

Key Objectives:

AFD

- Develop financial and digital capacity of refugees
- Build the capacity of financial institutions to serve refugees better
- Capitalize financial institution lending portfolios with Kiva-backed credit to scale impact

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REFINE

Refugee Finance to Grow Income, Assets, Improve Resilience Through Bundled Services

Midline Impact Findings

May 2024



Supply and Demands Side Barriers for Refugee Finance

Key Findings from a 2021 Kiva/Mercy Corps study

Supply Side

Demand Side

Serving refugees is operationally complex due to remote locations, stringent KYC reqs & misunderstanding of client needs

Refugee-serving FSPs are offering plain vanilla products that do not squarely fit refugee needs

FSPs have limited loan capital for on lending to refugees



Financial and digital literacy of refugees – especially entrepreneurs – requires strengthening

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ReFine: Program Overview

April 2022 - April 2025

PROGRAM GOAL

Enable 2,000 refugees to access and benefit from financial services to **improve their incomes**, **increase their assets**, **and improve their self-reliance** by improving their digital and financial literacy and providing low-cost, risk-tolerant capital through financial institutions to their businesses and farms.

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Refugee capacity building

FSP Technical Assistance

FSP Capitalization

- Offer support to refugee communities to build their financial and digital literacy capacities through Refugee Led Organizations (RLOs)
- Provide advisory in navigating legal and regulatory structures to access finance and develop partnerships to improve refugee farm and business productivity
- Improve nature of FSP financial offerings to the refugee community through technical assistance, partner product and channel redesign, trainings and published learnings on effective refugee finance strategies
- Build on existing specialized FSP credit lines designed for refugee lending
- Expand the overall loan capital available to the FSP refugee clients



ReFine: Program Overview

Partnerships

- Lead partners include Kiva (U.S. based crowd lending platform serving refugees and small businesses), Cohere (INGO providing technical and operational capacity building for RLOs & refugees)
- Downstream partnerships with three FSPs with a refugee loan portfolio and five RLOs who engage refugees
- Mercy Corps is playing a facilitative role and coordinate partner activities, work streams, and funding

Program Participants

- At least 2,000 refugees impacted (including household members as indirect beneficiaries and women)
- Urban refugees residing in Kampala
- Households in peri-urban and rural areas of West Nile District
- Aggregation points will be Refugee Led Organizations (RLOs), Financial Institutions and Savings Groups

Location

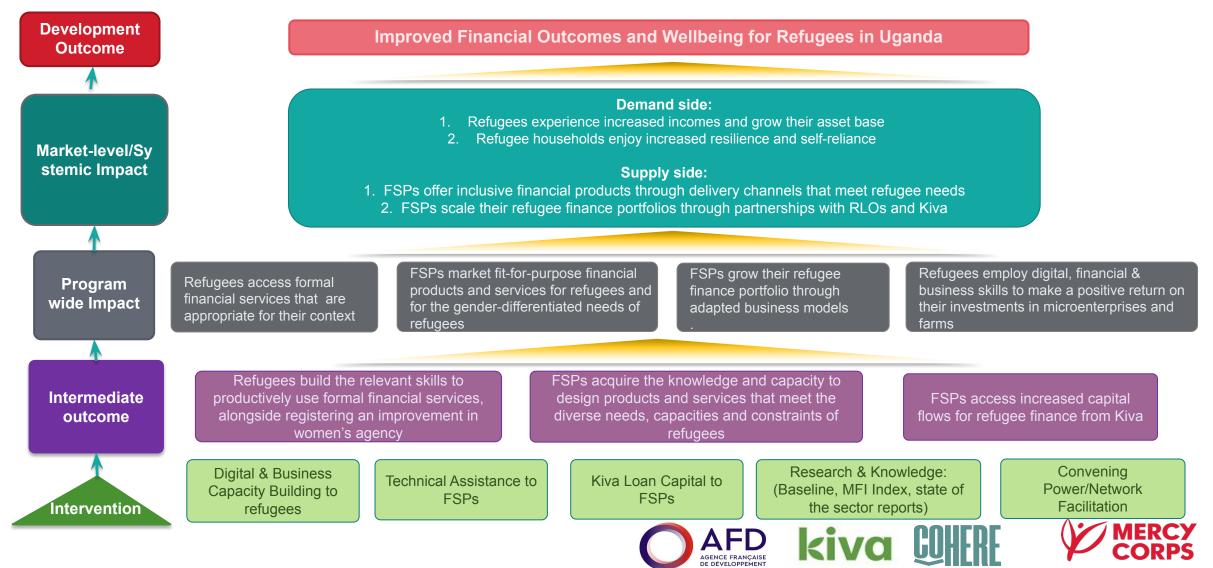
- West Nile locations include Yumbe, Terego/ Madi-Okollo, Arua.
- Urban refugees based primarily in
 Kampala and its environs
- **3 year** program funded by AFD and Mercy Corps



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ReFine: Program Theory of Change



ReFine: Midline Research Objectives

- 1 Assess the fitness of the project design for achieving the objectives and expected results and ensuring sustainability.
- 2 Assess the performance of the project and the extent to which it is still on course to achieving its objectives and expected results.
 - Identify the key lessons learned and recommendations for improving the project design, value for money and ensuring sustainability of supported interventions.

3

Assess the contribution of the project towards improved uptake of financial services among refugees (micro-enterprises, women, farms)



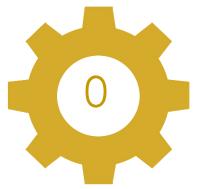


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ReFine: Research Methodology - Tools

Secondary research

Publications, expert opinions



- Desk research using publicly available data and drawing of lessons learned.
- Material reviewed includes published reports from UNHCR, World Bank, FSD Uganda, UNCDF, REACH-Uganda and the Refugee Investment Network.

Focus Group Discussions



- Guided open-ended discussions conducted with refugee and host groups intended to gather qualitative information about core issues.
- 1 group typically comprised **8 – 10 respondents**; 6 groups were engaged per region (W. Nile and kampala/Wakiso) factoring in gender and age dynamics

Primary research

Quantitative Survey



 Demand-side survey administered to a sample population of 580 individuals from three regions of Yumbe, Terego/Madi-Okello and Kampala/Wakiso. Refugee-host population split was 70%- 30% in favour of refugees.





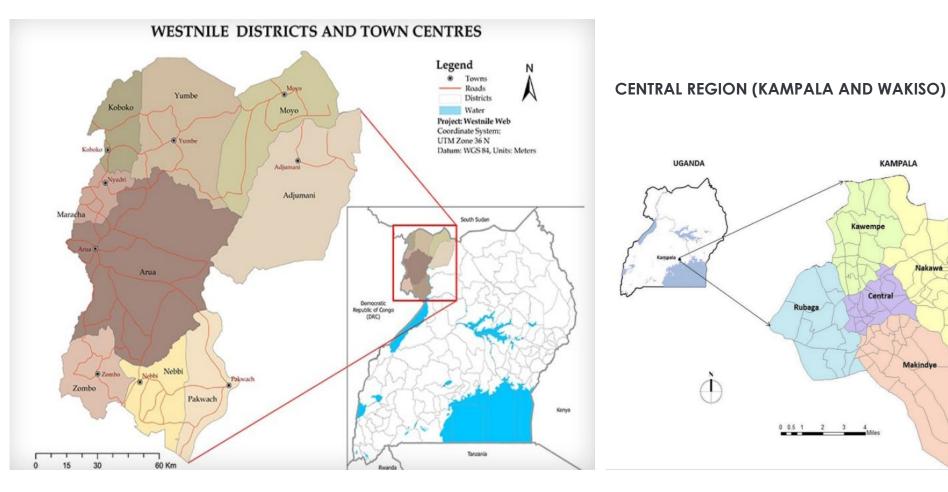
- Series of interviews conducted with key stakeholders such as Cohere, Kiva, FSPs, and RLOs.
- Primary aim is to get both broad and focused information on the problem's context from insider participants



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ReFine: Research Methodology – Location & Sampling





- Kampala/Wakiso (Rubaga, Makindye)
- Terego (Rhino Camp)
- Yumbe (Bidi Bidi

<u>Sampling:</u>

- Sampling method: SRS
- # HH Reviewed= 580
- # HH Surveyed = 578 (Response Rate = 99.6%)
- # RLOs Interviewed = 5
- # FSPs Interviewed = 3
- # Local Refugee & Host community leaders = 9
- # FGDs = 20

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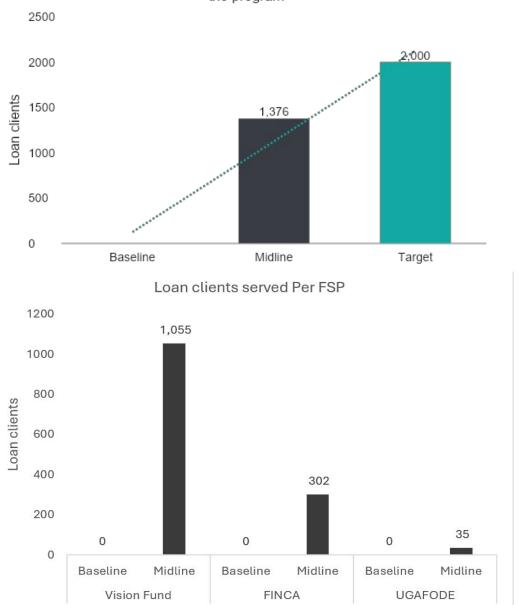


KEY FINDINGS



ReFINE participants accessing credit for period under review

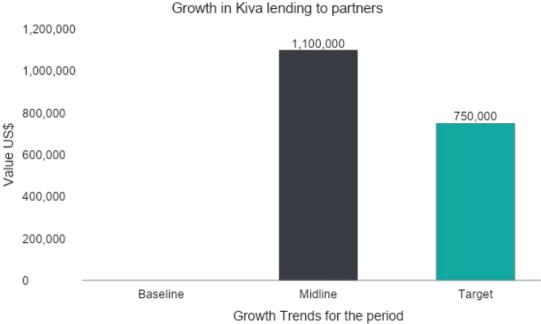
Individuals reached using products developed/adapted as part of the program



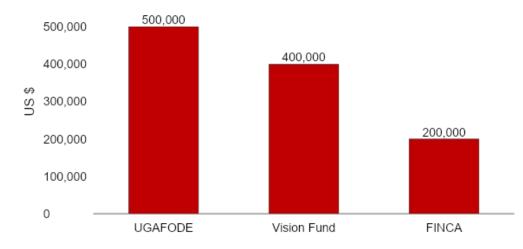
- ✓ 1,376 represents 68% of the targeted ReFINE participants.
- FSPs have loaned to clients outside of the project remit (indirect beneficiaries) - this data is not reported here
- Analysis does not include clients who access and operate savings & current accounts only.
- Given the positive linear progression/trend, the program is on track to achieve the target by close of the program.
- A large proportion of UGAFODE clients are located in Nakivale which is outside the Refine program areas. These loan clients were not included in this count.
- Growth in clientele attributed largely to access to Kiva's crowd fund and technical assistance provided by the program.



Capitalization of financial institution partners

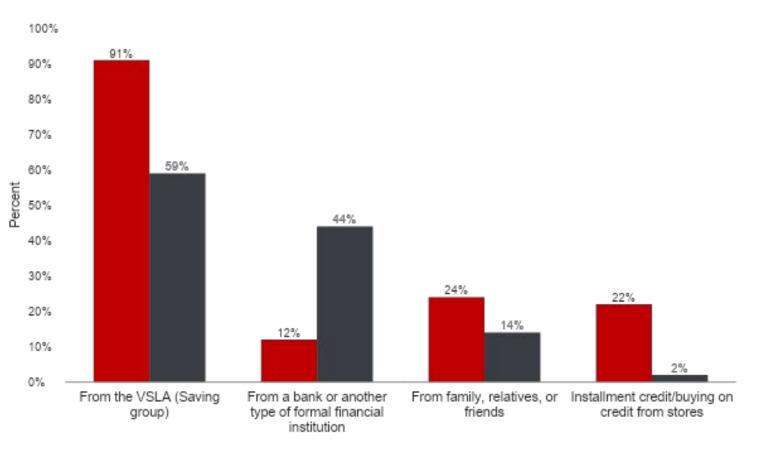


Kiva crowd fund credit limit per FSP as part of the program 600.000





Major source of credit for ReFINE participants



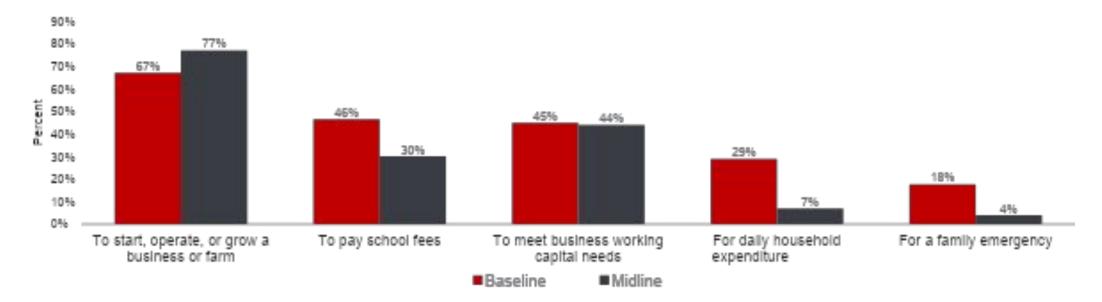
Baseline Midline

Key Successes

- The program's financial literacy trainings and linkages to financial service providers has created more awareness and driven access to credit.
- ReFine's technical assistance to banks has improved perceptions about the refugee population and fostered more deliberate client mobilization.
- Many refugees still use VSLAs for emergencies, however, for higher value credit, there is a gradual shift to financial institutions



Use of credit by participants

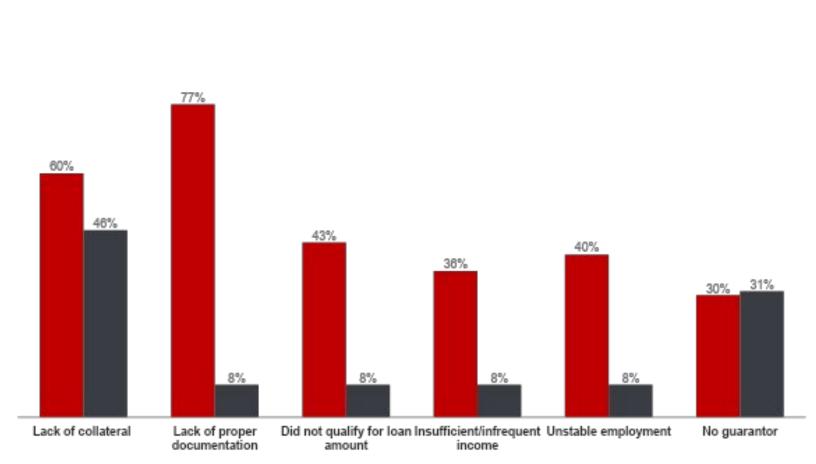


Key takeaways

The majority of participants use credit for livelihood opportunities
 ReFine's business and financial literacy trainings have improved knowledge on credit management, which has driven an increase in use of credit for the intended purpose



Reasons for rejection of applications by formal financial services

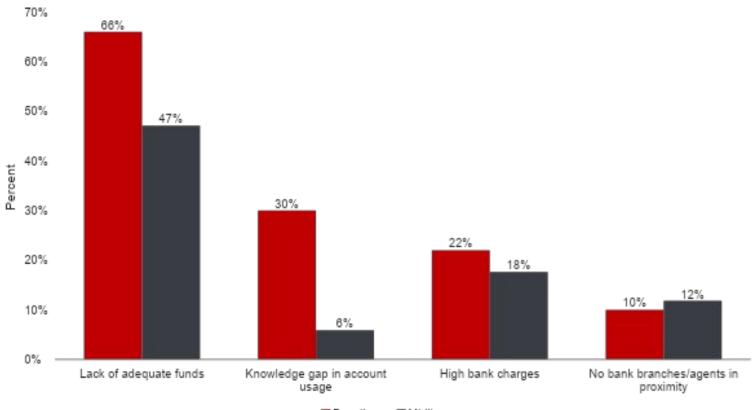


- Participation of partner FSPs in Refine's capacity building sessions with refugee led organisations (RLO) has significantly increased awareness of KYC and documentation requirements to access formal services.
- Participants are now able to consult with RLOs on required documentation for credit and Savings products which has reduced rejection rates





Reasons for not having or using a savings account

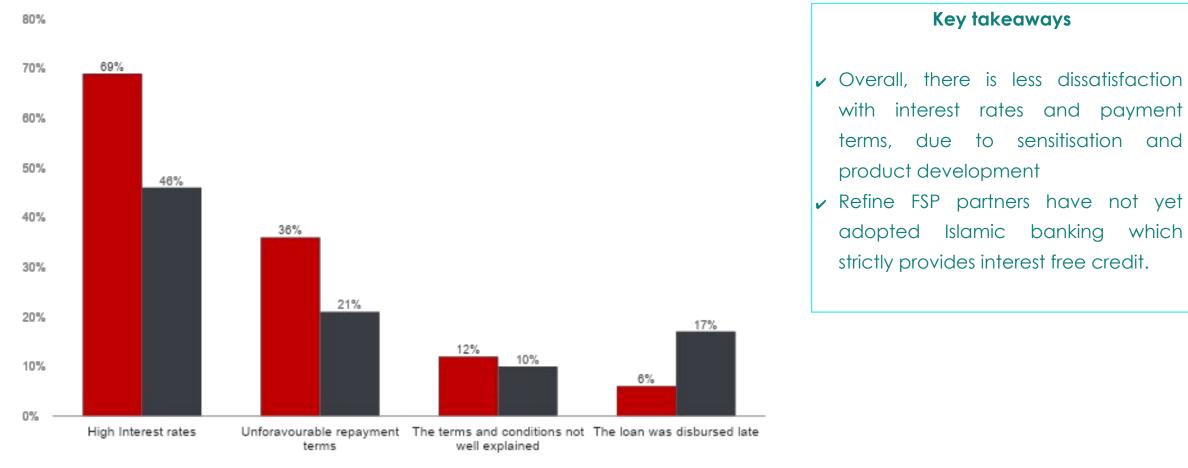


Baseline Midline

- Low incomes is still a major constraint to access and usage of accounts however, the downward trend during the review period points at increasing incomes among program participants.
- FSP linkages in our business and financial literacy trainings have greatly improved knowledge in use and operation of accounts.



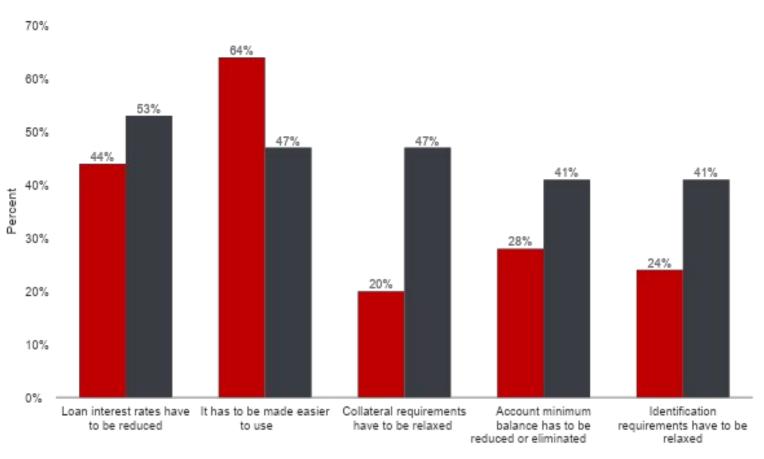
Dissatisfaction with credit received



Baseline Midline



Barriers to improved uptake of formal financial services



Baseline Midline

Key takeaways

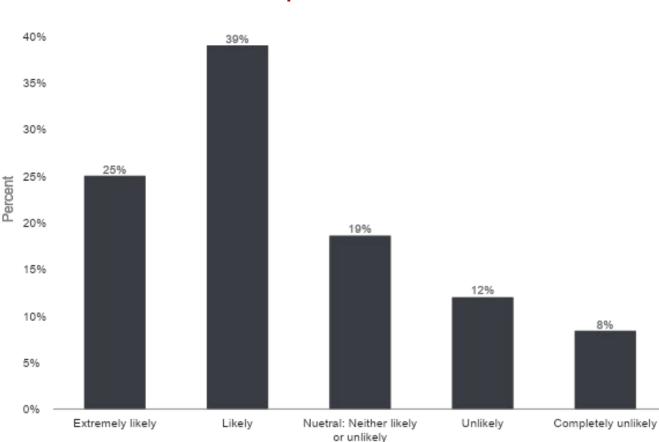
- The cost of credit remains a major barrier to uptake and use of credit
- FSPs often seek collateral with a value of at least 150% of the required loan, which often becomes a constraint to obtaining large ticket size loans.
- Regular product reviews and new product development are required to adapt to changes among the refugee population.
- De-segmentation of the refugee bankable population is key in addressing specific credit needs

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Level of satisfaction with partner financial institutions

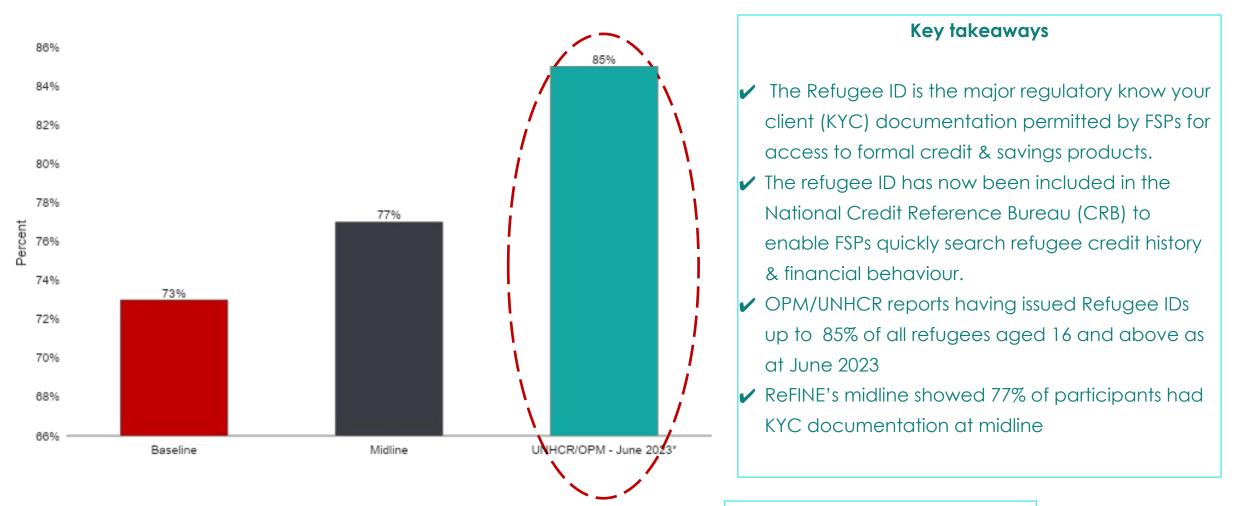


45% Extent to which respondents can recommend FSPs

- Despite challenges and constraints, loan clients are overall satisfied with services obtained from partner FSPs
- Technical Assistance to FSPs involved improving understanding of refugee financial lives, adapting credit appraisal and monitoring techniques to the refugee context, debunking myths around refugee eligibility for loans, refugee bankability and other supply side constraints
- Key focus for FSPs is identifying and addressing existing pain points in service delivery to improve satisfaction



Possession of KYC documentation



* UNHCR country update June 2023





Women's decision-making and control over financial resources

Key findings from focus group discussions at midline

- Female participants discuss decisions related to family spending with their husbands, however, its majorly the men who make financial decisions.
- Female participants did not encounter resistance from other family members in regards to accessing credit
- Female participants are the main decision makers in their children's health.
- There are still incidences of gender based violence as a result of accessing credit

- ReFINE's GESI strategy is supporting male and female participants to change their attitudes towards women's financial empowerment and agency
- There is high participation of women in community savings groups
- There is still more to do to drive financial inclusion for women



Supply side constraints/barriers in the review period

Key findings from focus group discussions at midline

- Aid dependency mindset of refugees remains a barrier to uptake.
- No permanent residence of some refugees especially
 hawkers
- No Shariah-compliant based products for certain refugee segments.
- Language barriers remain with some refugee populations
- Cost of lending is still high
- FSPs expressed a desire for loan guarantee funds to drive further lending
- Generalized implementation approach for all FSPs

- The information desk methodology has been designed to improve FSP-RLO engagements.
- RLOs are empowered in enforcing borrower repayments & direct linkages with minimum program team involvement.
- Credit guarantee schemes would help to drive down risk and increase appetite for lending by FSPs



Program Effectiveness & Efficiency

Area of concern	Key drivers	Recommended action
No business mentorship and follow up of participants	→ Funding gap / Project design	 Provision of business and digital tools to RLO staff through the information desks. Leverage other projects in MC to bridge the co-fi gap.
Dissatisfaction with no start up capital provided after training	Project design	 Use of information desks to improve participant legibility for investment credit from
Low sustainability of trainings by RLOs after disengagement	High staff turn over within RLOs / Low adoption of manuals and tools	 partner FSPs. Mindset change sessions through information desks. Enhance linkages to FSPs through RLOs
No incentives for diligent participant attendance (Transport refund, refreshments)	Low budget allocation to RLOs Inadequate planning with-in some RLOs	 Monitoring implementation of information Desks, monitoring and adapting tools and templates by Project team
Low community & Accountability reporting	High staff turnover Limited adoption of reporting channels	 Budget increment has been approved for remaining implementation period Digital clinics budget have been adapted for
Limited collaboration between FSPs and RLOs	Unrealistic expectations by both parties	 each RLO New reporting channels to be adopted Regular monitoring by CARM and MELO Increased visibility material procurement
		 Full operationalization of Information desks

Full operationalization of Information desks
 Support TA operationalization with FSPs

Women's financial inclusion

Area of concern	Key drivers	Recommended action
Prevalence of gender based violence against women as a result of their increased access to financial services	General economic empowerment programing is mainly targeting women and youth.	 Identification of male gender equity champions among refugee communities. Emphasis on equal participation of both women and men in access to finance
Low ownership of assets to meet collateral requirements	Discriminatory cultural norms & attitudes that limit women ownership of economic resources	 Programs. Sensitization on women's right to assets ownership where culture is a barrier
High family dependence on women owned businesses especially for female headed households	Refugee women mainly engage in micro businesses that often generate very low returns	 Improvement in access to markets and value addition to products to improve incomes. Financial product reviews to avail larger sized collateral-free credit to women.
Low use and understanding of digital financial technologies	Low access and use of smart devices	 Improve access to and attendance of digital financial literacy fora by women.
Limited time to visit FSP branches due to being the primary caregivers	Women are often the primary home care takers. Limited presence of bank branches and	 Increase access and availability of digital financial services to limit movements to bank branches.
	agent network in proximity	



KYC documentation

Area of concern	Key drivers		Recommended action
Some refugees still do not possess a refugee ID	 Loss of ID Some refugees are yet to be provided these IDs by OPM 		Advocacy with OPM/UNHCR on 100% provision to all adult refugees. FSPs encouraged to use other forms of KYC such as attestation documents.
No access to refugee financial behavior & credit history from countries of origin	Loss of key documentation during the migratory journey	v	Research on spending/income patterns by FSPs in order to adapt products. Development and use of robust credit appraisal and monitoring tools to determine financial behaviours. Use of the VSLA lending methodology which

 Use of the VSLA lending methodology which anchors on peer pressure among group members to foster compliance to loan terms



Supply side constraints

Area of concern	Key drivers	Recommended action
Aid dependency mindset still a challenge in provision of credit	Long term emergency and livelihoods programming focused on grants and subsidies to refugees.	 Awareness creation on the changing realities in livelihoods programs. Increase focus on sustainability of livelihood programs other than on outputs and outcomes.
No permanent residence of some refugees especially hawkers	Low incomes	 Use of VSLA lending methodology to enforce peer pressure mechanism.
No shariah-compliant products for some refugee segments	Generally low adoption of Islamic banking in Uganda Low information of sizeable demand for shariah-compliant products	 Increase in credit analysis and proper KYC documentation to reduce on this risk Increased engagement by FSPs in Refugee networks to enhance traceability.
Language barriers with some refugee segments	Limited budgets within FSPs on product translation and product marketing	 Increased awareness for FSPs on adoption of Islamic banking. Research on demand of shariah compliant use share any function.
High cost of lending	Extensive efforts in client mobilization &	 products among refugee population Support to FSPs in product translation and marketing
	monitoring, product reviews and adaptation.	✓ Linkages of FPS to available credit guarantee
Low access to guarantee funds	Limited availability of guarantee schemes	 schemes. Internal FSP reviews to identify and manage major cost drivers. Support research on cost of lending.



