



2019

## FINANCIAL INCLUSION AND DIGITAL CASH PAYMENTS



## IMPLEMENTATION REPORT: ORUCHINGA REFUGEE SETTLEMENT

UNHCR UGANDA COUNTRY OPERATION  
2/11/2019

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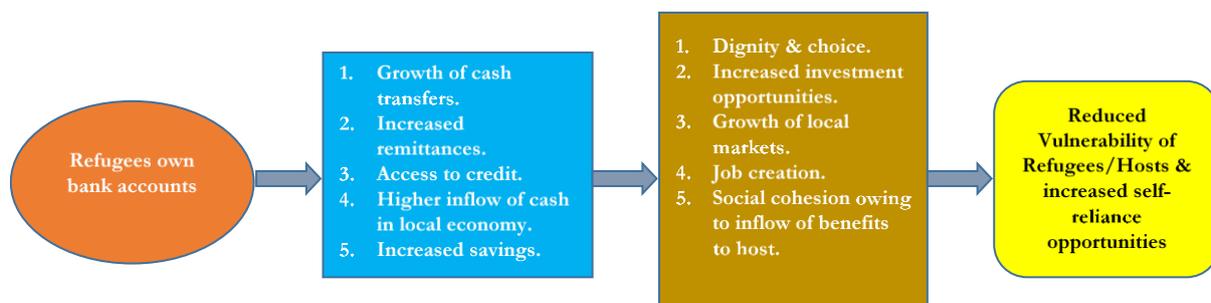
## 1.0 INTRODUCTION

### 1.1 Background

Financial Inclusion is one of UNHCR Uganda’s key operational priorities under its protection and solutions strategy. Financial inclusion contributes to promoting self-reliance among refugees as well as stimulating economic activity at local level. In Uganda, the ongoing strategy to scale-up cash transfers and deliver assistance in a dignified and accountable manner coupled with the vision of promoting economic inclusion of refugees and host communities implies that financial inclusion is a country office priority.

One method of achieving financial inclusion for refugees is by ensuring that refugees own bank accounts which will not only promote the growth of cash transfers but also contribute to self-reliance and local economic activity by opening up channels for cash flows.

Figure 1: Theory of Change: Bank accounts and financial inclusion



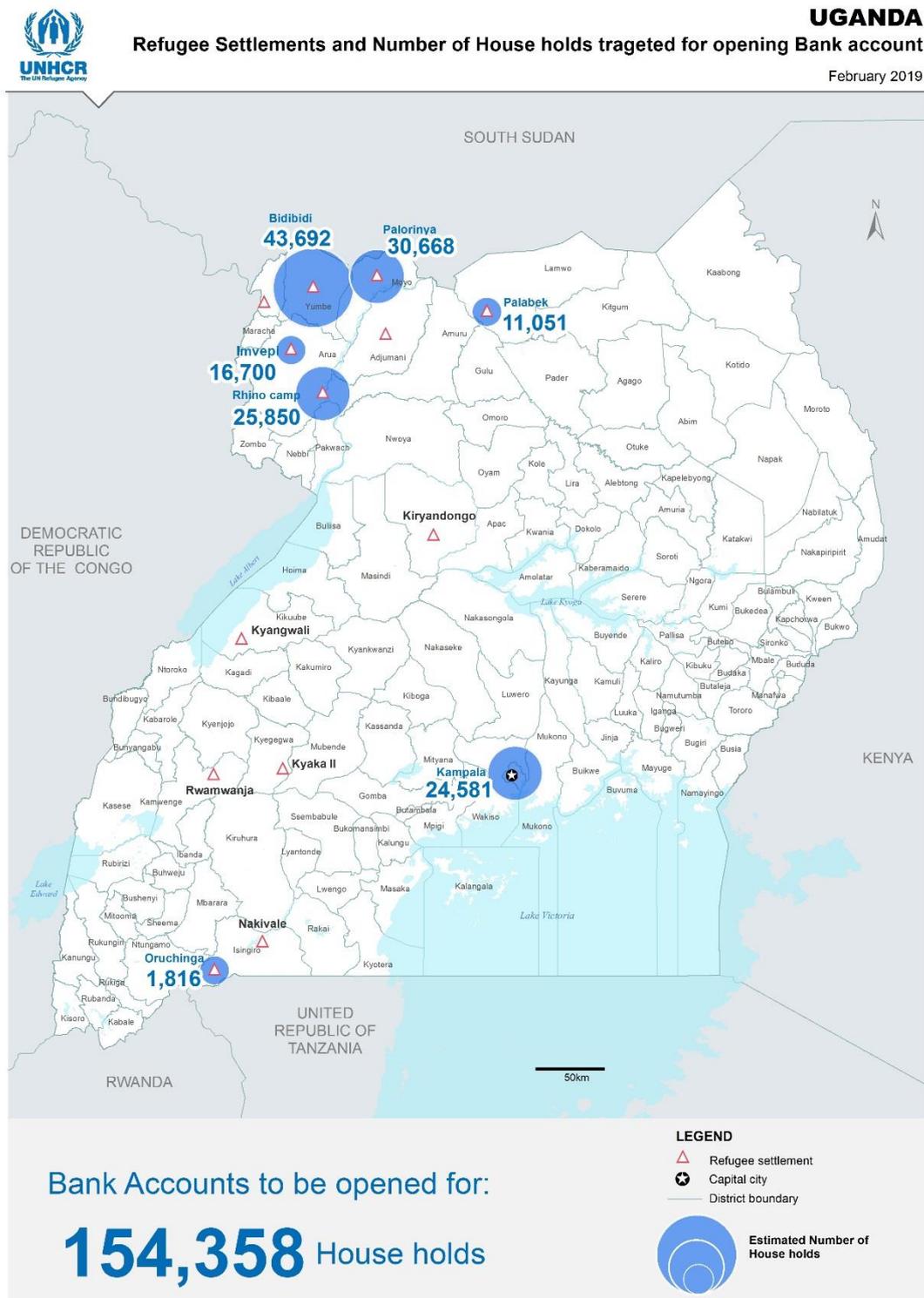
In 2019, UNHCR Uganda plans to open bank accounts for 154,358 refugee households in seven settlements. These are Oruchinga, Imvepi, Palabek, Bidibidi , Palorinya , Rhino camp and Kampala.

The first phase of this initiative was implemented in Oruchinga refugee settlement where all households living in the settlement were assisted to open bank accounts using Equity Bank. Equity Bank uses the agent banking model a banking solution that was introduced by the government of Uganda to promote financial inclusion and improve access to banking services in areas with poor banking infrastructure particularly in rural areas. Given that the majority of refugee settlements are located in rural areas with no banking infrastructure, the introduction of agent banking was timely as a solution that can be utilised to extend banking services closer to refugees and hence facilitate their financial inclusion.

In addition, assisting refugees to open bank accounts will enable UNHCR expand multipurpose cash transfers to refugees to meet basic needs e.g. in shelter, education, hygiene, energy.

The detailed number of households targeted for this initiative is presented in the map below;

Figure 2: Number of households targeted for bank account opening by settlement



## 1.2 Agent Banking Model

Figure 3: POS Cash Withdrawal



In July 2017, the government of Uganda through the central bank released the agent banking statutory guidelines and defined “agent banking” as the conduct by a person of financial institution business on behalf of a financial institution as may be approved by the Central Bank.<sup>1</sup> Since its approval, the agent banking model has allowed commercial banks to establish a network of agents in locations where bank branches or ATM facilities are not available. In practical sense, agents are normally established traders or businessmen who are authorised to perform cash transactions on behalf of the bank. Hence the more established traders in a given location, the easier it is to establish a wide network of bank agents.

The process involves recruiting and training bank agents and providing them with a point of sales (POS) machine connected to the bank network. An ATM card holder can simply approach an agent of his/her bank, insert the card in the device, key in his/her PIN number followed by the amount withdrawn. The agent pays the person and issues an automatically generated receipt showing how much has been withdrawn.

Agent banking is the main infrastructure for UNHCR cash transfers in settlements without established banking hall and ATM infrastructure. However this does not limit refugees from withdrawing funds from ATM machines and banking halls in other locations where these exist.

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<sup>1</sup> [https://www.bou.or.ug/bou-downloads/acts/other\\_acts\\_regulations/Agent-Banking-Regulations-2017.pdf](https://www.bou.or.ug/bou-downloads/acts/other_acts_regulations/Agent-Banking-Regulations-2017.pdf)

## 2.0 PROJECT OUTPUTS

### 2.1 Accounts Opening and Card Distribution

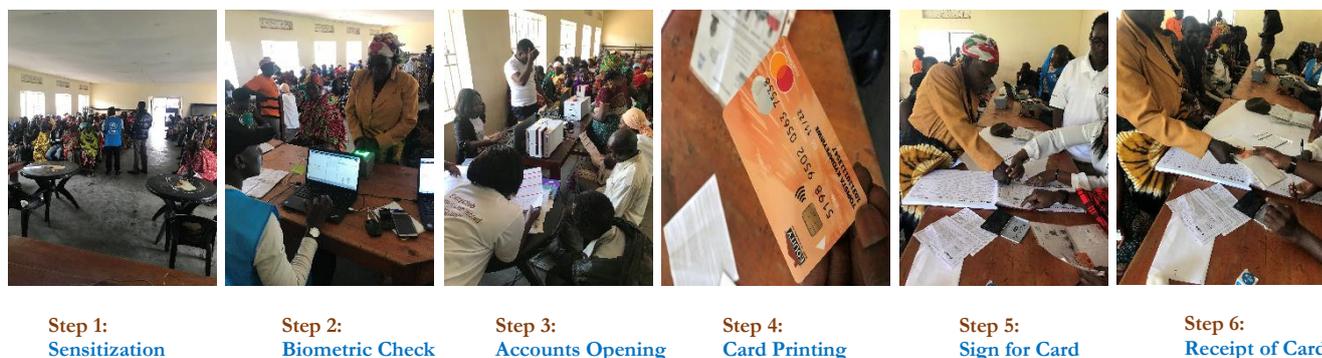
In total, bank accounts have been opened for 1,653 households in Oruchinga refugee settlement with all households receiving their bank cards with exception of three households who had not yet collected their cards at the time of compiling this report. The above figure (i.e. 1,653 households) represents 91% of the total households in Oruchinga refugee settlement who now own personal bank accounts.

The remaining 9% of the households have not been enrolled due to a number of constraints including unavailability of the household head on whose names the account had been pre-opened, child headed households that cannot legally be allowed to open an account, conflicting households undergoing litigation among others. The means to address these cases are in discussion among the UNHCR CBI and protection teams at Kampala and field level.

Issuance of cards was carried out instantaneously with accounts opening in the refugee settlement and as such, refugees did not have to wait extra days to have their cards printed. Before enrollment, all refugees were subjected to BIMS verification using the equipment provided in order to ascertain their identity. In terms of the Know Your Customer (KYC) requirements for opening bank accounts, refugee identity cards as well as attestation certificates issued by the government of Uganda were accepted as valid documents for opening up a bank account.

The process below illustrates how the biometric verification and enrolment of refugees was undertaken during the implementation process.

Figure 4: Process of opening bank accounts and issuing ATM cards



Characteristics of accounts opened;

1. The accounts are regular bank accounts fully owned by the refugee carrying all legal rights similar to Ugandan nationals.
2. Each account includes the provision of a MasterCard usable at all bank terminals i.e. bank agents, ATM cards and banking halls.
3. Bank cards can be used for other local and international transactions outside the Equity Bank network e.g. cash withdrawals from all ATMs having MasterCard, online purchases and card payments at local and international Point of Sales (POS) terminals.

## 2.2 Cash Transfers to Persons with Specific Needs (PSNs)

### 2.2.1 Targeting

Of the 1,653 households supported to open bank accounts, UNHCR implemented a pilot cash transfer project targeting caretakers of persons with specific needs (PSNs). Following discussions at the protection working group, a narrow criteria was agreed upon as the basis for targeting as follows;

1. Parents/primary care-givers of children with severe mental disabilities.
2. Parents/primary care-givers of children with special education needs enrolled in school.
3. Family head with disability who is the primary care-giver of an orphaned child.
4. Single-heads of household who are care-givers for children with specific needs.
5. Elderly women/men (above 60 years) who are primary caregivers of children with specific needs.
6. Care-giver of persons with serious medical conditions.

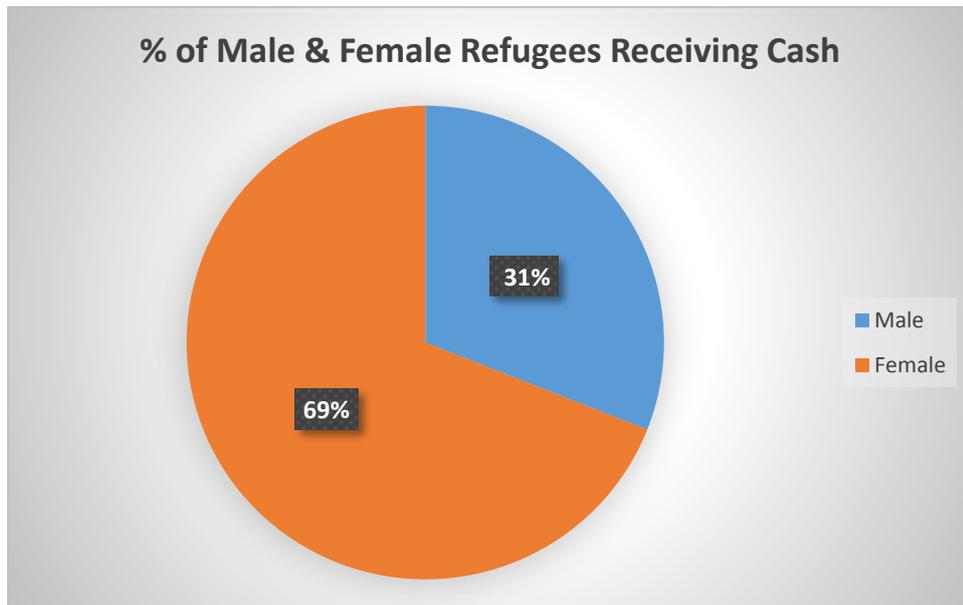
Following the application of above criteria, a total of 229 households (caretakers/primary care-givers) were included in the final distribution list for cash transfers comprising 14% of all households enrolled on bank accounts in Oruchinga refugee settlement. The targeting exercise for this project was undertaken by the UNHCR field protection team in Mbarara sub-office. All beneficiaries targeted had undergone the OPM/UNHCR re-verification exercise and were physically verified. The UNHCR proGres v4 was hence the basis for generating and verifying refugees for inclusion in the programme based on the above criteria.

### 2.2.2 Cash Disbursement

The cash disbursement exercise was managed by UNHCR through Equity bank using corporate Standard Operating Procedures for the management of cash transfers. The disbursement report generated by Equity Bank indicated all accounts were successfully credited. Each beneficiary received an equivalent of UGX 400,000 or USD 105 covering one quarter (three months) which was transferred directly to their bank accounts. The total transfer amount was calculated on the basis of a Minimum Expenditure Basket (MEB) value of USD 35 per month. In the absence of an interagency MEB at the time of the pilot, UNHCR internally defined a Minimum Expenditure Basket for basic needs (excluding food and items already covered in-kind) making reference to common guidelines for determining a MEB.

The majority of households who received cash under the pilot were women comprising 69% of the target households while male headed households comprised 31% of the target households. This statistic is probably not surprising given that in addition to traditionally acting as caretakers, women comprise a higher number of refugees compared to their male counterparts.

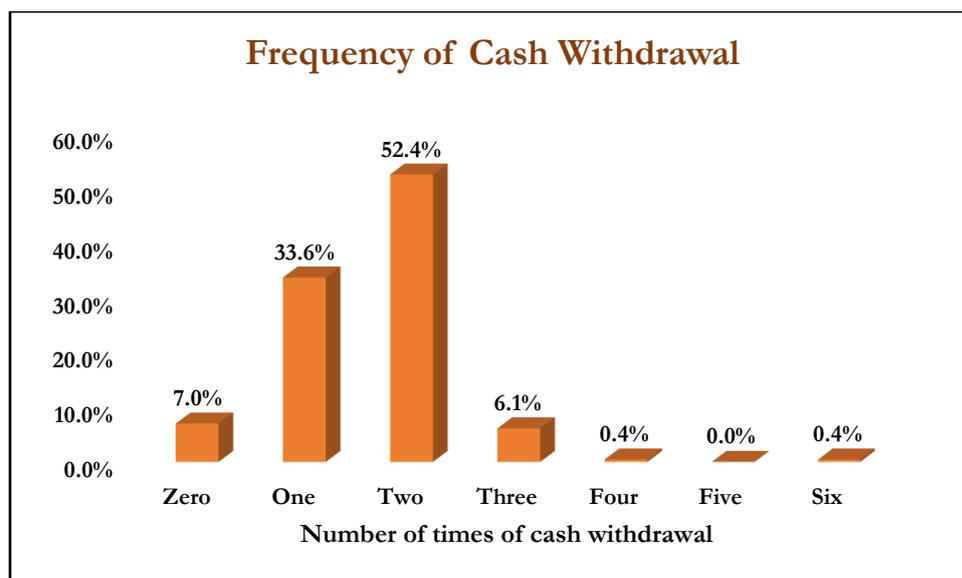
Figure 5: Proportion of male and female PSN households receiving cash



### 2.2.3 Cash Withdrawals

Cash withdrawals were undertaken through a network of six Equity Bank agents who were trained and equipped by the bank prior to the disbursement of funds to the beneficiaries. Four weeks after disbursement of the PSN cash grant, 68% of the beneficiaries had withdrawn all (100%) of their entitlement while the remaining 32% had withdrawn on average 96% of their entitlement. Half of the beneficiaries had withdrawn their cash twice while 7% had not withdrawn any of their entitlement owing to issues with their smart cards which were later resolved by the financial service provider.

Figure 6: Frequency of cash withdrawal



### 2.2.4 Saving Rate

Monitoring reports showed that the savings rate was very low among beneficiaries. Average savings for households that did not withdraw all their entitlement was slightly higher among male headed households (1.4%) as compared to the female counterparts (1.0%) as shown in the table below.

*Table 1: Average household savings*

<b>Sex of HH</b>	<b>Average Saving (UGX)</b>	<b>Saving rate (%)</b>
Female	3,931	1.0%
Male	5,493	1.4%
<b>Grand Total</b>	<b>4,430</b>	<b>1.1%</b>

The low levels of savings is particularly not a surprise given that this is the first time that refugees are receiving cash through the Equity Bank system and the majority are probably more comfortable withdrawing all their funds at this time. Secondly it is likely the majority of households had pressing needs hence preferred to withdraw all their money. It should however be noted that the above statistics were obtained from transaction records hence no follow-up information could be obtained to clarify the reason behind the withdrawal and savings behaviour. However UNHCR is in the process of undertaking a Post Distribution Monitoring (PDM) which will be useful in clarifying this and other financial management behaviour of the beneficiaries.

It is however expected that as refugees get used to the banking system and appreciate the need for savings, the amount of funds savings will be much higher. This could further be enhanced by planned financial literacy programmes targeting refugees in the course of 2019.

## 3.0 MONITORING, ACCOUNTABILITY AND FEEDBACK MECHANISMS

### 3.1 Baseline Survey

A baseline survey was undertaken prior to the distribution of cash to the beneficiaries. The survey was undertaken by UNHCR's protection partner (CAFOMI). A total of 111 (95%, CI 7) households were randomly selected from the cash beneficiaries to participate in the baseline survey with the sample size computed using the guidance from the UNHCR CBI PDM guidance notes. The allocation of the selected sample was determined using probability proportional to size (PPS) among the three refugee populations of Rwanda, Burundi and Congolese origin in the settlement. Once the numbers for each population were determined, excel was used to draw random samples from the existing list of PSNs generated from ProGres v4. The baseline questionnaire was pre-coded and uploaded into Kobo upon which data collection was carried out using mobile devices (tabs). Data was downloaded on a daily basis to check for errors and accuracy until completion of data collection.

Some of the key findings from the baseline study highlighted the following;

- Considerably larger household sizes averaging 5.38 (4.85 – 5.92 95% CI) compared to 4.0 from ProGres v.4 updated data. This is likely an indicator of additional dependency.
- Informal income generating activities like casual labour was found to be the major source of household income or support however it is worth noting that among the top five included loans, savings and sale of humanitarian assistance both food and Non-food Items (NFIs).
- Over 95% of the households indicated they were able to access items in the market in the right quality and quantity.
- None of the households was able to meet all of their basic needs.
- Food, clothing/shoes, education, cooking fuel, health, hygiene items consumed the highest share of household expenditure.
- At least 95% of the households reported having resorted to a negative coping strategy four weeks preceding the survey.
- Households' coping strategy index had no relationship with sex of the household head. However was found to have significant association with number of income sources.
- Results revealed that having access to micro-credit significantly reduces household CSI on average by 17.6 times ( $p < 0.05$ ).

It is however important to note that the number of indicators collected through the baseline survey are less compared to the PDM. This is because some of the indicators can only be meaningfully measured following the distribution of cash. This is further highlighted in the subsequent section on PDM.

### **3.2 Post Distribution Monitoring**

The CBI PDM guidance indicates that post distribution monitoring should be undertaken four weeks after the completion of cash disbursement. However for this case, not all of the beneficiaries were able to access their entitlement by the given time frame as the agent banking model gives the flexibility to the beneficiary to withdraw their cash at a time they choose. Thus a deliberate delay in undertaking the PDM was inevitable to allow all beneficiaries to access their cash. The PDM will hence be completed in February 2019.

Unlike the baseline survey, the PDM will capture more detailed information in particular compliance with operational and good practice, efficiency of distribution process, beneficiary preferences, protection outcomes from CBI, access to markets, household expenditure, and observed changes from cash transfers and contribution of cash to sustainable solutions. The PDM will further capture indicators of well-being including hopefulness and aspirations; physical well-being; psychological well-being; relationship with host communities; safety and security; living conditions and socio-economic well-being.

### **3.3 Beneficiary Feedback Mechanism**

Beneficiaries having concerns with the accounts enrolment process or payments have the option of channelling their complaints through UNHCR's protection partner responsible for following up on the project. Beneficiaries also have the option of using the Equity Bank hotline as well as the UNHCR beneficiary feedback platform operated through a call centre. However, both the Equity Bank hotline and the UNHCR complaints and feedback platform were initially not accessible to the beneficiaries. The Equity Bank hotline was experiencing some technical issues while the UNHCR platform had only been rolled out in Nakivale. As such, complaints were reported through the partner and at times through the office of the prime minister which were in turn forwarded to UNHCR either directly or through the partner.

However as UNHCR has now merged its operation in Oruchinga with Nakivale, this platform will be accessible to all households in the settlement. Equity Bank is also rectifying its 24/7 telephone hotline and will hence be available as another mechanism for addressing the concerns of refugees. UNHCR and Equity Bank have in place an arrangement where the bank technical persons will come to the settlement to resolve complaints once they have been compiled. It is expected that all card related queries will be resolved prior to the next distribution cycle. It is worth noting that all beneficiaries are provided with user information following opening of accounts and receipt of bank ATM cards.

As the majority of beneficiaries have so far only been provided with a bank account and ATM card with only 14% assisted with cash, there were not a significant number of complaints obtained in relation to the payment process. UNHCR is undertaking a follow-up exercise with the beneficiaries including through the planned PDM to determine the level of satisfaction and nature of concerns that beneficiaries have.

Currently 168 households in Oruchinga refugee settlement have not been enrolled for bank account. The reasons for this are;

1. The head of household or eligible card holder is not present.
2. The household concerned is child headed.
3. Household nor representative did not turn-up for enrolment.

All the above households are currently undergoing litigation and will have their accounts activated and card issued on finalising the litigation.

## 4.0 CHALLENGES AND LESSONS LEARNED

### 4.1 Challenges

- There was a delay in initiating the project visa vie the planned schedule. This was because Equity Bank had to develop a tailor-made card solution that would meet the needs of refugees in the settlement as well function under the normal banking system without compromising the required security protocols.
- The project was also implemented through the end of the year (2018) hence some delays were experienced in completing the enrolment on time owing to the Christmas and holiday season.
- The beneficiary feedback mechanism was limited to reporting through the partner as by the time of initiating the intervention, UNHCR's feedback platform was not fully functional in Oruchinga and the Equity Bank system was experiencing some technical glitches.
- There was no interagency Minimum Expenditure Basket guideline to inform the transfer value for multipurpose cash transfers. As such UNHCR internally computed the transfer value although using existing common global guidelines.
- There was a transition in terms of partnership arrangements with CAFOMI handing over to HIJRA between December 2018 and January 2019. This however did not significantly impact on the project given the relatively low number of complaints and small size of beneficiaries targeted for cash transfers. The current partner is however experienced in protection and has prior experience working in Oruchinga.
- The opening of bank accounts for all households in the settlement came along with expectations of cash payments despite prior sensitisation exercises regarding the purpose of opening up the accounts. UNHCR together with partners will continue sensitising beneficiaries on the roll-out of cash transfers in the settlement.
- The majority of beneficiaries of cash transfers were interested in withdrawing all their cash at once despite being informed that they had the flexibility of withdrawal at any time of their choice. As such there was some crowding at the agent points immediately after crediting the accounts. It is however expected that this will improve as refugees get used to the system.

### 4.2 Emerging Issues

**Targeting:** The high level of vulnerability and need in the settlement implies that targeting a small number of households for assistance will often be a challenge. In this case, it was not apparent to some refugees and even partner agencies as to why all PSNs are not targeted instead of focusing on only few. The focus on only a few beneficiaries could also raise tension and create room for manipulation as those involved in targeting could favour some beneficiaries over others. Preparing adequate time for targeting, undertaking physical verification and creating awareness is necessary particularly when a small size of the population is targeted for assistance.

**Biometric Card Solution:** The card solution provided by UNHCR and Equity Bank has a biometric as well as PIN authentication option for withdrawing cash. Regarding the biometric

option, the card is linked to the fingerprint of the card holder implying that no other person can illegally use the card. Although a comprehensive evaluation has not yet been undertaken, some feedback obtained particularly from women indicates that biometric authentication would be a preferred option as it does not require remembering a PIN and gives them better security of their card and money.

**Digital Payments Systems:** There is some level of assumption that digital payment systems are complex and likely to be challenging for refugees to embrace and adapt to as they are probably not exposed to such systems. On the contrary, this project did not reveal any significant reservations from refugees regarding the enrolment for bank accounts. All those who received cards were able to follow instructions and successfully access their cash. It is however important to note that simplification of digital solutions still remains necessary for easy adaptation and use. In this case the option of using biometric fingerprint verification as an alternative to PIN codes probably made adaption and use easier for refugees.

**Enrolment of Minors for Bank Accounts:** A substantial number of households who have not yet enrolled and undergoing litigation are those headed by children. This is because the banking regulations do not allow a bank account to be opened for a minor. From a protection point of view, allowing minors to own bank accounts could be detrimental to their safety and put them at risk of developing anti-social behaviours at an early age. Given that a substantial number of households are headed by minors, it is critical that appropriate and tailor made solutions be got for them when rolling out digital payment and cash transfer programmes. The conventional use of caretakers could also carry risks which all have to be clearly evaluated and mitigated given the high possibility of caretakers diverting cash transfers meant for the welfare of child headed households.

**Agent banking and Potential for Market Growth:** Agent Banking could contribute to the growth of markets particularly with the increase of cash transfers. As agents are normally established traders in the locality, it could create opportunities for such agents to trade their commodities and more traders not only to enrol for the platform but also increase the supply of commodities. However it is important to acknowledge the risk of agents influencing beneficiaries to purchase commodities from their shops after withdrawing cash. So far, this has not been apparent in the current project although details will be established following the completion of the PDM exercise. With proper sensitisation of beneficiaries and agents, this risk is likely to be minimal.

**Mobility due to flexibility of cash withdrawals:** Due to the flexibility of cash withdrawals, some beneficiaries reportedly preferred to travel to other nearby markets having agent points where they were able to withdraw cash and perhaps purchase other items from the market. Such flexibility while good for refugees could also lead to a situation where one family member could travel with the entitlement leaving other family members stranded. However this does not apply to only agent banking but cash transfers as a whole hence requiring appropriate mitigation measures. For this particular project, information obtained from the bank agents indicates that the majority of refugees preferred to withdraw cash from within the settlement.