STUDY

Pricing and Payments in the Private Service Provider (PSP) Model

by marc bavois

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Executive Summary

The Expanding Financial Inclusion in Africa (EFI) project introduced the fee-for-service, Private Service Provider (PSP) model at significant scale in Burkina Faso, Senegal, Uganda and Zambia. While following a consistent approach across all project sites, EFI introduced several operational variations aimed at increasing PSP productivity, while ensuring deep outreach to poor and marginalized market segments. One variation consisted in having some PSPs charge flat fees (the same price for all groups), while others charged proportional fees (banded prices, according to group savings policies). The other variation consisted in introducing for some PSPs an innovative training approach in a bid to increase outreach to the poorest community members (the 'Pro-Poor Package'), while other PSPs were trained using CRS's existing approach (the 'normal' package). These operational variations constituted an ambitious research agenda, part of which examined the state of group payments to PSPs. Payments are a crucial component of PSP motivation and therefore SILC sustainability, but can burden group members, and potentially exclude the poorest. Accordingly, the research scrutinized affordability and member satisfaction from various angles.

The research demonstrated that the fee-for-service model worked in all geographical contexts: PSPs were successful at collecting fees from their groups, though many PSPs also trained some groups for free, demonstrating their social orientation. During their SILC groups' first cycles, PSPs were overwhelmingly paid monthly, in cash. In higher cycles, more than half the PSPs were still being paid monthly, due to their continued support visits to groups. Most higher-cycle group members expressed satisfaction with the frequency of PSP visits (among the minority who were dissatisfied, more members thought PSPs attended too many, rather than too few, meetings).

Close to 90% of group members paid fees to their PSP that represented the equivalent of less than 10% of their cycle savings, though two of ten EFI project partners saw more than 10% of their SILC members pay fees equivalent to over 20% of their savings. These outliers point to the burden that payments can place on poorer savers, and to the need to calibrate PSP fees carefully. Using a different comparison point, two thirds of members paid fees to their PSP that represented the equivalent of less than a quarter of their cycle profit, however every partner had some members that paid more than the equivalent of their cycle profit, the effect of low savings and low group profitability. Overall, though, when asked to judge PSP fees in relation to the service provided, 93% of members characterized them as 'just right' or 'very affordable.'

Group members under the pro-poor training package made smaller payments in relation to their savings, when compared with members trained in the normal approach, which points to the new training's effectiveness in helping PSP moderate their pricing. Flat fees, meanwhile, resulted in lower payments overall, compared to proportional fees, which demonstrates that PSPs adhered to flat fees even if these were modest (and perhaps to the detriment of their earning potential). Moreover, members facing flat fees were significantly more likely to consider them 'very affordable,' which is suggestive they might be benefiting from consumer surplus, and could have afforded to pay their PSP

more. Collectively, the data indicate PSP fees were affordable for group members, with isolated instances of members for whom the fees were expensive in relation to their level of participation in the SILC group.

When examined from the PSP perspective – as income – group payments were both absolutely smaller and more likely to fall below the project stipends to FAs, under the pro-poor condition (compared with normal) and under the flat-fee condition (compared with proportional). The latter is unsurprising, as under the flat fee structure, group payments are effectively capped, and prevent PSPs from 'balancing' their portfolios by charging some groups more than others. Under proportional pricing, in contrast, PSPs earned more from the majority of their groups, than they had previously earned from the project as FAs. This greater earning comes at no evident cost to poverty outreach: there is no evidence of PSPs being pulled 'up-market' to cater primarily to groups that generate more income for them. Proportionality appears to be compatible with affordability.

The research results offer clear guidance for CRS regarding its operating model moving forward, and identify areas for continued monitoring, in particular with respect to the fees charged to the poorest members.

BACKGROUND AND METHODS

In the Private Service Provider (PSP) fee-for-service delivery model developed by Catholic Relief Services (CRS), once field agents have been certified by implementing partners, the project no longer pays them to form new SILC groups. Rather, PSPs charge groups for training and support. Payments are a key source of motivation for PSPs, and underpin the model's sustainability, during and post-project post-project. At the same time, PSP fees increase the cost of SILC participation for group members, which may depress demand, in particular among poorer community members – and ultimately limit poverty outreach. In a bid to balance the interests of service providers and their customers, CRS has developed guidance for PSPs around fee structures and price points, which serve as the starting point for discussions and eventual agreement between PSPs and each of their groups.

CRS's Expanding Financial Inclusion in Africa (EFI) project, implemented from 2013 to 2017 in partnership with ten local organizations in Burkina Faso, Senegal, Uganda and Zambia, had the goal of reaching a minimum of 500,000 new SILC members with a fee-for-service model, while ensuring that at least half of the members came from the bottom half of the wealth distribution in their communities. Key to the project, therefore, was finding the 'sweet spot': a fee structure and a price point that simultaneously resulted in affordable fees (from the perspective of the group members, including the very poor) and attractive income (from the perspective of the PSP), leading to both significant scale and deep poverty outreach.

As part of its learning agenda, EFI experimented with operational variations in an attempt to find a 'best' model. One variation concerned the fee structure. Two distinct fee structures were used: flat fees, whereby a PSP charged the same price for every group, no matter its circumstances; and proportional fees, whereby a PSP charged different prices for different groups, on the basis of group minimum savings policy, which was used as a proxy for the wealth level of its members, and therefore their ability to pay. It

was thought that flat fees would favor the supply side (PSPs) by leading to predictable income, but might prove unaffordable to the poorest (unless the flat fee was pitched extremely low, which would be unattractive to the PSPs). Proportional fees were thought to favor the demand side (group members) by calibrating payment with ability, but might dissuade PSPs from going 'down-market' where the earning opportunities are arguably lower.

The second variation pertained to leveraging PSP and SILC member training to maximize poverty outreach. To this end, EFI developed a 'Pro-Poor Package' (PPP), which consisted of a comprehensive rethinking of the agent recruitment and training approach, as well as group-level methodology – to make it easier for very poor people to participate successfully in SILC groups, and more desirable for PSPs to reach out to the very poor (while maintaining fees). The PPP contrasted with the 'normal' approach to working with PSPs and groups that CRS had previously been using.

These two dichotomies (flat vs. proportional; PPP vs. normal) resulted in four possible conditions for each PSP (e.g. a PSP might charge flat fees and be trained on the normal package). In order to ensure research integrity and prevent contamination between conditions, each partner cohort (a 'class' of agents all operating in the same area) was assigned to a single condition. While this assignment helped streamline operations, it made it more difficult to isolate the effects of a particular condition, as they could be dominated by partner and country effects.

This report presents findings on pricing and payments observed in the EFI project, as well as CRS's conclusions on how to implement its fee-for-service strategy moving forward. It draws on several tools deployed in support of EFI's overall research agenda, in order to produce as comprehensive a picture as possible, while drawing conclusions about the different conditions. These tools were:

- A survey administered to SILC groups to record payment practices and elicit member feedback on PSP services and price
- A modified share-out tool to measure group payments to the PSPs with respect to their cycle financial transactions
- A survey to examine PSPs' income and motivation, among other themes
- Interviews with implementing partner staff to get their feedback on model variants

The group survey was administered to 686 groups. 120 PSPs (approximately 20% of all active PSPs) were selected using a stratified random sample, resulting in an even and representative distribution of agents across countries, partners and supervisors. The portfolio of groups for each sampled PSP was first divided between first-cycle and higher-cycle groups. Within each half, the PSP's groups were clustered according to their minimum savings policies (resulting in 'high', 'medium' and 'low' clusters whose cut-off values were idiosyncratic to each PSP). One group was randomly selected from each cluster, resulting in a sample of six groups per PSP, representing a diversity of cycles and savings amounts. Not all PSPs had six groups to start with, and not all sampled groups could be reached for the survey. In total 686 groups were surveyed. A total of 12,588 members were in attendance on the days the enumerators visited the sampled groups, representing an average of 18.3 surveyed members per group.

Each group was asked to confirm its current-cycle policies, and describe how it paid its PSP. Group members were then asked their individual judgment on several topics related to the PSP and to payments. To mitigate experimenter demand effects as well as peer influence, each respondent was given several cards, each representing an answer to the question, and was instructed to 'vote' anonymously to answer the question.

Share-out information was collected for 256 groups. This data is not drawn from a representative sample, nor is it a subset of the 686 surveyed groups; rather, it was voluntarily submitted by 9 out of the project's 10 partners, from group share-outs conducted in 2016 and 2017. As such, the results are indicative rather than conclusive. The regular share-out form was modified to capture the total payments each member made to the PSP over the course of the cycle, in addition to regular information concerning member savings and pay-out. For Ugandan and Zambian groups only, information was captured on any end-of-cycle deductions from savings used to offset outstanding loans. For West African groups, only final savings were captured, which would have incorporated any savings adjustments.

The PSP survey was administered to 155 PSPs, comprising equal numbers of respondents drawn randomly from eight implementing partners (two partners from each country). A total of eight managers from the same partners were also interviewed.

PATTERNS OF PAYMENT AND SERVICE DELIVERY

Table 1 shows that among the sampled groups that reported receiving services from their PSP during the cycle, 81% paid their PSP in cash, 3% reported paying in cash and in kind, while 16% reported receiving free services. Payment rates were highest in Burkina Faso and Uganda, while Senegalese groups reported receiving the most free services.

Table 1: Proportion of group remuneration of PSP services, by partner

Country	Partners	Money	In-kind	Money and in-kind	Free service
Burkina Faso	Koudougou	90%	1%	1%	7%
	Manga	99%	0%	0%	1%
Senegal	Caritas Kolda	61%	0%	0%	39%
	Ndeyi Jirim	75%	1%	0%	24%
Uganda	Eaden	85%	0%	0%	15%
	Sepspel	73%	0%	0%	27%
	Socadido	99%	0%	0%	1%
Zambia	KCCC	84%	7%	2%	7%
	Mansa	48%	0%	17%	35%
	Mpika	75%	4%	9%	11%
Totals		**81%**	**1%**	**2%**	**16%**

This demonstrates that PSPs, while operating on a fee-for-service model, were willing to offer pro bono services to some groups. Inability to pay a trainer does not necessarily prevent a person from participating in SILC. In-kind payments were quite minor, as PSPs and groups agreed on cash payments. The willingness to work for free did not, however, originate from the PPP. While Table 2 shows that slightly more groups under the PPP reported receiving free services than under the normal package, the effect was mainly driven by Senegal and was not systematic across all pro-poor partners. PSPs trained on the PPP still demanded and received payment for their services.

Table 2: Proportion of group remuneration of PSP services, by package

Package	Money	In-Kind	Money and In-Kind	Free
PPP	78.1%	1.1%	2.4%	18.4%
Normal	83.6%	1.0%	2.0%	13.4%
Totals	**80.5%**	**1.0%**	**2.2%**	**16.2%**

The EFI project recommended that groups pay PSPs monthly for the first cycle to ensure they receive a complete training and adequate mentoring and support until share-out, and then per service visit starting in the second cycle, in order to promote group independence. Figure 1 shows that the recommendation was not followed perfectly.

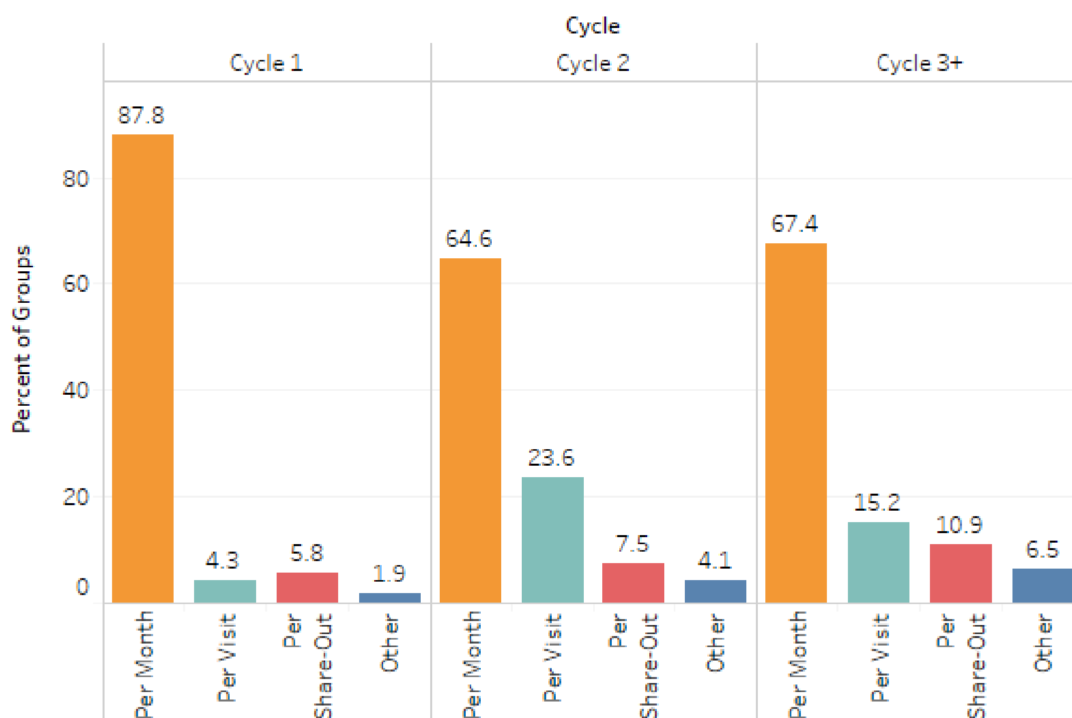


Figure 1: Frequency of group payments to PSP, by cycle

While we see the expected shift away from monthly to per-visit payments between the first and subsequent cycles, approximately two thirds of higher-cycle groups continue to pay monthly. Between the second and third cycles, while the proportion paying monthly is similar, there is a clear shift from per-visit payments to share-out payments, which reflects the continued need for supervised share-outs.

PSP VISITS

One likely explanation for the continuing monthly payments in second and higher cycles is the relatively high frequency of PSP visits to higher-cycle groups (monthly, or more frequently) as reported by groups, which may result in de facto monthly payments, even if groups are remunerating specific support visits. Figure 2 shows the steadily declining proportions of groups reporting weekly visits by their PSP, and a steady increase of groups reporting irregular visits, which is compatible with 'on-demand' or 'spot' visits. The shift from monthly visits back to bi-weekly visits between the second and third cycles is not fully understood. The PSP survey revealed that PSPs focused higher-cycle support on groups that had not fully mastered the methodology, in particular record-keeping for groups with low literacy levels, and were sometimes required to support groups in recording and enforcing loan payments.

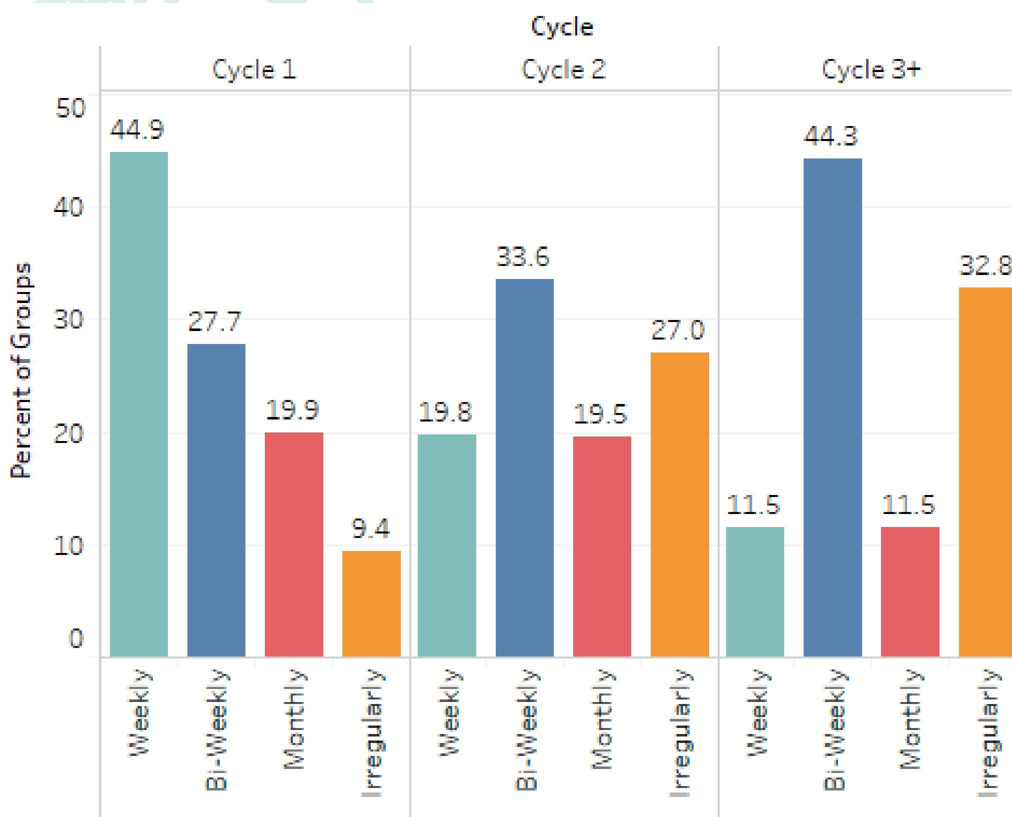


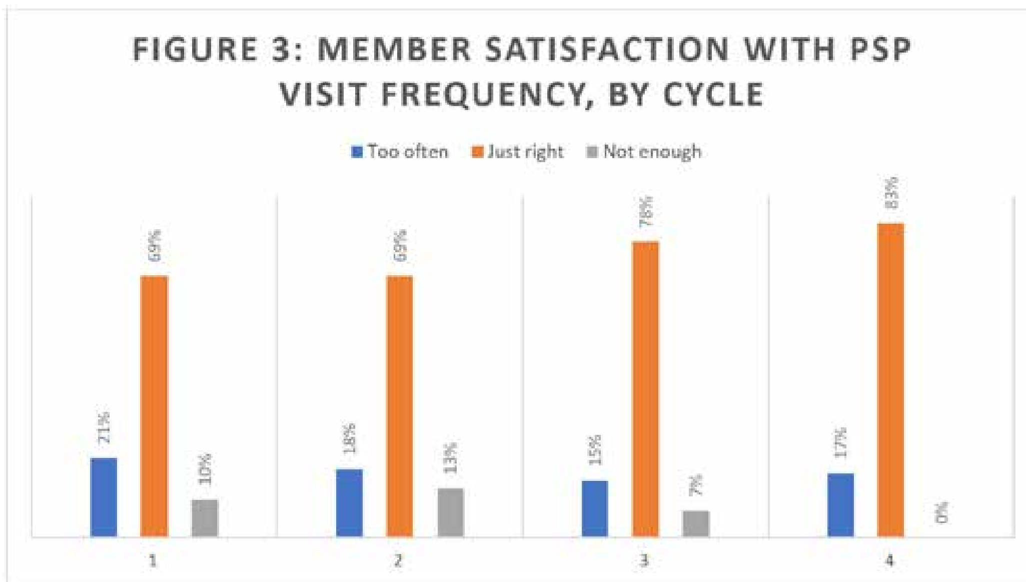
Figure 2: PSP visit frequency, by cycle

To put the reported visit frequencies into perspective, we next examine them through a customer satisfaction lens. Group members were asked individually to characterize the frequency of PSP visits compared with their needs in the current cycle. Table 3 reports the results by partner. Overall, 70% stated that the PSP came at an appropriate frequency, 19% that the PSP came too often, and 11% that the PSP did not come frequently enough. Members in Burkina Faso and Zambia were the most satisfied, while members in Uganda were more likely to state their PSP came too often. The Caritas Kolda data, in Senegal, are more difficult to interpret: only 31% of members stated that the PSP came at an appropriate frequency, while a full 50% of members stated that the PSP came too often, and a very high 19% stated that the PSP did not come enough.

Table 3: Member satisfaction with PSP visit frequency, by partner

Country	Partners	Too often	Just right	Not enough
Burkina Faso	Koudougou	2%	78%	20%
	Manga	8%	83%	9%
Senegal	Caritas Kolda	50%	31%	19%
	Ndeyi Jirim	20%	71%	9%
Uganda	Eaden	27%	66%	7%
	Sepspel	20%	67%	13%
	Socadido	33%	62%	5%
Zambia	KCCC	6%	83%	11%
	Mansa	9%	87%	4%
	Mpika	4%	89%	7%
Totals		**19%**	**70%**	**11%**

Satisfaction with visit frequency increases as cycles progress, as seen in Figure 3 on the following page. The second cycle sees a shift from members stating “too often” to “not enough”, perhaps reflecting the perceived withdrawal in PSP support that occurs after the first share-out. Thereafter, the proportion stating “too often” remains steady, while the proportion stating “not enough” declines steadily. If anything, PSPs might be too present with higher-cycle groups.



GROUP PAYMENTS

In both the flat and proportional fee models, EFI recommended that the PSP establish a price per member rather than per group, which is fairer to members and does not penalize those who belong to smaller groups. PSPs followed this approach, except in Uganda where some PSPs charged per-group fees, irrespective of group size. (This practice may have been influenced by the practices of previous projects in the operating area.)

Results from the group surveys showed that PSPs under a flat fee structure broadly respected the price recommended by the implementing partners. In West Africa, 85% of groups were charged the recommended price, with equal proportions paying slightly less and slightly more than the recommended price – the latter caused in part by the addition of a transport fee on top of the training fee. In Zambia, 83% of the groups facing a flat regime paid the recommended price, while the others paid less. This demonstrates that the recommended price acts as a ceiling. In Uganda, 60% of groups reported paying the recommended price, and data suggest that some PSPs were charging per-group rather than per-member fees.

PSPs under a proportional fee structure respected the assigned bands: given the group minimum savings, they charged the recommended per-member fee. In one case in Zambia – where the bands may have been mis-calibrated – PSPs from Mansa were not able (or willing) to charge the recommended prices in the highest brackets. There is likely a maximum acceptable price to charge groups. Having established that PSPs by and large implemented the project's intended protocol, we are able to analyze the effects of the different research conditions.

PAYMENTS FROM THE PERSPECTIVE OF GROUPS

We first take an 'objective' look at member payments to PSPs, to see whether they can be considered fair and affordable. To do so, we compare members' PSP payments to the

amounts they transact in their SILC groups, using two ratios: payment-to-savings and payment-to-return.

The payment-to-savings ratio (hereafter: P/S) compares a member's total payments to the PSP for the entire cycle, to her final savings balance. This measures PSP fees as a 'tax on savings.' Since all members in a given group pay the PSP the same amount, lower cycle savings lead to a higher P/S ratio.

Table 4 shows the P/S by partner, broken into cumulative bands up to 20%, and separately above 20%. Overall, 88% of members had P/S below 10%, and the P/S was below 10% for at least three quarters of the members at each partner. Two partners (Kolda and Mansa) had more than 10% of members paying their PSP more than the equivalent of 20% of their cycle savings, which represents a genuine drain on their resources.

Table 4: Payment-to-savings, in cumulative intervals, by partner

Country	Partner	P/S 0-5%	P/S 0-10%	P/S 0-20%	P/S 20%+
Burkina Faso	Koudougou	59%	95%	100%	0%
	Manga	76%	95%	100%	0%
Senegal	Kolda	66%	83%	90%	10%
	Ndeyi Jirim	41%	75%	91%	9%
Uganda	EADEN	51%	78%	95%	5%
	SOCADIDO	92%	98%	99%	1%

Table 5 presents the same data, organized according to condition. Members whose PSP was trained on the PPP paid slightly less than those under the normal package, with 71% compared with 58% paying the equivalent of less than 5% of their savings. This difference is erased at higher P/S levels. Members under the proportional pricing structure faced higher ratios overall, as was expected since payments were calibrated to their groups' savings policies. By contrast, 90% of members under the flat pricing structure paid less than the equivalent of 10% of their savings – a flat structure allows more members to 'get a bargain.'

Table 5: Payment-to-savings, in cumulative intervals, by condition

Condition	P/S 0-5%	P/S 0-10%	P/S 0-20%	P/S 20%+
Normal	58%	86%	95%	5%
PPP	71%	90%	97%	3%
Flat	72%	90%	97%	3%
Proportional	52%	84%	95%	5%

A second, complementary measure of member payments is the payment-to-return ratio (hereafter: P/R) that compares a member's total payments to the PSP for the entire cycle, to the profit she earned for the cycle. This is a measure of the PSP fees as a 'cut of the profit to the trainer' but is a conceptual comparison only, since in most cases the payments to the PSP occurred regularly throughout the cycle. A member's (nominal) profit is a factor both of her cycle savings as well as the group's return on savings. A

member who saves little and/or belongs to a low-profitability group will inevitably face a high P/R ratio.

Table 6 shows the P/R by partner, broken into cumulative bands up to 100%, and separately above 100%. Apart from Burkina Faso (where group profits were the lowest in the project), at least 75% of members paid the equivalent of less than a quarter of their cycle profit. Five partners had 5% or more members whose cycle payments exceeded their cycle profit, with a high of 16% for Koudougou, which was driven by six groups whose cycle returns on savings were extremely low (6% and below).

Table 6: Payment-to-return, in cumulative intervals, by partner

Country	Partner	P/R 0-10%	P/R 0-25%	P/R 0-50%	P/R 0-100%	P/R 100%+
Burkina Faso	Koudougou	10%	42%	69%	84%	16%
	Manga	16%	53%	78%	91%	9%
Senegal	Kolda	55%	75%	82%	92%	8%
	Ndeyi Jirim	50%	76%	90%	97%	3%
Uganda	EADEN	46%	81%	94%	99%	1%
	SOCADIDO	66%	90%	97%	99%	1%
Zambia	KCCC	55%	80%	93%	98%	2%
	Mansa	52%	78%	89%	95%	5%
	Mpika	56%	77%	87%	94%	6%
Totals		**34%**	**65%**	**83%**	**93%**	**7%**

Table 7 shows that neither the training package nor the fee structure had an impact on the P/R ratio. The higher proportion of members in the 'normal' condition paying over 100% of the cycle profit is driven by Koudougou.

Table 7: Payment-to-return, in cumulative intervals, by condition

Condition	P/R 0-10%	P/R 0-25%	P/R 0-50%	P/R 0-100%	P/R 100%+
Normal	34%	63%	80%	90%	10%
PPP	34%	66%	85%	95%	5%
Flat	35%	65%	83%	93%	7%
Proportional	33%	63%	82%	91%	9%

Next, we again take a customer satisfaction lens, by asking group members to characterize the value-for-money of PSP services, or more accurately, 'price, given value' . Each member was asked whether, given the services provided by the PSP, the price was 'too high', 'just right', or 'very affordable' (i.e. underpriced). Table 8 shows the results by partner. Only 7% considered the price too high (with a maximum value of 14% at Caritas Kolda), and nearly 40% considered it was very affordable. Overall, 93% of members considered the price just right or very affordable.

Table 8: Member satisfaction with PSP price given service, by partner

Condition	P/R 0-10%	P/R 0-25%	P/R 0-50%	P/R 0-100%	P/R 100%+
Normal	34%	63%	80%	90%	10%
PPP	34%	66%	85%	95%	5%
Flat	35%	65%	83%	93%	7%
Proportional	33%	63%	82%	91%	9%

Table 9 presents the data according to condition. Organizing the responses by condition reveals no significant difference between members under the PPP and normal packages. The fee structure, however, yields some interesting findings: significantly more members under the flat condition expressed that they found the price very affordable than members under the proportional condition, while a statistically significant majority of members in the proportional condition found their price just right. It might be that members under the flat condition genuinely consider that the service is under-priced. Alternatively, it might be that merely knowing the price is identical for all, leads some to feel that they ought to pay more. This finding suggests that the PSPs charging flat fees might have been able to increase their price for these groups with minimal resistance.

Table 9: member satisfaction with PSP price given service, by condition

Condition	Price Too High	Price Just Right	Very Affordable
PPP	6.5%	52.8%	40.5%
Normal	6.6%	58.2%	35%
Flat	6.9%	48.2%*	44.8%*
Proportional	6.3%	63%*	30.7%*

* $p<0.05$

Figure 4 on the opposite page presents the significant results in graphical form.

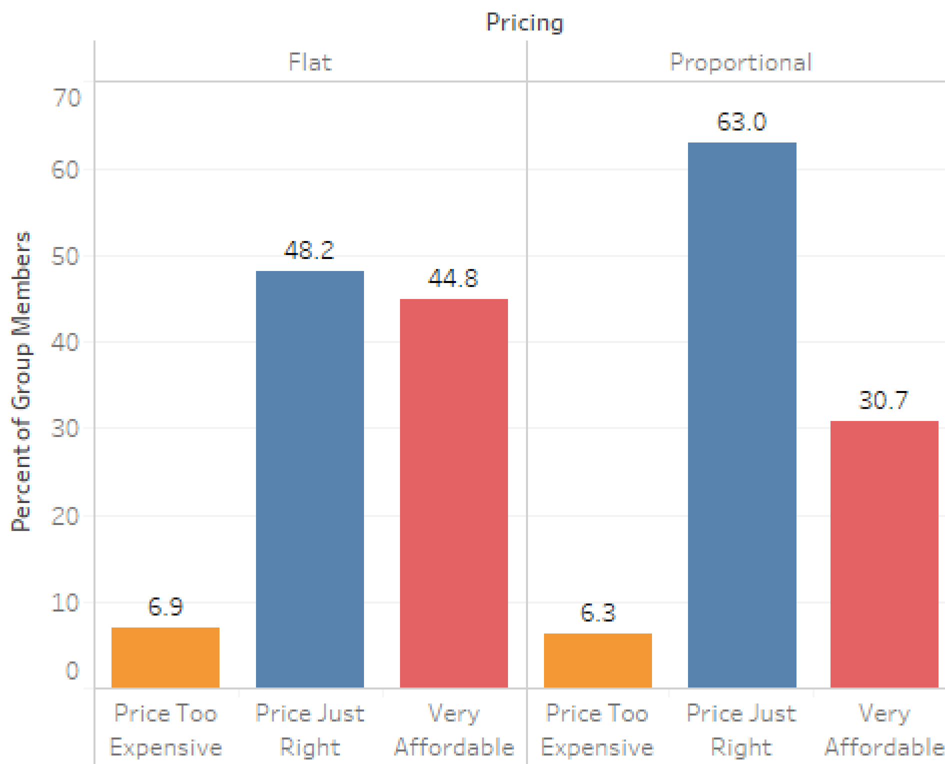


Figure 4: member satisfaction with PSP price given service, by fee structure

PAYMENTS FROM THE PERSPECTIVE OF PSPS

Group payments, of course, also represent income for PSPs. We compute cumulative payments per group over the course of a cycle (even though most groups make smaller, monthly payments), in order to understand group payments from the perspective of PSPs: how attractive, and therefore motivating, are they?

Table 10 presents several measures of group cycle payments, by partner. The mean payment for the entire sample was $40, with a coefficient of variation of 66%. The wide differences in payment levels between partners in both Senegal and Uganda reveal the markedly different economic circumstances of the operating regions. The group payments for Kolda and SOCADIDO (which both implemented a flat pricing structure) were very concentrated with coefficients of variation of 14% and 3%, respectively, while the partners in Zambia exhibited a wide variation of group payments, with coefficients of variation ranging from 40% to 70%.

The lower portion of the table shows the proportion of groups for each partner whose payments fell in each range. For example, no groups at Koudougou paid less than $20 per cycle, while 29% paid between $20 and $39.

Table 10: Group cycle payment (USD) by partner

Group cycle payment	KDG	Manga	NJ	Kolda	EADEN	SOCADIDO	KCCC	Mansa	Mpika	Total
Mean	$49.4	$29.1	$91.6	$43.4	$63.3	$9.7	$39.9	$42.1	$29.3	**$40.0**
Coefficient of Variation	33%	44%	39%	14%	43%	3%	40%	61%	70%	**66%**
Group cycle payment, by bands	KDG	Manga	NJ	Kolda	EADEN	SOCADIDO	KCCC	Mansa	Mpika	Total
$0-$19	-	26%	5%	-	-	100%	5%	24%	43%	**23%**
$20-$39	29%	46%	-	13%	-	-	48%	24%	29%	**29%**
$40-$59	21%	27%	5%	87%	54%	-	38%	29%	19%	**28%**
$60-$79	47%	-	32%	-	-	-	10%	12%	5%	**11%**
$80-$99	3%	-	5%	-	38%	-	-	12%	5%	**4%**
$100+	-	-	53%	-	8%	-	-	-	-	**5%**

Table 11 presents the distribution of group cycle payments, by condition. Payments were much lower for partners implementing the PPP than the normal package (72% of groups under the PPP paid their PSPs less than $40 over the course of the cycle, compared with 29% in the normal regimen), as well as for those implementing flat fees rather than proportional (67% of groups with flat fees paid under $40, compared with 23% with proportional fees).

Table 11: Group cycle payment (USD) by condition

Group cycle payment, by bands	Normal	PPP	Flat	Proportional	Total
$0-$19	12%	32%	31%	6%	**23%**
$20-$39	17%	40%	36%	17%	**29%**
$40-$59	35%	22%	30%	24%	**28%**
$60-$79	19%	4%	2%	29%	**11%**
$80-$99	7%	2%	1%	11%	**4%**
$100+	10%	0%	0%	13%	**5%**

Another way to characterize group payments to their PSP is to compare them to what the partners paid newly-trained agents during the project-subsidized phase to support a group for its first cycle. The project sought to establish a motivating upward trajectory for agents, by calibrating both the FA stipend and the recommended PSP price in such a way that training a new group represented more income for a PSP than a subsidized group had for an FA (or at least, just as much income). Table 12 gives the proportion of groups that paid PSPs below and at/above the FA subsidy level. The 'upward trajectory' was seen for nearly all the groups in Senegal, all the groups in EADEN and most groups in Koudougou. Around half the groups paid PSPs a greater amount in Manga and at two Zambian partners (KCCC and Mansa). In Mpika nearly two thirds of the groups paid less than the FA-stipend-equivalent, while all the groups in SOCADIDO paid less. (Clearly, the FA stipend at SOCADIDO was misjudged, given the low savings potential of groups and resulting low price charged by PSPs.)

Table 12: Cycle payment compared to project subsidy, by partner

Cycle Payment	KDG	Manga	Kolda	NJ	EADEN	SOCADIDO	KCCC	Mansa	Mpika
Below subsidy	15%	50%	0%	5%	0%	100%	52%	47%	71%
At/above subsidy	85%	50%	100%	95%	100%	0%	48%	53%	29%

Table 13 presents the same data, by condition. Groups under the PPP were much more likely to pay the PSP less than the project subsidy, which could potentially be mitigated by the PSPs' pro-poor orientation. PSPs who operated under a proportional pricing structure were more likely to be paid more than the project subsidy, while those under a flat pricing structure were more likely to be paid less than the subsidy. This implies that a flat pricing regimen impedes PSP earning potential.

Table 13: Cycle payment to PSPs compared to project subsidy to FAs, by condition

Cycle payment	Normal	PPP	Flat	Proportional
Below subsidy	22%	58%	54%	17%
At/above subsidy	78%	42%	46%	83%

Armed wtih a better understanding of what a single group represents for PSPs across the project, we now take a portfolio approach. Information from a random sample of 155 PSPs across eight partners revealed that SILC work represented the largest source of income for 44% of the PSPs, and the second largest source of income for 28% of the PSPs. Most PSPs earned between just under one third to just over half of their income from PSP work depending on the country. PSPs, therefore, were able to generate substantial income from their group portfolios.

Interviews with partner managers (each of whom implemented a single fee structure, either flat or proportional, but were aware of the other model) revealed a clear preference for proportional pricing. With the caveats that the system must be well understood, in particular in areas that are used to free service, and the bands carefully calibrated to the savings policies of the project groups, they indicated that proportional pricing allowed PSPs to earn more from a diverse portfolio of groups, and that some groups could afford to pay more than what they paid under a flat model, while maintaining modest fees for poorer members.

CONCLUSION AND MODEL IMPLICATIONS

The EFI project, which brought the PSP model to four distinct market environments in West, East and Southern Africa, conclusively demonstrated the viability of a fee-for-service savings group model. The fees charged by PSPs followed project recommendations and were reasonable for the majority of members, according to multiple measures. Yet, a minority of members with low savings potential made payments to their PSPs that represented a significant 'bite' out of their savings. In the case of groups with low profitability, payments to the PSP can represent more than their cycle profit. It is therefore imperative for PSPs to decisively shift from monthly payments to per-service payments starting in the second cycle, which is occurring overall, but less rapidly than planned.

Project experimentation with various fee structures and a poverty-oriented training package generated clear operational lessons. Flat fees represent a 'missed opportunity' for PSPs to earn more from groups who can afford it, while well-calibrated proportional fees are operationally feasible in many markets, and do not appear to have driven PSPs up-market toward better-paying groups. The Pro-Poor Package led to lower payment ratios for members, and smaller payments to PSPs – it may have been effective in ensuring that PSPs address the poorer segments of their markets.

Moving forward, CRS will train new PSPs on a proportional pricing system which will allow PSPs to calibrate payments to the ability of groups, while balancing revenue across their portfolios. Simultaneously deploying the Pro-Poor Package will ensure PSPs do not neglect the poorer segments of their markets, by emphasizing their responsibility to reach the poorest – and equipping them to do so. Making payment ratios salient to PSPs will attune them to the impact of their fees, and could support a more decisive shift toward per-service pricing in higher cycles.

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