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.

- 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

**Development Outcome**

**Program wide Impact**

**Market-level/Systemic Impact**

**Intermediate outcome**

**Intervention**

**Improved Financial Outcomes and Wellbeing for Refugees in Uganda**

**Demand side:**
1. Refugees experience increased incomes and grow their asset base
2. Refugee households enjoy increased resilience and self-reliance

**Supply side:**
1. FSPs offer inclusive financial products through delivery channels that meet refugee needs
2. FSPs scale their refugee finance portfolios through partnerships with RLOs and Kiva

Refugees access formal financial services that are appropriate for their context

FSPs market fit-for-purpose financial products and services for refugees and for the gender-differentiated needs of refugees

FSPs grow their refugee finance portfolio through adapted business models

Refugees build the relevant skills to productively use formal financial services, alongside registering an improvement in women’s agency

FSPs acquire the knowledge and capacity to design products and services that meet the diverse needs, capacities and constraints of refugees

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FSPs access increased capital flows for refugee finance from Kiva

Digital & Business Capacity Building to refugees

Technical Assistance to FSPs

Kiva Loan Capital to FSPs

Research & Knowledge: (Baseline, MFI Index, state of the sector reports)

Convening Power/Network Facilitation
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**

- 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

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

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.
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

**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.

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**Extent to which respondents can recommend FSPs**

<table>
<thead>
<tr>
<th>Percent</th>
<th>Extremely likely</th>
<th>Likely</th>
<th>Neutral: Neither likely or unlikely</th>
<th>Unlikely</th>
<th>Completely unlikely</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>25%</td>
<td>39%</td>
<td>19%</td>
<td>12%</td>
<td>8%</td>
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**AFD**  
**kiva**  
**COHERE**  
**MERCY CORPS**
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

<table>
<thead>
<tr>
<th>Area of concern</th>
<th>Key drivers</th>
<th>Recommended action</th>
</tr>
</thead>
<tbody>
<tr>
<td>No business mentorship and follow up of participants</td>
<td>Funding gap / Project design</td>
<td>✔ Provision of business and digital tools to RLO staff through the information desks.</td>
</tr>
<tr>
<td>Dissatisfaction with no start up capital provided after training</td>
<td>Project design</td>
<td>✔ Mindset change sessions through information desks.</td>
</tr>
<tr>
<td>Low sustainability of trainings by RLOs after disengagement</td>
<td>High staff turn over within RLOs / Low adoption of manuals and tools</td>
<td>✔ Use of information desks to improve participant legibility for investment credit from partner FSPs.</td>
</tr>
<tr>
<td>No incentives for diligent participant attendance (Transport refund, refreshments)</td>
<td>Low budget allocation to RLOs</td>
<td>✔ Use of information desks to improve participant legibility for investment credit from partner FSPs.</td>
</tr>
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<td>Low community &amp; Accountability reporting</td>
<td>Inadequate planning with-in some RLOs</td>
<td>✔ Mindset change sessions through information desks.</td>
</tr>
<tr>
<td>Limited collaboration between FSPs and RLOs</td>
<td>High staff turnover</td>
<td>✔ Digital clinics budget have been adapted for each RLO</td>
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<td>Limited adoption of reporting channels</td>
<td>✔ New reporting channels to be adopted</td>
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<td>Unrealistic expectations by both parties</td>
<td>✔ Regular monitoring by CARM and MELO</td>
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<td>✔ Increased visibility material procurement</td>
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<td>✔ Full operationalization of Information desks</td>
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<td>✔ Support TA operationalization with FSPs</td>
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### Women’s financial inclusion

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

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<tr>
<td>Some refugees still do not possess a refugee ID</td>
<td>Loss of ID</td>
<td>✔ Advocacy with OPM/UNHCR on 100% provision to all adult refugees.</td>
</tr>
<tr>
<td>No access to refugee financial behavior &amp; credit history from countries of origin</td>
<td>Loss of key documentation during the migratory journey</td>
<td>✔ FSPs encouraged to use other forms of KYC such as attestation documents.</td>
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<td>✔ Research on spending/income patterns by FSPs in order to adapt products.</td>
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<td>✔ Development and use of robust credit appraisal and monitoring tools to determine financial behaviours.</td>
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<td>✔ Use of the VSLA lending methodology which anchors on peer pressure among group members to foster compliance to loan terms</td>
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Supply side constraints

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