

Championing Refugees' Financial Inclusion in Rwanda

Refugees' finance in the COVID-19 pandemic period and beyond

The UNHCR Rwanda counts **around 150,000 refugees hosted by Rwanda in camps**. The Mahama camp which is the largest in the country is home to over 61,000 refugees from Burundi. For many Forcibly Displaced Persons (FDPs), a stay in refuge could last longer than 15 years. Yet, despite a steadfast and significant participation in the socio-economic activities of their host communities through education, small scale businesses, and casual labours, access to formal financial services for refugees in Rwanda was almost inexistent until recently.



In response to the Government of Rwanda and UNHCR Economic Inclusion of Refugees and Host Communities Strategy (2016-2020), AFR in partnership with FSD Africa and Bankable Frontiers Associates (BFA) conducted a **research study** in 2018 that aimed at understanding refugees and their finances in relation to the host populations. The results of the study proved a business case to financial services providers (FSPs) that this segment is bankable and attractive.

Whether it is receiving aid through payment cards, remittances, mobile money or cash payment in the camps or their surrounding business centres, the study showed that refugees are actively involved in monetary transactions and business routines as much as their neighbours in host communities. Therefore, their income, expenses, and savings deserve to be managed through a formal banking system.

In September 2019, AFR partnered with Umutanguha Finance Company (UFC), the Frankfurt School of Finance, and MTN Rwanda to launch a project that supports the provision of formal and innovative financial services to refugees and host communities. In collaboration with the Ministry of Emergency Management (MINEMA), UFC was enabled to open the first savings and loan office in the Mahama refugee camp in September 2019 and to serve refugees in the Kigeme camp through its nearby branch of Gasarenda centre, Nyamagabe District with also six existing bank agents in both camps.



1,729

bank accounts have been opened by refugees and their neighbours in host communities




107

loans valued at USD 129,118 have been disbursed



1,121

refugees have been trained on financial literacy and business skills



AFR believes that no matter how temporary or long-term the refugees' stay in the country is forecasted, there is a need to institutionalise refugees' integration in the formal financial market.

"The financial sector needs to introduce innovative products that are tailored to the needs of refugees. An adequate financial inclusion structure not only creates opportunities for the provision of the traditional branch banking services to those who were typically unable to access financial services, but also looks at ways refugees can access loans and benefit from the booming digital finance solutions industry."

Frank Turatsinze
SACCOs and Savings Groups Development Officer, AFR

Nevertheless, the journey towards sound financial inclusion for refugees remains hampered by significant setbacks. For instance, some banks are still reluctant to offer big loans to refugees fearing that they can repatriate in the short term or migrate to other countries for asylum. Moreover, with the COVID-19 pandemic outbreak, refugees' financial inclusion faces another obstacle. The outbreak has halted or limited many camp-based activities including mobilisation, savings groups gatherings, and banking services due to restrictions on movement and ban on gatherings that were imposed during the COVID-19 lockdown.

Ghislain Cyizihiro is the Head of Partnership and Marketing and coordinates the refugees' financial inclusion project at UFC. He says the refugees-centred financial products offered by UFC have made it possible for many refugees and host communities to access banking services within their proximities through the easing of identification and customer compliance requirements.

"All registered refugees whether they have obtained an ID or not yet can open a bank account to save and withdraw money. A close collaboration with MINEMA, UNHCR, and other partners has also enabled refugees to access top-up loans for their small businesses. Of course, with loans extra precaution is taken, and a proper due diligence is conducted to mitigate the risks that might arise in loan repayments"

Ghislain Cyizihiro
Head of Partnership and Marketing, UFC

Nevertheless, the COVID-19 pandemic has slowed down some of UFC activities including mass gathering for mobilisation and financial literacy training.

"Since the training is a prerequisite for our clients in refugee camps and host communities to access our services, we found ourselves unable to carry on with some of them such as disbursing loans during this period but savings activities were still ongoing as our bank agents are inside the camps."

Ghislain Cyizihiro
Head of Partnership and Marketing, UFC

Despite the lockdown, savings and withdrawing activities were able to carry on through branch and bank agents' services in the camps.

"The bank agents' services are an essential part of refugees' financial inclusion because they continue to operate even when the branch offices are closed like during weekends. The agents who are usually vendors, selling food and other basic needs in the camps, can even work longer hours than the bank branches."

Ghislain Cyizihiro
Head of Partnership and Marketing, UFC

Like anywhere else, businesses in refugee camps were at the forefront of activities hit by the pandemic and that has led to some of refugee bank clients failing to repay their loans properly. The restrictions on movement during the lockdown has also left some refugees' shops with empty stocks as their owners struggled to procure more supplies.

As a recovery plan for the affected loan repayments and businesses, UFC, guided by the Central Bank's COVID-19 response guidelines, is engaging their clients in refugee camps and host communities, case by case, on how they can restructure their loan repayment.

"In addition to the loans restructuring, UFC is ensuring business continuity for their clients through waiving penalties as recommended by the Central Bank (BNR) on delayed repayments and injecting more finances in their loans scheme to support business recovery in addition to rescheduling the loans after due diligence, for those who want it."

Ghislain Cyizihiro
Head of Partnership and Marketing, UFC



of loans taken by refugees are performing well on UFC's loans monthly repayment tracker.

The first full repayments are expected in September 2020, one year after the project was launched.

Under the refugees financial inclusion project supported by AFR, UFC is currently operating in Mahama and Kigeme refugee camps providing savings, loans, and financial education for refugees and host communities. UFC is also envisaging opening another branch in the Mugombwa camp as soon as the lockdown is fully lifted.

As a financial market catalyst, AFR continues to work with key players in the Rwandan financial sector such as FSPs and government institutions to ensure a larger number of refugees have access to formal, innovative, and tailored financial services. In addition to catalysing the sector, AFR continues to intensify efforts in promoting financial literacy among refugees to help them understand the importance of saving, small business management, loan management, and innovation.

The refugees and host communities financial inclusion project will enable around 3,700 refugees located in Mugombwa, Gihembe, Mahama and Kigeme camps to access digital and non-digital financial services through a formal financial service provider.



AFR is a Rwandan not-for-profit organisation, with a strategic focus of stimulating financial sector development by collaborating with financial institutions and other stakeholders to increase access to and use of financial services. The organisation does this by identifying and addressing constraints that prevent the financial market from reaching Rwanda's low-income population and promoting innovations and learning that results in sustainable change within the financial sector. Improving access to financial services for the rural poor and women is a particular focus for AFR.



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