



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

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

Demand Side

Technical and organizational capacity of Refugee Led Organizations (RLOs) is weak

Refugees have poor credit history and little to no assets/collateral compared to hosts

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

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.

Refugee capacity
building

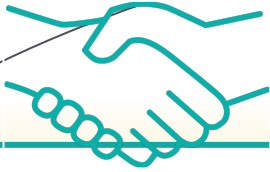
FSP Technical Assistance

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

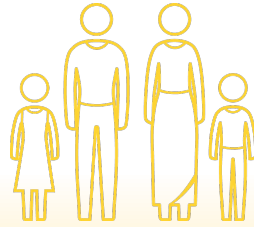


ReFine: Program Overview



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

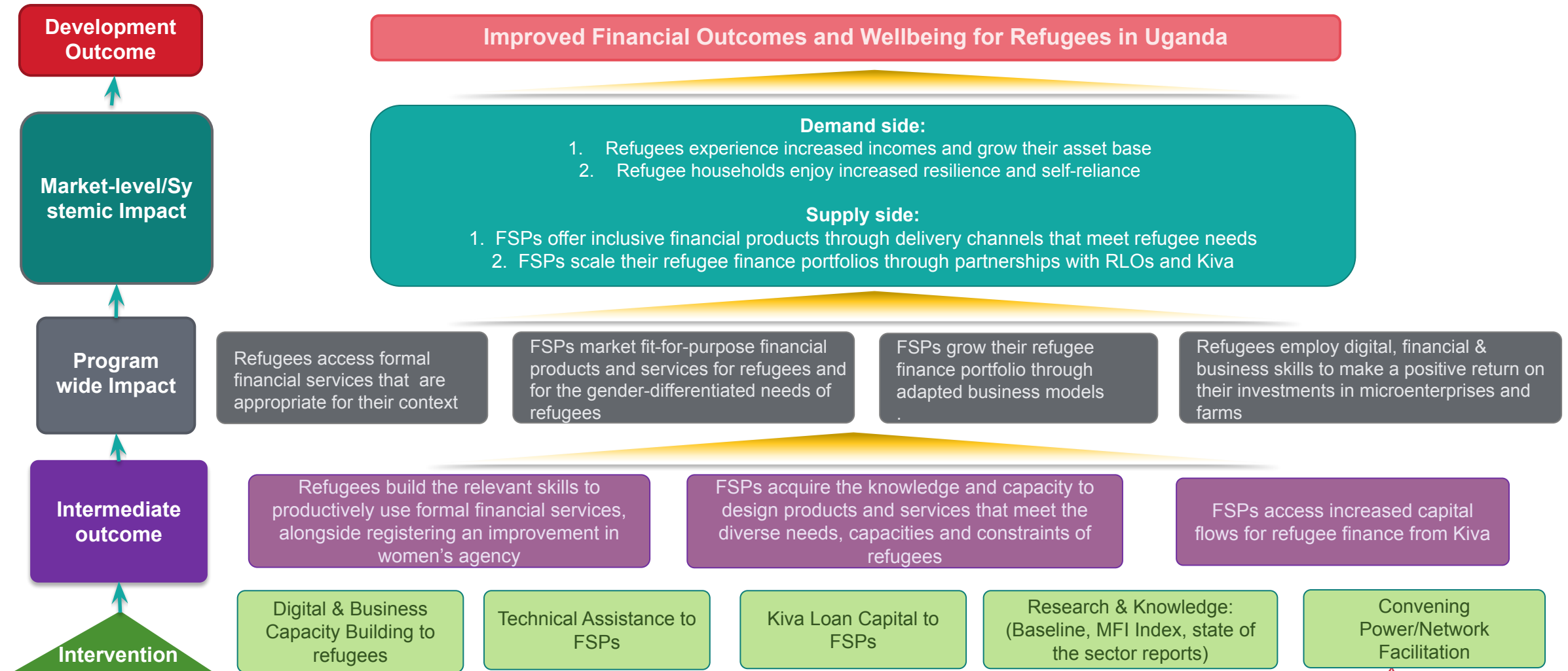
- **At least 2,000 refugees impacted** (including household members as indirect beneficiaries and women)
- Urban refugees residing in Kampala
- Households in peri-urban and rural areas of West Nile District
- Aggregation points will be Refugee Led Organizations (RLOs), Financial Institutions and Savings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

ReFine: Program Theory of Change



ReFine: Midline Research Objectives

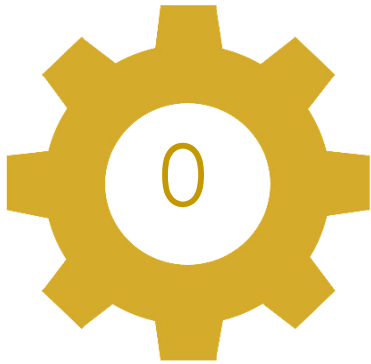
- 1 Assess the fitness of the project design for achieving the objectives and expected results and ensuring sustainability.
- 2 Assess the performance of the project and the extent to which it is still on course to achieving its objectives and expected results.
- 3 Identify the key lessons learned and recommendations for improving the project design, value for money and ensuring sustainability of supported interventions.
- 4 Assess the contribution of the project towards improved uptake of financial services among refugees (micro-enterprises, women, farms)



ReFine: Research Methodology - Tools

Secondary research

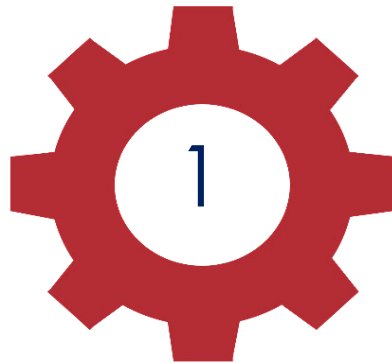
Publications, expert opinions



- 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.

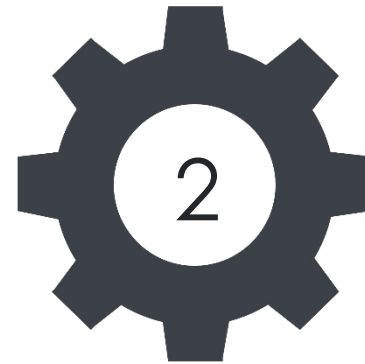
Primary research

Focus Group Discussions



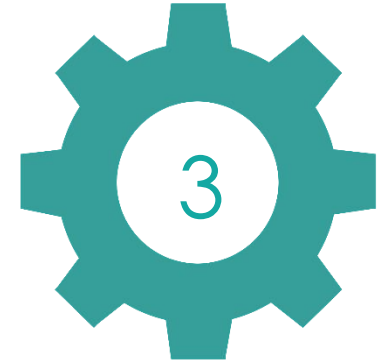
- Guided open-ended discussions conducted with refugee and host groups intended to gather qualitative information about core issues.
- 1 group typically comprised **8 – 10 respondents**; 6 groups were engaged per region (W. Nile and kampala/Wakiso) factoring in gender and age dynamics

Quantitative Survey



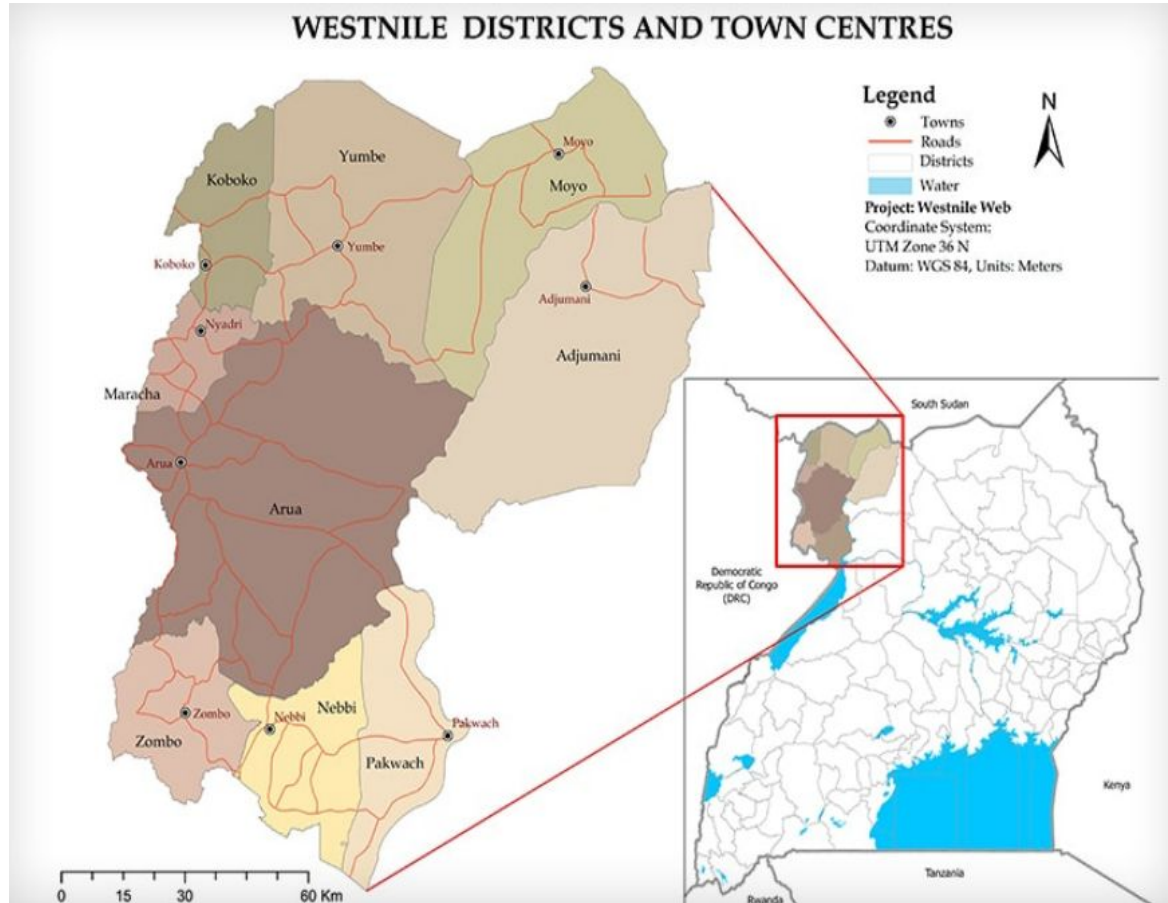
- Demand-side survey administered to a sample population of **580 individuals** from three regions of Yumbe, Terego/Madi-Okello and Kampala/Wakiso. Refugee-host population split was 70%- 30% in favour of refugees.

Key Informant Interviews

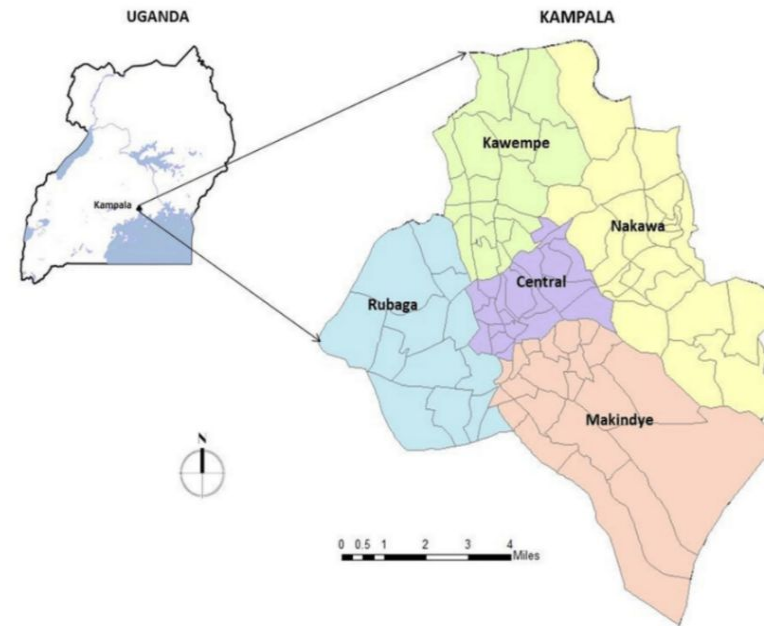


- Series of interviews conducted with key stakeholders such as Cohere, Kiva, FSPs, and RLOs.
- Primary aim is to get both broad and focused information on the problem's context from insider participants

ReFine: Research Methodology – Location & Sampling



CENTRAL REGION (KAMPALA AND WAKISO)



ReFine areas of operation:

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

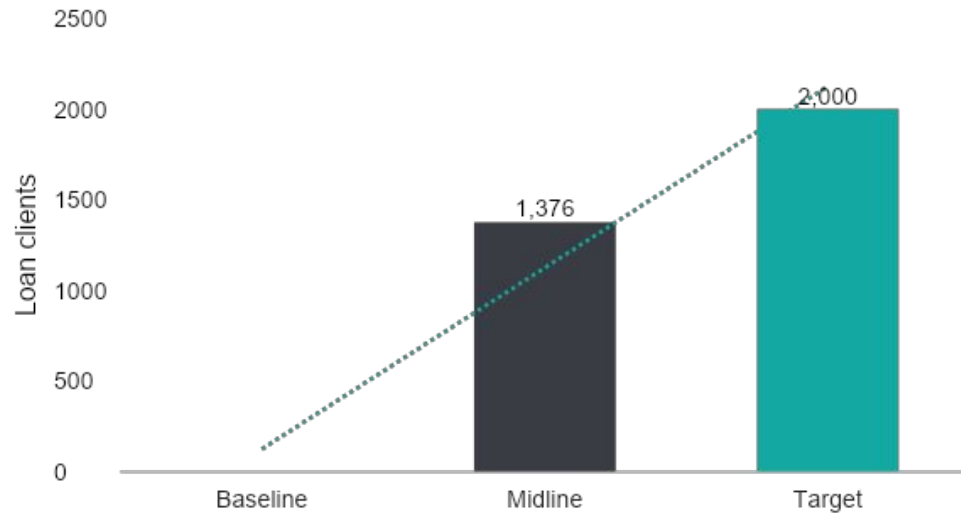
Sampling:

- 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

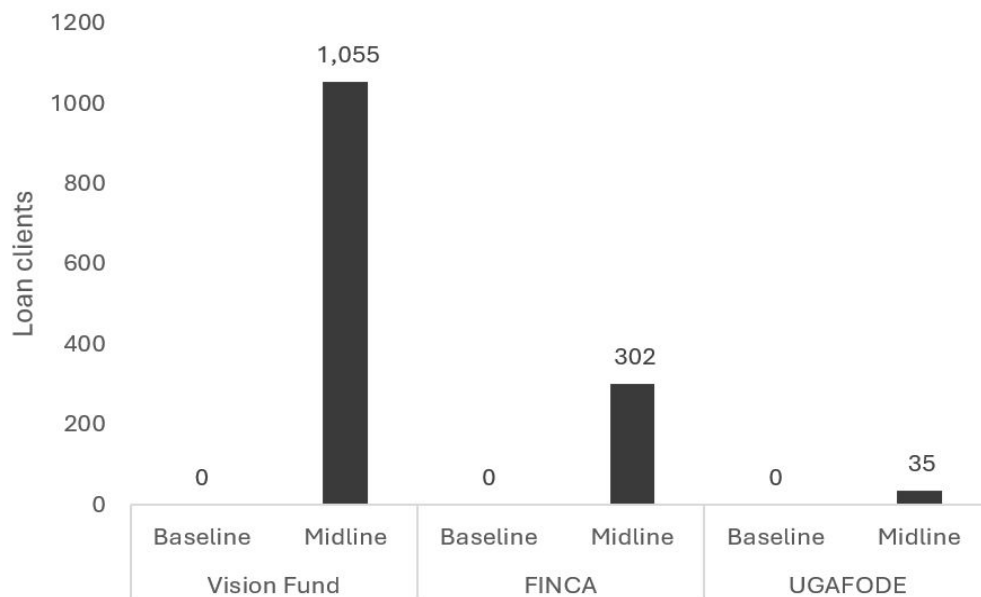
KEY FINDINGS

ReFINE participants accessing credit for period under review

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



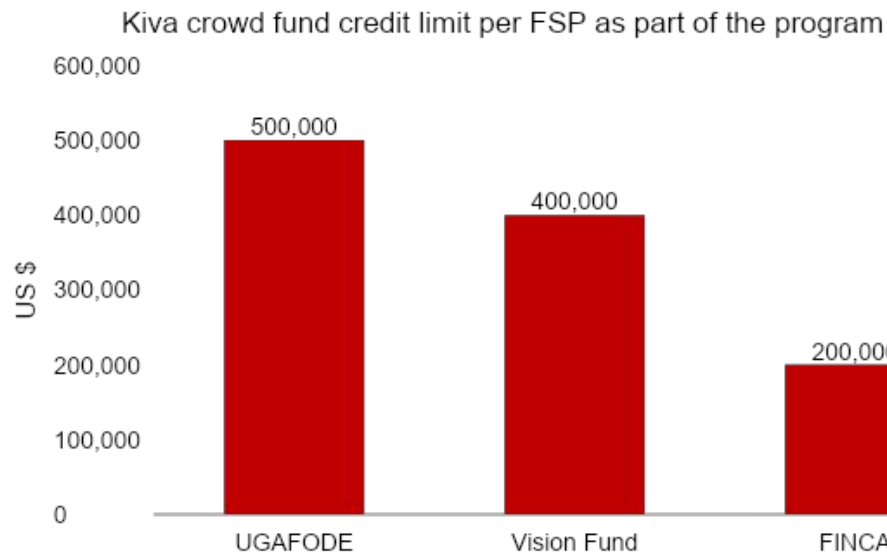
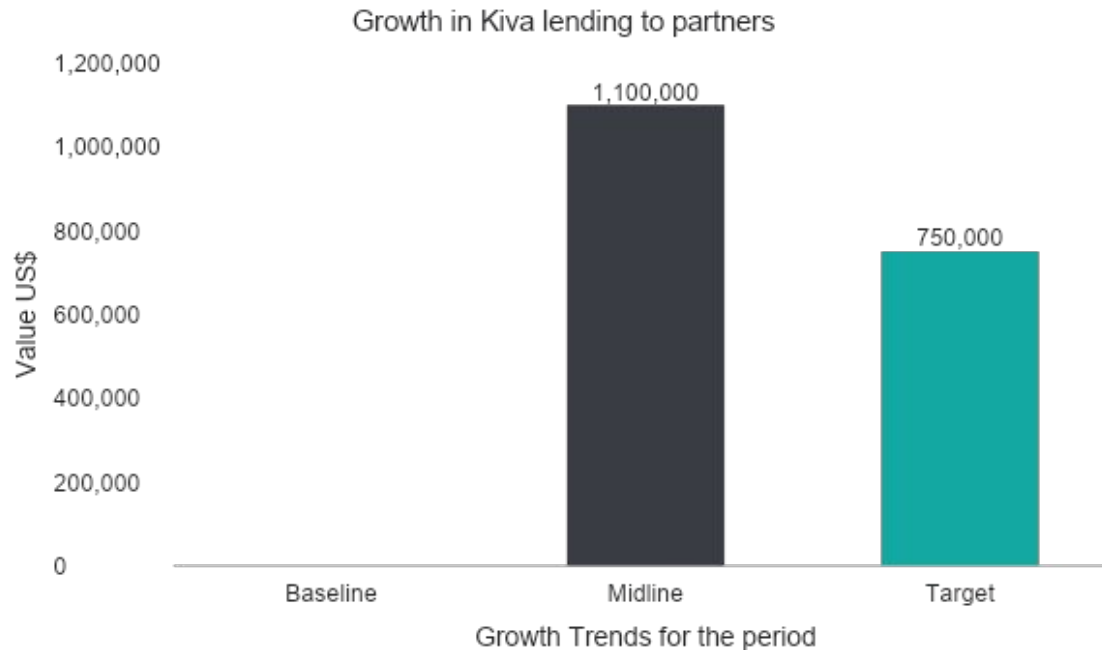
Loan clients served Per FSP



Key takeaways

- ✓ **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.

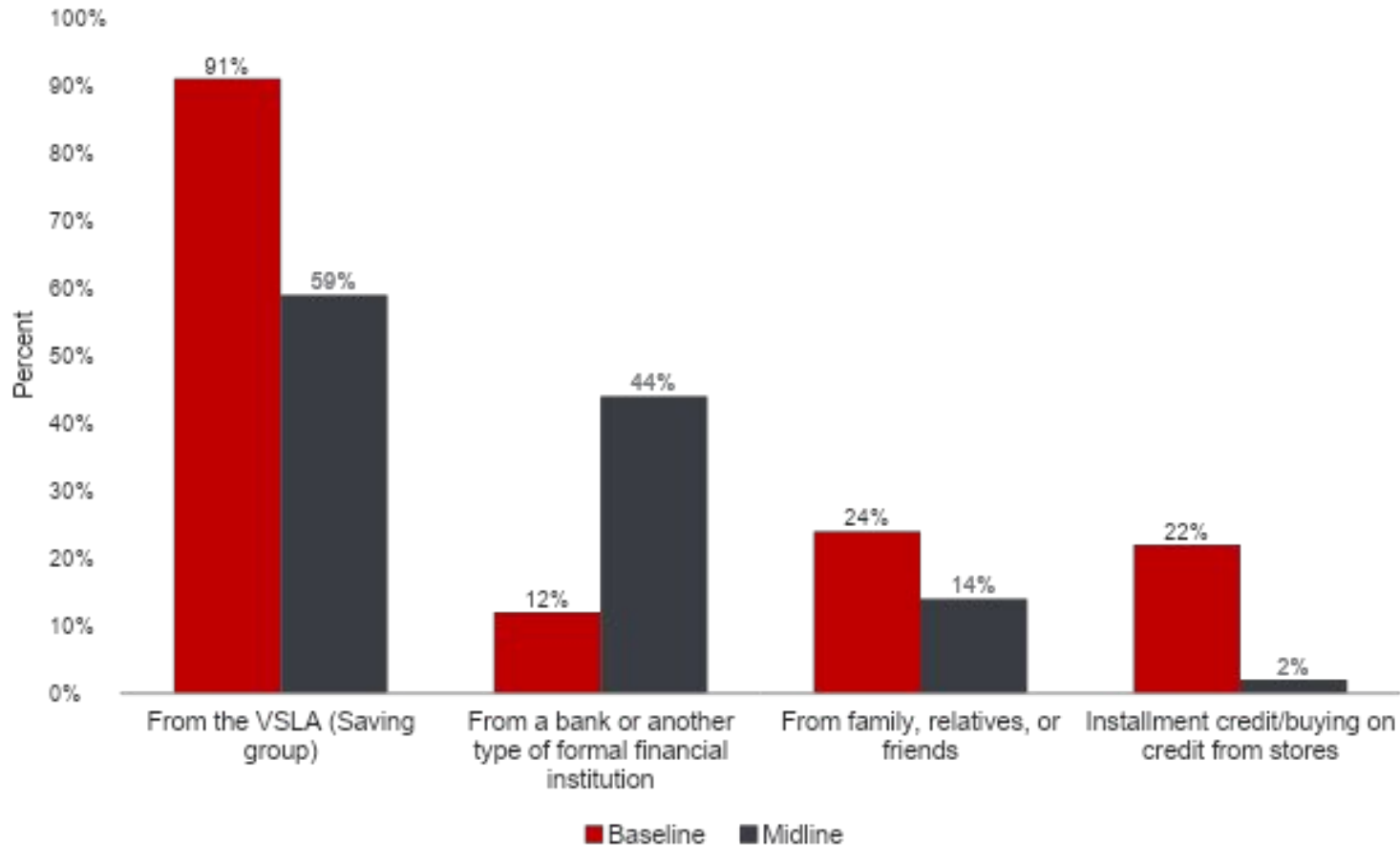
Capitalization of financial institution partners



Key takeaways

- ✓ Kiva has extended initial credit limit from USD 750,000 to USD 1,100,000 representing a growth rate of 47% beyond the target.
- ✓ Kiva is committed to supporting financial institutions with its crowd funding and commercial credit lines
- ✓ The credit line has an indefinite period as long as the FSPs are compliant with policy and risk limits.
- ✓ The crowd fund is availed at 0% interest rate which gives the FSPs a cheap source of credit.
- ✓ There's however no credit guarantee on the crowd fund.
- ✓ FINCA has a low utilization rate at about 11% - This is due to their relatively low experience in the space.
- ✓ VFU and UGAFODE are at full utilization capacity.

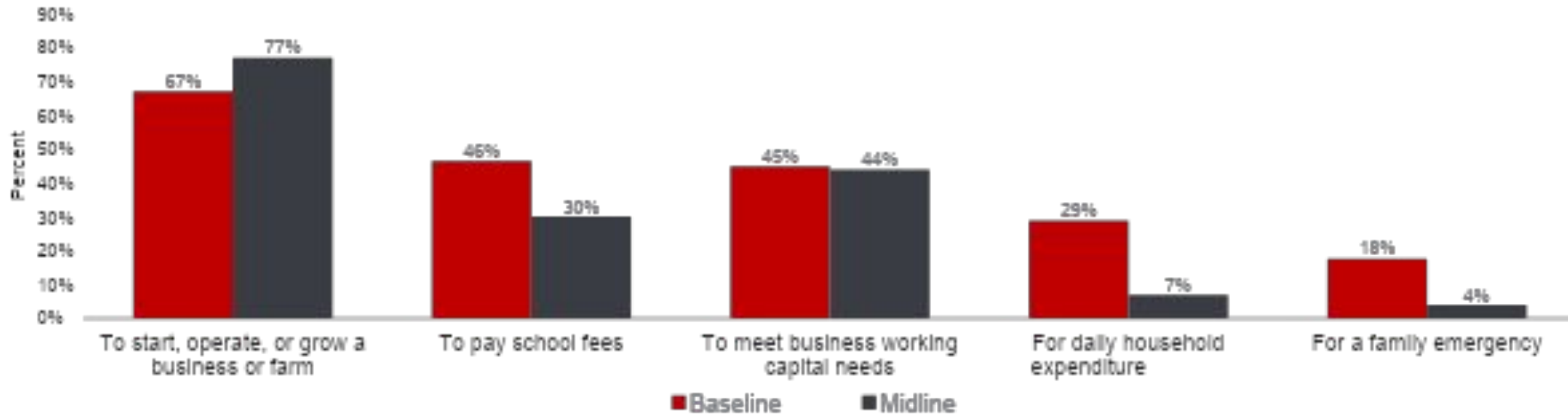
Major source of credit for ReFINE participants



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

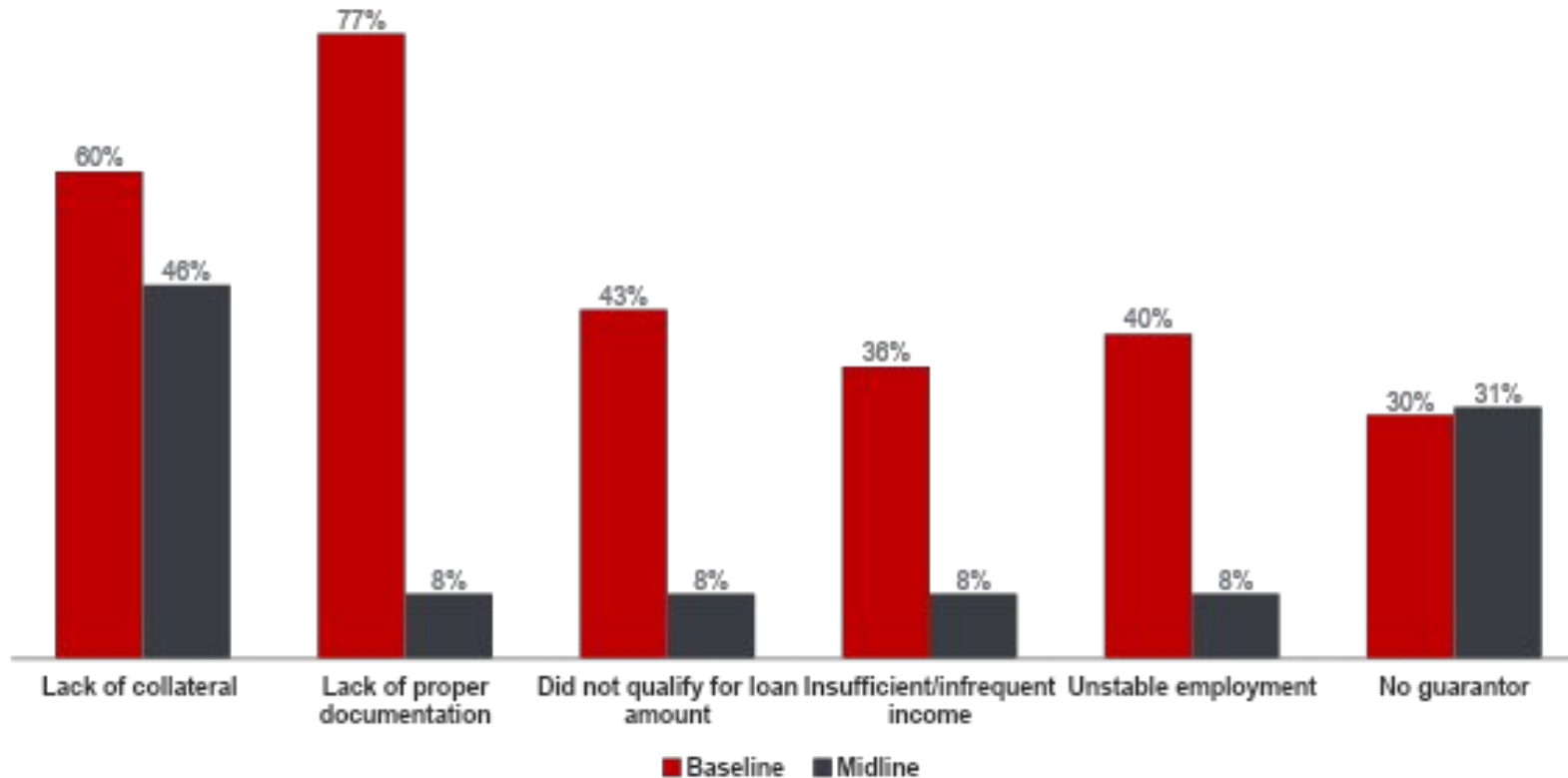
Use of credit by participants



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

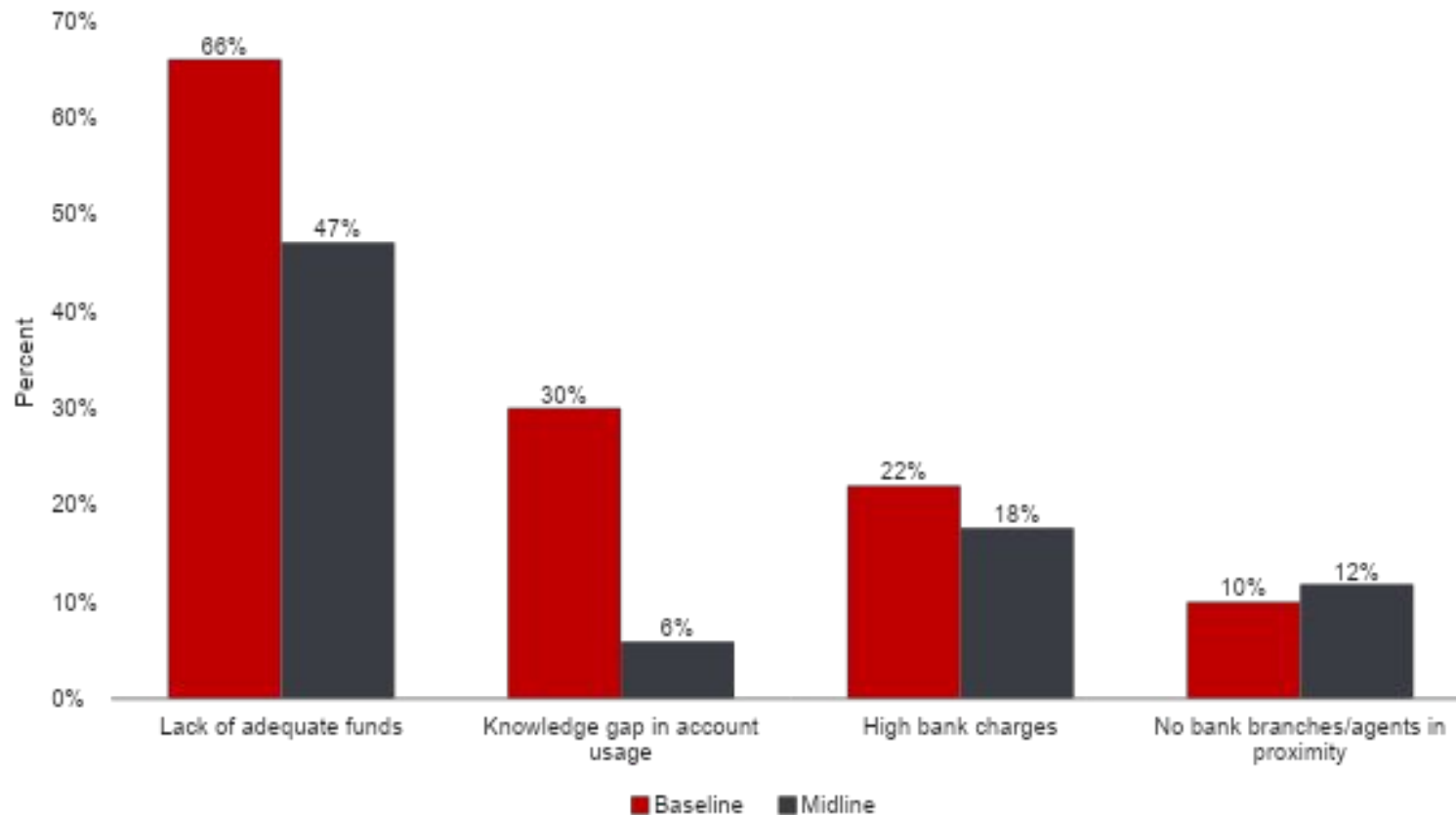
Reasons for rejection of applications by formal financial services



Key takeaways

- ✓ 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

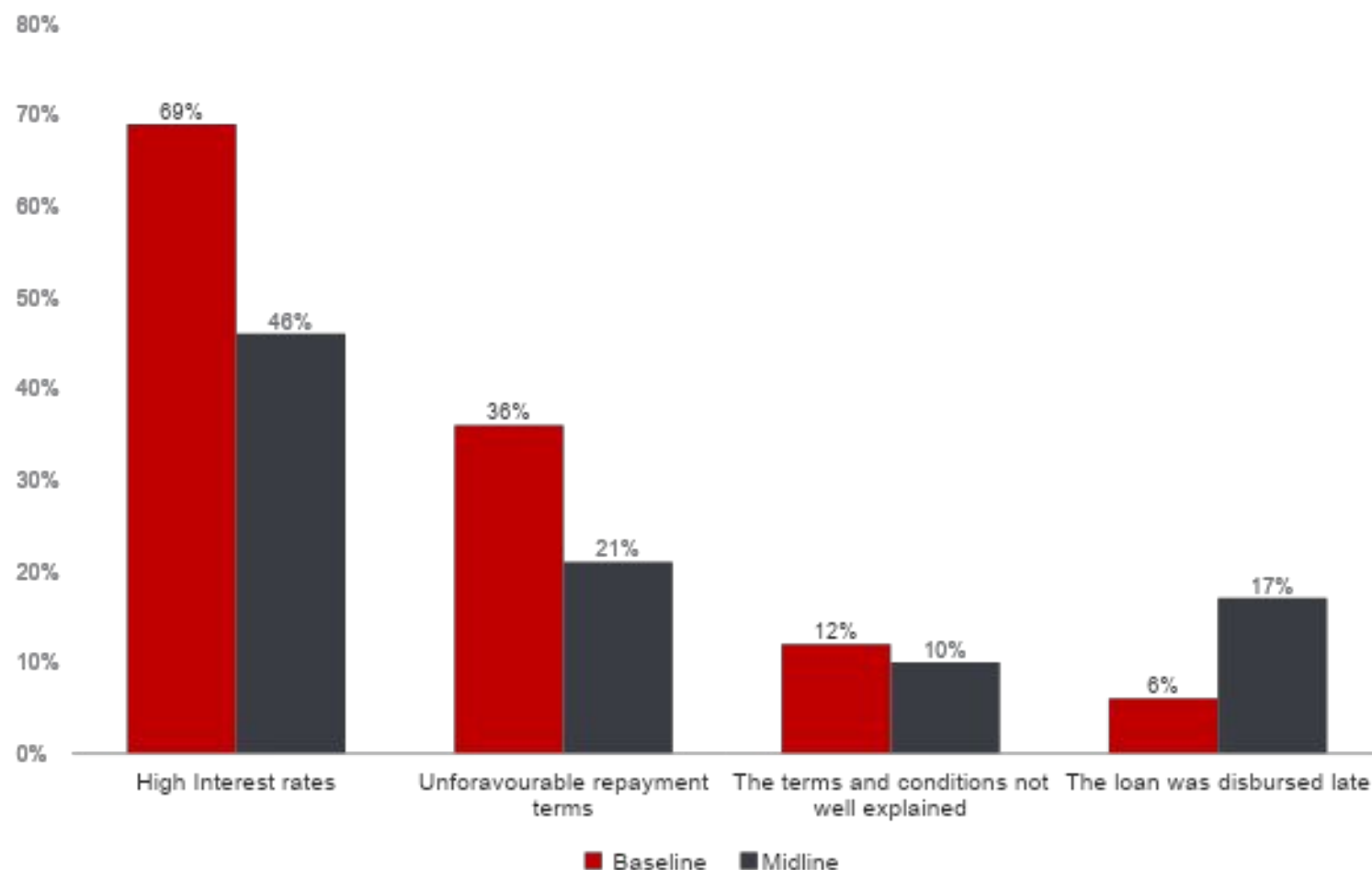
Reasons for not having or using a savings account



Key takeaways

- ✓ 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.

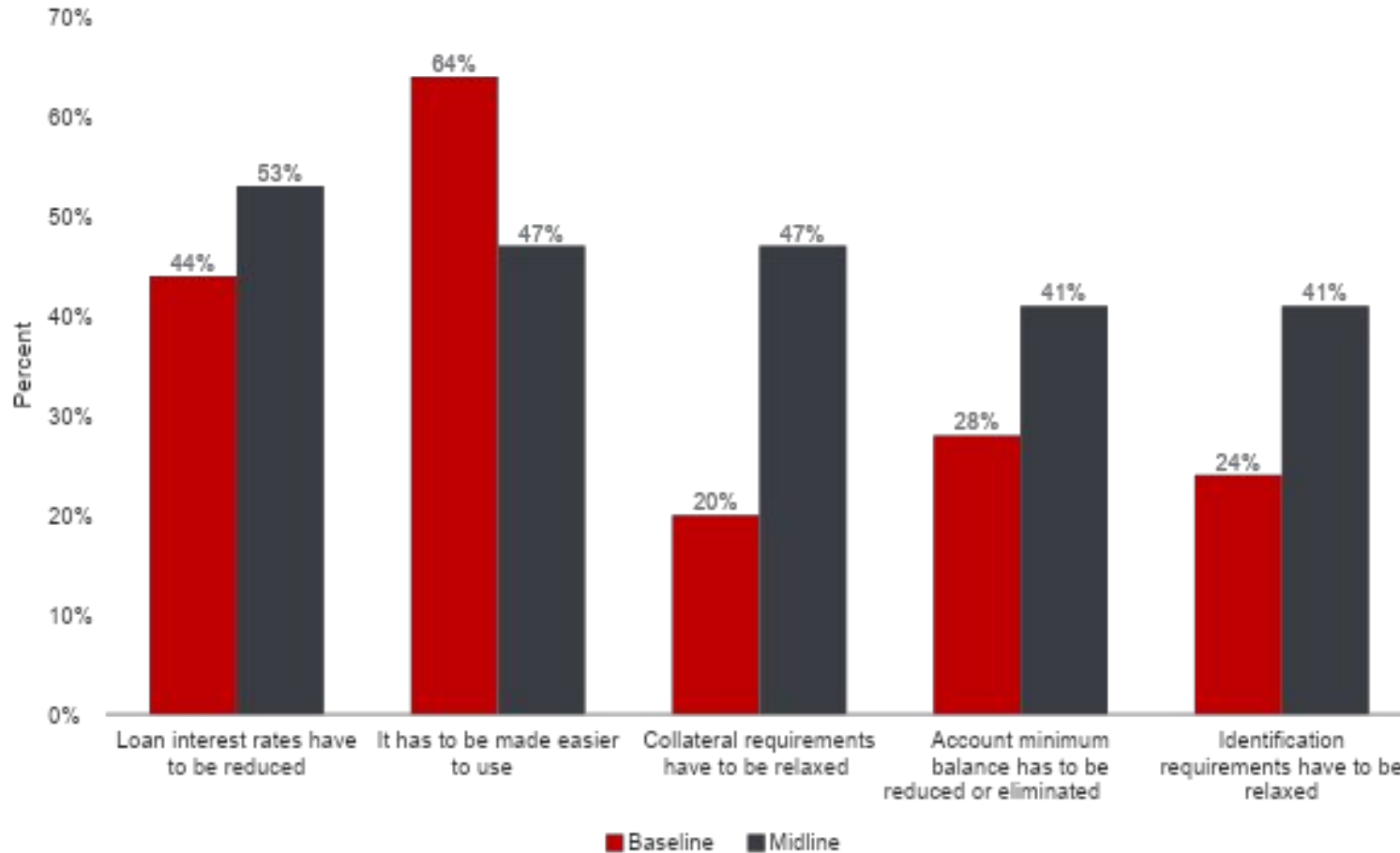
Dissatisfaction with credit received



Key takeaways

- ✓ Overall, there is less dissatisfaction with interest rates and payment terms, due to sensitisation and product development
- ✓ Refine FSP partners have not yet adopted Islamic banking which strictly provides interest free credit.

Barriers to improved uptake of formal financial services

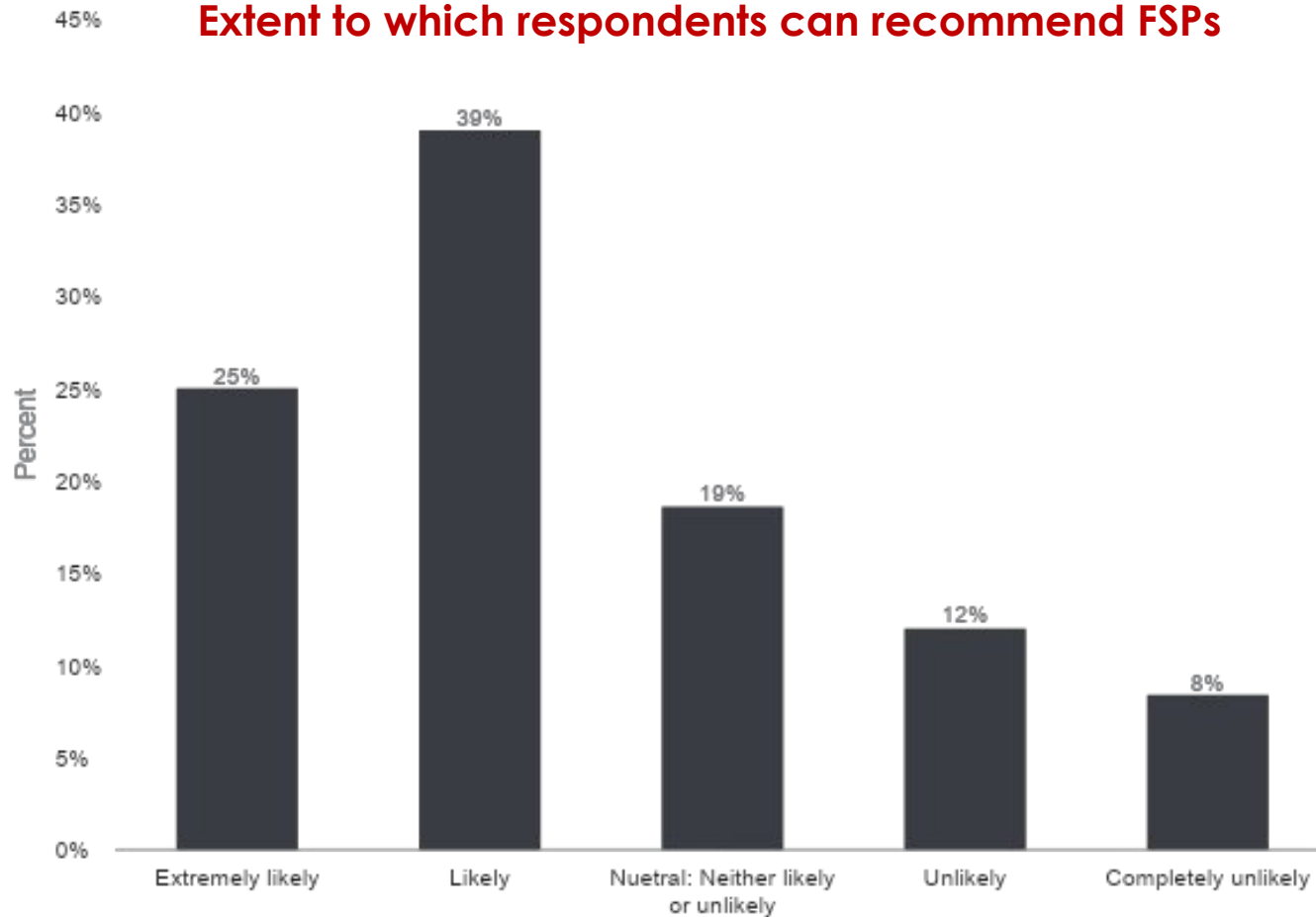


Key takeaways

- ✓ 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

Level of satisfaction with partner financial institutions

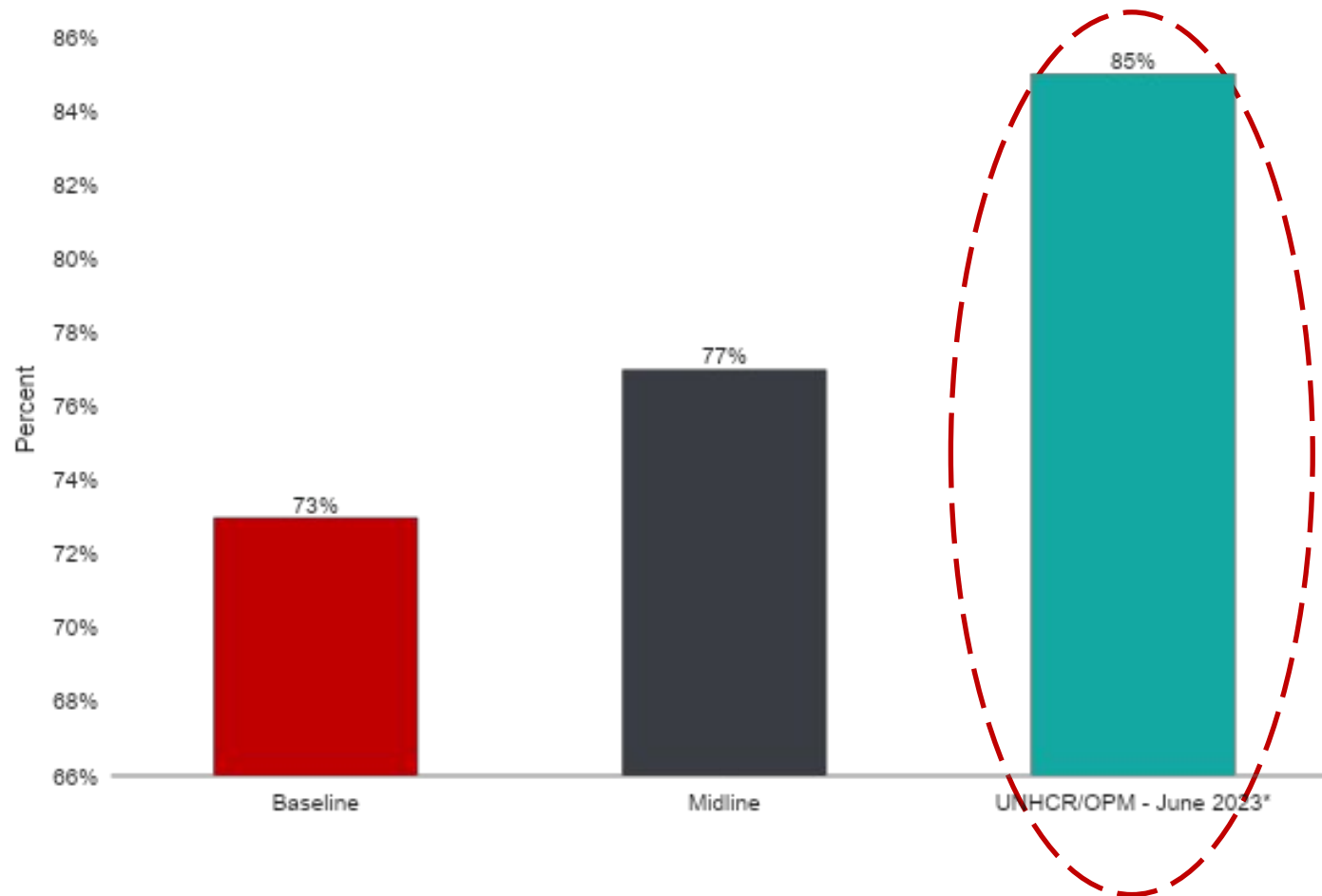
Extent to which respondents can recommend FSPs



Key takeaways

- ✓ 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



Key takeaways

- ✓ The Refugee ID is the major regulatory know your client (KYC) documentation permitted by FSPs for access to formal credit & savings products.
- ✓ The refugee ID has now been included in the National Credit Reference Bureau (CRB) to enable FSPs quickly search refugee credit history & financial behaviour.
- ✓ OPM/UNHCR reports having issued Refugee IDs up to 85% of all refugees aged 16 and above as at June 2023
- ✓ ReFINE's midline showed 77% of participants had KYC documentation at midline

* 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

Key takeaways

- ✓ 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

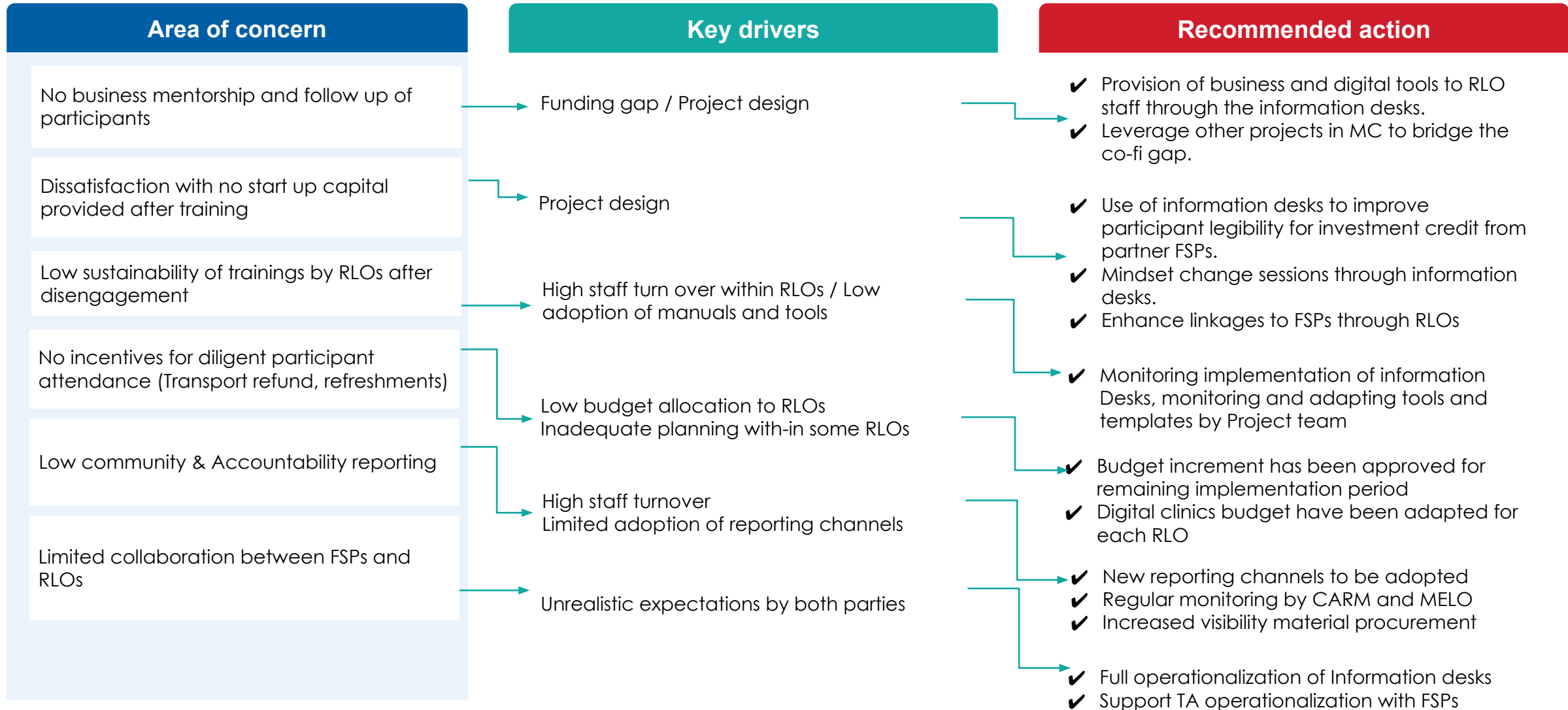
- Aid dependency mindset of refugees remains a barrier to uptake.
- No permanent residence of some refugees especially hawkers
- No Shariah-compliant based products for certain refugee segments.
- Language barriers remain with some refugee populations
- Cost of lending is still high
- FSPs expressed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

Key takeaways

- ✓ 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

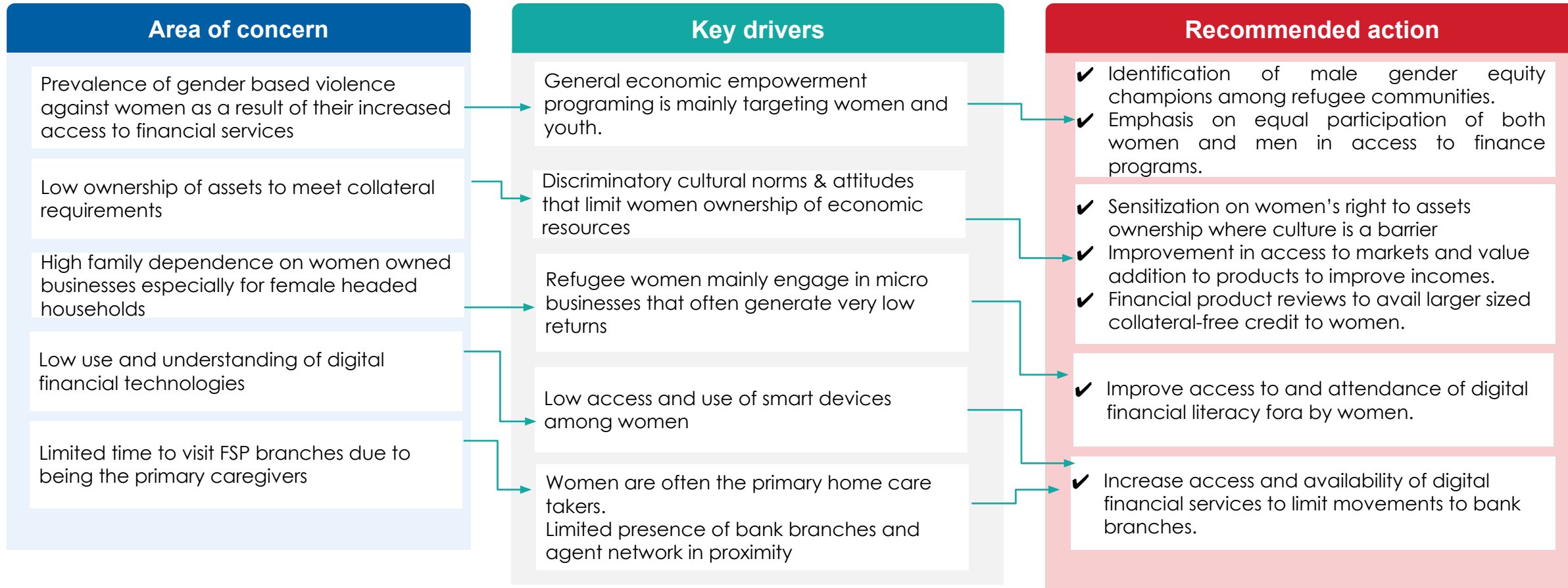
Recommendations

Program Effectiveness & Efficiency



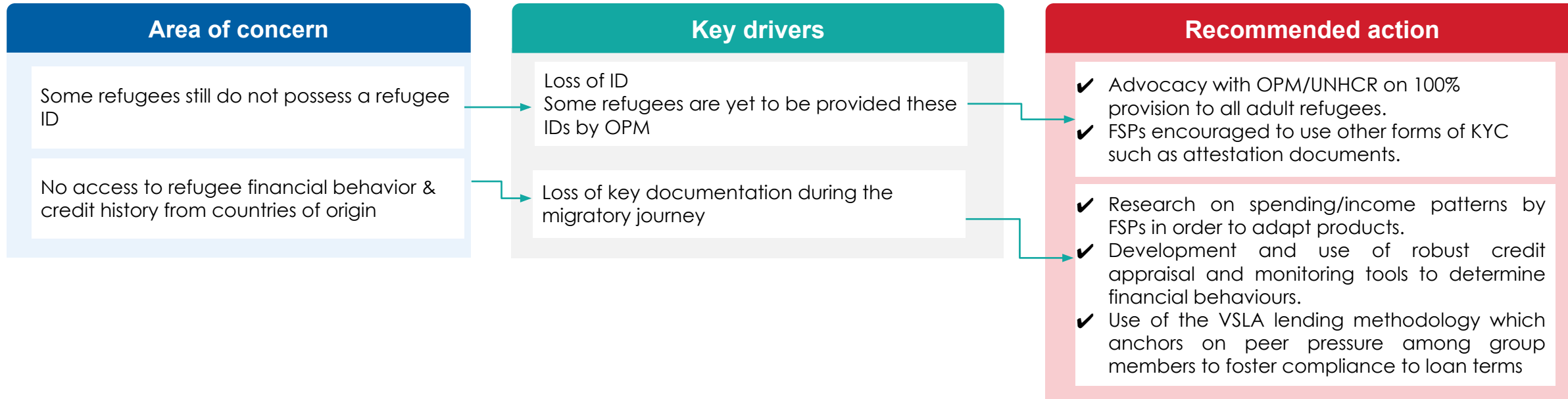
Recommendations

Women's financial inclusion



Recommendations

KYC documentation



Recommendations

Supply side constraints

