men being twice as likely to have one compared to women, and mobile money account ownership, with a difference of 15 percentage points. The gender gap is significantly reduced regarding VSLAs, probably because these community groups have been historically targeted toward women. Research also finds that women strongly prefer these informal services to FSPs products.

Regarding usage, many women have confirmed they have received payments and have formal savings. In contrast, men are more likely to save in a VSLA and borrow. Interestingly, the data

shows that women are more likely to *use* formal products (at least payments and savings), pointing to *access* as a bigger barrier than *usage*.

FIGURE 11: ACCOUNT OWNERSHIP AND USAGE BY GENDER



Source: Author's calculation based on the PSARA Baseline Survey Data

A recent study in Grand'Anse focused on financial inclusion and women's empowerment sheds light on why these differences exist²⁷. The main reason for exclusion relates to women's principal economic activities (agricultural products, social and the solidarity economy), disproportionate household responsibilities, aspirations, social norms, and ability to move freely. Furthermore, women also perceive that the current products in the market are inadequate to meet their needs; providers are not interested in servicing them and do not describe their products well. Finally, women fare lower in financial and digital literacy, creating an additional barrier to the usage of the products. The Formative study PSARA/ Klere Chimen confirms these hypotheses²⁸. Finding mechanisms where women feel more included and their needs are addressed will be important to reduce the gender gap.

Age

Only adults are eligible to open FSPs or MMOs accounts; hence the analysis will focus on this population. Half of the sample is aged between 18 and 39 years, followed by 30% of respondents between 40 and 64 years of age; 11% of the sample is at least 65 years old (considered "elderly" by the program).

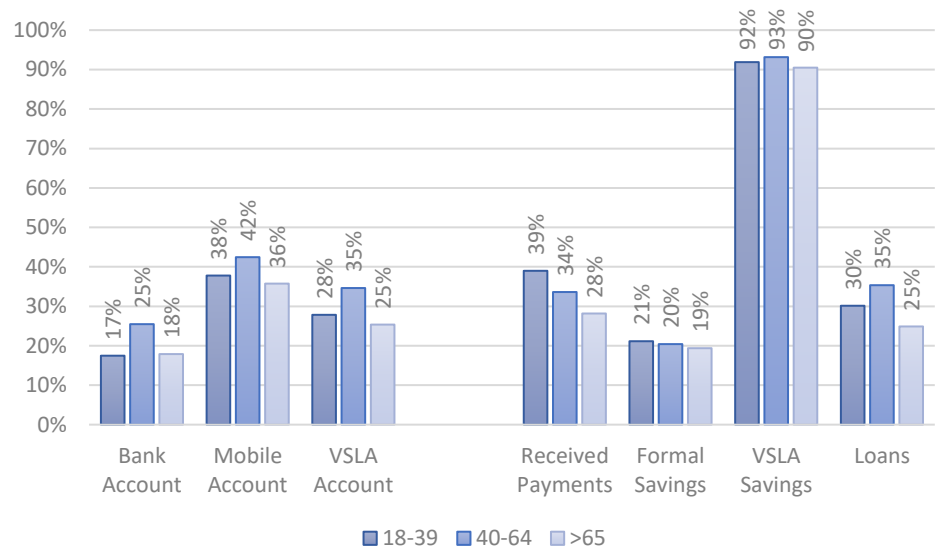
Account ownership varies by age group, with beneficiaries between 40 and 59 tending to have more FSPs, mobile money accounts, and have participated in VSLAs. Beneficiaries between 18 and 39 and those older than 65 are similar regarding access. Usage shows a more marked difference

²⁷ World Food Programme (2022). Analysis of barriers to digital financial inclusion and economic empowerment of women in Grand'Anse

²⁸ Action Aid, Care (2022) Results of the formative study on financial inclusion, health and nutrition practices Social Protection for Increased Resilience (PSARA / Clear Path)

for digital payments, with the youngest leading the group. Savings formally and informally are virtually the same across all age categories. Beneficiaries between the ages of 40 and 59 are more likely to have a loan, and the eldest are the least likely.

FIGURE 12: ACCOUNT OWNERSHIP AND USAGE BY AGE GROUPS

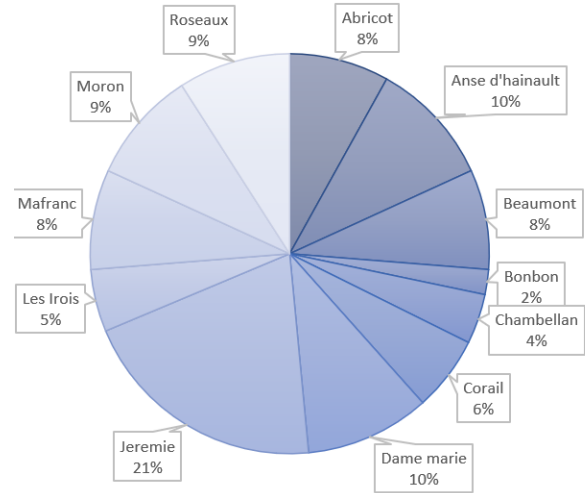


Source: Author’s calculation based on the PSARA Baseline Survey Data

Location

The communes of Abricot, Anse d'hainault, Bonbon, Chambellan, Dame Marie, Les Irois, Mafranc, and Moron are considered the western part of the region, and Beaumont, Corail, Jeremie, and Roseaux, considered the east of Grand'Anse. The distribution of the PSARA Baseline survey sample by commune is as follows:

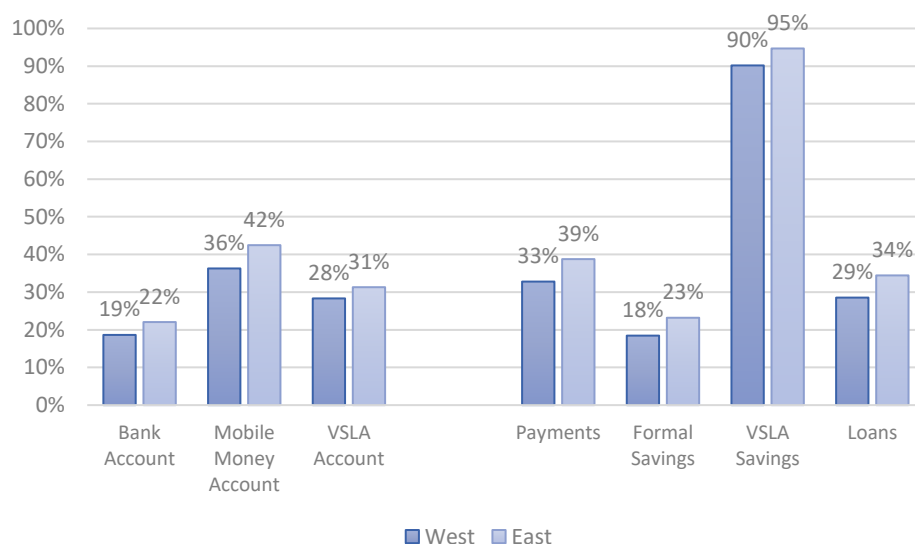
FIGURE 13: GEOLOCATION OF RESPONDENTS BY COMMUNE



Source: Author’s calculation based on the PSARA Baseline Survey Data

The survey shows that owning and using financial services is slightly higher for those living in the east. This could be explained by the fact that the eastern part of the region is closer to Jeremie, the capital of Grand'Anse, and has a better road system, making these communes more connected to the national economy.

FIGURE 14: PRODUCT OWNERSHIP AND USAGE BY REGION

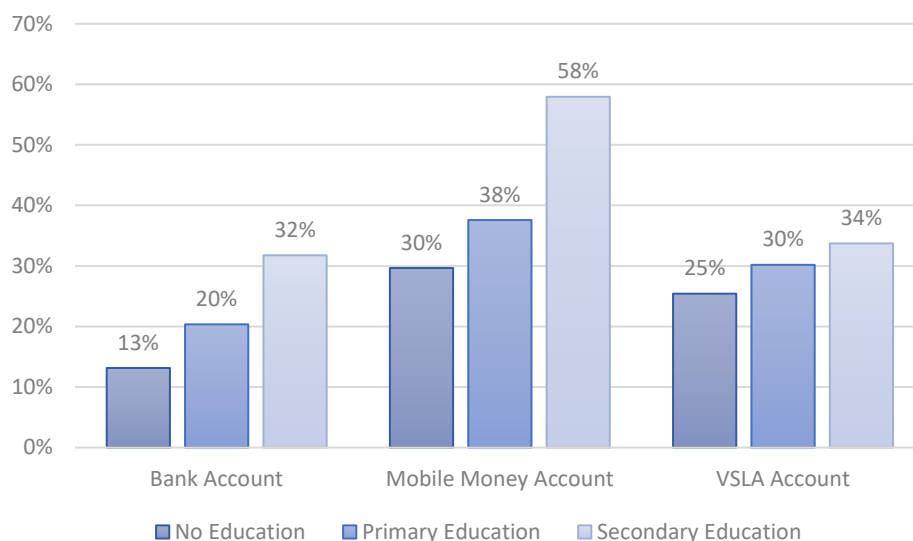


Source: Author's calculation based on the PSARA Baseline Survey Data

Education

23% of respondents do not have any education; almost 60% completed primary, and the remaining 17% have secondary studies and above. This category shows the most significant relationship with financial inclusion across all demographic indicators. Whereas only 13% of respondents with no education have a formal account, those with secondary education and above are more than twice as likely to have such an account. When disaggregating by type of account, consistent with the general findings, mobile accounts are more prevalent across all levels of education than bank accounts. VSLAs participation has the least difference by education level.

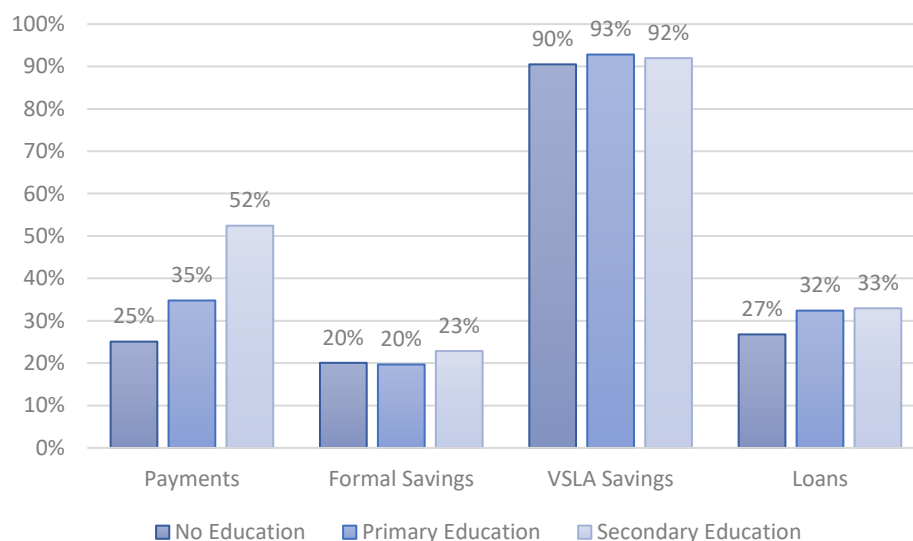
FIGURE 15: ACCOUNT OWNERSHIP BY LEVEL OF EDUCATION



Source: Author's calculation based on the PSARA Baseline Survey Data

When looking at account usage by the level of education, payments and borrowing follow the ownership trend, with higher education correlated with a higher percentage of usage. Formal savings is the lowest product used, and the likelihood of someone with a secondary education using the product is marginally higher. Savings at VSLAs is, as expected, the most used product, and agnostic to the level of education.

FIGURE 16: ACCOUNT USAGE BY LEVEL OF EDUCATION

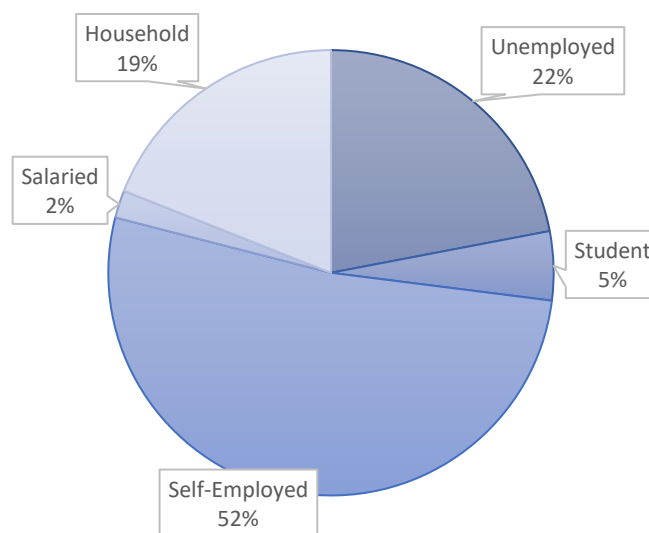


Source: Author's calculation based on the PSARA Baseline Survey Data

Employment Status

Regarding the main economic activities of the respondents, 52% of the sample are self-employed, 22% are voluntary or involuntarily unemployed, 19% work in household-related activities, 5% are students, and only 2% receive a formal salary.

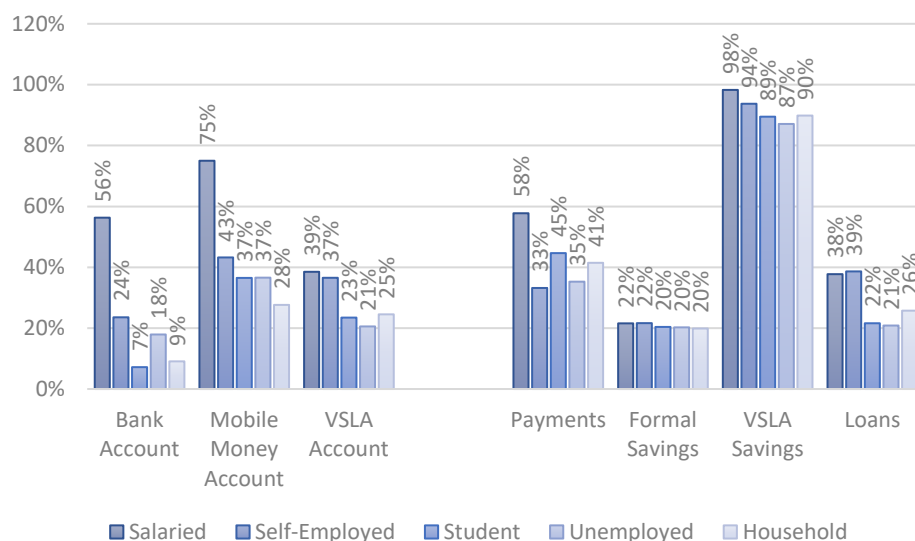
FIGURE 17: DISTRIBUTION OF ECONOMIC ACTIVITIES



Source: Author's calculation based on the PSARA Baseline Survey Data

Financial inclusion indicators vary greatly by employment status. Beneficiaries that receive a salary are significantly more likely to own and use an account for payments and borrowing. However, it is worth highlighting that only 161 survey respondents fall into this category. Self-employed people are the second group with the most ownership, and participants who are unemployed or dedicated to the household are the most financially excluded.

FIGURE 18: ACCOUNT OWNERSHIP AND USAGE BY ECONOMIC ACTIVITY



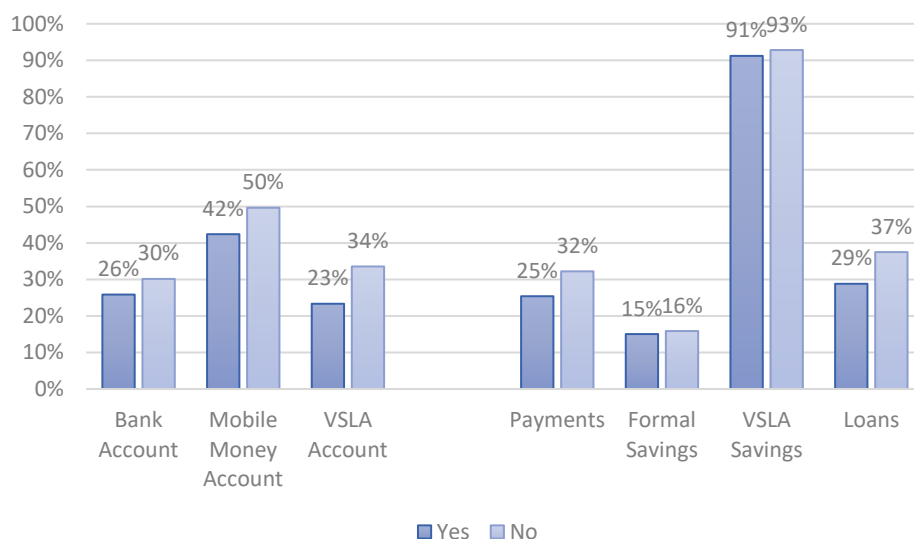
Source: Author's calculation based on the PSARA Baseline Survey Data

2.3 Vulnerable Households are Less Likely to have Financial Products

PSARA also prioritizes targeting persons with disabilities, of which 7% of respondents report belonging to this category. The analysis shows that this group is more financially excluded across all the variables under study. According to qualitative research²⁹, persons with disabilities perceive prejudices from society that excludes them from the financial system. Furthermore, beyond product suitability, provider locations are often not adapted to their situation, and employees are not trained to serve them. In cases of more acute disabilities, persons with disabilities depend on relatives for all financial activities.

²⁹ World Food Programme (2022). Analysis of barriers to digital financial inclusion and economic empowerment of women in Grand'Anse

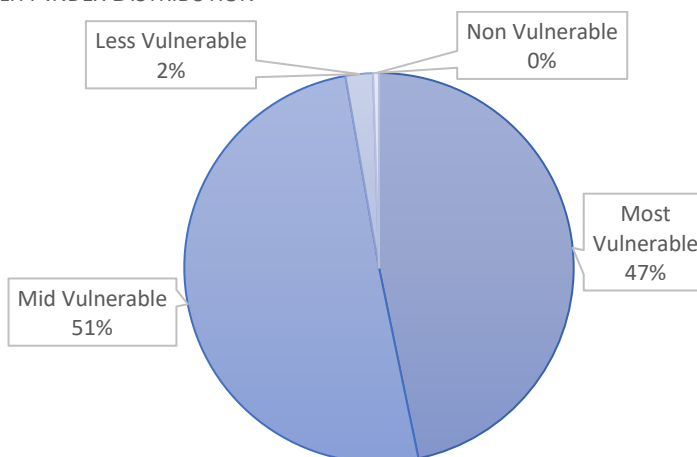
FIGURE 19: PRODUCT OWNERSHIP AND USAGE FOR PERSONS WITH DISABILITIES



Source: Author's calculation based on the PSARA Baseline Survey Data

To measure the overall vulnerability of the household and its relationship with financial inclusion, the report will use the Haitian Deprivation and Vulnerability Index, or HDVI, constructed using the SIMAST database. The HDVI proxy-means test assigns each household a number from 0 to 1, which is used to classify households into four vulnerability categories. Consistent with PSARA objectives and the sampling strategy for the impact evaluation of the program, the baseline survey comprises 51% of the most vulnerable families and 45% of semi-vulnerable households; less than 3% are slightly or not vulnerable. Provided that the vast majority of households are in the first two categories, the analysis will compare the level of financial literacy between these two groups.

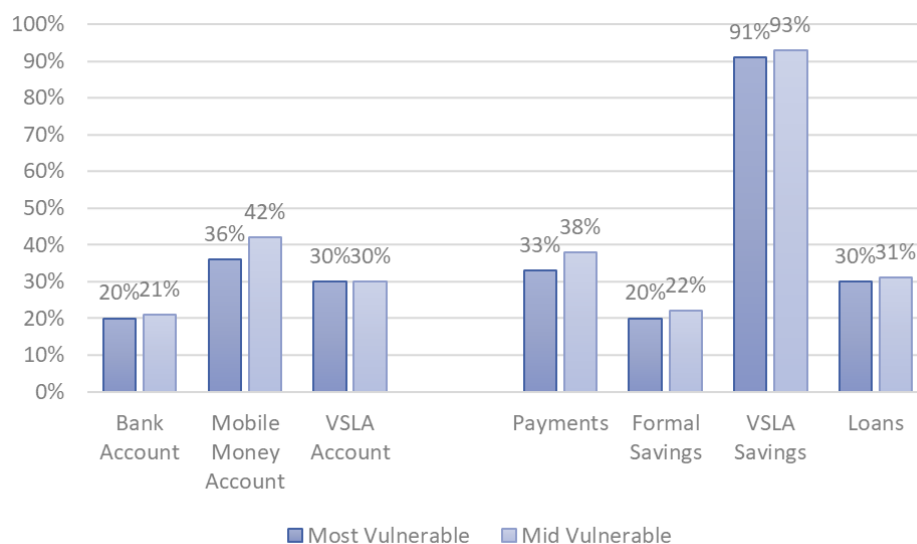
FIGURE 20: VULNERABILITY INDEX DISTRIBUTION



Source: Author's calculation based on the PSARA Baseline Survey Data

The analysis does not show any evidence of significant differences in terms of ownership and usage of financial services. Only ownership of a mobile money account and using services are slightly higher for mid-vulnerable households.

FIGURE 21: PRODUCT OWNERSHIP BY VULNERABILITY INDEX



Source: Author's calculation based on the PSARA Baseline Survey Data

2.4 Lack of Formal IDs and Mobile Phones Create Barriers to Digital Financial Inclusion

Ancillary infrastructure, like having a formal ID, a mobile phone, or access to electricity, can enable the demand for financial services as they are often prerequisites for ownership and usage of accounts³⁰. For financial institutions and mobile money operators, IDs are required to open an account, with 45% of beneficiaries not fulfilling this requirement. For mobile money wallets, customers need a mobile number and a phone or internet connection from where to access the account; in the case of surveyed population, 64%³¹ own a mobile, and a previous study estimates that only 35% of the population in Haiti has Internet access (this percentage will be significantly lower for the rural and poorer populations as is the case of PSARA beneficiaries)³².

Mobile Phone Ownership

As expected, having a mobile phone has the most significant correlation of all the variables analyzed regarding access to formal financial products, especially those concerning mobile accounts and payments, with 59% of those that have a mobile also having an e-wallet (as opposed to 5% of those that do not have a phone – these cases usually happen when a person has a SIM

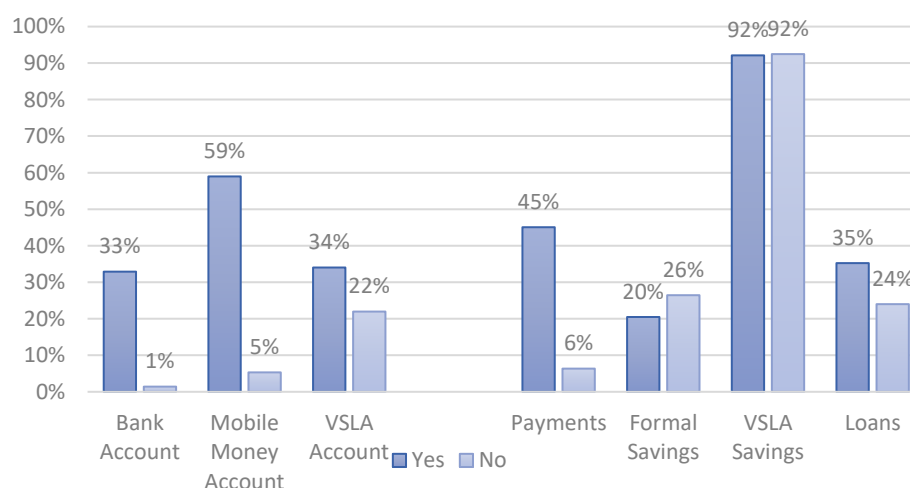
³⁰ IMPACT (2021) Baseline Report: Evaluation of the Emergency Cash Transfer Program in Haiti

³¹ The ownership of mobiles is constructed using 3 questions of the PSARA baseline survey: Question 5 of the HH questionnaire, Question 12 of the Financial Inclusion Section for the heads of household, and Telephones portables questions from the Femmes questionnaire.

³² World Food Programme (2022). Analysis of barriers to digital financial inclusion and economic empowerment of women in Grand'Anse

card but does not own a phone per se). Similarly, 45% of mobile owners have made a payment, while only 6% of those that do not have a phone have made so. Mobile ownership is also positively correlated with having FSP and VSLA accounts. Interestingly, formal saving is negatively correlated with having a mobile phone. Finally, there is no correlation with VSLAs as these groups tend not to be digitized and rely heavily on cash.

FIGURE 22: PRODUCT OWNERSHIP AND USAGE BY OWNERSHIP OF A MOBILE



Source: Author's calculation based on the PSARA Baseline Survey Data

On the demand side, beneficiaries see a clear link between mobile phone ownership and access to financial services, as 21% of respondents who do not have mobile money accounts cite not having a mobile phone as the main reason, and 16% of those that do not have a bank account argue the same.

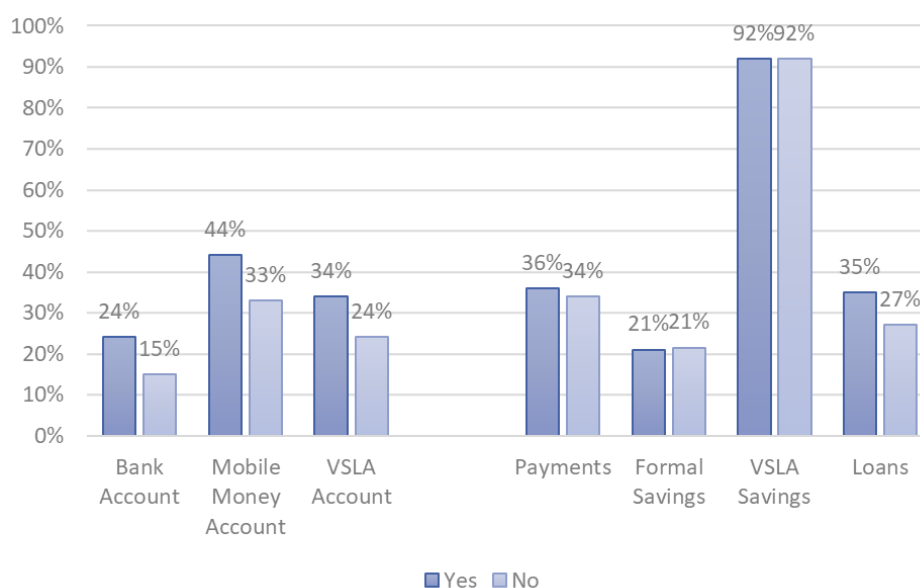
Formal Identification

As previously mentioned, the PSARA program made an executive decision on November 2022 to opt-in to digital payments as the default payment method for all beneficiaries with a valid National ID. However, given that a large share of beneficiaries does not have an ID, hence they cannot have an e-wallet, many continue to receive benefits through cash in envelopes. Furthermore, it is essential to highlight that as of December 2022, a circular published by the Central Bank of Haiti no longer allows customers to open a simplified mobile money account with reduced KYC requirements. For any new account, customers must now have a National ID, passport, or driver's license; have a SIM card; and fill out an application form. Moreover, registration must be completed at an authorized MonCash agent or a Digicel store. This new development in regulation has hindered PSARA's objective of fully digitizing benefits.

The PSARA baseline data, which was collected before either of these two events, does show a positive relationship between having an ID and an account at a formal DFS provider. As would be

expected, there is no significant relationship in usage, as ID is an access and not a usage barrier. Furthermore, VSLAs present virtually no difference, most likely due to the nature of VSLAs being community groups with fewer, and informal, requirements.

FIGURE 23: PRODUCT OWNERSHIP AND USAGE BY ID



Source: Author's calculation based on the PSARA Baseline Survey Data

Given the importance of these two prerequisites in access to formal accounts, national IDs and mobile phones, a deep dive was made in the analysis to understand if any specific demographic is more affected by these barriers. Interestingly, the widest gaps in both IDs and owning a mobile phone are between men and women, and of persons with disabilities. PSARA should prioritize removing the ID and mobile phone barriers for beneficiaries in these categories.

2.5 Remittances and Social Assistance Programs Positively Correlate with DFS Usage

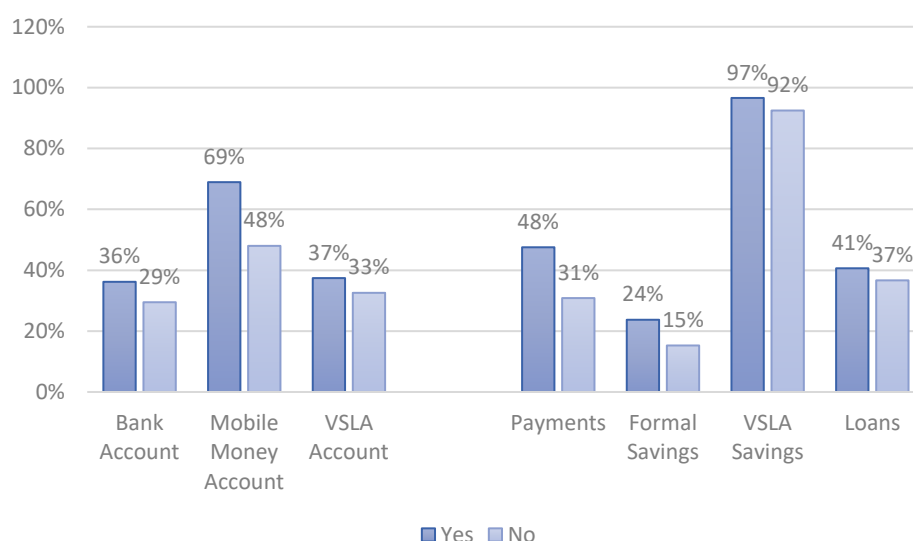
The literature also provides evidence that being a recipient of remittances or having previously participated in a social assistance program (including G2P) could positively correlate with financial inclusion as households likely used a financial intermediary as part of these activities. Per the beneficiaries' responses, few confirm having received remittances or previously participated in a social assistance program, with 5% and 9%, respectively³³. The Women in Grand'Anse study sheds light on the reason behind these low percentages: PSARA beneficiaries usually do not have enough resources to send a family member to migrate to urban centers or abroad. Furthermore,

³³ These low percentages were corroborated with SIMAST data, where only 2% of the PSARA beneficiaries confirmed receiving remittances, and 1% have been part of a social assistance program.

beneficiaries confirm that they have heard about emergency aid but have rarely been able to benefit from it³⁴.

Despite the low percentage of participants confirming receiving remittances, there is a difference of 20 percentage points in owning a mobile money account. Having a bank or a VSLA account is also positively correlated with remittances. Regarding usage, receiving payments has the most significant difference between both populations; formal and informal savings and loans also show a positive correlation.

FIGURE 24: PRODUCT OWNERSHIP AND USAGE FOR PEOPLE THAT HAVE RECEIVED REMITTANCES



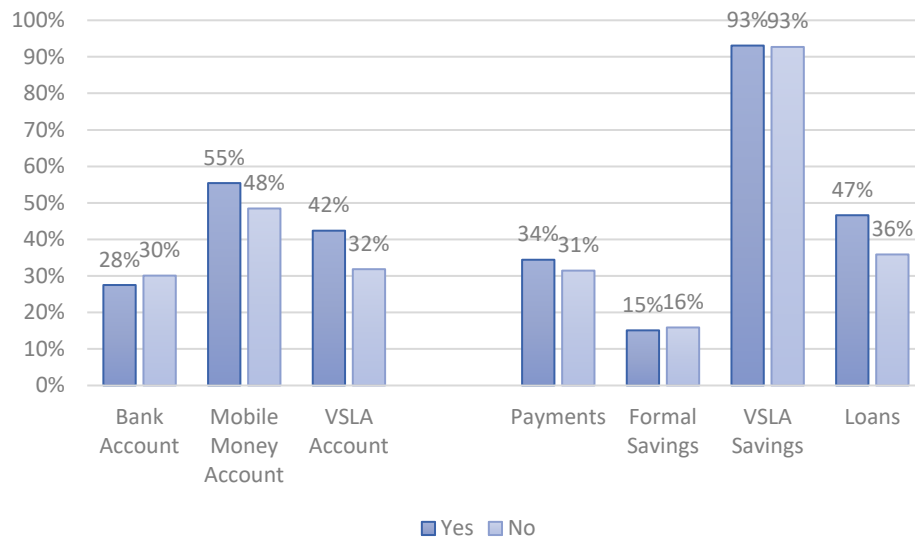
Source: Author's calculation based on the PSARA Baseline Survey Data

The correlation between financial inclusion and receiving social assistance is not as clear, and there is evidence that digitizing G2P does not immediately translate into an increase in the usage of DFS³⁵. Of those that have received assistance, 55% have a mobile money account, in contrast to 48% that have not received aid. The difference with receiving payments is 34% vs. 31%. For borrowing, interestingly, 47% of those that receive this type of assistance are also in debt, while only 36% of those that do not receive assistance also use this product.

³⁴ World Food Programme (2022). Analysis of barriers to digital financial inclusion and economic empowerment of women in Grand'Anse

³⁵ CGAP, G2Px, World Bank Group (2022) Next Generation G2P Payments. Building Blocks of a Modern G2P Architecture

FIGURE 25: PRODUCT OWNERSHIP AND USAGE FOR PEOPLE THAT PREVIOUSLY RECEIVED SOCIAL ASSISTANCE



Source: Author's calculation based on the PSARA Baseline Survey Data

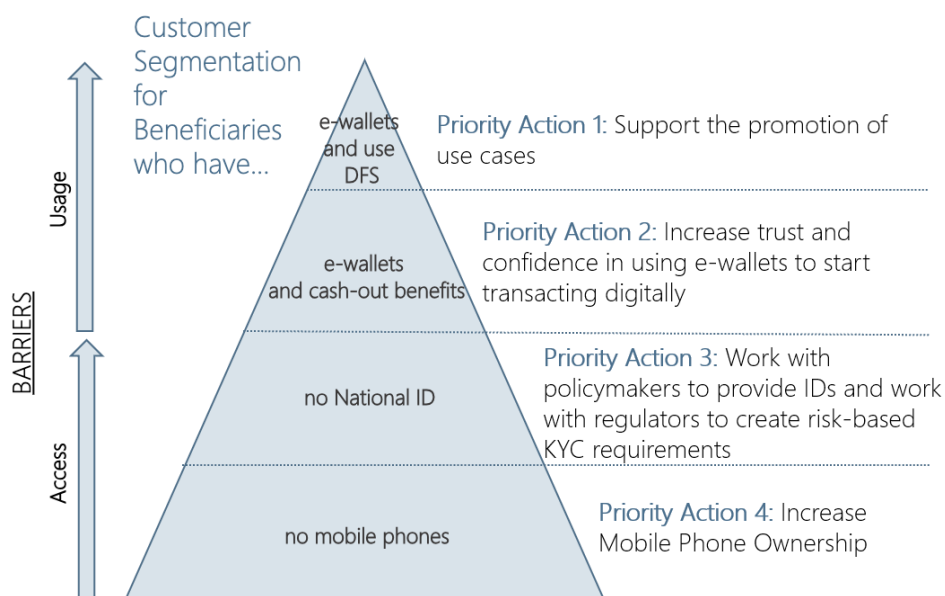
3. Recommendations

Based on the analysis of four different data sources and an extensive literature review, the main conclusion is that there is no one-size-fits-all solution to increase the demand for access and usage of DFS among beneficiaries. PSARA must design different *priority actions* to meet each customer in their digital and financial journeys. Furthermore, the research also highlights that the channel strategy is vital for success and that MMOs, particularly MonCash (at least in the short term) are the best positioned to advance financial inclusion among PSARA beneficiaries. Finally, VSLAs can play an important role in increasing the trust and daily usage of DFS among beneficiaries.

3.1 Priority Actions to Increase the Demand for DFS

Four pivotal stages, two regarding access and two regarding usage, were identified to get a customer from zero to full access and empowerment to use DFS (see figure below). Each segment must be addressed by a different priority action to advance them through their digital and financial journeys. Support from policymakers and regulators will be critical to remove the initial barriers to access, while, as beneficiaries “climb up the pyramid”, DFS providers will be essential in creating a robust DFS ecosystem where the available products and services are attractive to customers, and CICO agent networks are sustainable.

FIGURE 26: CUSTOMER SEGMENTATION BASED ON DIGITAL AND FINANCIAL ACCESS AND USAGE



Priority Action 1: Support the promotion of use cases for beneficiaries who have e-wallets and already perform digital transactions

The primary objective for this segment is to promote digital transactions through attractive services to these customers. PSARA can support this effort by providing data on this population's

most prevalent use cases and, given PSARA's extensive field presence through WFP, officers can also help DFS providers identify potential merchants, schools, and healthcare facilities interested in receiving payments digitally, or being recruited as agents. From the data analysis and supporting research, below are some needs identified that could help DFS providers better guide their investments:

Payments

The results show that beneficiaries who have the MonCash e-wallet and use it, have notably high customer satisfaction. The PDM survey reveals that 80% of these beneficiaries know that MonCash funds can be used digitally, and some are already doing it. Furthermore, it also provides evidence that 91% of beneficiaries use PSARA funds to purchase food, followed by 27% who repay loans; 25% to pay for school fees and 9% for health care, and 14% save them.

MonCash and HaitiPay already offer merchant and bill payment that include these services in other parts of the country; the goal is to expand them to low-income and rural customers and promote them in these communities. PSARA should understand the expansion strategies and support MMOs in setting up merchant payments in the places where beneficiaries shop, partner with schools, and health facilities to receive digital payments, and promote VSLA digital payments (which is the primary source of savings and borrowing for these populations).

Savings

Formal savings products will be tricky to sell to this population. The main competitor of formal savings is informal savings in VSLAs; any formal savings product needs to provide the same trust, at least the same returns, provide a path to lending, offer attractive insurance products that mimic the "solidarity funds", and have the same community trust and "customer service" that these groups offer.

It will be practically impossible for formal products to compete with the same informal products that yield significantly greater benefits at Haiti's current stage of development and financial inclusion. In the short-to-medium term, as people get more culturally comfortable with formal providers and the digital ecosystem is more mature, instead of competing head-to-head with VSLAs, DFS providers should partner with them to digitize their savings/borrowing operations³⁶. It is important to highlight that, from a PSARA's objectives perspective, it will be very hard to avoid beneficiaries cashing out a big portion of their transfers if there is no mechanism for them to save and borrow digitally from VSLAs.

Credit

Like savings, any formal lending product will need to compete with VSLAs credit. Therefore, to increase uptake, the terms of the loans need to be at least as attractive as those provided by VSLAs or work with VSLAs to provide data on customers so other DFS providers can increase the lending capacity through community banking.

³⁶ UNCDF (2023). Bridging the informal-formal divide in financial services. How going digital is linking the two worlds in access to finance in rural Uganda.

Insurance

The BMGF PSARA baseline study finds that 97% of respondents confirmed they had been victims of a natural disaster; however, 0% had insurance before and even after the event, and 67% do not know that such a product exists. Furthermore, this report also provides evidence that many beneficiaries borrow money to cover unexpected expenses, which can be risky from an over-indebtedness perspective³⁷. There is an urgent need to create insurance products that are simple to understand, cost-effective, and beneficiaries can trust.

Other Considerations

Finally, the Mobile Money VoxDev Literature Review also finds a positive correlation between crime and usage of mobile money, where there is evidence that in high-crime cities, the use of DFS is more prevalent. "Consumers use the mobile money network extensively for extremely short-term storage (less than 2 hours), probably due to high levels of street crime and burglaries, and are willing to pay up to 1% of the transaction amount to avoid carrying money in the form of cash for each extra kilometer, and up to 1.1% to avoid keeping money at home for an extra day."³⁸ Given Haiti's current situation, this can be an impactful value proposition to PSARA's beneficiaries. In fact, the BMGF study finds that the difficulties in making withdrawals from banks in Port-au-Prince lead to the use of alternatives such as MonCash, which is much more accessible and discrete, according to the participants³⁹. Consistent with this observation, the PDM survey finds that 90% of people feel safe or very safe traveling to an agent.

Priority Action 2: Increase trust and confidence in using e-wallets to start transacting digitally for beneficiaries who have e-wallets and cash-out benefits

As of April 2023, a significant portion of beneficiaries belong to this segment. This is due to the change in PSARA's program rules, where now every beneficiary with a National ID is required to use an e-wallet to receive the benefits digitally. Given that barriers to access have been, in theory, removed and the program includes training courses on financial inclusion, this is the population where PSARA has the most potential to make an impact on the usage of DFS. PSARA needs to focus on increasing the beneficiaries' knowledge and confidence in using the e-wallets beyond cashing out at a CICO agent. To solve this barrier, PSARA should:

- Leverage the beneficiaries' financial inclusion training to double down in providing hands-on experience and demos on how to use the wallet and help them locate their nearest mobile money agent. Program managers should closely monitor this module and gather feedback to maximize opening accounts and usage through these interactions.

³⁷ Bill & Melinda Gates Foundation, PAM Project (April 2022). PSARA Beneficiary Baseline Survey Report

³⁸ Tavneet Suri, Jenny Aker, Catia Batista, Michael Callen, Tarek Ghani, William Jack, Leora Klapper, Emma Riley, Simone Schaner, and Sandip Sukhtankar (2023). "Mobile Money" VoxDevLit, 2(2)

³⁹ Bill & Melinda Gates Foundation, PAM Project (April 2022). PSARA Beneficiary Baseline Survey Report

- Deploy "clinics" with DFS providers on cash-disbursal days to help beneficiaries solve doubts and troubleshoot issues with the e-wallets. MonCash has done this in the past for other segments of the population⁴⁰. PSARA and the providers should work together to coordinate the time, place, and materials required to offer this service to beneficiaries.
- Identify VSLAs savvy members (like managers) to become DFS champions and help their communities open e-wallets and increase their trust and confidence to use them.
- Create programs to incentivize agents to educate customers on digital usage and help them troubleshoot.

Priority Action 3: Work with policymakers to provide a National ID to beneficiaries who lack this requirement to open an e-wallet, and work with regulators to create a risk-based Know-Your Customer (KYC) approach for low-tier e-wallets

The program is at a stage where any beneficiary with a National ID is required to open a wallet and receive payments digitally, making this lack of documentation the most binding barrier for DFS access at the moment. This is especially true for women and persons with disabilities, who are the principal targets of the program. This has become more critical as of December 2022, when regulators increased KYC requirements to open e-wallets. PSARA officers have two paths to follow to reduce this barrier. On the one hand, they can work with regulators to understand the reason behind recent changes and propose a risk-based solution where low-income and rural households are not left behind because of the lack of requirements. On the other hand, work with policymakers to make it easier for beneficiaries and their communities to obtain National IDs. This effort could also leverage the cash-disbursal days to help those without IDs get to download the wallet and use it at the same time as the ID is delivered. It should be highlighted that, as of the publishing of this report, PSARA has already initiated engagement with policymakers and regulators to explore these paths. Officials have advocated for the creation of a 3-tier KYC with flexible ID requirements for accounts with capped balances that would allow for beneficiaries to receive their benefits digitally, while posing minimal AML/CFT (Anti-Money Laundering / Counter-terrorism financing) incremental risks.

Priority Action 4: Increase mobile phone ownership among beneficiaries who lack one

According to the PSARA survey, not having a phone is the most critical factor in accessing and using DFS (from survey correlations and customer perceptions); this is also especially true for women and persons with disabilities. More research needs to be done to understand better why this is the case and how to remove this barrier. For example, based on multiple answers referring to "lack of funds," there could be strategies to provide mobile phones for free, subsidized, or through a lending program⁴¹. Ownership of mobile phones will not immediately translate to uptake in DFS, as the customers need to go through the barriers up top; however, it is a critical first step to increase access to formal digital financial services.

⁴⁰ CGAP (2018). Case Study: Digicel Mobile Money (MonCash): Focusing on Value for Customers is Good Business

⁴¹ CGAP (2021). Can Free Phones Close the Digital Gender Divide?

Both lack of ID and mobile phones are relatively more prevalent for women, the elderly, and persons with disabilities. PSARA should prioritize removing the barriers for beneficiaries in these categories.

On a side note, many beneficiaries argue that lack of electricity is an important reason for not having e-wallets. Although this is outside PSARA's direct sphere of influence, creative partnerships, like creating lending programs to buy solar panels, could increase the well-being of beneficiaries beyond financial inclusion⁴².

3.2 Supporting Actions to Develop a Robust DFS Ecosystem

In parallel to increasing the demand for DFS following the strategies above, there also needs to be a partnership with DFS providers to create a flourishing digital ecosystem. As previously identified, in the short term, MonCash is in the best position to keep supporting the digital financial needs of beneficiaries, given its relationship with PSARA. As other MMOs like HaitiPay and NatCash get onboarded, in addition to building solutions attractive to low-income and rural households, like merchant and bill payments, PSARA and these providers will need to work together in two areas: creating a sustainable agent network and customer education.

Supporting Action 1: Support the construction of a sustainable (CICO) agent network in convenient areas for beneficiaries

The report's findings and other studies provide evidence that many beneficiaries still have to travel long distances to reach mobile money agents. Shops, where customers buy food and other household items, should be identified and recruited as agents. Another potentially attractive solution is to train VSLA's financially savvy members to become agents; this will bring customers and formal DFS providers closer physically and socially, as VSLAs are deeply engrained in their communities and very trusted within them.

Onboarding more agents is just a part of the solution. Supporting and monitoring agents is also essential to maintaining network sustainability. Currently, they are struggling due to high costs, mostly related to low-economic activity and liquidity management (the BMGF study finds that 77% of agents state that they need more liquidity to serve their clients)⁴³. A first approach to reduce pressures in liquidity management is offering and incentivizing more cash-in transactions, like merchants and bill payments, to outweigh the cash-out pressure of the PSARA cash transfers. Consistent with the international literature on rural agent viability⁴⁴, the MonCash study observes that when CICO activities are combined with a retail business such as a supermarket, hardware

⁴² USAID (2017) Pay-As-You-Go Solar as A Driver Of Financial Inclusion and The World Bank (2017). World Bank Approves US\$35 Million for Clean Energy and Improved Electricity Access in Haiti.

⁴³ Bill & Melinda Gates Foundation, PAM Project (April 2022). PSARA Beneficiary Baseline Survey Report

⁴⁴ CGAP (2019). Agent Networks at the Last Mile

store, boutique, or grocery store, the withdrawal and deposit flows are more balanced at the agent level.

The WFP Women in Grand'Anse research finds that the lack of training of agents is an issue for women to access these digital products⁴⁵. MonCash needs to invest more in training its agents to provide adequate services and advice to their customers. PSARA should work with MonCash on the specific training agents needed to serve beneficiaries and monitor this service's quality to the most vulnerable. Although the initial investment in agent training may be costly, the MonCash study finds that educating agents will help retain customers and have a steadier revenue flow⁴⁶.

MonCash and other MMOs need an adequate pricing strategy for product fees and agent compensation. MonCash currently offers P2P and merchant payments for free, and withdrawals are charged⁴⁷. Even though PSARA covers the cost of withdrawing benefits, the PDM survey shows evidence that some agents are charging an extra fee. PSARA and MonCash should better understand why this is happening, and work on communicating to beneficiaries that there is no cost for withdrawing benefits, and grievance and redress mechanisms in case beneficiaries have issues. It should also be considered by PSARA to compensate agents by i) the additional time they take in educating customers and ii) for their customer's online transaction activities; this will further align the goals of beneficiaries transacting digitally, instead of limiting their activities to cash-in and cash-out transactions (which agents currently get paid for).

In addition to striving for products that are easy to use, simple and transparent pricing, and ancillary educational material that helps customers understand the products and boost their confidence in using them should be distributed. From the PDM data, 84% of beneficiaries argue that they received information from PSARA and MonCash, of which 85% found the information pertinent or very pertinent.

Supporting Action 2: Increase the Trust and Usage of Digital Financial Services through VSLAs

In Haiti and many parts of the world, trust is a significant barrier to DFS uptake. Trust needs to be gained towards i) the provider in ensuring the product is secured and works as described; ii) the agents, who in a vast majority of cases are the only employees that customers will ever interact with; iii) and in customers themselves, as financial products are by nature complex. VSLAs can be a vehicle to gain the communities' trust and confidence in using DFS. As part of their VSLA capacity-building initiative, PSARA should:

- Train the VSLA "leaders/ managers" as DFS champions to provide relevant and timely financial education to other members. They can also advocate for the safety of storing their money in e-wallets and give demonstrations on transactions that can be done digitally.

⁴⁵ World Food Programme (2022). Analysis of barriers to digital financial inclusion and economic empowerment of women in Grand'Anse

⁴⁶ World Food Programme (2021). MonCash Feasibility Study in Grand'Anse

⁴⁷ World Food Programme (2021). MonCash Feasibility Study in Grand'Anse

- Mobile Money Operators can recruit financially savvy members of the VSLA groups to become agents. This will i) expand the capillarity of their agent networks, especially where it is most needed; ii) increase trust in the services as the agent is part of the community; iii) expand their market to underserved and beneficiary populations; iv) teach customers on ways they can store and spend the money digitally.
- Partner with fintech and formal providers to i) incentivize the VSLA digitalization of operations and record keeping and ii) store funds safely in digital accounts. This can create a digital record of customers' savings behavior and subsequently a credit history of members that can be leveraged to access more formal loans⁴⁸.

Supporting Action 3: Promote training women as agents to increase financial inclusion of the most vulnerable

The PSARA program already targets gender inequalities regarding decision-making, economic empowerment, and financial literacy, among others. However, it is always important to stress this need as underlying educational gaps and cultural gender norms tend to exacerbate the barriers to financial inclusion. Without a gender lens to solve this, women will continue being systematically excluded.

Beyond current studies and efforts geared towards gender, one aspect that did not come across in the recent studies performed in Haiti is the role of women agents and the impact they can have on themselves, their households, other women, vulnerable populations, and their larger communities. There is a remarkably interesting case in India, where women of Self-Help Groups (similar to VSLAs) have been trained to become banking agents⁴⁹. In contexts with restrictive social gender norms, like in Haiti⁵⁰, the effects of these women on access and usage of DFS, financial inclusion in their communities, and women empowerment are very promising. The study finds that women agents tend to serve more rural and vulnerable people when compared to traditional agents. Furthermore, becoming agents has given them more self-confidence and agency in household decisions, and they tend to spend more money on basic needs for their children. Finally, they have gained the admiration and trust of their communities and inspired other women to pursue productive economic activities.

⁴⁸ MonCash and NatCash provide group money accounts for these groups, while FINCA and HaitiPay are testing their methodologies.

⁴⁹ CGAP (2023). Doing Good by Doing Well: Women Banking Agents in India

⁵⁰ World Food Programme (2022). Analysis of barriers to digital financial inclusion and economic empowerment of women in Grand'Anse

4. Conclusion

There is much to be done from a financial inclusion perspective – both in access and continuous usage, and the PSARA program is well positioned to influence beneficiaries to boost the demand for digital financial services, work with VSLAs to increase trust and confidence in financial services, work with DFS providers to support a robust DFS ecosystem, and work with policymakers and regulators to remove critical barriers to further the agenda.

To remove demand-side barriers to access and usage of DFS, PSARA should:

- Priority Action 1: Support the promotion of use cases for beneficiaries who have e-wallets and already perform digital transactions.
- Priority Action 2: Increase trust and confidence in using e-wallets to start transacting digitally for beneficiaries who have e-wallets and cash-out benefits.
- Priority Action 3: Work with policymakers to provide a National ID to beneficiaries who lack this requirement to open an e-wallet, and work with regulators to create a risk-based Know-Your Customer (KYC) approach for low-tier e-wallets.
- Priority Action 4: Increase mobile phone ownership among beneficiaries who lack one.

Any healthy DFS ecosystem, especially at its early stages, needs to offer attractive products to the customers they serve and a robust and sustainable agent network. PSARA is in a good position to work with MonCash, HaitiPay, and NatCash to create such an ecosystem. In particular:

- Supporting Action 1: Support the construction of a sustainable (CICO) agent network in convenient areas for beneficiaries.
- Supporting Action 2: Increase trust and usage of DFS through VSLAs.
- Supporting Action 3: Promote training women as agents to increase financial inclusion of the most vulnerable.

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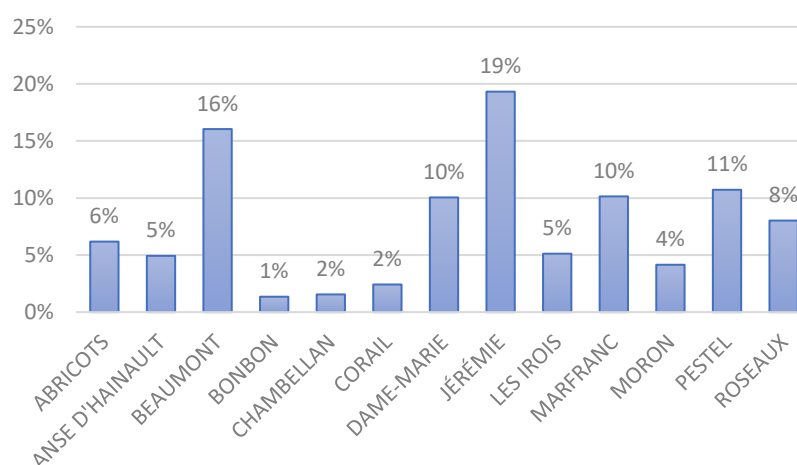
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6. Appendix

Village Saving and Loan Associations & PSARAs Initiative to Support These Groups

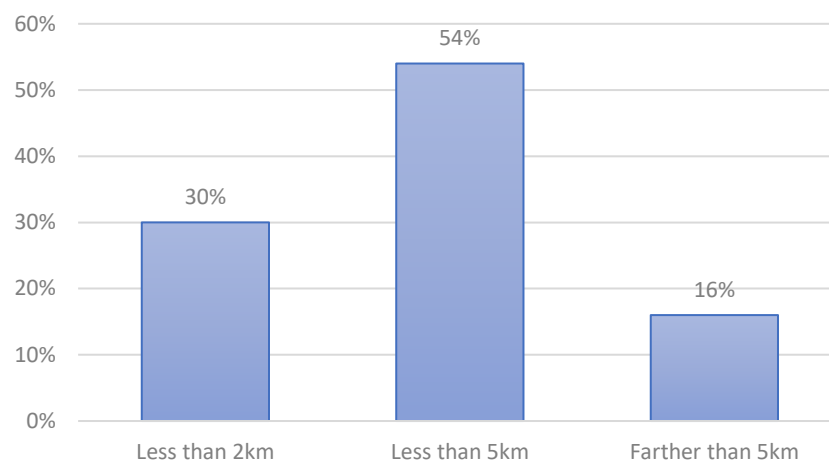
Accessibility and trust are inherently part of VSLAs as they are born out of communities and like-minded people with similar financial goals. In contrast to the three bank branches located in Jeremie, Grand'Anse has more than 1,000 VSLAs and are present in the most remote communities. The PSARA VSLA diagnostic survey finds that almost 40% of the groups are concentrated in Jeremie and Beaumont; Bonbon, Chambellan, and Corail have the least presence of VSLAs. VSLAs are also well located within their communities, with 54% of the VSLA members living within 5 kilometers of where the groups meet. Even though these groups work on annual cycles, most of the sampled active groups have been around for six years, with most starting in 2020 and 2021. The average size of the groups is 40 participants, with 24 women and 16 men; the average participant age is 37. All groups provide savings and lending services (with different rules on who and how much a member can borrow), and 93% also have a solidarity box.

FIGURE 26: NUMBER OF VILLAGE SAVINGS AND LOAN ASSOCIATIONS BY COMMUNE



Source: Author's calculation based on the VSLA Diagnostic Survey Data

FIGURE 27: DISTANCE OF VSLA TO ITS MEMBERS



Source: Author's calculation based on the VSLA Diagnostic Survey Data

Despite these groups' success, they need significant external support: 54% received training at the time of the survey, and 42% received training in the past. All except 2 VSLAs claim they would like to receive support from PSARA. This is corroborated by a previous program report for PSARA⁵¹, where many VSLA “managers” receive training on managing the books and the supply of materials.

As part of the VSLA capacity-building work stream of PSARA, the program targets existing and new VSLAs, where PSARA beneficiaries participate, and will train them to strengthen their capabilities to:

- Strengthen the financial security of households through the provision of mechanisms and financial resources accessible and adapted to the needs of the target public.
- Provide VSLA members access to credit for investment purposes and to be able to respond to personal emergencies or shocks.
- Create a space for discussions on topics related to gender roles in decision-making regarding household resources, money in the home, and the importance of harmony within the home for financial well-being.

To deepen DFS in the community, there are existing initiatives to digitize the VSLA's record keeping and transactions. MonCash and NatCash provide group money accounts for these groups, while FINCA and HaitiPay are testing their methodologies. Most often, the groups are given tablets or smartphones to their loan officers, who record customer data and then transmit it to the platform, which allows transactions to be monitored and can eventually lead to access to capital of formal financial institutions or create a credit history for individuals that can then help them access more traditional financial products⁵².

⁵¹ Results of the formative study on financial inclusion for PSARA/ Klerk Chimen

⁵² VSLA training manual

Village PSARA Baseline Survey Summary Statistics

Variable	PSARA Baseline Survey (2022)	DHS (2016/17) - Representative Survey of Haiti's Population ⁵³
Male	35.7%	49.5%
Female	65.3%	50.5%
Employed	54%	56%
No education	23.2%	11%
Some or Complete Primary	59%	30%
Some or Complete Secondary	16%	51.5%

⁵³ World Bank Group. Haiti Country Data: <https://data.worldbank.org/country/HT> and UN (2018). Enquête Mortalité, Morbidité et Utilisation des Services (EMMUS-VI) 2016-2017

ABSTRACT

The Adaptive Social Protection for Increased Resilience project (ASPIRE or PSARA for its acronym in French), financed by The World Bank and implemented by the Government of Haiti, aims to design and implement a cash transfer program for vulnerable households in Haiti, with a focus on increasing financial inclusion and digitizing payments. This report analyzes the financial inclusion landscape of beneficiaries; identifies demand-side barriers to the uptake of Digital Financial Services (DFS); and provides recommendations for promoting the use of DFS among beneficiaries and their communities. The findings of this report show that while access to formal financial services is limited, there is more access and usage of mobile money and informal services through the Village Savings and Loan Associations (VSLAs). The report recommends actions to remove barriers to DFS usage, such as creating and promoting DFS use cases among beneficiaries, increasing trust and confidence in using e-wallets, working with policymakers to provide IDs for beneficiaries and with regulators to reduce Know Your Customer (KYC) on low-tier accounts, and increasing mobile phone ownership. Additionally, the report suggests strategies to support a robust DFS ecosystem, including designing attractive products for low-income customers and building a sustainable Cash-in and Cash-out agent network.

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