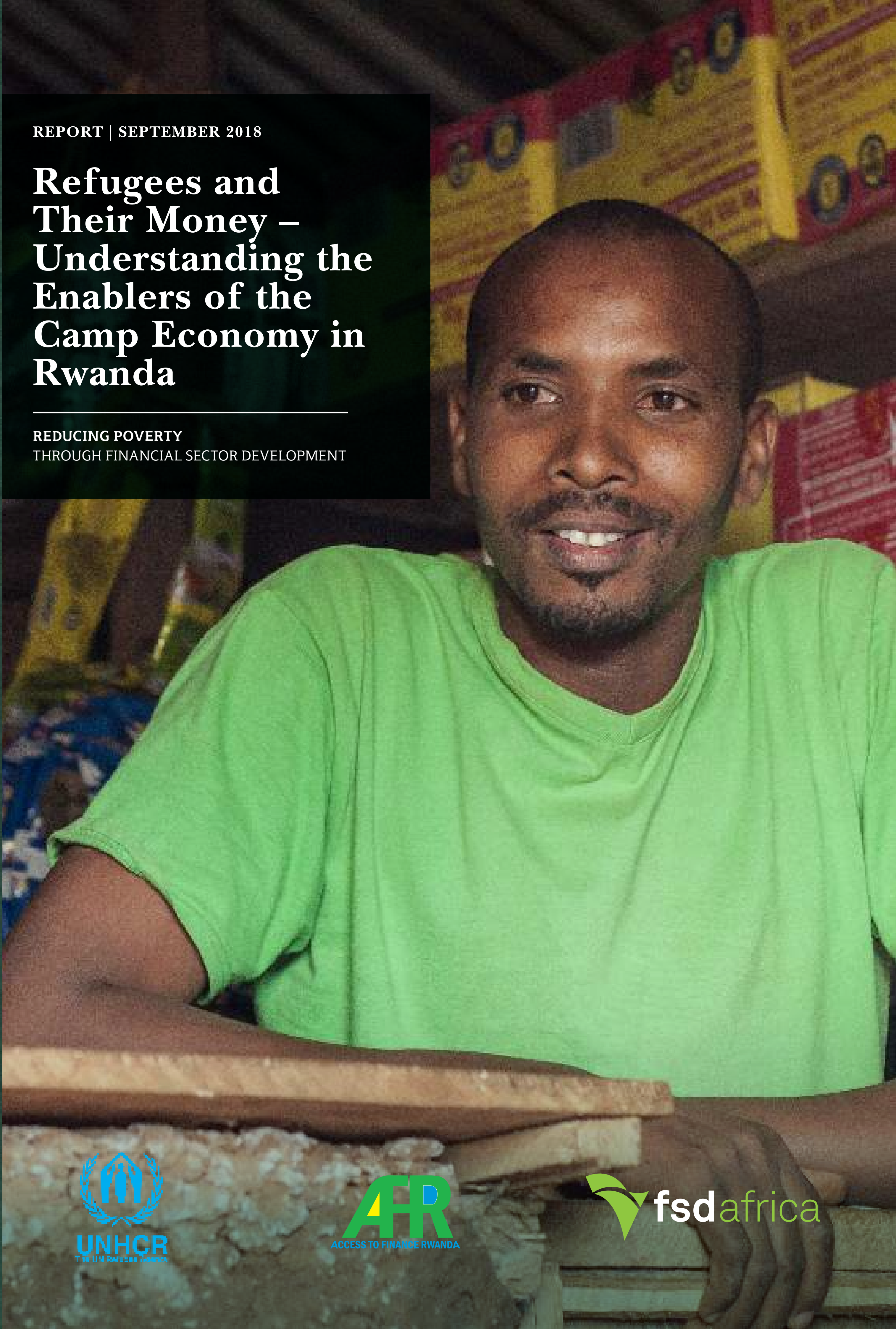
REPORT | SEPTEMBER 2018

Refugees and Their Money – Understanding the Enablers of the Camp Economy in Rwanda

REDUCING POVERTY
THROUGH FINANCIAL SECTOR DEVELOPMENT



UNHCR
The UN Refugee Agency

AFR
ACCESS TO FINANCE RWANDA

fsdafrica

Cover image: Sarah Day Smith
Layout: Kristina Just

Refugees and Their Money:
The Financial Lives of Forcibly Displaced People

BY: BFA

About BFA

BFA is a global consulting firm specializing in financial services for low-income people. Our approach is to seek out, create and implement financial solutions to help people manage challenges and seize opportunities. We partner with cutting-edge organizations that touch the lives of low-income consumers such as financial institutions, fintech companies and information providers. In creating solutions, we integrate our deep expertise in customer insights, business strategy, new technology, and growth-enabling policy and regulation. Founded in 2006, BFA's clients include donors, investors, financial institutions, policymakers, insurers and payment service providers. BFA has offices in Boston, New York, Nairobi and Medellín.

Innovating solution for finance, for life.

Project supporters

fsdafrica — **Financial Sector Deepening Africa**

AFR ACCESS TO FINANCE RWANDA — **Access to Finance Rwanda**

UNHCR The UN Refugee Agency — **The office of the United Nations High Commissioner for Refugees**

Acknowledgement

The authors would like to thank Craig Loschmann and his colleagues from Maastricht Graduate School of Governance for providing data which helped make the report richer.

We are grateful to UNHCR, WFP and MIDIMAR for providing insights on the refugee population as well as access to the camps. We would especially like to express our gratitude to Jacob Oster, Shiori Watanabe and Micol Pistelli from UNHCR who provided invaluable support throughout the entire process. To Jules Munyaruyange from WFP for helping us understand the cash transfer programme. We would like to appreciate Rose Kayumba and Ngoga Aristarque from MIDIMAR, who gave us insights on government involvement and strategies for refugees. To the NGOs especially Save the Children and American Refugee Committee who work in the camps and shared their stories, thank you.

Our thanks go to the financial service providers who agreed to be interviewed. To our field researchers: Serge Mushinzimana, Albert Kinuma for their tremendous contributions to fieldwork. To the entire research team: Kim Wilson, Roland Amoah and Michelle Hassan for going to the field.

We also wish to thank FSDA (Marion Kimani, Howard Miller and Joe Huxley) for the invaluable support, guidance and insights throughout the project. To the entire AFR team and especially Waringa Kibe, Rosleyne Uwamahoro and Frank Banguma, thank you for making the introductions to the financial service providers in the country.

Finally, we are indebted to the people who shared their stories and details of their lives with us and whose experiences are at the heart of this project.

This report was written by Daryl Collins, Roland Amoah, Kim Wilson, Michelle Hassan and Stanley Mutinda. The report is based on research findings collected by Bankable Frontiers Associates (BFA).

Contents

List of Figures & Tables

Abbreviations

ARC	American Refugee Committee
ATM	Automated teller machine
CDD	Customer Due Diligence
DRC	Democratic Republic of Congo
DFID	Department for International Development
FDP	forcibly displaced person
FSP	financial service provider
KYC	Know Your Customer
MFI	microfinance institution
ML	money laundering
MIDIMAR	Ministry of Disaster Management and Refugee Affairs Rwanda
MGSG	Maastricht Graduate School of Governance
NGO	non-governmental organisation
RWF	Rwandan Franc
SACCO	Savings and Credit Cooperative
TF	terrorist financing
UN	United Nations
UNHCR	United Nations Refugee Agency (Office of the UN High Commissioner for Refugees)
VSLA	Village Savings and Loan Association
WFP	World Food Programme

Executive Summary

Background

In Rwanda, financial inclusion allows low-income households to build assets, mitigate shocks and make productive investments. It also stimulates local economic activity by financing microbusinesses and is positively correlated with economic growth. Increased use of digital cash transfer technology, that delivers cash to recipients using card-based and mobile phone-based systems, provides potential opportunities for linking relief, rehabilitation and development activities. Humanitarian cash transfers offer beneficiarthe chance to ‘onramp’ to other important services, such as transactional accounts and bank accounts that lead to savings and credit lines.

Objectives

This study details the financial needs of the ‘forcibly displaced people’ (FDP) population in relation to their host populations. It offers insights into how different segments of the FDP population manage their portfolios and how the different stakeholder categories might engage with financial service providers (FSPs).

Methodology

This report draws on supply-side data, evidence from the humanitarian sector, and information gathered from FDPs and members of host communities. On the supply side, a team analysed various data sets, including FinScope, UNHCR (UN Refugee Agency) and Maastricht Graduate School of Governance data, to determine income sources. Analyses of transactional data and financial data were combined to determine demographics, and socio-economic profiles of refugees were examined to determine similarities to the Rwandan population. The team also interviewed various FSPs, including banks, mobile money operators, savings and credit cooperative organisations (SACCOs), microfinance institutions (MFIs) and fintech companies, to better understand the bottlenecks they are experiencing as they serve the FDP population. On the demand side, the team engaged in qualitative interviews with 35 refugees to better understand their financial needs and coping strategies. A regulatory review of roadblocks, especially regarding identity and ‘know-your-customer’ (KYC) was also conducted.

KEY FINDINGS

Unclear KYC requirements make it difficult for both the refugees and FSPs to interact effectively.

NGO-promoted livelihoods, while appreciated, often generate subsistence-level incomes.

Credit is needed for business expansion.

An information and ‘idea gap’ holds back camp residents.

1. Unclear KYC requirements make it difficult for both the refugees and FSPs to interact effectively.

Documentation is a critical factor that could transform human capital and social networks into economically productive capital. Currently, there is no clear guidance on the documentation to be used. Some refugees have used proof-of-registration to open bank accounts while others were not permitted to do so. Refugee ID cards expire every five years. Cards have not been renewed for the last two years, and the reported reason is that the government is changing the system. Not all FSPs recognise the expired refugee ID, and even branches and agents vary their documentation requirement. These discrepancies in internal policies of FSPs have left refugees confused.

2. NGO-promoted livelihoods, while appreciated, often generate subsistence-level incomes.

The study saw a range of livelihood activities in the camp, from rabbit-raising to charcoal-making to kitchen gardening. Non-governmental organisations (NGOs) were helping refugees in crafts, tailoring and chicken farming and the study noted technical training in carpentry and motor-vehicle maintenance. Some craft businesses had international markets, though they were small in scope and dependent on a few buyers. Most of the activities witnessed offered refugees a chance to upgrade their skills while feeling productive. They also contributed directly to the health of the camp (for example, chickens and vegetables could be sold and consumed locally). However, with respect to income, most livelihood activities kept refugees at subsistence levels. Until the larger issues of mobility and identity can be addressed, it is not clear how livelihood-based efforts can boost incomes from subsistence to more profitable levels.

3. Credit is needed for business expansion.

Refugees appreciated the support they received from NGOs such as Save the Children and the American Refugee Committee (ARC); however, there is a need for lines of credit. NGOs could help refugees establish business credit by offering two to three introductory loans that help the businesses learn how to manage credit. The interaction will also assist in establishing acredit history that could be accessed by the FSPs. While refugees may not have been able to transport financial capital or physical assets from their countries of origin, they were able to bring their skills and experience. Many had acquired important business skills in the Democratic Republic of Congo (DRC) and Burundi. They had kept their trade networks intact and knew how to establish new ones.

4. An information and 'idea gap' holds back camp residents

A great enabler of a camp economy is information, which supplies resident entrepreneurs with ideas for new ventures. It also counteracts rumours, which are rife in a camp setting. The study found young entrepreneurs are hungry for mentorships and new business ideas.

Conclusion

Stakeholders in the humanitarian sector have a key role to play in enabling refugees to become an attractive segment for financial service providers. Some recommendations are listed below:

- NGOs could help businesses with credit-readiness by offering the first loan/grant to give credit experience to the refugees.
- Stakeholders could play a bigger role in providing access to information on services and what the requirements are. For example, business owners believed they could not get credit because they were refugees and did not know what was required.
- Stakeholders could lobby the government to accept UNHCR identity documents.

PART 1

BACKGROUND TO THE STUDY

PART 1 | Background to the study

Introduction

Financial service providers (FSPs) have largely overlooked refugees as a viable client segment. With over 65 million forcibly displaced people (FDPs) globally, it is imperative to involve FSPs in the strategy of refugee self-sustenance; however, FSPs are reluctant. Some of their concerns include fundamental beliefs about refugees, including that they are mobile, do not have a source of regular income, do not have experience in financial instruments, and are legally not eligible for financial services.

According to the Rwanda Development Board, there are currently 12 commercial banks in Rwanda and 15 microfinance institutions (MFIs), 416 Umurenge[1] savings and credit cooperatives and 63 non-Umurenge savings and credit cooperatives. The findings from the Fin Scope Rwanda 2016 survey reveal that 5.2 million individuals in Rwanda, or 89% of the Rwandan adult population, have access to both formal and informal financial services. Of these, 68% of adults in Rwanda have access to formal financial services, including banks and other formal (non-bank) financial services. About 26% of adults use banks. According to FinScope Rwanda, the banking population has slightly increased by 0.4 million since 2012, with the growth of bank usage driven by debit cards, uptake of bank loans and mobile banking. Approximately 65% of adults in Rwanda have access to other formal (non-bank) financial services, which accounts for the growth in overall levels of formal financial inclusion.

In total, about 72% of adults in Rwanda (around 4.2 million individuals) use informal financial mechanisms. The informal sector plays an important role in extending the overall levels of financial inclusion, particularly in rural areas and among women. However, around 11% of adults in Rwanda (around 0.7 million individuals) are excluded from formal financial services. Traditionally, vulnerable groups such as the poor, those residing in remote rural areas, women and youth are more likely to be financially excluded.

At a UN meeting hosted in New York in 2016, the Rwanda government pledged to promote the inclusion of refugees. The joint Rwanda-UNHCR (UN Refugee Agency) livelihoods strategy focused on graduating camp-based refugees out of assistance programmes and increasing formal access to work. One of the pledges was to have at least 58,000 refugees using banking services by mid-2018. Thus, this is the right time for FSPs to get involved. A recent study by Burno, Zimmerman, Aberra and Lubinski[2] suggests that FSPs can provide more complex solutions with small adaptations to 'off-the-shelf' products. But there are important unknowns in this case: what financial products are FDPs most likely to demand, are financial institutions incentivised to provide them, and can deploying philanthropic capital overcome bottlenecks?

Research methods

BFA undertook a four-pronged approach that included: secondary analysis of existing data sources, regulatory review, interviews with financial service providers (FSPs), and fieldwork interviewing both the FDP population and non-governmental organisations (NGOs) in the camps. Details on the methodology can be found in Annex 1.

Background on FDPs in Rwanda

Rwanda is a signatory to the 1951 Refugee Convention and its 1967 Protocol, the 1961 and 1964 Statelessness Conventions and most international conventions on human rights. It is also a party to the 1969 OAU Convention and has signed and ratified the 2009 Kampala Convention. The Government of Rwanda abides by the principle of non-refoulment and has been hosting refugees for decades, mainly from the Democratic Republic of Congo (DRC) and Burundi, but also from other countries in Africa.

According to UNHCR records, nearly 160,000 refugees lived in camps in Rwanda at the end of June 2017. There are seven main camps in Rwanda where 79% of the refugees are based: Kigembe, Gihembe, Kiziba, Nyabiheke, Mugombwa, Mahama and Huye. The rest are urban-based refugees found mainly in Kigali. Of the seven camps, five host DRC refugees. Mahama Camp, host to Burundi refugees, is the largest refugee camp in Rwanda.

[1] A political subdivision equivalent to a municipality.
[2] Valerie Nkamgang Bemo, Dilwonberish Aberra, Jamie M. Zimmerman, Amanda Lanzarone, David Lubinski (2017) "Enabling digital financial services in humanitarian response: four priorities for improving payments" Bill and Melinda Gates Foundation.

PART 2
REFUGEE ECONOMY

PART 2 | Refugee Economy

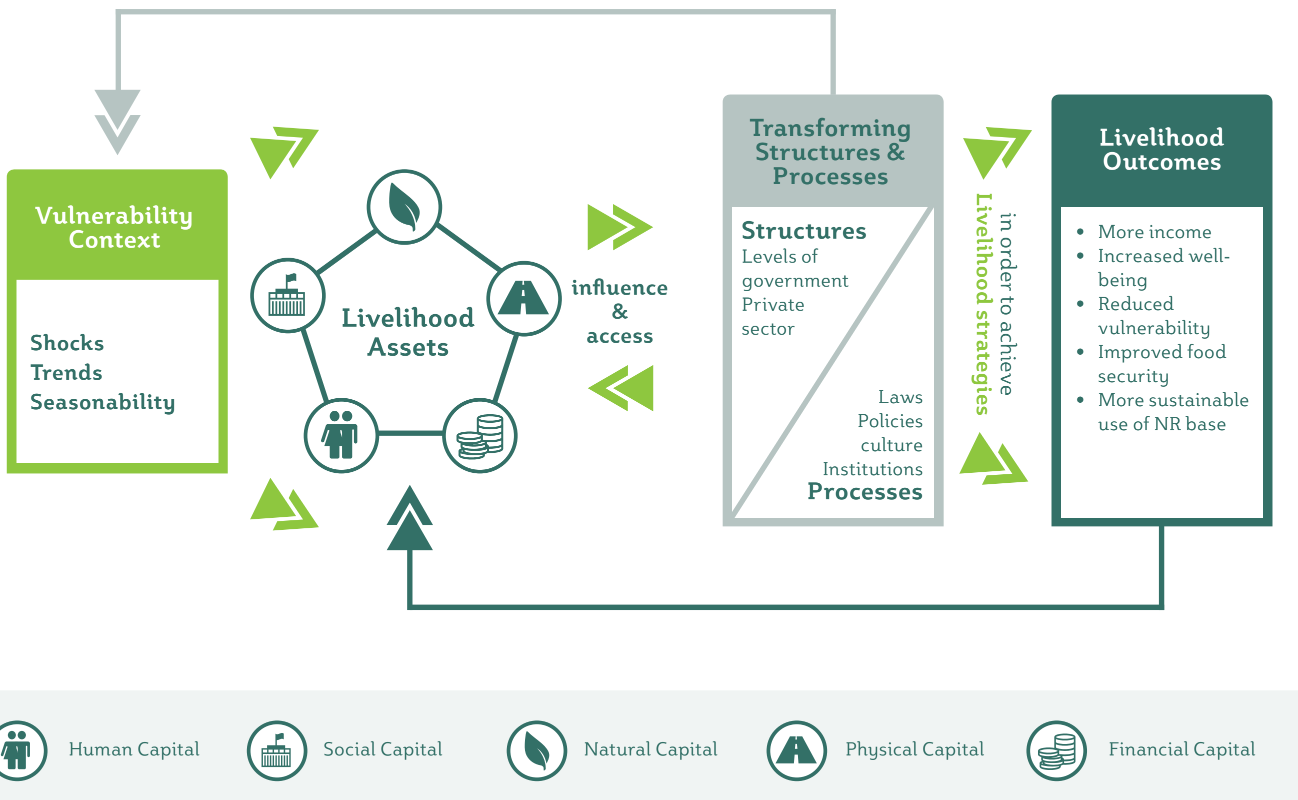
Viewing refugees through the livelihoods framework

A livelihoods framework (See Figure 1) examines people's assets or 'capitals' considering forces that can strengthen or diminish them. Below is the original Department for International Development (DFID) Livelihoods Framework and accompanying definition.

"A livelihood comprises the capabilities, assets and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base."

DFID, 2000

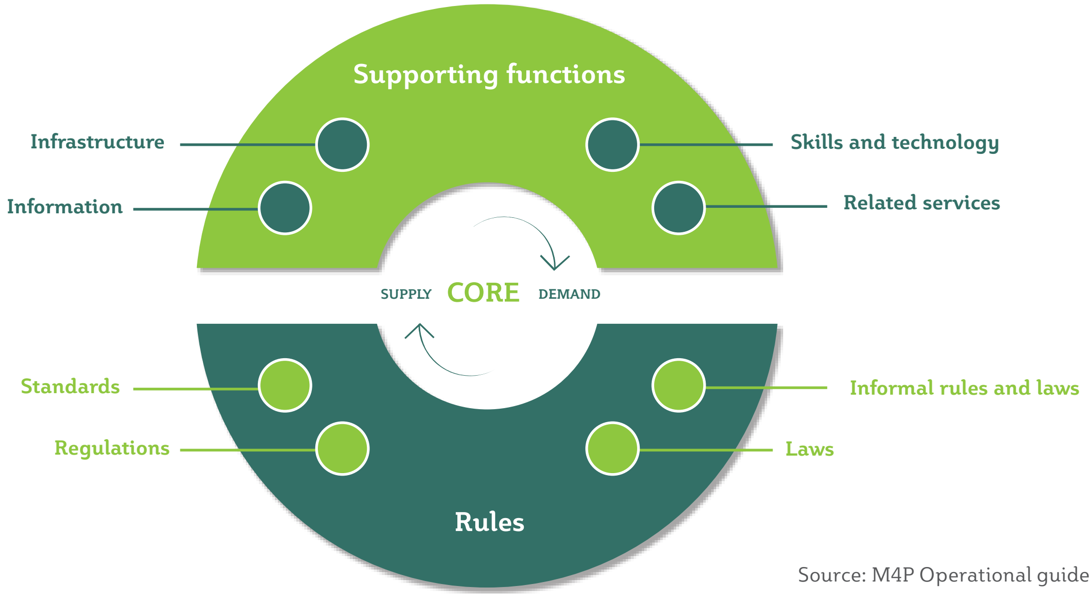
Figure 1: Sustainable Livelihoods Framework



Source: DFID, 2000

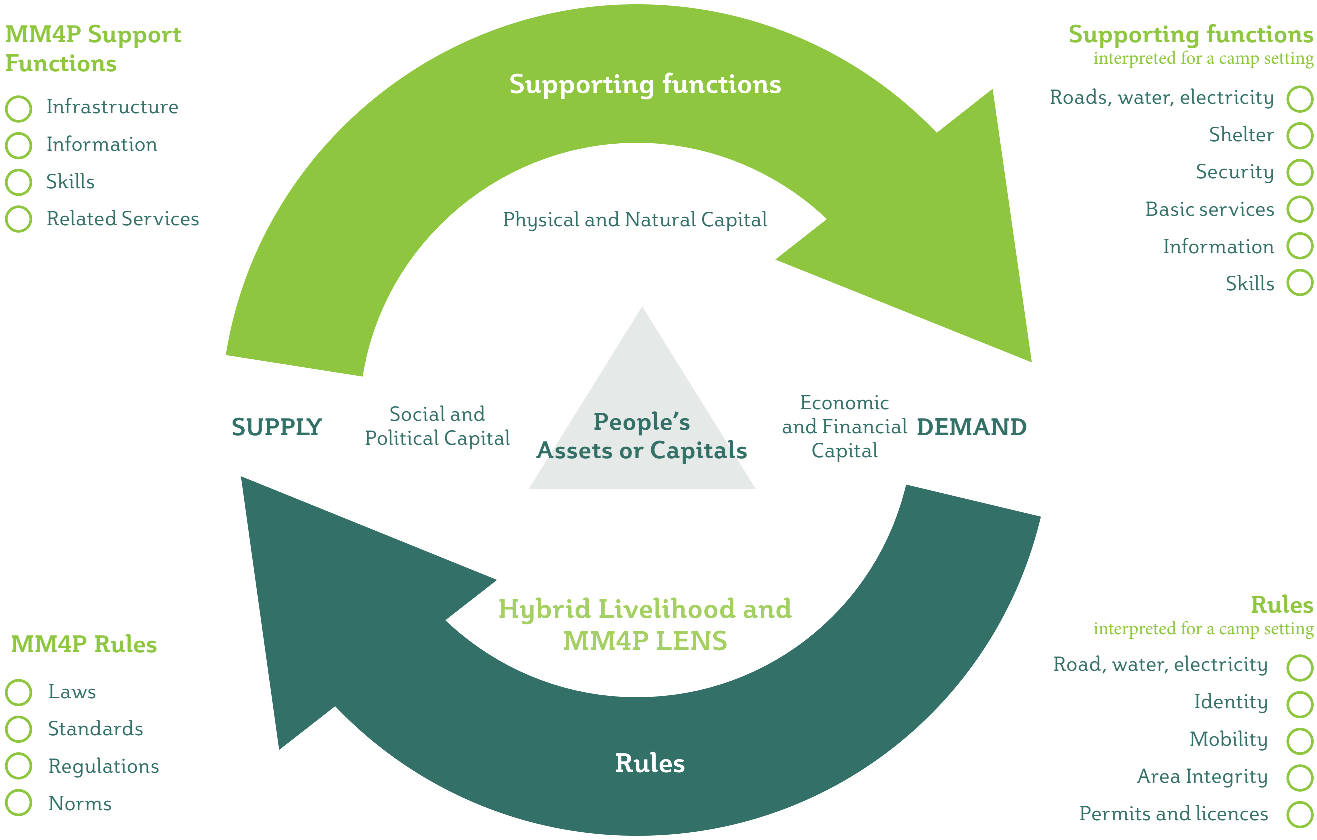
A market systems approach sees those forces as dynamic and interactive, and shaped by availability of resources, feedback loops and formal and informal rules (See Figure 2). Thus, to interpret a camp economy, the assets or capitals of individual households have been embedded inside the forces of a market through a 'Hybrid Livelihood' and a 'Making Mobile Money for the Poor' (MM4P) lens (see Figure 3).

Figure 2: Market Systems Approach



Source: M4P Operational guide (2015)

Figure 3: Hybrid Livelihood and MM4P lens



Source: FDA

In the refugee economy, there are certain elements that do not fit tidily into a livelihoods lens, but rather cut across a number of issues. Addressing these issues is paramount to enabling a healthy camp economy.

Individual mobility. The ability of individuals and business owners to move freely in and out of the camp is critical for economic development and the establishment of robust social networks. Mobility includes mobility between the camp and host community, between all camps, and international mobility.

Identity and permissions. A glaring problem in camps was expired IDs, or IDs that have the potential to cause discrimination against the ID holder. Identity hierarchies are well-documented and almost inevitable in camp settings[3], but if a more robust market is the goal, these hierarchies must be addressed. IDs are also important for obtaining permits, such as a Rwandan Tax ID Number, work permits, etc.

Area integrity. For a camp to sustainably co-exist or integrate into Rwanda, its residents must be able to attract services and customers from outside the camp. Residents from outside the camp should be able to service people and businesses inside the camp. An area approach to camps and their host communities is important for keeping relations peaceful and markets vibrant.

A livelihoods framework examines people's assets or 'capitals', considering forces that can strengthen or diminish them. The list below illustrates some of the assets observed during field work. It is not exhaustive but highlights assets or capitals that may be most relevant to economic and financial inclusion in Rwandan camp economies.

> "To start my company, I used my Refugee Passport. (The refugee produces it: 'Travel Document' Convention of July 1951.) It was issued jointly by the government and UNHCR. To renew it every two years, I only need to go to the government (Ministry of Migration and Refugee Affairs). The passport is good for any country but Burundi. It cost me RWF 5,000.
> This passport allows me to establish and access bank accounts and to go to Uganda for work. To obtain it, I had to physically produce a consulting contract with a confirming letter from my Ugandan contractor."
>
> Burundian Refugee in Kigali

Human capital

Prior business and labour skills. Business start-up skills, regardless of the sector, come in handy in a camp where often the only businesses are those started by refugees themselves. Basic skills like tailoring or carpentry can also be pressed into service to generate income.

Knowledge of how to access important services. Though camp NGOs work diligently to be transparent in supplying information about basic services, refugees still need to navigate procedures to access them. Those with knowledge are more likely to access useful services.

Financial literacy levels. Familiarity with managing household budgets, bank or mobile money accounts, and local savings groups, helps households maximise the utility of the financial tools available to them.

General refugee education levels. For example, NGOs rely on refugee volunteers to perform a variety of tasks in a camp – from advising on nutrition to helping oversee shelter construction. Refugees with a solid education, can read, write, verbally communicate well, and perform basic maths calculations and stand a better chance of accessing a volunteer position (paying RWF 18,000 per month) than those with little or no education.

> Hubert, born in Kinshasa, had a successful business in the DRC. He moved around to several cities and ended up in Goma. Hubert traded in office supplies, furniture and beauty equipment and supplies, among other imported goods and often travelled to East Africa, particularly to Kenya, to purchase his stock. One day, in Goma, he was detained and jailed by rebels for spying for President Kabila. In January of 2002, still in jail, a volcano erupted in Goma.

[3] Kim Wilson and Roxanne Krystalli. "Financial Inclusion in Refugee Economies: An Essay" Institute for Business in a Global Context, The Fletcher School, Tufts University, 2017

"At first, I heard a trembling sound, the ground was shaking violently. The sky turned a bright red and all I could feel was a tremendous burning heat. The guards worked quickly to release us. We could also see the glowing lava flow from Mount Nyiragongo. The guards yelled to all of us: 'Run! Run to Rwanda!'"

Hubert was not able to carry any physical assets with him. Luckily, he had developed skills as a businessman in the DRC that enabled him to continue with his businesses selling salon equipment.

External inputs helpful to strengthen human capital

Opportunities to upgrade skills. Skills useful in a country of origin (such as cultivating specific crops) may need to be upgraded to suit what is sellable in a camp environment (such as construction). External inputs (from outside the camp) can help upgrade these skills, as can tapping skills from the refugee community inside the camp.

Basic services such as health and education. Whatever is not provided by the Rwanda Ministry of Disaster Management and Refugee Affairs (MIDIMAR), the UN, or its partners is either forgone by refugees or is paid for by them with scarce resources.

Documentation of identity. Accessing services, whether social or economic, depends on quality (up-to-date, legitimate, widely recognised) documentation. Expired IDs (national ID for Refugees issued by UNHCR and MIDIMAR) and papers that are misunderstood by suppliers can jeopardise a refugee's access to services.

Mobility. Mobility is shaped both by forms of identity and ease of movement.

Permissions to enter and exit a camp, smooth passable roads, and quality transportation can all improve mobility. In Rwanda, mobility is restricted, as is the case in many camp settings around the world.

"Then, my ID expired and the border restrictions got tougher. The bus driver could no longer pay off the border patrol so I was no longer free to travel. I tried sending money to a friend in Kenya via Dahabshiil[4] and this worked for a while. He would take the money and make sure the orders were correct before shipment. But then he resettled in the US. I tried sending the money directly to my suppliers, but after many failed attempts — where they substituted cheaper Chinese equipment for the brands I wanted and was known for – I had to close the business. I moved from a house with a RWF 60,000 rent (with two bedrooms and a salon) to one with one bedroom for RWF 40,000."

Hubert, Kigali

Social and political capital

Transboundary social networks and urban connections. Refugees tend to do better where they enjoy previous connections, either from trade or from visits to kin (Jacobsen, Karen, 2005[5]). Cross boundary kin or trading partners in a city give refugees some prior experience with routes, transportation, and local norms and customs. Networks are helpful in minimising negative interactions with police or the law.

The availability of social 'vouching'. When a refugee can engage a well-off resident in the city, in the host community, or in the camp, to vouch for them it can be important to the kinds of resources they have available to them, such as land, credit, and grants.

External inputs helpful for strengthening social and political capital

Free flow of accurate information. Confusion and rumour supplants accurate information in a camp setting (Wilson & Krystalli, 2017[6]). NGO, UN and commercial suppliers of information are crucial to replacing rumour with fact.

[4] A Dubai-based funds transfer company
[5] Karen Jacobsen (2005). " The Economic Life of Refugees"
[6] Kim Wilson and Roxanne Krystalli (2017). "The Financial Journey of Refugees

Participatory governance structures. Governance structures in a camp are important to representative policies. They can enable individuals and families of differing demographic backgrounds to fairly participate in resources and structures of justice.

Facilitation of interaction with host community. Allowing for cross-fertilisation of ideas, contacts, and resources is important to the social health of both host communities and camps. Many joint projects were observed – a positive sign, but also constraints on interactions.

"I am a homeschool teacher. At one point, I had three students (generating RWF 40,000 per month each) but now I have only one; one moved away, and the other went to boarding school). Of the 40k per student, I spend 10k on transport and 30 is left to help pay for food. My brother has a full scholarship provided to him by a sponsor in Spain."

David, Kigali

Physical and natural capital

Land for grazing livestock, cultivating crops. A variety of livelihood activities are carried out in camps, such as livestock and micro-livestock fattening, poultry-raising, rabbit-raising, banana crop cultivation and kitchen gardening – all requiring water, land and in some cases, fertile land. Land in all camps visited was a constraint to livelihood activities, particularly in the older camps that did not have ample room to expand. Refugees mentioned that as individuals they would like to purchase land for raising poultry and to graze their goats and cows, but camps in more populous areas such as in Gihembe had little room for some of these activities.

Land and shelter for market-based activities. Land for shops and marketplace activities can be at a premium. The ability to protect inventory and grow and process food is important for a camp economy.

Proximity to the host community. A vibrant host community close to the camp improves the flow of information and the possibility for joint social, public and business projects.

External inputs helpful for strengthening natural and physical capital

Energy and fuel sources. It was observed that the sites often did not have electricity. Camp residents coped by operating their own generators, while some refugees have PayGo solar – a pay-as-you-go solar electricity system. Any businesses tied to unreliable equipment struggled to get by.

Passable roads. Two of the camps visited were cut off from nearby towns because of rough roads. This made carrying inventory or equipment remarkably challenging.

Places to store inventory. Storing perishable and non-perishable inventory in locations close to the camps was a big challenge in all three camps. Secure places for storing inventory (away from weather, theft, rot and pests) located close to the camps would be a helpful input.

Water resources. Mahama camp had excellent water purification systems and residents seemed very appreciative. Less obvious was water for irrigation in any of the camp settings, including for kitchen gardens.

Economic and financial capital

Degree to which refugees could bring valuables and cash into the camp. In all three camps visited, refugees typically did not have the luxury of time to liquidate holdings in their country of origin (Burundi, DRC) and so brought very little in terms of saleable or tradeable assets.

Camp size. The number of households and businesses in a camp influence its market appeal to suppliers who may be outside the camp.

New arrivals. Related to camp size, the pace at which new arrivals expand the camp (and therefore a potential market) also matters. In Mahama camp, for example, newcomers were arriving at a steady pace of 100 or so every three months.

The following is an example of a Burundian refugee who garnered financial capital as he set his socio-political and human capital in motion.

"I came here in May 2015 from Burundi. I had been a professional land surveyor back in Burundi crossing often into Rwanda for work. I was also a pastor back in Burundi. In the conflict of 2015 I was forced to leave. Back in Burundi, I had built a house in a rural area and took in orphans and displaced people.

I moved to Bujumbura and rented out a big house where I also took in people. I work one week every two months for which I receive RWF 1 million. My house rent here in Kigali is RWF 200,000 a month or 400,000 every two months, leaving me enough to feed forty people for lunch or supper each day, a mix of Burundians and poor Rwandans from the neighbourhood. I offer classes in land surveillance, in piano and guitar and many spiritual lessons. I train refugee students in AutoCAD and encourage them to get small jobs. I tell them save up for a computer, for software, and eventually the field equipment needed to do the land surveillance. This is the best savings programme possible – to save for the future."

External inputs helpful for strengthening natural and physical capital

Facilitation of trading with the host community and Kigali. Some NGOs provided vouchers in the camps, which encouraged refugees to connect with suppliers in the host community. However, more could be done to facilitate trade with businesses in Kigali (including road infrastructure).

Access to remittances and remittance services. All camps had access to internal remittance services (mobile money) as well as external/international (Western Union and others) services. Residents were unaware of World Remit – an online money transfer service.

Safe places to store money. Safe places to store cash were in demand in all three camps. Coping strategies included mobile money storage and keeping cash at home. There were few instances of savings in formal bank accounts.

Safe places to sequester money. Money sequestering (keeping funds safe and illiquid) is important in camp settings as there is constant temptation to spend (for example, on cinema or cigarettes.) Residents were coping by using mobile money, Village Savings and Loan Associations (VSLAs), and informal savings groups.

Cash inputs (versus food). Two of the three camps received cash transfers (Gihembe and Kiziba). Cash was not only hugely appreciated, but business owners agreed that it helped them grow their businesses. Refugees had more funds available to spend than previously, when they had to sell food to gain cash.

Access to credit for business purposes. Credit is key to business expansion. What was available (VSLA loans and Inkomoko – a business development organisation) was appreciated, but insufficient to help expand the larger businesses.

Short-term consumption credit. VSLAs, informal associations, and shopkeepers were the only suppliers of short-term credit.

Proximity of bank branches. Bank branches (Equity Bank) were far from camps. This constrained mobile money agents and Equity Bank agents in managing their liquidity.

Accurate, transparent information and policies. There was a great deal of confusion in Gihembe and Kiziba about the policies of Equity Bank. Most believed that they could not deposit into their UN World Food Programme (UNWFP) or UNHCR accounts because of their refugee status.

Business start-up capital. Business start-up capital was limited to assets that refugees had brought with them, grants from the American Refugee Committee (ARC) and Save the Children , small loans from Inkomoko, VSLA share-outs and loans, and loans from local associations. While all these sources are helpful, capital was insufficient to meet demand or fuel growth.

Camp security. Camp security in some parts of the world is very fragile. There were no complaints about personal security issues in the camps visited, although some people mentioned that cash and valuables were vulnerable to theft.

Enablers of the camp economy

Including the host community is key to economic inclusion AND a viable market

Key informants believed that including the host community is critical to the success of new activities for two reasons. First, good relations with the host community are important to increase harmony and to reduce the potential for resentment and conflict. If the host community believes refugee populations are receiving outsized benefits, whether they are economic benefits or benefits in basic services (such as health), the host community may react negatively. Second, by including the host community in initiatives, businesses benefit from a wider market catchment. For example, if a branch near a camp can serve both residents of the camp and the host community, then the supplier takes advantage of a market that is larger than either the camp or the host community. There may be adjustments to services to suit the needs of particular segments (such as language adjustments) but the investment required to build a brick and mortar branch can be leveraged to serve multiple clienteles.

Including businesses beyond financial services can contribute to a camp as well. For example, multiple requests for wholesalers and storage facilities to be located closer to the camp were heard during the study.

Mobility of residents is crucial to a healthy camp economy

Key to small-scale livelihoods and larger business activities is mobility between members of the host community and camp residents, as well as between the camp and Kigali. Some camps do not allow members of the host community to move freely back and forth and the hosts require special permission. Lack of mobility thwarts trade, start-up business opportunities and the chance to see an entire area as a market catchment, versus solely as a camp or as a host community. However, essential to mobility are documents that allow refugees to move both within Rwanda and across its borders. Mobility allows refugees to establish much needed ties with Rwandan citizens for the purposes of trade, mentorship and the exchange of ideas.

Identity documents are equally crucial to a camp economy

Since 2015, most national ID cards, which allow refugees to move around and to open bank accounts, have expired. While all refugees interviewed had proof of registration documents, these documents were seen to be limiting. The current practice of national ID Cards with a 'Refugee' label should be further studied in terms of how it may limit access to important services. For example, it was the perception that anyone with refugee status would be a high credit risk (with no evidence of this), does not qualify to buy land, or it prevents them from making deposits into certain bank accounts. While it could not be ascertained whether or not refugee status raised the red flag of caution for Rwandans, the perception among refugees was that it did.

When refugees do not have the proper ID, they develop coping strategies. "My national ID has expired," said a refugee in Gihembe. "When my relatives send me money from the US, they send it to a friend who has an ID and I accompany her to the Western Union agent."

This presents two problems. First, the participant is inconvenienced by having to coordinate a visit to the Western Union agent – no small challenge. Second, she is divulging to her friend the amount of money she receives, making her a target for loan requests.

Licences, work permits and other permissions are critical for safe labour and trade

TINs (Tax Identification Numbers), work permits and other forms of permission were seen as extremely difficult to come by (many refugee businesses ended up sharing TINs or trading without them and suffering the consequences) and yet are critical to doing business and to working in anything but casual, informal (thus low paid, potentially extractive and illegal) labour scenarios. For example, in Gihembe (about an hour's bus ride from Kigali) many young women were working as nannies in the city. This proved to be a very difficult job in that it was ideally suited for 'under the radar' work. It was difficult to press for details as there seemed to be rampant vulnerability and possibly abuse, which the respondents did not want to talk about.


Mahama Camp

An information and 'idea gap' holds back camp residents

Information supplies resident entrepreneurs with ideas for new ventures and replaces rumours, which are rife in a camp setting.

In Mahama camp, a group of ten young men each borrowed RWF 100,000 from their parents. They bought equipment for a barbershop and for phone charging. On a good day, they generate sales of RWF 4,000, pay RWF 2,000 for electricity and deposit the rest into mobile money. They put their profits back into the business for more equipment or repairs on existing equipment. While the business is not yet lucrative, it does occupy the time and interest of its ten owners, all of whom had been studying at university in Burundi. Gahimbare, one of the owners, explained that they were craving information about what youth were doing in other countries. He added that, "A television would help us learn about what others are doing and could give us new ideas."

Financial Services in the Camps

Refugees are using mobile money to store cash

Theft is a problem in the camps. In Mahama, residents reported that while they appreciated their semi-permanent housing, the contents were vulnerable to theft. They said that new arrivals offered a particular threat. According to respondents, new arrivals would come with few assets and without immediate prospects of earning an income. Thus, they alleged, they resorted to theft to support themselves. In Gihembe theft was also a problem. Refugees claimed that thieves could easily puncture roofing and walls. Most homes lacked protective corrugated sheeting, or sturdy structures to safeguard their property. Mobile money was seen as an important solution. In brisk markets such as the main market in Mahama, all shopkeepers interviewed made it a habit to convert their cash receipts at the end of the day into e-currency at one of 24 MTN agencies.

Credit from camp businesses to camp residents is inevitable

Shopkeepers and operators of service businesses reported repeatedly that they felt obliged to extend credit to camp customers. This was true, both in camps receiving cash assistance and in those receiving only food assistance. Businesses improvised ways of dealing with delinquencies, such as taking tardy payers to 'refugee court' where a third party would arbitrate and attempt to make the customer pay the shopkeeper or trader. Some shopkeepers took SIM cards and cash aid cards as guarantees, knowing that these items were valuable to the refugees. But typically, extending credit was found to be a disagreeable and awkward affair, and expensive too.

Use of bank accounts

Whether or not a refugee was likely to have a bank account in Kigali depended on three things: whether they had enough funds at hand to make such an account worthwhile, whether they had the right documents to open and maintain an account, and whether they were accustomed to using an account in their country of origin. Regarding circulation of funds, many felt they did not have enough activity to justify an account.

> "At one point, I opened an account in Ecobank. I was holding RWF 60,000 there for safekeeping. I chose Ecobank because they had branches in DRC and I was hoping to send money to my sons there. But, they advertised falsely. It was very difficult to send money this way. One day I wanted to retrieve some of this money, only to learn that all my money was gone and my balance was negative. I had no idea that the bank fees would eat all my money. I have no reason to get a bank account now."
>
> Male, Congolese, Kigali

Another Congolese refugee reported:

> "I used to have an account with Ecobank and I would deposit RWF 1-2000 a month (Note: This is less than $3.) I was paying a monthly RWF 1,500 fee. I was not paying attention to the charges. One month I received an SMS from the bank: you owe 115,000 in RWF for fees. I decided to let it go dormant and never showed up to close the account or pay the fees."
>
> Male, Congolese, Kigali

Using the Equity Bank card as collateral for store credit

Towards the end of the month refugees are faced with stretching their cash assistance. One way to do this is to ask for store credit from local shopkeepers. Not all shopkeepers are willing to extend credit, but those that do often take the refugee's Equity Bank card as a form of guarantee.

Mobile money agent shop

When it's top up time (when UNWFP and UNHCR reload the cards with the monthly grants), refugees repay the merchant. The problem is that only the head of household has his, or her name on the card. If the head of household is outside the camp for work, for shopping, or to visit relatives, other members of the family cannot access the cash. The shopkeepers' policy is to only return the pledged card to the owner, not a family member.

Business start-up capital is limited and insufficient

Some Burundian refugees had the luxury of time to liquidate their holdings before departure. This time allowed them to convert immovable assets and livestock into cash or valuables to trade once they were residing in the camp. However, those who fled the DRC were less fortunate. They only had time to gather their children. "All we had was the clothes on our backs," they said. Sudden flight, coupled with what is called "pre-departure precarity" (few assets, low incomes and food security in countries of origin) guaranteed low capital for investment in business start-ups within the camps.

Patient capital is appreciated – but credit is needed for business expansion

Refugees appreciated the support they received from NGOs like Save the Children and ARC. An Equity Bank agent shared his experience with ARC:

> "In 2008, ARC granted me money. It was RWF 60,000 made in three tranches for RWF 180,000 total. In the first business, I was part of a potato co-op. We did not do well. We failed actually. ARC stuck with me, though. I started buying and selling crates of sodas and beer. This did very well. I now mentor other businesses. Each month I serve between 2,800 and 3,000 customers. The Equity Bank agency has really helped increase my sales, but I could not have established myself without the patient support of ARC."

The man went on to explain how he would expand his business with credit. He has developed a network of suppliers outside the camp and is able to bring in goods from Uganda. He shares a TIN with another agent in the camp to keep up to date on his tax payments. "I know of no refugee who has received bank credit," he laments. "Yet for our businesses to grow, we need credit."

A female Equity Bank agent discussed her experience with requesting bank credit. In terms of her retail business, she needs access to loans:

> "I make enough money to pay back a loan. I have been a successful Tigo Cash agent, a successful I&M agent, and even an agent for Bank of Kigali. I tried to get a loan at I&M: I was told I could not was because I was a refugee. Even right now I have RWF 12 million as a balance (US$14,000) in my account. With RWF 20 million, I could expand my business."

One key informant explained that even failed business owners might make excellent credit prospects. The director of the major market in Mahama reported that most of the stalls were not occupied by the original owners, but by lessees paying RWF 6 – 20,000 a month, depending on the size and location. "Many of the early shops went bankrupt but the operators learned some very valuable lessons and would make good credit risks," they explained

NGO-facilitated savings groups were seen as helpful. For the past five or more years, NGOs like ARC, Caritas, Save the Children and others, trained refugees on how to form and manage successful Village Savings and Loan Associations (VSLAs or 'groups'). In Mahama camp, NGOs had trained more than 154 VSLAs with 18-25 members in each. In Kiziba, a much smaller camp, 63 VSLAs had formed with groups reaching up to 42 members in size. In some groups, members subsisted on grants, the sale of food aid, and occasional wage labour. Members could not afford to purchase more than five shares. Depending on the group, share values ranged between RFW 100 and 500. Poorer members could barely afford one share. It was reported that in poorer groups, members would dig into both food and cash reserves to make their contributions. However, even very low-income members valued their groups and the ability to borrow from them.

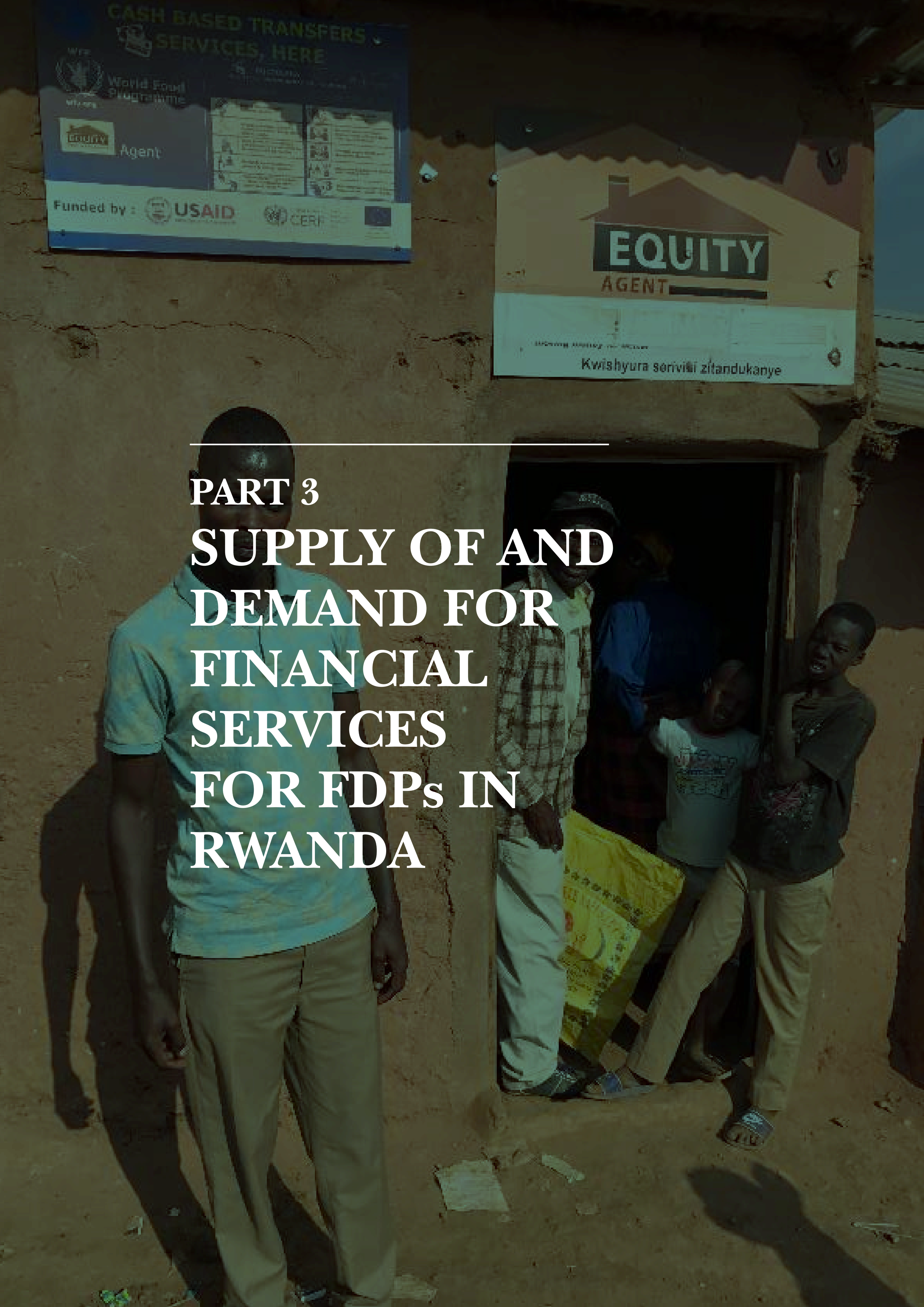
Members contributed up to RFW 5,000 and during share-outs each would receive RFW 100,000. They used funds from share-outs to pay school fees, medical costs, and to invest in the growth of their businesses, which often involved local trading. In Kiziba camp for example, one VSLA reported that ARC had trained members five years earlier. Share values had increased such that upon share-out, members could purchase small livestock or combine with other savings to buy cows. As with many VSLAs, the tragic flaw of these groups is the forced share-out. Members must, according to NGO rules, completely dissolve their fund annually. This means that close to the time of share-out, groups must cease lending. Two months before share-out, loans are called in so as to accumulate funds for distribution to members. Perhaps, in the future, technology can play a role in allowing some members to cash out on a revolving basis so that the bulk of the fund can continue and be put to work[7].

Wealthier groups thrived, inspiring other groups to keep going. For example, the most successful business owner in the camp (identified as such by multiple residents) made it a point to save in a VSLA that now has 42 members. (The group began with a share price of RWF 4,000 and increased it to RWF 6,000.) He sees synergy between the VSLA and his account at Equity Bank, which he holds separately from his cash assistance account. For example, he saves RWF 100,000 in the VSLA each month. He recently took his one million share-out and deposited it into his bank account for safekeeping.

Informal financial associations were found to be excellent resources. Many refugees reported that they took a portion of their cash grant and invested it in local rotating savings clubs. For example, Gloria in Gihembe takes her monthly cash distribution of RWF 21,000 and spends the majority on food. She still manages to put RWF 500 into her savings club. Every seven months, each member receives a payout of RWF 3,500. More generous payouts are available to associations with members whose income extends beyond monthly grants. A camp volunteer for example, can earn RWF 600 in a day. While still a modest sum, by rotating through a savings club the 600 francs can grow into a considerable amount. A refugee in Gihembe reported that of the RWF 18,000 stipend he receives per month as a volunteer, he gives 10,000 to his sister to purchase food for the household. He allocates the remaining 8,000 to airtime top ups, sodas and the like. But before he allows himself to spend a single franc in the shops, he makes sure to contribute RWF 5,000 to his six-member savings club. He will use this next payout of RWF 30,000 to buy a wedding gift for a friend.

Savings group meeting in Kiziba camp

[7] Focus Note 1: Outcompeting the Lockbox – Linking Savings Groups to the Formal Financial Sector, Bankable Frontiers Associates, 2014 pp. 6-9



PART 3
SUPPLY OF AND DEMAND FOR FINANCIAL SERVICES FOR FDPs IN RWANDA

PART 3 | Supply of and Demand for Financial Services for FDPs in Rwanda

The demand side perspective

The evidence collected shows that while some refugees lack documentation, mobility and capital, many enjoy great business acumen. Skills in starting and running a business were garnered from experience in their home countries, or in apprenticeships with Rwandan and refugee mentors.

As a potential customer base for business-related financial services, the refugee community can be segmented into many smaller markets. When combined with host community populations, this could be attractive to FSPs. Obvious segments include:

- Literacy, numeracy, and arithmetic capacity, which affects their ability to manage businesses, household income and financial services.
- Education levels – with a higher education level perhaps leading to successful connections to well-networked Rwandans.
- Previous experience in running a business, whether learned from relatives or mentors with greater experience, perhaps leading to successful connections to well- networked Rwandans.
- Age, which affects their interest in adopting new technologies, with young people apt to make quick use of digital services and possibly offering those skills to older people.
- Current documentation, which influences their mobility with the Refugee Passport – being the holy grail of documentation – but up-to-date national ID cards are also valuable.

Market segmentation is helpful for individual consumption of financial services as well: a granular slicing of the market would show that refugees share many of the same characteristics of host community markets. It is their refugee status that locks them out of important, potentially profitable services. Their status is reflected in their documentation, which influences their mobility (needed for business trade) and their eligibility for business licences, work permits and financial services.

Below are highlights from interviews in both urban and camp settings.

FINDINGS ON SMALL BUSINESSES

- Businesses in camps would often cluster around investments in assets, such as building structures and power generators. Physical assets represented not only financial costs to be leveraged (offering power to other business at a price) but also enormous investments in time and effort in building or moving the assets into the camps. Businesses in Kigali often centered on skills and relationships generated prior to arrival in Kigali (such as tailoring, selling supplies and equipment sales).

- Businesses flexed existing financial services to suit their needs. Money transfer services were often used to store cash for safekeeping as well as for stockpiling, in lieu of a bank account. Capital for businesses came from money brought from refugee countries of origin, from loans by locals (rare), and business profits.
- The most cited needs for business growth were: (1) Capital to expand businesses in the form of loans, leases, or investment; (2) Contacts with business people in Kigali and host communities; (3) Legal documentation that permitted business activity, work, and mobility in and out of camps and in and out of Rwanda; (4) more convenient location of bank branches or bank agents.

FINDINGS ON HOUSEHOLDS - INCLUDING GENDER ISSUES

- Households managed a portfolio of cash-in streams including cash assistance (in camps), jobs as camp volunteers, wage labour, including domestic cleaning and construction, small trading and retail, service businesses (internet, phone charging, photocopying, moto transport) and food and alcohol preparation and sales. Interviews about sex working were not carried out, but some interviews suggested that forced or otherwise, prostitution was an income source.
- Households managed a portfolio of financial management tools, including VSLAs (in camps), remittance services both for sending and receiving (though in the minority of households), including transboundary services such as Volcano, Dahabshiil, and Western Union. Very few used banking services, most citing lack of income as the principle reason. Households receiving cash assistance were able to avail shopkeeper credit, often using their Equity Bank MasterCard cards as collateral.

FINDINGS ON IDENTITY AND DOCUMENTATION

- Lack of, or confusion about documentation were barriers to household development and business growth. Refugees claimed that different FSPs rejected certain documentation in favour of other documentation, with no uniformity among FSPs and even among branches or outlets. The lack of universally understood documents stalled mobility, access to financial services, asset ownership, and important permissions for work and business operation. The problem consisted of three parts: first, FSPs had differing policies around acceptable documents; second, many of the documents had expired, with no offer by the government to remedy them; third, acceptable documents did not necessarily address the key issues of mobility, business licensing or work permits.

The FSP perspective: incentives to stimulate the market

The FSPs were quite consistent in identifying incentives that can potentially push them to target refugees when other unserved and underserved segments, such as smallholder farmers, exist.

Strong business case

FSPs consistently mentioned that given the value of cash-based transfers by WFP and UNHCR, the refugee population as a standalone segment does not present a strong business opportunity. FSPs consider refugees to be very price sensitive and therefore prefer to have a sponsor absorb the transaction charges on behalf of refugees. An official with a micro-finance institution (MFI) noted that refugees do not mind queuing for hours at a branch (because they have time and nowhere to go) just to avoid paying transaction fees of about RWF 100 to an agent.

> "Refugees are price sensitive. There has to be a sponsor who is willing to absorb the transaction charges for refugees. We have seen refugees queuing for hours at a branch to avoid paying the transaction fee of RWF 100 to an agent."
>
> MFI respondent

BFA's dynamic business case tool will enable FSPs to see how different cost, pricing, and other customer behaviour scenarios impact on the profitability of offering different products to FDPs.

FSDA's innovation competition, which offers grant funding of up to £150,000, will help to strengthen the business case for FSPs that are adjudged winners and awarded grants.

Credit risk guarantees

All the institutions engaged in the study, that can offer loan products to refugees, including SACCOs, have a low risk appetite for unsecured lending to refugees. Very few refugees have the type of assets that FSPs consider to be acceptable forms of collateral to support loan applications. FSPs also expressed concerns about the possibility of refugees being resettled when loan accounts have not been fully settled.

Duterimbere IMF provided loans to the Burundian refugee population in Kigali and Huye on the back of a RWF 20 million guarantee fund provided by Maison Shalom. This partnership has proven to be a great success as there has been a zero-default rate since the beginning of the programme. Duterimbere also provided a loans programme to genocide survivors who did not have collateral. The MFI worked with a guarantee fund of RWF 10 million to help this population come up with self-sustaining businesses.

Apart from the few refugees that have taken and either repaid, or are repaying Kiva loans accessed through Inkomoko, the majority of refugees do have a credit history with a formal financial institution. The lack of loan repayment data on the refugee segment makes it difficult for FSPs to assess the credit worthiness of refugees who need loans.

To encourage FSPs to lend to the refugee segment, Financial Sector Deepening Africa (FSDA) and Access to Finance Rwanda (AFR) should consider providing a credit risk guarantee for one or two years and phase out the guarantee when refugees start to build a loan repayment history with FSPs.

Corporate relationship with UN agencies

For some banks and mobile money operators, the opportunity to establish a profitable corporate relationship with UN agencies may be adequate incentive to justify the investment required to provide services to the refugee segment. FSPs expect the profitability of the corporate relationship to adequately cover any potential losses from extending services to refugees.

The Enterprise Business teams in MNOs also relish the opportunity to sign up corporate accounts such as UN agencies. These corporate accounts usually need leased lines (which grow the MNO's data business), bulk payment solutions, and bundled products for employees.

Grant funding

Some of the MFIs engaged with, do not have the resources needed to develop appropriate products for the refugee segment. Grant funding will support these FSPs to meet the investment required to develop mobile-based products and appropriate delivery channels, such as a network of active agents.

SACCOs also require grant funding support to extend their branch network to get closer to refugee camps.

Educating refugees on product mechanics and handholding them to perform transactions can be costly and FSPs may need to engage partners to deliver specific capacity building interventions. FSPs see grant funding as a means to improve the business case for providing financial services to refugees.

Investing in educating refugees on product knowledge and financial literacy is likely to drive adoption and usage of financial products and services. All stakeholders – FSPs, NGOs, AFR, MIDIMAR and UNHCR – could collaborate on this important effort.

Enhanced access to refugee camps

Currently access to refugee camps is restricted and very controlled. FSPs require special clearance from MIDIMAR, UNHCR and WFP each time an employee needs to enter a camp to engage with refugees on their financial needs and to provide relevant products. The timing of any account opening or customer engagement activity in a refugee camp would depend on how quickly the FSP obtains clearance to access the camp and the availability of UN staff to facilitate access.

MIDIMAR and the UN agencies that grant access to refugee camps should explore ways to streamline the camp access clearance process and make it relatively easy for FSPs to engage with the refugee population.

Clear Know-Your-Customer (KYC) guidelines

Refugees are not specifically addressed in the laws and regulations governing customer identification and verification for accessing financial products and services. This has led to uncertainty, as most refugees in the camps have proof-of-registration documents issued by MIDIMAR, but lack government-issued identification cards. During interviews with the refugees, the team found inconsistent information on the types of documents that refugees were required to present to open and maintain a bank account. This was true not only for bank accounts, but also for opening and operating mobile money accounts and receiving remittances.

This inconsistency stems from a lack of regulatory clarity regarding the acceptability of proof-of-registration documents for the purposes of customer identification and verification. The FSPs that do accept proof-of-registration documents for KYC purposes specifically requested and obtained approval from MIDIMAR and the National Bank of Rwanda to do so. Such approvals, however, have only been granted in response to specific requests; no official regulation clarifies whether FSPs generally are permitted to use refugee proof-of-registration documents to meet KYC requirements. Bank of Kigali, I & M Bank and Equity Bank requested and obtained approval to accept proof-of-registration documents for KYC purposes when they partnered with the World Food Programme on a cash-based transfer initiative.

To provide FSPs with regulatory certainty, BFA recommends that UNHCR, WFP and MIDIMAR should engage the National Bank of Rwanda to issue a directive that clarifies that FSPs may – within the broader context of their customer due diligence policies and procedures – accept refugee proof-of-registration documents issued by MIDIMAR as valid KYC documentation, until MIDIMAR issues ID cards to all refugees.

The business case for refugees

Providing financial products and services in a sustainable manner to any customer segment requires product development teams to think hard about the profitability of the product and segment and how they align with the FSP's vision and mission. Some of the key questions that FSP teams need to clearly answer include: what are the needs of this customer segment? What products adequately address these needs? How much would it cost to develop and roll out the product? How should the product's pricing be structured? How does this customer segment fit into the institution's aspirations?

Product and customer profitability is driven by customer behaviour and a number of business variables. BFA has built a one-year profitability model for three potential products that FSPs can offer to the refugee segment – a mobile wallet-based savings account, a micro insurance product, and a loan product. These models are not only to enable FSPs to vary assumptions to best reflect the structure of their business, but also to encourage teams to focus on the main business drivers and think innovatively about how to acquire the refugee segment profitably (see Table 1).

Table 1: Profiles of refugees on which FSPs could focus

Segment	Description	Profile	
Cash transfer only	Refugees receiving cash transfers only. The amount ranges between RWF 7600 and 35000 depending on the family size	Estimated number of households	3,600
		Median years in Rwanda	20
		Gender of the household head	Male 30% Female 70%
		Median income (RWF)	25,200
Cash transfer and regular employment	Refugees receiving cash transfers and working in agriculture, transport, education, trade, private security, construction etc. Others offer volunteer services for the NGOs.	Estimated number of households	1,000
		Median years in Rwanda	20
		Gender of the household head	Male 10% Female 90%
		Median Income (RWF)	43,200
Cash transfer and odd jobs/self-employment	Refugees receiving cash transfers and doing odd jobs and small businesses such as hair salons, print shops, tailoring businesses, milliners among others.	Estimated number of households	2,800
		Median years in Rwanda	20
		Gender of the household head	Male 62% Female 38%
		Median income (RWF)	35,000
Cash transfer and remittances	Refugees receiving cash transfers and receiving either international or domestic remittances or both.	Estimated number of households	400
		Median years in Rwanda	13
		Gender of the household head	Male 50% Female 50%
		Median income (RWF)	56,500

The dynamic business case model[7] encourages FSPs to see how the various input parameters will impact on profitability.

[7] https://savings-frontier.shinyapps.io/fsp_refugees/

PART 4
CONCLUSION

PART 4 | Conclusion

The livelihoods framework, when widened to include important market systems, shows us that:

1. Documentation is a critical factor that could transform human capital and social networks into economically productive capital. Documentation would facilitate licit forms of work, free movement within the country to strengthen commercial efforts, access to a bank account to store business funds once income is generated and to obtain credit. Without appropriate ID documents, as one refugee said, "I am a prisoner in Rwanda".

2. Credit was cited as a business need, with bank accounts seen as a possible gateway to business credit. There was no evidence that business credit to refugees would be riskier than business credit to Rwandans. The refugee sample was self-settled permanently, many for decades.

3. Refugees filled gaps in information with their own knowledge as best they could, but confusion over documentation policies was rampant.

4. Livelihood 'capitals' in all forms matter, both after flight and before. Those that had transborder business and social networks already in place fared better than those who did not.

ANNEX 1 | Methodology

BFA undertook a four-pronged approach to generate two detailed pictures of the refugee population's demand for financial services. The first picture focuses on refugee income sources and amounts, to determine the potential market size for financial services. The second picture focuses on how refugees currently use financial services to demonstrate their potential credit-worthiness to FSPs.

The team relied on four sources for information:

Secondary analysis of existing data sources

Regulatory review

Interviews with both the FDP population and NGOs in the camps

Interviews with FSPs to construct a dynamic business case that presents the challenges and opportunities of the supply side.

SECONDARY ANALYSIS OF EXISTING DATA SOURCES

BFA analysed three data sets:

1. FinScope Rwanda 2016 This is a nationally representative survey focused on financial sector information. The survey gives a holistic view of how individuals generate income and how they manage their financial lives. The sample consisted of 12,480 interviews with Rwandan residents 16 years and older (not including refugees).
2. June 2017 UNHCR Register This register contains demographic information such as country of origin, age and gender composition, level of education and marital status for over 160,000 refugees. The register also includes information on the number of households, the size of the households, and the registration status of individual refugees.
3. Maastricht Graduate School of Governance data set (MGSG) Research done in May 2016 in three of the largest Congolese refugee camps in Rwanda (Gihembe, Kigeme and Kiziba) focused on the economic impact of the Congolese refugee population on host communities and includes information on both the refugee population and the host community.

REGULATORY REVIEW

BFA conducted desk research on Rwandan regulations, especially KYC requirements and identity. The aim was to identify the possible roadblocks FSPs would encounter if they decided to offer services to the refugees. The findings of the regulatory review are incorporated in the report and a detailed explanation is in Appendix 1.

FIELD RESEARCH WITH REFUGEES

Thirty-five refugees were selected for interviews – a combination of business owners, bank and mobile money agents, and refugees who receive remittances. The 'richest' man in the camp as perceived by the refugees, was also interviewed, to further investigate what needs they have. In addition, the study interacted with NGO staff that work in the camps to better understand how the camp economies work, as well as who the key players are.

Refugees camps:

Kigali Town

Kigali is the capital city of Rwanda. Over 20,000 refugees from both Congo and Burundi are estimated to be settled there.

Mahama Camp

Situated in Mahama Sector, Kirehe District in the Eastern Province, about 270 km from Kigali, this camp was established to accommodate thousands of Burundian refugees who fled to Rwanda after violence erupted in response to Burundi's presidential elections.

Gihembe Camp

Located in Gicumbi District in the Northern Province of Rwanda, the Gihembe refugee camp was established in December 1997 to accommodate Congolese survivors of the Mudende massacre. Mudende was a refugee camp in western Rwanda that hosted refugees from the eastern part of the DRC. In August, and again in December of 1997, armed groups crossed the border from the DRC and attacked the camp, murdering hundreds of refugees.

Kiziba Camp

Kiziba camp Located in the Western Province, Karongi District, Rwankuba Sector, Nyarusanga cell, this camp was established in December 1996 following the closure of the Umubano and Mudende Transit Center camps in the Rubavu

District, where refugees who fled conflicts in the DRC were attacked by ex-FAR ('Forces Armées Rwandaises' – an ethnic Hutu-dominated army) and 'Interahamwe' militia based in the eastern DRC.

INTERVIEWS WITH FSPS AND DEVELOPMENT OF DYNAMIC BUSINESS CASE MODEL

BFA conducted interviews with different FSPs, including banks, microfinance institutions, SACCOs, mobile money operators, and fintech companies. The full list of FSPs and stakeholders interviewed is in Appendix 2.

During the interviews, BFA provided insight on the refugees and investigated what it would take to motivate the FSPs to offer financial services to the refugees. Many FSPs also requested an indicative business case model to estimate the size and profitability of the refugee segment. The business case is critical in justifying the investment required to develop a sustainable value proposition for new market segments.

ANNEX 2 | Findings from Regulatory Review

The following Rwandan laws and regulations address customer identification and verification requirements for financial institutions.

LAW N°47/2008 OF 09/09/2008 ON PREVENTION AND PENALISING THE CRIME OF MONEY LAUNDERING AND FINANCING TERRORISM

Types of entities subject to the law

'Reporting Entities' include (Art. 3):

- Banks and other financial institutions
- "natural/legal persons involved in the business of transporting money"
- "any natural or legal person that, in the framework of its profession, conducts, controls or advises transactions involving deposits, exchanges, investments, conversions or any other capital movement or any other property".

KYC requirements (Art. 10)

Natural persons

- Identity must be verified using a valid, official ID document with a photograph.
- Acceptable ID documents are listed by an Order of the Minister responsible for justice.
- Occasional customers must follow the requirements for natural persons for all transactions (or sets of related transactions) at or above the threshold set by the Financial Intelligence Unit (FIU) (see below for threshold information).

Legal persons

- Any valid document can be used, "in particular their registration certificate."

DIRECTIVE No 001/FIU/2015 OF 30/12/2015 ON CUSTOMER IDENTIFICATION

KYC requirements

- The identity of natural persons must be verified using "valid official identification documents with the bearer's photograph" (Art. 5)
- Legal persons: "Any valid document, in particular their registration certificate." (Art. 6)
- Non-face-to-face: Verification should be "at least as severe as . . . for face-to-face verification" and "reasonable steps should also be taken to avoid fraud…" (Art. 8).
- Occasional customers: must be identified for transactions exceeding RWF 10 million ($12,164 as of 5 July 2017).

Specific Account Opening Requirements

TYPE OF ACCOUNT	MINIMUM REQUIREMENTS
Personal account for residents	1. Original and copy of ID or passport or national driving licence 2. Passport-size photo 3. Filled account opening application form 4. TIN or certificate of incorporation (if applicable) 5. Evidence that customer is not blacklisted 6. Electricity or water bill (if applicable) 7. Acceptance of terms and conditions

TYPE OF ACCOUNT	MINIMUM REQUIREMENTS
Personal account for non-residents	1. Original and copy of passport or laissez-passer or other ID 2. Passport-size photo 3. Filled account opening application form 4. Letter from employer confirming employment, contract, address, and employment visa (if applicable) 5. TIN or certificate of incorporation (if applicable) 6. Evidence that customer is not blacklisted 7. Acceptance of terms and conditions
Sole proprietorship	1. Original and copy of business licence, certificate of incorporation, or business permit 2. Tax ID number 3. Full ID requirements for personal account (see above) for all signatories on the account 4. Reference letter (if applicable) 5. Electricity or water bill (if applicable) 6. Acceptance of terms and conditions
Partnership	1. Certificate of incorporation 2. Partnership deed stamped by RDB 3. Board resolution clearly indicating signatories to the account 4. Completed account opening application form 5. Full ID requirements for personal account (see above) for all signatories on the account
Corporate	1. Memorandum or articles of association 2. Certificate of incorporation 3. Board resolution to open an account 4. Completed account opening application form 5. Full ID requirements for personal account (see above) for all signatories on the account 6. Reference letter (if applicable) 7. Electricity or water bill (if applicable) 8. Acceptance of terms and conditions

Risk-Based Customer Due Diligence (CDD)

Basic (regular) CDD (Art. 13):

- Identify customer using “reliable, independent source documents, data, or information”
- If different, identify the “ultimate beneficial owner” and/or “any third parties on whose behalf the customer is acting”
- Determine the purpose and intended nature of the business relationship
- Keep CDD information up to date
- Monitor the business relationship and transactions to ensure they are consistent with the provider’s understanding of the customer.

Enhanced CDD (Art. 14):

- Enhanced CDD is required if the business relationship or transaction has a higher money laundering (ML) or terrorist financing (TF) risk.
- Enhanced CDD should be undertaken when (among others):
    - occasional transactions by wire transfers are conducted
    - “The customer is not resident/not established in the country”.

Simplified CDD (Art. 15)

- Reporting entities may apply simplified CDD to low-risk customers, but the Directive states that these customers "consist primarily of financial and non- financial institutions" that are already subject to the Anti-Money Laundering and Countering the Financing of Terrorism Law and are regulated or registered in some form.

Risk assessment (Art. 17)

- Reporting entities should identify ML and TF risks for different "customers, countries or geographic areas, products and services, transactions or delivery channels".

Indicators of suspicious transactions (Appendix 4)

One indicator of suspicious transactions is "fund transfers from or to other high-risk countries"

REGULATION No. 08/2016 OF 01/12/2016 GOVERNING THE ELECTRONIC MONEY ISSUERS

E-Money Account Tiers and KYC Requirements (Appendix 1-2)

Tier	Transaction and balance limits	KYC requirements
1. Individual account opened via e-KYC or OTC transactions	• **Per transaction:** RWF 500,000 • **Per day:** RWF 500,000 • **Max monthly balance** (unclear if this is a maximum monthly transaction limit or a maximum balance limit): RWF 1 million	**For account opening:** verification of identity card number or passport through national ID agency database or other BNR-approved means. **For P2P:** registered phone number, registered e-money account integrated with customer ID. **For cash-in/out:** registered phone number, registered e-money account, and acceptable photo ID.
2. Individual account with both electronic and physical registration and storage of customer documents in customer account registry	• **Per transaction:** RWF 1 million • **Per day:** RWF 1 million • **Max monthly balance** (unclear if this is a maximum monthly transaction limit or a maximum balance limit): RWF 2 million	**For account opening for residents:** • Production of original ID, passport, or driving licence • Verification of identity card number or passport through national ID agency database or other BNR-approved means. • Acceptance of terms and conditions **For account opening for non- residents** • Production of original passport or laissez-passez document • Verification of identity card number or passport through national ID agency database or other BNR-approved means • Letter from employer confirming employment, contract, address, and employment visa (if applicable) • Acceptance of terms and conditions **For P2P:** registered phone number, registered e-money account. **For cash-in:** registered phone number, registered e-money account, name, and acceptable photo ID. **For cash-out at agent:** acceptable photo ID. **For cash-out at electronic device:** E- money account and name.

Tier	Transaction and balance limits	KYC requirements
3. Legal entities	• Per transaction: RWF 5 million • Per day: RWF 20 million • Max monthly balance (unclear if this is a maximum monthly transaction limit or a maximum balance limit): RWF 20 million	1. Full KYC/CDD 2. Terms and conditions for operating the Micro-Enterprise mobile money account 3. Tax Identification Number if applicable 4. Business Registration Number in Rwanda 5. VAT registration if applicable 6. Other verification documents
4. Basic Agents	• No transfers permitted (only cash-in/out) • Max monthly balance (unclear if this is a maximum monthly transaction limit or a maximum balance limit): RWF 5 million	1. Full KYC/CDD, including E-KYC requirements (production of ID and verification of ID with national ID database) 2. One of the following: Original Business Licence, Certificate of Incorporation or Business Permit
5. Super Agents	• No specific limits • E-money balances must be withdrawn weekly	1. Full KYC/CDD 2. Agent Identification Number
6. Merchants	• No specific limits (BNR may elect to set limits in the future) • E-money balances must be withdrawn twice per week	1. Full business KYC/CDD 2. Merchant Identification Number

ANNEX 3 | List of FSPs and Stakeholders Interviewed

1. Bank of Kigali
2. Equity Bank
3. GT Bank
4. I&M Bank
5. BPR
6. Airtel
7. MTN Rwanda
8. Tigo
9. Mahama Sacco
10. Rwankuba Sacco
11. Mobicash
12. Duterimbere
13. Urwego Bank
14. R Switch
15. Vision Fund
16. CBA
17. World Food Programme (WFP)
18. United Nations Refugee Agency (UNHCR)
19. Ministry of Disaster Management and Refugee Affairs (MIDIMAR)

ANNEX 4 | Business Case Assumptions

Below are the bases for some of the default assumptions made in the business case. FSPs can change the default assumptions in line with their business dynamics.

- **Discount rate (%)**– default of 13%. Average inflation was benchmarked from July 2016 to July 2017 (6.5%). July 2017 consumer price index was 8.1%.
- **Customer acquisition cost** – RWF 5 000 (about $6). This estimate is based on BFA's experience in other markets.
- **Interest rate institution can get from float in the market (%)** – default of 8%. This is benchmarked on the 91-day treasury bill rate, which was 8.3% in July 2017. https://www.bnr.rw/fileadmin/AllDepartment/FinancialMarket/MonthlyInterestRate/Interest_rate_st ructure_up_to_July_2017.pdf
- **Interest paid to account holders (%)** – default of 3%. Some banks offer up 7.5% but for relatively high savings balances.
- **Expected default rate (%)** – default of 10%. The study reviewed the non-performing loan ratio for Agriculture, Livestock and Fisheries and Non-classified sectors in 2016 – it was 22.7% and 6.7% respectively. https://www.bnr.rw/fileadmin/AllDepartment/FinancialStability/MPFSS_new_version_2017.pdf
- **Interest rate on loan (%)** – default at 25%, lending rate was 17.6% in July 2017. https://www.bnr.rw/fileadmin/AllDepartment/FinancialMarket/MonthlyInterestRate/Interest_rate_st ructure_up_to_July_2017.pdf

About FSD Africa

FSD Africa is a non-profit company which aims to increase prosperity, create jobs and reduce poverty by bringing about a transformation in financial markets in Sub-Saharan Africa (SSA) and in the economies, they serve. It provides know-how and capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households. It is funded by the UK aid from the UK Government.

FSD Africa also provides technical and operational support to a family of ten financial market development agencies or 'FSDs' across sub-Saharan Africa called the FSD Network.

About the FSD Network

The FSD Network is an alliance of organisations or 'FSDs' that reduce poverty through financial sector development in sub-Saharan Africa.

Today, the FSD Network:

- Comprises two regional FSDs in South Africa (est. 2002) and Kenya (est. 2013) and eight national FSDs in Kenya (est. 2005), Ethiopia (est. 2013), Mozambique (est. 2014), Nigeria (est. 2007), Rwanda (est. 2010), Tanzania (est. 2005), Uganda (est. 2014) and Zambia (est. 2013)
- Is a leading proponent of the 'making markets work for the poor' approach
- Specialises in a number of themes from agriculture finance and savings groups to payments, SME finance and capital market development
- Represents a collective investment of $450+ million by DFID; Bill & Melinda Gates Foundation; SIDA; DANIDA; Foreign Affairs, KfW Development Bank; the MasterCard Foundation; RNE (Netherlands); Trade and Development Canada; and the World Bank
- Spends $55+ million per year, predominantly through grant instruments
- Employs over 130 full time members of staff and a uses wide range of consultants

FSD Africa, Nairobi, Kenya
info@fsdafrica.org
@FSDAfrica

www.fsdafrica.org

BFA, Nairobi Kenya
contact@bfaglobal.org
@BFAGlobal

www.bfaglobal.com

UKaid from the British people

Department for International Development
enquiry@dfid.gov.uk
@DFID_UK

www.gov.uk