REPORT | MARCH 2018

Refugees and Their Money: The Business Case for Providing Financial Services to Refugees

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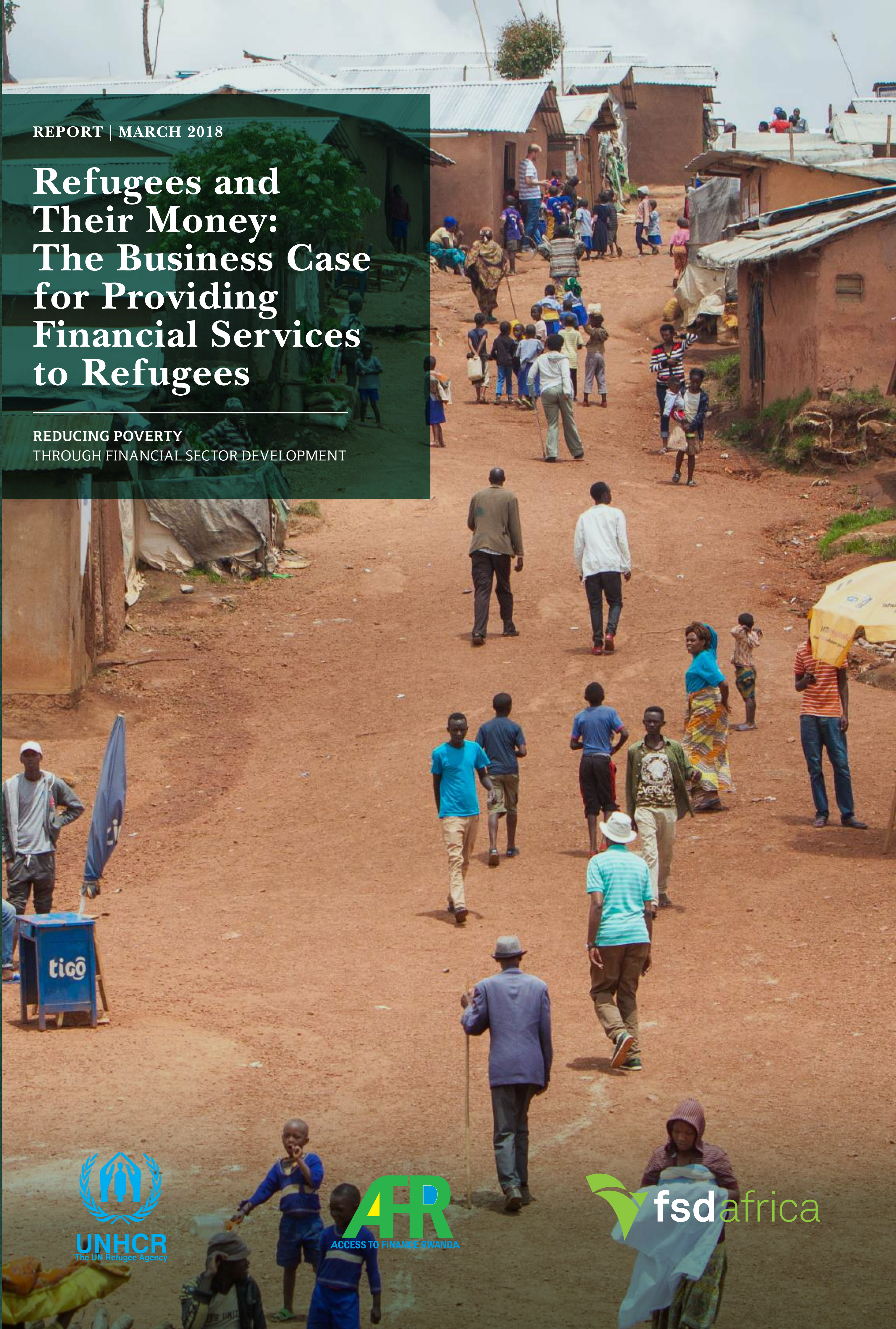

UNHCR
The UN Refugee Agency

AFR
ACCESS TO FINANCE RWANDA

fsd africa

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Refugees and Their Money:
The Business Case for Providing Financial Services to Refugees

BY: BFA

About BFA

BFA is a global consulting firm specialising 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 organisations 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.

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).

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Abbreviations

AFR	Access to Finance Rwanda
ARC	American Refugee Committee
ATM	Automated Teller Machine
DRC	Democratic Republic of Congo
FDP	Forcibly Displaced Person
FIU	Financial Intelligence Unit
FSP	Financial Service Provider
KYC	Know Your Customer
MFI	Microfinance Institution
MIDIMAR	Ministry of Disaster Management and Refugee Affairs Rwanda
MGSG	Maastricht Graduate School of Governance
NGO	Non-Governmental Organisation
NFC	Near Field Communication
NPL	Non-Performing Loans
NPV	Net Present Value
OAU	Organisation of African Unity
ROSCA	Rotating Savings and Credit Association
RWF	Rwandan Franc
SACCO	Savings and Credit Cooperative
UN	United Nations
UNHCR	United Nations High Commission for Refugees
VSLA	Village Savings and Loan Association
WFP	World Food Programme

Executive Summary

Rwanda has been hosting refugees for over 20 years. In this context of long-term displacement, governments, humanitarian agencies, the development sector and other stakeholders must provide long-term solutions for refugees, such as financial services, which can support market-based livelihoods. FSDA, UNHCR and AFR partnered on this study to assess both the demand for financial services in refugee populations and the business case for Rwandan financial institutions to provide these services.

The study had two objectives: first, to provide market intelligence to build a sound business case for financial institutions to profitably serve the forcibly displaced persons (FDPs) population; and second, to better understand the financial needs of the FDP population in Rwanda to enable financial service providers (FSPs) to effectively target the segment.

This report is the result of a triangulation of four different research activities: segmenting and sizing refugees as a market for financial services; translating the segments into business cases to assess potential for serving this market; creating profiles of segments based on field research in refugee camps; and assessing the regulatory environment to provide financial services for refugees.

Key findings

1. At the moment, six of the seven camps in Rwanda have cash and the last camp Mahama is likely to become cash before the end of the year.

2. Contrary to expectations, refugees in Rwanda have enough income to be strong potential customers for FSPs.

There are several segments that are of interest for Rwandan financial service providers, as they report income above RWF 25,000, the median for a Rwandan bank account holder.[1] These segments represent approximately 90% of refugee households:[2]

9%
Those holding salaried jobs.
Median income:
RWF 39,000 (US$46.43)[3]

4%
Those receiving remittances.
Median income:
RWF 32,600 (US$38.81)

10%
Those receiving cash transfers and holding a salaried job.
Median income:
RWF 43,200 (US$51.40)

27%
Those receiving cash transfers plus receiving income from odd jobs/self-employment.
Median income:
RWF 35,000 (US$41.66)

4%
Those receiving cash transfers plus remittances.
Median income
RWF 56,500 (US$67.26)

35%
Those receiving cash transfers only.
Median income:
RWF 25,200 (US$30.00)

From these segments it is clear that cash transfers are not the only income flowing through the camps, and there is evidence to suggest that cash transfers help to build other forms of income. When comparing income between camps, median monthly income excluding cash transfers and remittances is 2.5 times higher in camps that receive cash transfers than camps that do not receive cash transfers.

[1] Estimated from FinScope 2016.
[2] This is not 100% because some households do not receive cash assistance, having not been registered, or some households receive too little cash to reach the above level of income.
[3] The exchange rate used throughout this report is 840 RWF/US$.

3. Using these segments, it is estimated that extending financial services to the refugee population of Rwanda would expand the market for financial services by approximately 44,000 individuals.[4]

Although many new accounts would be used exclusively to receive cash transfers, many refugees working formally in NGOs, construction or other work, (such as security and casual work like washing clothes and gardening), will likely utilise additional financial services. Some, who own small businesses, probably have significant demand for microcredit. If they are added to the 762,000 Rwandans who currently hold a bank account and the 232,000 who have a loan from a bank, a savings and credit co-operative (SACCO) or a microfinance institution (MFI),[5] refugees would increase customer numbers by 6% and 19%, respectively.

4. Many refugees have used financial services before and want to use them again, perhaps even more urgently than Rwandan nationals.

Almost all refugess had been clients of Rwandan FSPs at some point in their lives.

There is an untapped demand among the refugees for savings, transactions and loan products.

Low-income households typically relies on informal financial tools.

Almost all the refugees interviewed had had a bank account at some point in their lives and a portion already have bank accounts or mobile wallets offered by Rwandan FSPs. However, there is significant untapped demand for savings, transaction, and loan products. Typically, low-income households would rely on a portfolio of informal tools to manage their financial lives, even if they did not have access to formal tools. However, given the risk of theft from the home, as well as the limited availability of informal borrowing and lending that typically springs from family and long-standing neighbourhood relationships, refugees have an urgent need for formal financial products and services. The demand for financial services therefore, is even more heightened for refugees than for Rwandan nationals who have access to a broader range of both informal and formal services. Refugee take-up of savings groups, for example, was much faster than in savings groups introduced in other non-refugee populations. In Mahama camp, savings groups were introduced by a local NGO and about 4,000 refugees (15% of the adults in the camp, mostly women) have become involved in the first year alone. Loan products, particularly sought after by the many small enterprises in the camps, are very limited and nascent, yet highly desired to keep businesses running and growing.

5. BFA's dynamic business case model suggests the refugee population has as much potential to generate profit for FSPs as the traditional Rwandan population.

According to model estimates, refugees who own a small business, earn income from odd jobs, or have a salary income, could be a profit-generating segment for FSPs, as these customers would be interested in savings, loans and insurance. BFA's estimated Net Present Value (NPV)[6] of net revenue for any of these products is similar to what it is estimated FSPs would earn from a 'typical' Rwandan customer (see business case results on page 45). Although refugees who only receive a cash transfer may not immediately present a profitable proposition, the potential to sell these clients an insurance policy or a loan if they begin a business or start a salaried job, earns their loyalty and trust as they establish their economic footing.

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[4] We assume that each household has one working adult. This is based on knowing from the MGSG data set, that of the 49,166 refugee households in Rwanda, 75% have only one earning adult and in the other 25%, the majority of the income comes through one person. Based on MGSG estimates, we assume that 75% of these 49,166 working adults are of interest to financial service providers, which is approximately 37,000 adults.

[5] http://www.statistics.gov.rw/publication/finscope-rwanda-2016.

[6] Net Present Value is the difference between the present value of cash inflows and the present value of cash outflows. For the purpose of this report, NPV represents a profitability metric for the provision of a financial product.

6. One of the biggest challenges refugees face in accessing financial services relates to satisfying the ID requirement for 'know your customer' (KYC) purposes.

About 50% of refugees have a government issued ID card. All refugees however, have a proof of registration document issued by the Ministry of Disaster Management and Refugee Affairs (MIDIMAR). Some FSPs have proactively sought and obtained approval from the National Bank of Rwanda and MIDIMAR to accept proof of registration documents. BFA has recommended that a directive from the National Bank of Rwanda that lists proof of registration documents issued by MIDIMAR as valid KYC documentation, would make it easier for refugees to satisfy the KYC documentation requirement until MIDIMAR issues ID cards to all refugees.

Conclusion

Refugees have a strong need for comprehensive financial services to support their livelihoods. Similar to other relatively low-income segments, refugees need the following: savings or transaction accounts to safely store their income and minimise the risk of theft; loan products to support business ventures and other personal needs; insurance to minimise the financial impact of unpredictable events; and convenient access to financial services channels to receive remittances. The refugees' demand for financial services has become even more apparent as the World Food Programme continues to shift its humanitarian support from food assistance to cash-based transfers.

Cross-selling financial products such as a micro insurance product and a loan product has the potential to enhance the profitability of providing a savings or transaction account to a refugee customer. The models presented in this paper show that the profitability of providing financial services to refugees is estimated to be about the same as the profitability of serving the typical low-income Rwandan account holder.

1. Introduction

One of the most pressing concerns of this century is the global refugee crisis. According to the UNHCR, there are over 65 million persons of concern globally - a quarter of whom are in sub-Saharan Africa. Rwanda has been hosting refugees from the Democratic Republic of Congo (DRC) and Burundi for over 20 years. About half of these refugees are 16 years or older and 52% women.[7] A large segment of these refugees appears to be as eligible for financial services as any other client segment, but financial service providers (FSPs) have largely overlooked refugees as a viable client segment.

The longevity of the refugee camps suggests they are more likely to be permanent than transient and therefore there is a need for a better self-sustenance strategy for refugees to be able to meet their needs. Moreover, evidence shows that a refugee community that has been integrated into the broader economy contributes positively to that economy. A study conducted by the Maastricht Graduate School of Governance in Rwanda in 2016 found that Congolese refugees had a positive economic impact on the host community. That said, the study also points out that both nationals and refugees face difficulties in finding adequate shelter and locating job opportunities, and they are both affected by increasing food prices and precarious access to legal and social services and protection. Arguably, financial services should play a role in that effort.

According to the MIDIMAR (Ministry of Disaster Management and Refugee Affairs)/UNHCR economic inclusion strategy report, Rwandan law allows refugees to work in any part of the country. However, there are some structural challenges to refugees becoming productive members of Rwandan society, including insufficient access to finance for refugee entrepreneurs.

Financial services are likely to play an important role in helping refugees integrate and contribute to the broader community; however, extending these services raises several unknowns. A recent study by Burno et al (2016) suggests that financial services providers (FSPs) can provide more complex solutions with small adaptations to 'off the shelf' products.

This report includes business case estimates for FSPs to provide services to refugees. Providing an actual business case was not feasible, given that different institutions each have different cost structures and offerings. Instead, the report shows a dynamic costing model that FSPs can adjust to their own internal parameters to build business cases specific to their institutions. In addition, it compares several segments of refugees to 'typical' Rwandan consumers in an effort to show FSPs that refugees are a viable customer segment.

The report starts with a short review of the methodology and then presents a brief background to, and basic demographics of the refugee population. Next, it presents two detailed pictures of the refugee population relevant to their demand for financial services. The first picture segments the refugee population by their sources and amounts of income. The second considers their use and demand for financial services to make a case for their potential as bank customers. Finally, the report considers the supply of financial services by constructing a dynamic business model that can stress test the business case for banks to serve the refugee population, by allowing individual banks to consider the effects of varying costs and profitability.

[7] UNHCR 2017 dataset.

2. Methodology

The report takes 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 utilise financial services to demonstrate their 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.

2.1 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.

2.2 Regulatory review

BFA conducted desk research on Rwandan regulations, especially KYC ('know your customer') requirements and identity, in an effort 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 2.

2.3 Field research with refugees

Thirty-five refugees were selected for interview, based on a combination of business owners, bank and mobile money agents and remittance receivers. In addition, interviews included the 'richest' man in the camp to further investigate his needs, and interactions with NGO staff who 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 main capital city of Rwanda. It is estimated that over 20,000 refugees from both the DRC and Burundi are settled there.

Mahama Camp

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

Gihembe Camp

Located in Gicumbi District in the Northern Province of Rwanda, the Gihembe refugee camp was established in December 1997 to host 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 DRC and attacked the camp, murdering hundreds of refugees.

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 DRC were attacked by ex-FAR (Rwandan Armed Forces) and interahamwe militia based in the eastern DRC.

2.4 Interviews with FSPs and development of dynamic business case model

BFA conducted interviews with different FSPs including banks, microfinance institutions (MFIs), savings and credit co-operatives (SACCOs), mobile money operators, and fintech companies. The full list of FSPs and stakeholders interviewed is in Appendix 1.

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.

3. Background of Refugees in Rwanda

Rwanda is a signatory to the 1951 Convention Relating to the Status of Refugees and its 1967 Protocol, the 1954 and 1961 Conventions on the Reduction of Statelessness, and the majority of international conventions on human rights. It is also 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-refoulement and has been hosting refugees, mainly from the DRC and Burundi, but also from other countries in Africa, for decades.

In 2016, at a UN meeting in New York, the Rwandan government pledged to promote the inclusion of refugees. One aspect of the pledge was a commitment to extend financial services to at least 58,000 refugees by mid-2018.

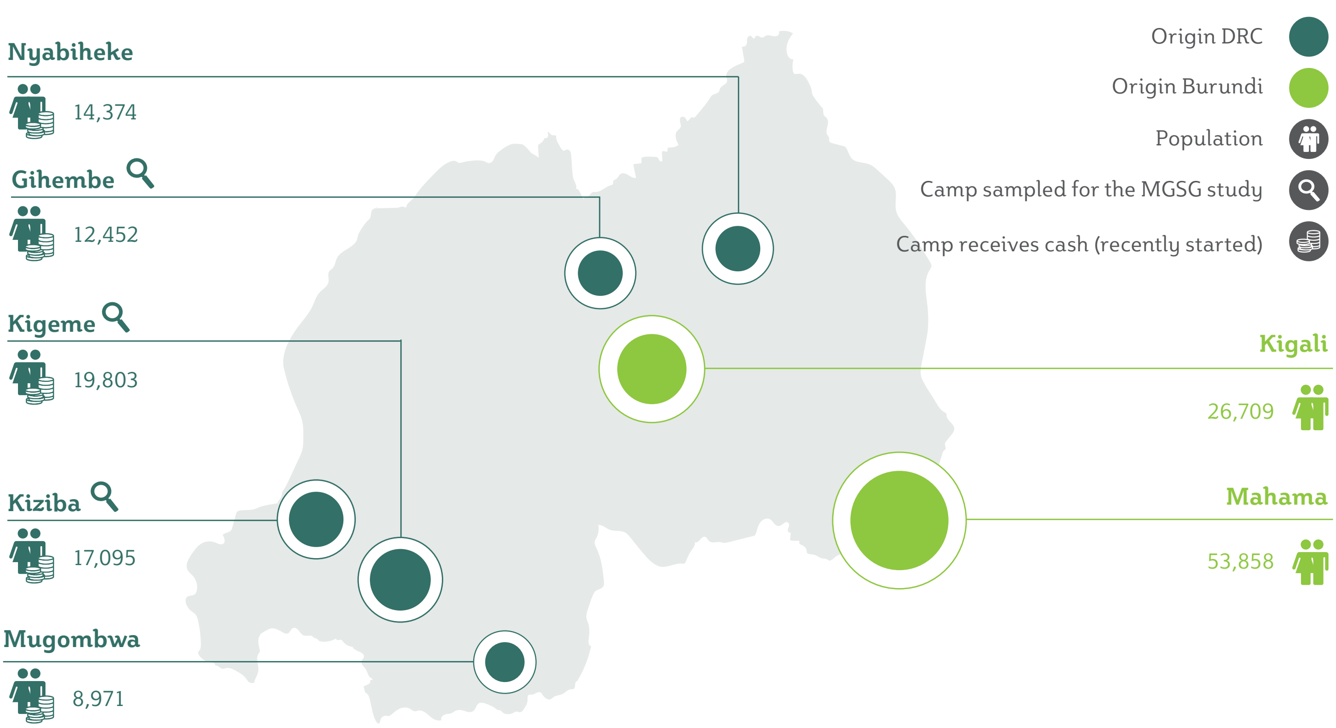
In 2016, MIDIMAR and the UNHCR developed a four-year strategy for furthering economic development in host communities through refugee self-reliance. The joint Rwanda-UNHCR livelihoods strategy focused on graduating camp-based refugees out of assistance programmes by increasing formal access to work.

3.1 Refugee camps

According to UNHCR records, nearly 160,000 refugees live in camps in Rwanda as of June 2017. Virtually all refugees are from Burundi (53.3%) and the DRC (46.3%). A very small number mark their country of origin as Rwanda and are therefore considered internally displaced people.

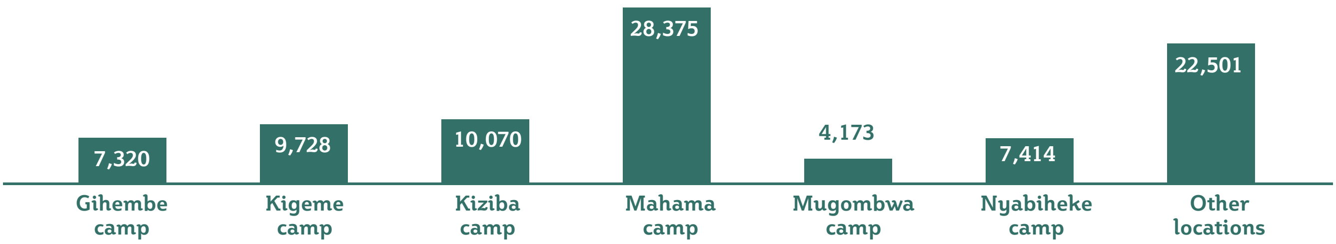
There are six camps in Rwanda (Kigembe, Gihembe, Kiziba, Nyabiheke, Mugombwa, and Mahama) where 79% of the refugees are registered. The rest are registered outside of camps, mainly in Kigali and other urban areas, and in some rural areas. Although a refugee may be registered in or out of camp, this does not necessarily designate where she/he lives. Of the six camps, five host DRC refugees while only Mahama camp hosts Burundi refugees. Mahama is the largest refugee camp in Rwanda (See Figure 1).

Location and size of refugee camps as well as settlers in Kigali

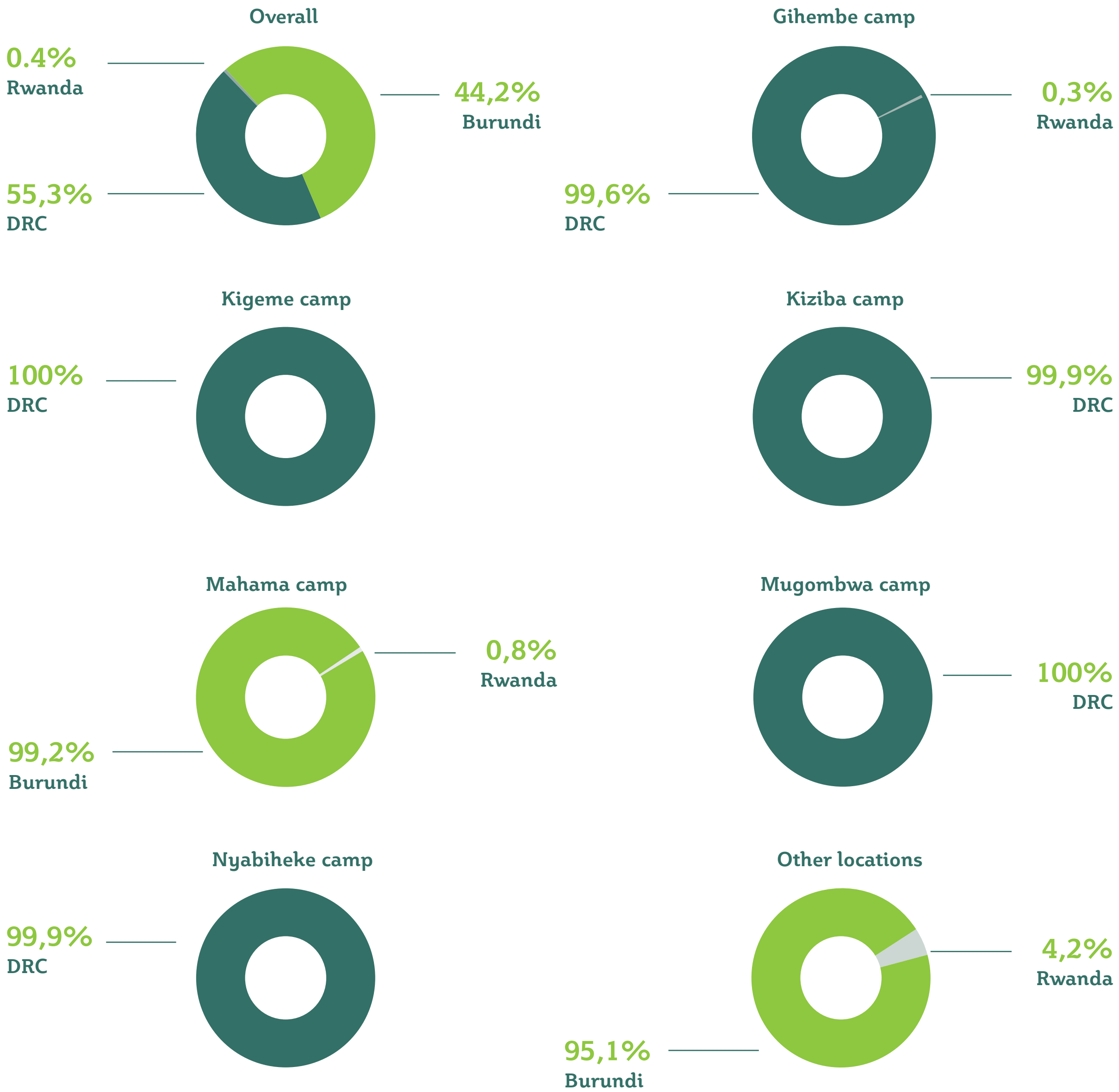


[8] The size of the circle is directly proportional to the number of the refugee households in the camp. The colour code indicates the originating country of the majority of refugees in a particular camp. Purple denotes DRC and orange denotes Burundi. Peach colour highlights the camps that were surveyed by MGSG. The sample sizes were: Gihembe 148 households, Kiziba 140 households and Kigeme 139 households.
[9] Author's calculations based on the MGSG (2016) and UNHCR (2017) data sets.
Households: Kigali: 14,200; Mahama: 18,527; Nyabiheke: 2,785; Gihembe: 2,865; Kiziba: 3,490; Kigeme: 3,834; Mugombwa: 2,011.

Adult refugee population by camp (16 years or older)



Origin of adult refugees by camp, %



[10] Using UNHCR (2017) data set, individuals were identified who are 16 years and older in every camp.
[11] UNHCR (2017) data sets give the country of origin of refugees in each camp. The data sets were used to calculate the percentage of refugees from each country of origination in each camp.

Camp environments vary markedly from the self-settled refugees in Kigali. Camp size differentiates one camp from another, as does the age of the camp. Newer camps tend to have better infrastructure. As camps age and donors grow weary of protracted displacement, crucial inputs diminish. Two of the camps visited were receiving cash assistance, with one camp receiving in-kind aid. Camp residents were also provided with education, health services and housing.

Refugees living in Kigali generally do not receive assistance from UNHCR; for example, if they are between 12-60 years old, they do not receive rent assistance, health services, or educational assistance. Those interviewed in Kigali chose to live there because:

1. They believe their prospects for income to be better
2. They feel individually targeted as refugees and would be more visible as such in a camp setting.

Education levels

Education levels vary significantly: 8% of the refugees have attended university; 43% of the refugees have had at least secondary education; and 25% have not had any formal education at all.

Marital status

Source: Author's calculations based on the UNHCR (2017) data set

[12] The figure gives education levels of adult refugees only (16 years and above).
[13] Author's calculations based on the UNHCR (2017) data set.
[14] The figure gives the marital status of adult refugees only (16 years and above).

4. Sizing the Demand for Financial Services: Refugee Income Sources and Amounts

Experience shows that the financial portfolio that a household uses is heavily determined by the types of income they receive and with what frequency they receive them. Figure 2 breaks down the various segments of the MGSG dataset, which covered 427 households across three camps. These households were segmented into a range of categories. There are several segments that could be of interest to Rwandan financial service providers, as they report income above RWF 25,000, the median for a Rwandan bank account holder.[15] These segments represent approximately 90% of refugee households:

9%

Those holding salaried jobs; estimated to be 9% of the households with a median income of RWF 39,000 (US$46.43)[16]

4%

Those receiving remittances; estimated to be 4% of the households with a median income of RWF 32,600 (US$38.81)

10%

Those receiving cash transfers[17] and holding a salaried job; estimated to be 10% of households with a median income of RWF 43,200 (US$51.40)

27%

Those receiving cash transfers plus receiving income from odd jobs/self-employment; estimated to be 27% of households with a median income of RWF 35,000 (US$41.66)

4%

Those receiving cash transfers plus remittances; estimated to be 4% with a median income of RWF 56,500 (US$67.26)

35%

Those receiving cash transfers only; estimated to be 35% of households with a median monthly income of RWF 25,200 (US$30.00)

The MGSG dataset was used to determine levels of household income and expenditure (see Table 1). First, the total monthly household cash inflows in each category were summed up, then the median amount of monthly income for each segment was calculated.[18]

Households with members who have cash transfers and salaried jobs have higher monthly cash inflow and expenditure. The median household monthly income and expenditure for these households is RWF 43,200 and RWF 34,000 respectively, compared with RWF 35,000 and RWF 31,300 for households with either cash transfers and casual work or a business – the segment which ranks second for median income. Households with members who receive cash transfers have incomes that are substantially higher when compared with households with income from other sources. For instance, the median monthly income of households without cash transfers but earning income from other sources is RWF 22,400 whereas households receiving cash transfers only have a median monthly income of RWF 25,200.

[15] Estimated from FinScope 2016.
[16] The exchange rate used throughout this report is 840 RWF/US$.
[17] Registered residents receive approximately 7,600 RWF (US$9.00) per person per month from the World Food Programme.
[18] The data reports expenditures on food, non-food items, fees payments and remittances to relatives and other households. Total monthly expenditure was calculated by adding up all these expenditures by segment.

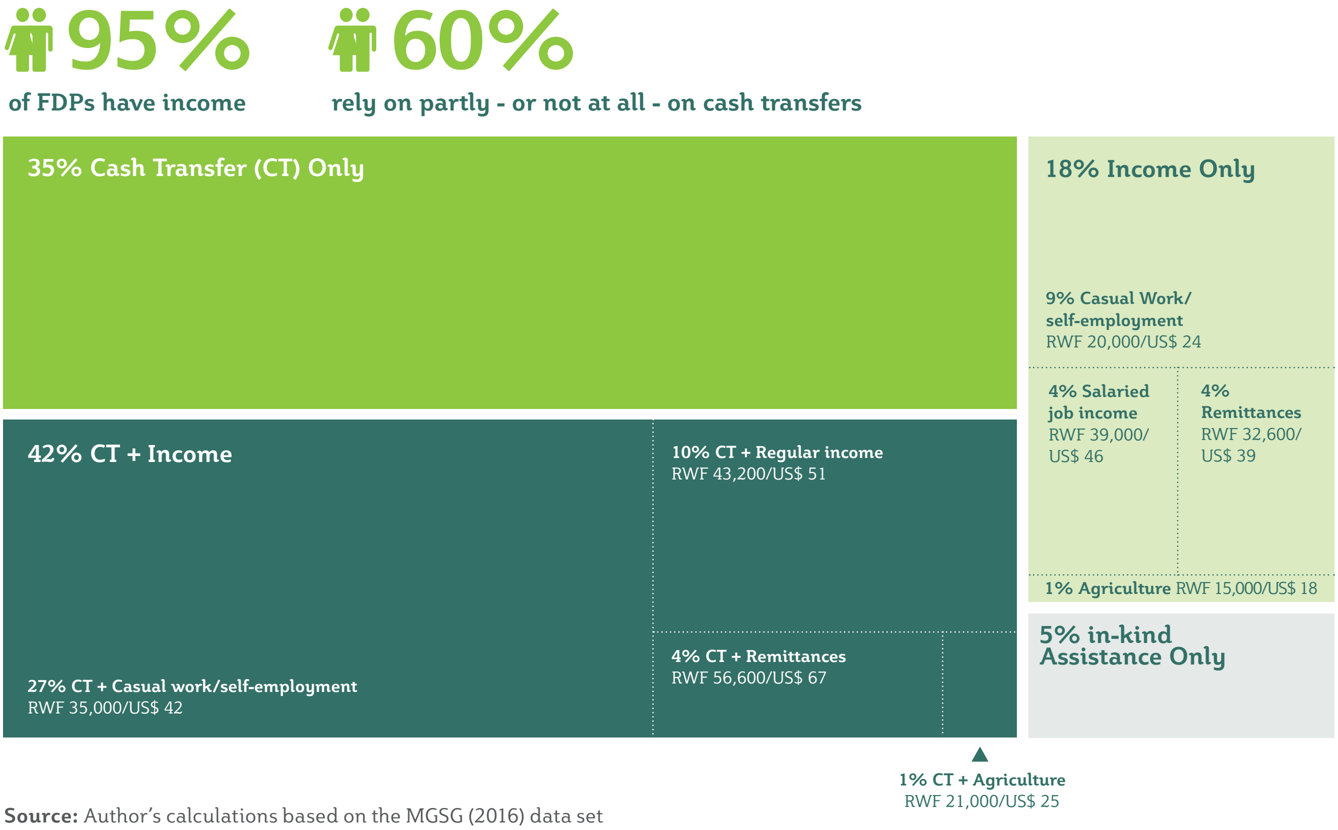
Table 1: Monthly cash flows and expenditures[19]

		Cash transfer and a salaried job	Cash transfer and a remittance	Cash transfer and odd job/ self-employment	Cash transfer only
Monthly cash inflows	Amount (median)	43,200 RWF (US$51.43)	56,500 RWF (US$67.26)	35,000 RWF (US$41.67)	25,200RWF (US$30)
	Frequency	Monthly	Monthly	Daily	Monthly
	Mode	Cash/digital	Digital	Cash	Digital
Monthly expenditures	Amount (median)	34,000 RWF (US$40.48)	109,000 RWF (US$129.76)	31,300 RWF (US$37.26)	26,200 RWF (US$31.19)
	Frequency	Daily	Daily	Daily	Daily
	Mode		Cash	Cash	Cash

Source: Author's estimates based on MGSG data set (2016)

Figure 6 shows the percentage of households in the sample in each of these categories and income sources in more detail.

Segments based on sources of income
Median monthly income



Source: Author's calculations based on the MGSG (2016) data set

[19] MGSG data set gives information on the amount of income earned by each household, how often it is received and how it is received. It gives the same information for household expenditures. Based on this information, the median monthly income and expenditure for households in each segment were calculated.

[20] It is known from the MGSG data set the type and number of income sources for each household. The majority of the households had cash transfer only or with one earned income source. The 9% of the households that had multiple sources of earned income was assigned into categories according to the largest income source. The percentage of the households in each category was calculated and the median income generated.

Many refugee households (35%) receive cash transfers as their only source of income, but many more (42%) also receive income from another source, such as a salaried job, remittances, odd jobs/self-employment, and agriculture. The survey reports an additional 18% generate income in these four categories, but do not receive cash transfers. Cash transfers (described in more detail in Appendix 4) make a big difference to median income in these segments. Furthermore, those earning income through agriculture are very few, as are those receiving remittances. The remittance receivers have relatively high income, but there are very few of them observed in the field.

Although Figure 6 is based on data from only three camps, it is assumed that the other refugee camps in Rwanda have similar income profiles and, taking advantage of the fact that MGSG used random sampling, these results were extrapolated to the general refugee population. With this generalisation of results, estimates of the size of each segment can be drawn.

Based on Figure 6, there are four segments that are large in terms of numbers of people and/or higher income. These segments are compared to those with no income, with data shown in the bottom row (see Table 2).

Table 2: Profiles of the segments[21]

Segment	Description	Profile	
Cash transfer and salaried jobs	Refugees receiving cash transfers and also working in agriculture, transport, education, trade, private security, or construction, etc.	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 remittances	Refugees receiving cash transfers and receiving either international or domestic remittances or both.	Estimated number of households	2,000
		Median years in Rwanda	13
		Gender of the household head	Male 50% Female 50%
		Median income (RWF)	56,500
Cash transfer and odd jobs/self-employment	Refugees receiving cash transfers and doing odd jobs or working in small businesses such as hair salons, print shops, tailoring, or milliners, among others.	Estimated number of households	13,275
		Median years in Rwanda	20
		Gender of the household head	Male 62% Female 38%
		Median income (RWF)	35,000
Cash transfer only	Refugees who receive cash transfers only. The amounts range between RWF 7,600 and RWF 35,000 depending on the family size.	Estimated number of households	17,200
		Median years in Rwanda	20
		Gender of the household head	Male 30% Female 70%
		Median income (RWF)	25,200
No income	Refugees earning no income at all and relying on in-kind assistance from WFP and UNHCR.	Estimated number of households	2,500
		Median years in Rwanda	20
		Gender of the household head	Male 40% Female 60%
		Median income (RWF)	0

Source: Author's calculations based on the MGSG (2016) and UNHCR (2017) data sets.

[21] The number of households in the refugee population was estimated by multiplying the percentage of the segment in the MGSG data set by the overall number of households in the refugee population (49 166). We are making an assumption that all camps will begin to receive cash transfers and not just the three that receive them now.

Other ways of segmenting the population were considered (such as the length of displacement) to assess whether this would provide a more tractable view into the business case for serving refugees. Within the MGSG dataset, there are two camps (Gihembe and Kiziba), which are made up mostly (97%) of households that have been displaced for more than five years, as well as one camp (Kigeme), in which most of the households (91.4%) have been displaced for less than five years. However, as Table 3 shows, Gihembe and Kigeme have almost identical income-based segmentations, despite being made up of households with very different lengths of displacement. It is Kiziba where this segmentation is very different.

Table 3: Sources of income for each camp[22]

	Gihembe	Kigeme	Kiziba
Cash transfer with salaried jobs	12.8%	9.3%	8.3%
Cash transfer with remittances	4.3%	6.2%	0.0%
Cash transfer with odd jobs/self-employment	31.1%	31.7%	10.4%
Cash transfer with agriculture	2.4%	0.0%	0.0%
Cash transfer only	42.7%	42.2%	9.4%
Salaried job only	1.2%	4.3%	8.3%
Odd jobs/self-employment only	1.8%	3.7%	32.3%
Remittances only	1.8%	1.9%	11.5%
Agriculture only	0.0%	0.0%	3.1%
No income	1.8%	0.6%	16.7%

Source: Author's calculations based on the MGSG (2016) data set

What accounts for the dramatic difference in Kiziba compared to the other two camps? Kiziba only began to receive cash transfers as the MGSG survey was being executed, which accounts for the small number receiving cash transfers. This suggests that cash transfers, not unexpectedly, have a dramatic influence on the income patterns of refugees in the camps. Cash transfers spark a range of additional income activity, rather than dampen it. As a case in point, the non-cash transfer, non-remittance income between Gihembe, Kigeme and Kiziba was analysed. When comparing income between camps, median monthly income excluding cash transfers and remittances, is 2.5 times higher in camps that receive cash transfers (Gihembe and Kigeme) than in camps that do not receive cash transfers (Kiziba).

Table 4 tries to determine whether there is a relationship between length of stay in Rwanda and the income source. It was found that households who have been in Rwanda less than five years have similar incomes sources to those who have been in Rwanda for more than 20 years. However, the number of households that receive remittances is higher for those that have been in the camps for less than five years, suggesting that these households are still in touch with their friends and relatives back home.

[22] The percentage of each segment in each of the three camps surveyed by MGSG was calculated. For camps receiving cash transfers (Gihembe and Kigeme), cash transfers and odd jobs or self-employment were the main sources of income. For Kiziba camp, which does not receive cash transfers, income from odd jobs or self-employment was prevalent but not significant. A substantial number of households in Kiziba camp had no income source because the camp had just started receiving cash transfers during the time of the survey.

Table 4: Sources of income by time in Rwanda[23]

	Less than 5 years	5 to 20 years	More than 20 years
Cash transfer with salaried jobs	8.3%	10.3%	11.4%
Cash transfer with remittances	4.5%	3.8%	3.6%
Cash transfer with odd jobs/self-employment	27.8%	26.9%	25.9%
Cash transfer with agriculture	0.0%	1.3%	1.4%
Cash transfer only	33.8%	43.6%	32.7%
Salaried job only	4.5%	1.3%	4.5%
Odd jobs/self-employment only	9.8%	6.4%	10.5%
Remittances only	9.8%	3.8%	0.9%
Agriculture only	0.0%	1.3%	0.9%
No income	1.5%	1.3%	8.2%

Source: Author's calculations based on the MGSG (2016) data set

Applying the MGSG data to the other three camps in Rwanda and the refugees in Kigali,[24] roughly 89% of the 49,166 refugee households, which is approximately 44,000 households, earn more than 25,000 KWF per month – the monthly median earnings of a banked Rwandan national, according to FinScope 2016.[25]

It is difficult to compare refugees to the Rwandan individuals typically served by the FSPs, as the MGSG data set uses the household as its unit of analysis rather than the individual, as FinScope does. However, assuming that each household has one working adult[26] and that they access services in the same proportions as Rwandans, one could add these 37,000 individuals to the existing FinScope estimates of roughly 762,000 individuals with bank accounts and 232,000 with bank, MFI, or Sacco loans. Including these refugees increases these market sizes by approximately 6% and 19%, respectively.

It is one thing to talk about the potential of refugees as a segment within Rwanda in terms of numbers and data, but what do these jobs and businesses look like? In the next section, the data analysis is enriched with observations from the field about the various types of income and employment among the key refugee income segments that will appeal to FSPs.

[23] In determining whether there is correlation between longevity and the income source, it was concluded that generally, the difference is not significant across all the segments.
[24] A key question of how applicable the MGSG survey is to the general refugee population is the likelihood that the other three camps and the refugees in Kigali introduce a cash transfer. According to discussions with WFP, this seems highly likely as long as WFP's funding outlook remains positive.
[25] MGSG 2016 data sets.
[26] It is known from the MGSG data set that each refugee household has, at the median, seven people, and usually more than one adult. However, it is also known that 75% of the households have only one earning adult and in the other 25%, the majority of the income comes through one person. Therefore, the assumption that the household income is effectively the income of one adult is not entirely far-fetched, but should be taken with a pinch of salt.

4.1 Income Profiles Beyond the Data

Refugees with salaried jobs

Refugees with formal education have additional livelihood options, although their incomes still fluctuate significantly. The NGOs offer job opportunities to both Rwandans and refugees, allowing many to earn extra income at a rate of 600 RWF per day.

Examples of other salaried employment opportunities include working in transport, administration, domestic labour, building security, or retail. Better-off households strategise about who leaves the camp to work in the city and who stays behind to receive cash grants, food aid, and non-food distributions. While this strategy leads to diverse income sources, it can also lead to complications such as safety issues for those travelling to and from the city, or staying in sub-optimal housing.

Profile 1 • Refugee with salaried job

Emily is a 42 -year-old woman from DRC. She has been in Gihembe camp for 21 years, where she lives in a rent-free house (refugees can live in a house where they do not pay rent or land taxes. Once assigned to a house, they normally stay there for years). Emily lives with her 2 sons (14 and 25 years old) and 2 daughters (17 and 19 years old). In addition to the cash transfer that the household receives from WFP, Emily works as a cleaner in a school owned by an NGO. In total, the family collects 45,200 RWF per month. Emily spends 65% of this amount on food, 15 % on non-food items, which include school fees for her son, and 20% on other expenditures.

Refugees receiving remittances

Refugees can receive international remittances through companies such as Western Union, MoneyGram, and World Remit. Beneficiaries with a valid ID can receive their payouts from a bank branch or agent. World Remit, through its partnerships with mobile money providers, also offers a service by which beneficiaries receive remittances directly into their mobile money wallets. Local remittances services are also available through various mobile money providers and banks.

There was evidence of refugees sending and receiving remittances, both international and local, in every camp visited for this report, but the percentage of those receiving remittances was small relative to expectations. For example, in Kiziba, a camp of 18,000 residents, residents estimated that half the resident families receive remittances, while the Western Union agent reported that fewer than 100 households receive them.

It is possible that even those with bank accounts do not rely on the banks to move money across borders. In fact, the most common means of moving money across borders was Volcano[27] (a bus service transformed into a money agent at a cost of 10% per transaction) and money transfer operators like Dahabshil or Western Union.

Profile 2 • Refugee receiving remittances

Eliud is a 54-year-old male from DRC who arrived in Gihembe camp 21 years ago. He lives with his 44-year-old wife, two sons aged 8 and 11 and two daughters aged 13 and 16, in a rent-free house. In addition to the cash transfers that the household receives from WFP, the family receives remittances from their relatives who have resettled in the USA. The household's total monthly income is RWF 58,500, which they spend on food (45%), non-food items (35%), and other expenditures (20%).

[27] Volcano is a bus service that people use to send/receive money from Burundi. Previously, one was able to send both physical money and food. However, the government of Burundi does not allow the same bus to cross the border. Now, the people give money at the bus stop in Kigali and on the other side of Bujumbura, the receiver goes to the bus stop and receives their money.

Self-employed refugees

The data shows that about 40% of the refugees have odd jobs/small businesses. The small businesses include retail, tailoring, salons and barber shops, etc. The success of the businesses largely depends on previous success or solid training in the refugee's country of origin.

Some entrepreneurs patch together a series of smaller businesses to take advantage of a major asset such as a generator. For example, hair salons, print shops, tailoring businesses and milliners all require electricity, so those who own generators can leverage them across several businesses.

Profile 3 • Refugee with self-employment

Susan, 34, arrived in Kigeme camp five years ago from DRC. She lives with her three children and a relative who is 20 years old, in a rent-free house. Susan runs a shop in the camp. She also receives cash transfers from WFP. Susan's total income per month is around RWF 39,000, of which she spends 55% on food, 18% on non-food items and 27% on other expenditures.

Refugees receiving cash transfers

On a predetermined day of the month, the refugees' debit cards are reloaded with cash. Residents receive approximately RWF 7,600 (US$9.00) per person from WFP. Beneficiaries may withdraw funds from local Equity Bank agents. WFP staff and local NGOs are on hand during the first few days after the cards are reloaded to help refugees troubleshoot any problems they may experience with the cards, such as lost PINs, etc.

In camps where the cash transfer programme is available, recipients appreciate cash over food distribution, claiming that cash allows them to purchase the food they want versus the food they are given.

Refugees also prefer the Equity-MasterCard platform to the previous mobile wallet. Refugees claimed that illiterate people found the mobile wallet difficult to use and complained that routine top-ups did not occur: "We did not get the money." Since the shift to the new platform, refugees report the system has been working well. They also liked the fact that the MasterCard Equity programme allowed them to withdraw from agents all around Rwanda and they were not forced to be in the camp to receive the funds.

Profile 4 • Refugees receiving cash transfer only

John is a 62-year-old man in Gihembe camp. He arrived in the camp 21 years ago from DRC. John lives in a house he claims to own with his 57-year-old wife and two sons. The household's only source of income is cash transfers. He receives around RWF 28,000 from WFP every month, which he uses to meet the financial needs of his family. The household spends 50% of this amount on food, 28% on non-food items, and 22% on various fees for services.

5. Demand: Refugee Use of Financial Products and Services

While income data and stories are helpful to understanding refugees, FSPs do not use these categories. To present the refugees to FSPs, the study considered the refugees using the categories presented in the FinScope data,[28] which are more familiar to FSPs. First, using FinScope proportions and the income segments developed above, the proportion of refugees in each segment likely to use each of the financial instruments was identified. Next, the study pursued an in-depth understanding of how refugees currently use financial services in each of these product categories to better understand their needs, abilities, and gaps in service.

Overall, it was noted that people with stable jobs use more financial instruments. They have higher bank and mobile money account balances, and more bank and MFI credit relative to casual workers, self-employed people, and those who receive remittances.

Table 5: Rwandan nationals: Financial instruments usage[29]

	'Typical' Rwanda: salaried jobs N: 1567	'Typical' Rwanda: remittances N: 1343	'Typical' Rwanda: odd jobs/self-employment N: 3826
% with bank account	22%	15%	12%
% with mobile money account	41%	38%	31%
% with loan from a bank/MFI	9%	2%	4%
% with insurance	15%	9%	1%

Source: Author's calculations based on the FinScope Rwanda (2016) data set

Table 5 shows the demand for financial services in the Rwandan local population in the same segments that the study used for the refugees. As the table demonstrates, usage of these products varies significantly between income segments, with all groups taking advantage of mobile money services. Of those who have odd jobs or are self-employed, 12% have bank accounts, 31% have mobile money accounts, 4% have bank or MFI loans and 1% have insurance. For people with salaried jobs, 22% have bank accounts, 41% have mobile money accounts, 9% have bank or MFI loans and 15% have insurance. Lastly, 15% of the people receiving remittances have bank accounts, 38% have mobile money accounts, 2% have bank or MFI loans and 9% have insurance. Comparing these numbers to the demand from refugees for the same services, it was observed that creating demand for financial services from Rwandan nationals is a challenging task . However, because of the lack of informal services, the challenge is likely to be much less for refugees.

The next section presents a detailed picture of which financial services are currently available to refugees and how they are used based on interviews with refugees.

5.1 Savings products

Savings and transactional accounts

Almost all the refugees interviewed have had a bank account at some point in their lives.

Currently, three camps have a cash-transfer programme in which the bank opens an account for each head of household and links a MasterCard debit card to each account, enabling refugees to send and receive money, make payments at merchant points, and withdraw cash at Equity Bank agent locations. These debit cards have nine sub-wallets, of which two have been dedicated to WFP and UNHCR transfers, and are also near-field communication (NFC) enabled for 'tap and go' payments. Refugees can receive other payments into any of the other seven wallets.

[28] Individuals with casual jobs or business are grouped under 'Odd jobs/self-employment'. Individuals with salary income are grouped under 'Salaried jobs'. Individuals who receive any form of financial assistance from relatives and government, including pensions, are grouped under 'Remittances'.
[29] Using the FinScope information about financial instruments usage by local Rwandan population, the local population was categorised into segments of interest and their levels of financial instruments usage, determined.

According to interviews, whether a refugee in Kigali has a bank account or not depends on three things: whether she has enough funds at hand to make such an account worthwhile; whether she has the right documents to open and maintain an account; and whether she is accustomed to using an account in her 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 one of the large banks. I was holding RWF 60,000 there for safekeeping. I chose this bank 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

Some refugees receiving grants from NGOs use banks, paper vouchers, or a SACCO. In Kiziba camp, one of the conditions for receiving grants is to open a SACCO account. The refugees who were interviewed and had the SACCO accounts mostly used it for savings.

Mobile wallet savings accounts

Refugees report that mobile money is an important service in their lives. In brisk markets such as the main market of Mahama, all the shopkeepers interviewed transformed their cash receipts into e-currency at the end of the day at one of 24 MTN (mobile phone operator) agents. They reported that theft is a problem in the camps, as did residents in Gihembe. Refugees claimed that thieves could easily puncture roofing and walls as most homes lack protective corrugated sheeting and sturdy structures to safeguard property.

Refugees who are registered MTN mobile money users have access to MoKash, which is a mobile savings and loan product launched by MTN and the Commercial Bank of Africa in February 2017. The MoKash savings account allows customers to save by depositing a minimum of RWF 100 from their MTN mobile money wallet. Customers earn 7% interest on savings balances (interest is accrued daily and paid quarterly) and pay no charges on the account. Currently refugees are only allowed to save on the MoKash savings account.

Mobile providers Airtel and Tigo are also in the process of developing mobile-based savings and loans products in partnership with banks. Therefore, refugees who are not on the MTN network will have access to mobile savings and loans products once the Airtel and Tigo products are launched.

Airtel is also partnering with UNHCR to provide payments to Rwandan returnees. UNHCR pays for mobile phones offered by Airtel at a discounted rate, and Airtel provides the SIM cards for free. As part of this initiative, UNHCR supports Rwandan returnees with a one-time transfer of about US$250 per person in a household via the Airtel money platform.

Many mobile money providers serve, or are currently developing products for refugees. MTN and Tigo provide bulk payment services to a number of NGOs and other institutions. Payment aggregators such as MobiCash have developed payment solutions for refugee populations. Over the past three years, MobiCash has partnered with World Vision, WFP, the Commercial Bank of Burundi, and a local NGO to provide payments to refugees in Burundi and could develop similar products for refugees in Rwanda. Other mobile money providers have partnerships with remittance companies, in which remittances go directly into the beneficiary's mobile wallet.

Saving groups

Over the past five years, NGOs like the American Refugee Committee (ARC), Caritas, Save the Children, and others, have trained refugees to form and manage successful Village Savings and Loan Associations (VSLAs or 'groups'). In Mahama camp, NGOs helped create more than 154 VSLAs with 18-25 members in each group. In Kiziba, a much smaller camp, 63 VSLAs were formed with groups reaching 42 members in size. Depending on the group, share values ranged between RWF 100-500.

Even very low-income members valued their groups and the ability to borrow from them, often resorting to desperate means to maintain their membership. In some groups, members subsist on grants, the sale of food aid, and occasional wage labour to ensure their contributions. Poorer members can sometimes barely afford one share in these groups, while richer members may buy four or five shares. It was reported that in poorer groups, members would dig into both food and cash reserves to make their contributions.

In most groups, members purchase shares worth up to RWF 5,000 and during share-outs each group member receives approximately RWF 100,000. Members typically use these funds to pay for schooling, medical costs and to invest in the growth of their businesses. In Kiziba camp for example, one VSLA that ARC had trained five years earlier had increased share value so much that, upon share-out, members could purchase small livestock or combine with other savings to buy a cow.

As with all VSLAs, members must, according to NGO rules, completely dissolve their fund annually. This means that groups must cease lending close to the time of share-out. Two months before share-out, loans are called in, in order to accumulate funds for distribution to members. In the future it is possible that technology will play a role in allowing some members to cash out on a revolving basis, so that the bulk of the fund can continue to operate year round. (BFA, 2013).

Wealthier VSLA groups thrive, inspiring other groups to keep going. For example, the most successful business owner in the Kiziba 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 6,000. This individual said that he feels a 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, and recently took his 1 million share-out and deposited it into his bank account for safekeeping.

In addition to the NGO-trained groups, groups have been formed informally. For example, Gloria in Gihembe takes her monthly cash transfer of RWF 21,000 and spends the majority on food and puts RWF 500 into her savings club, from which each member receives a payout of RWF 3,500 every seven months. Associations with members whose income goes beyond cash grants tend to have larger payouts. One refugee in Gihembe reported that each month, of the RWF 18,000 stipend he receives as a volunteer, he gives RWF 10,000 to his sister to purchase food for the household and RWF 5,000 to his six-member savings club. He allocates the remaining to airtime top-ups, sodas and the like. He said he will use his upcoming payout of RWF 30,000 to buy a wedding gift for a friend.

Similarly, another refugee, Uweya, is an mVisa agent for the previous WFP cash distribution programme and manages a shop selling rice, porridge, beans, and household necessities. Business is brisk, allowing her to join an association that required a daily contribution of RWF 2,500. With 15 members, the payout of RWF 37,500 per day is split between two members, who receive RWF 18,750 each. With such large volumes, the club was able to add a 'basket fund', to which each member contributed RWF 7,500 at the beginning of the month. Instead of being dissolved daily in the form of payouts, as was the case for their rotating fund, the basket fund grew over time to make loans both to members and non-members.

"If someone borrowed RWF 100,000, they would pay back 10%. Our interest was the same regardless of the amount borrowed or the time period, though we tried to get repaid quickly."

The members were willing to take risks with their fund not easily afforded by banks:

"Refugees resettling to the U.S. would borrow from us to support their relocation. They repaid their debt as soon as they got a job. All of our resettled borrowers repaid us."

Female, Congolese, Gihembe

5.2 Loan products

Formal loan products

Currently, refugees have very limited access to formal loan products since FSPs consider refugees to be high risk, and refugees do not have acceptable collateral to support loan applications.

NGOs such as Save the Children and ARC often support refugees to access capital. Refugees appreciated the 'patient capital' – that is, a loan with a longer term and more flexible repayment structure. The NGOs give opportunities to refugees by giving them access to their first loan, which is often deployed either through a bank or SACCO. A refugee who is also an Equity Bank agent, shared his experience of ARC assistance:

"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 – 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."

Male, Congolese, Gihembe

He also explained that he would expand his business if he had increased access to credit. He has developed a network of suppliers outside the camp and is able to bring in goods from Uganda. He shares a TIN (tax identification number) with another agent in the camp to keep up to date with 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 entrepreneur and Equity Bank agent discussed her experience of requesting bank credit for her retail business:

"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 ($14,000) in my account. With RWF 20 million, I could expand my business."

Female, Congolese, Gihembe

One key informant explained that even failed business owners might make excellent credit prospects if they have used their experience to create other initiatives. The director of the major market in Mahama reported that most of the stalls in the market were not occupied by the original owners but by lessees paying between RWF 6,000 and 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."

Although traditional MFIs and banks find refugees too risky, other institutions are stepping in. Kiva, an international nonprofit, has stated that its mission to connect people through lending leads them to extend their funding to reach more refugees and internally displaced persons, and better support host countries.[30] Inkomoko, which in 2016 started to provide entrepreneurial capacity-building interventions to refugees, successfully facilitated Kiva loans to support some refugees in developing microenterprises. In Inkomoko's pilot programme, of the 12 loan applications received, eight were approved by Kiva (five urban-based and three based in the Gihembe camp), and seven loans were eventually disbursed. The loan amounts ranged from RWF 100,000 to RWF 150,000 for refugees in the Gihembe camp, and from RWF 500,000 to RWF 3 million for urban refugees. The loans were mainly disbursed into bank accounts, and repaid through mobile money or payments into Inkomoko's account at Equity Bank or Bank of Kigali. Inkomoko recently received a US$1 million investment from Mastercard's Centre for Inclusive Growth in April 2017[31] to scale up their training for 4,000 refugee entrepreneurs over the next three years and provide financing through Kiva with a 500,000 US dollar credit line.

Although the MTN/CBA MoKash product has a short-term (one-month tenure) unsecured loan component of up to RWF 300,000, refugees are NOT eligible to apply for MoKash loans. CBA considers refugees to be a high credit risk segment because refugees can be resettled when loans have not been fully paid off. The cost of recovering outstanding balances on a loan when the customer is resettled outside of Rwanda is likely to be significantly higher than the outstanding loan amount.

Airtel and Tigo are also in the process of developing savings and loans products in partnership with banks. Refugees, however, are not likely to qualify for these loan products. The two SACCOs interviewed also do not offer loans to refugees because refugees do not have acceptable collateral.

Informal credit from the shops

Toward the end of each month refugees find themselves stretching their cash assistance. One way to do this is to ask local shopkeepers for store credit. 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. When it's top-up time (when UNWFP and UNHCR reload the cards with the monthly grants), refugees repay the merchant.

The problem with this system 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, to shop, or to visit relatives, other members of the family cannot access the cash until the head returns. The shopkeepers' policy is to return the pledged card to the owner, not to a family member.

Shopkeepers and operators of service businesses reported feeling obliged to extend credit to camp customers and then struggling to recuperate the funds. This was true both in camps receiving cash assistance as well as those receiving only food assistance. The businesses improvise ways of dealing with delinquencies: for example, by taking tardy payers to 'refugee court' where a third party arbitrates and attempts to make the shopkeeper or trader recover their money Others 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, awkward, and expensive affair.

30 https://www.kiva.org/about/impact/labs/supportingrefugees.
31 https://newsroom.mastercard.com/mea/press-releases/mastercard-1-million-grant-set-to-ignite-business-growth-in-rwanda.

6. Supply: Dynamic Business Case Tool

Looking at income data as well as current usage of financial products suggests that refugees are ready, willing, and able users of financial services. They have sufficient economic activity in the form of formal and informal employment, as well as experience of managing financial products. While the demand side is fairly clear, from the perspective of FSPs, there are still open questions about the feasibility of cost structures and profitability.

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 of the segment, and how each aligns with the FSP's vision and mission. Some of the key questions that FSP teams need to answer include:

1	2	3	4	5
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 in the institution's aspirations?

Product and customer profitability is driven by customer behaviour as well as a number of business variables. This study built a one-year profitability model for three potential products that FSPs could offer to the refugee segment: a mobile wallet-based savings account, a traditional savings account and a loan product. These models allow FSPs to vary cost/revenue assumptions to best reflect their own structure and focus on the main business drivers and innovations to acquire the refugee segment profitably.

6.1 Business case decision points

There are a number of open questions about how FSPs could offer services to refugees that will drive their ability to be profitable. Below is a list of some of the key decisions FSPs will need to make to determine whether refugees are a viable customer segment.

Customer acquisition

To be successful, FSPs must acquire and serve potential refugee customers cost effectively. FSPs need to identify the type of sales resources that will be used to target refugee customers, to explain product mechanics, complete account opening forms and obtain the necessary KYC documents.

FSPs can estimate the customer acquisition cost based on their current costs and pipeline conversion rates. One of the main benefits of targeting camp-based refugee customers is the opportunity to sign up customers in bulk, which will reduce the average cost of acquisition.

Channel mix and usage

The choice of channels (branches, automated teller machines [ATMs], agents, and mobile money) deployed by FSPs and proximity of these resources to refugee populations, impacts costs for both FSPs and refugee customers, and also drives the likelihood that refugee customers will use the product. Banks and mobile money agents are examples of channels that can be deployed within refugee camps relatively quickly and without the capital expenditure associated with branches and ATMs. Also, agents can be trained to explain how products work and help customers to perform simple transactions.

Product development and management

FSPs may need to develop new products or refresh existing products in their portfolio to adequately meet the needs of a new customer segment. Once the product is tested and rolled out, it has to be managed on an ongoing basis. It is important for FSPs to determine how much it will cost to develop and support the product, including costs associated with rolling out mobile money platforms and integrating core banking systems.

Pricing

Refugees, like other low-income segments, are likely to be extremely price sensitive. FSPs, therefore, need to balance customer affordability and profit margins for the institution when setting the pricing structure for the product.

This dynamic business case model is designed to give FSPs an indication of the potential business case for serving refugees based on a set of informed assumptions.

6.2 BFA business case model assumptions

Given the number of variables at play for financial products, we need to make a few assumptions to set up the model.

Key customer behaviours for a savings account include: average amount of deposits per month, average monthly account balance, average number of deposits per month, average number of withdrawals per month, average withdrawal amount and internal funds transfer price. FSPs also need to determine their own costs for processing specific transactions across channels. For instance, how much would it cost an FSP to process a withdrawal or deposit transaction at an agent location? How much is a customer charged for undertaking a withdrawal or deposit transaction at an agent location? Given that customers are charged for specific transactions, it is important for FSPs to determine how specific transactions contribute to revenue from fees and commissions.

For the loan product, some of the key input variables include tenure, average loan amount, interest rate, default rate/non-performing loan ratio, loan processing fees and cost of funds. Each of these parameters will affect the profitability of the loan account. For instance, the longer the tenure of the loan, the more interest income is earned. The higher the default rate or non-performing loan ratio, the less profitable the account. FSPs can vary these variables in the model based on their risk appetite, and immediately see how these changes impact on profitability.

In this section, we explain some of the key assumptions of the dynamic business case model. A full description of our default assumptions of all the business parameters above is included in Appendix 3.

Improving the revenue stream through cross-sell

In developing models, it was assumed that FSPs will lead with a savings/transaction product and later cross-sell a loan product.

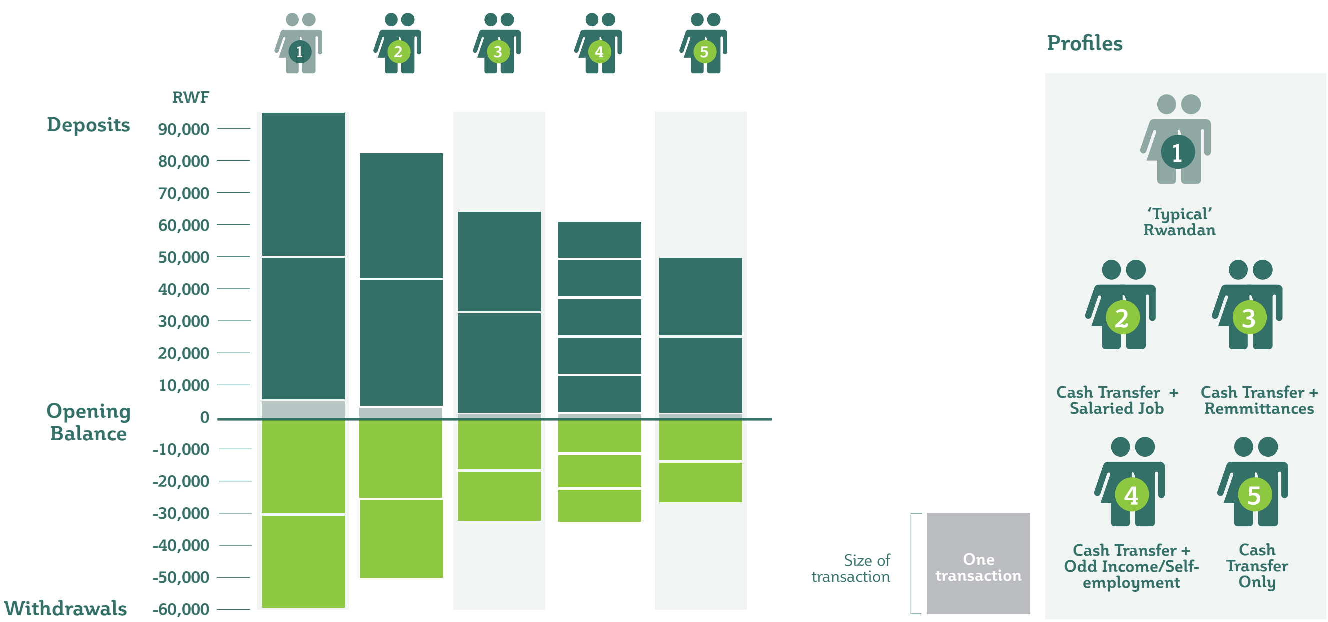
From the model business case, it is evident that focusing on the savings opportunity alone may not be commercially sustainable. FSPs, therefore, need to explore opportunities to expand the range of products offered to refugee customers by identifying opportunities to cross-sell loan products that will generate additional revenue. This is an opportunity for FSPs to offer loans to some categories of refugee customers who have additional income from work and/or regular remittances.

Assumptions about consumer behaviour

Additionally, it is necessary to make assumptions about how consumers will make use of the product to work out the business case results. Below are assumptions about how refugees in each of the income segments developed earlier would use savings accounts. Many of these assumptions about consumer behaviour are derived from MGSG and FinScope data.

For comparison, a 'model customer' was constructed using data from a Rwandan bank account holder and a Rwandan borrower, both of whom have median monthly income of RWF 25,000 – RWF 50,000 – a bit higher than the median refugee income. Cash flow patterns were estimated with the benefit of experience with the cash flows of low-income customers from the Financial Diaries[32] datasets collected.

Assumptions about customer behaviour for savings/transaction accounts



[32] See www.financialdiaries.com

Table 6: Assumptions about customer behaviour for savings/transaction accounts

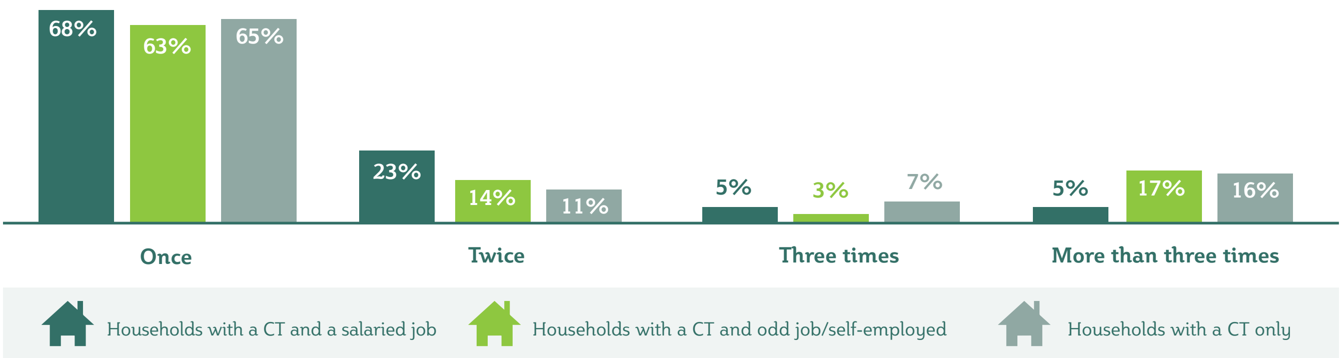
	'Typical' Rwandan loan customer	Refugee: Cash transfer and salaried jobs	Refugee: Cash transfer and remittances	Refugee: Cash transfer and odd income/self-employment	Refugee: Cash transfer only
Avg. amount of withdrawals (RWF)	30,000	25,000	16,000	11,000	13,000
Avg. frequency of withdrawals	2	2	2	3	2
Avg. amount of deposits (RWF)	45,000	40,000	32,000	12,000	25,000
Avg. frequency of deposits	2	2	2	5	2
Initial account opening balance (RWF)	6,000	4,000	2,000	2,000	2,000

The behavioural assumptions above were triangulated from the MGSG dataset on income and expenditures, with what is known about typical financial behaviour from data sets such as the Financial Diaries.

Savings accounts

For savings and transaction accounts, households with regular income from salaried jobs and cash transfers will receive that income through their account and pull out almost all of it during the month, leaving only a small balance. Given that many are unaware that they can leave money behind in the account, balances would likely rise if more households know that it is possible to use this account for savings.

Household report on how many times a month they withdraw their cash transfer
% of each type of house hold



Source: Author's calculations based on MGSG 2016 data set

Figure 8 shows that small business owners and those who do odd jobs or selling things will likely make more deposits and withdrawals. This is consistent with the study's fieldwork, which reveals a high demand for financial instruments where money can be kept safe instead of in dangerous refugee camps.

Loan products

The assumptions for loans behaviours are again taken from income and expenditure parameters, plus the financial habits that have been observed during BFA's 10 different Financial Diaries studies.

[33] From MGSG data set, the number of times households in the segments of interest withdraw their cash transfers was calculated. Across all segments, the majority withdraw once.

It is assumed that households dependent solely on cash transfers will not be a target segment for FSPs. For the other segments, it is assumed that these are short-term loans, usually about six months. It is also assumed that a typical Rwandan loan customer can handle a larger loan than most refugees, but that refugees with salaried employment are likely to have a risk profile similar to the typical low-income Rwandan loan customer. The odd job and self-employment refugee segment would likely want a smaller loan, perhaps for a shorter time period and perhaps with a more flexible payment frequency.

Customer assumptions for loan products

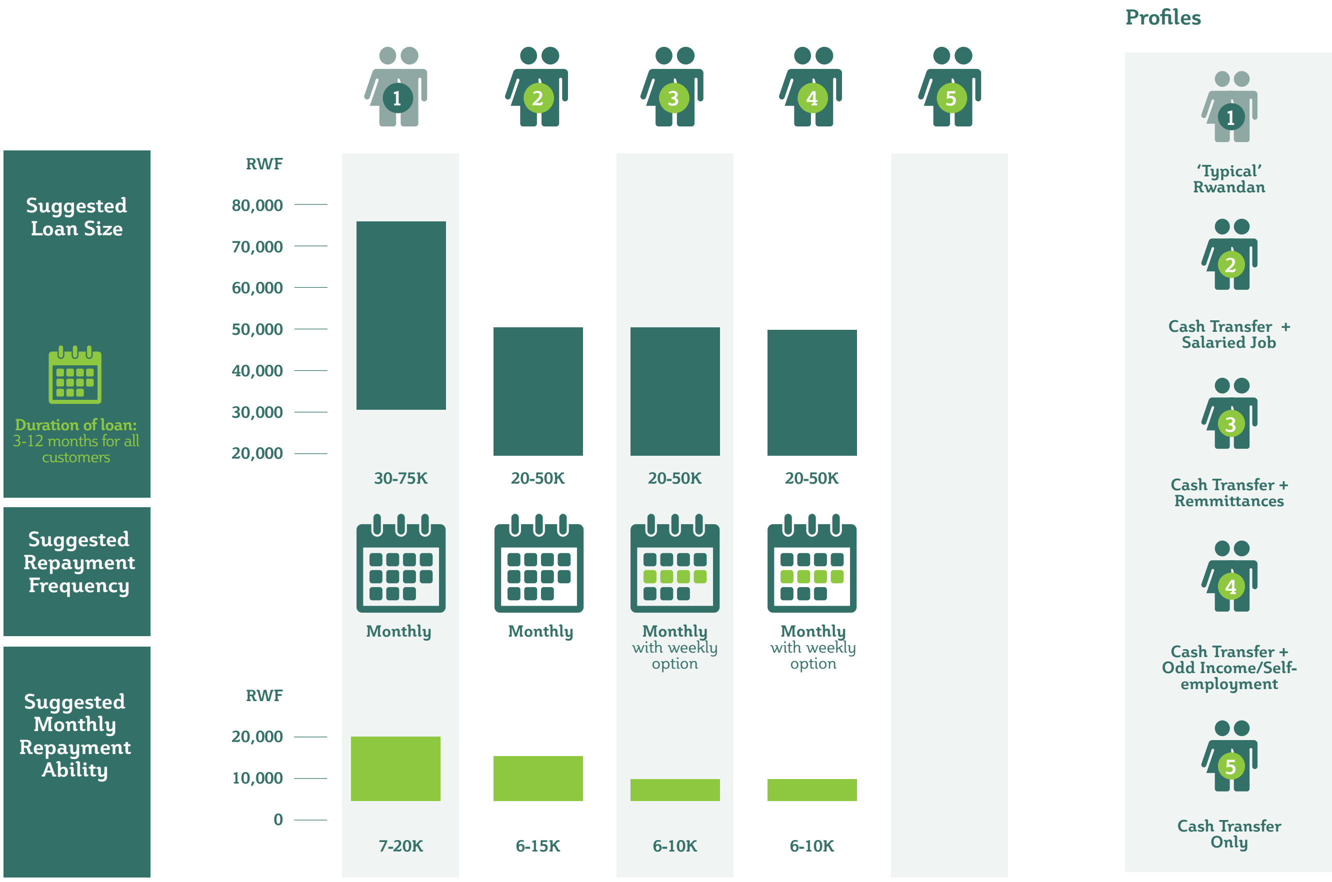


Table 7: Customer assumptions for loan products

	'Typical' Rwandan loan customer	Refugee: Cash transfer and salaried jobs	Refugee: Cash transfer and remittances	Refugee: Cash transfer and odd income/self-employment	Refugee: Cash transfer only*
Duration of loan (months)	3 to 12 months	3 to 12 months	3 to 12 months	3 to 12 months	
Suggested size of loan (RWF)	30,000-75,000	20,000- 50,000	20,000-50,000	20,000-50,000	
Suggested monthly repayment ability (RWF)	7,000-20,000	6,000-15,000	6,000-10,000	6,000-10,000	
Suggested repayment frequency	Monthly	Monthly	Monthly with weekly option	Monthly with weekly option	

*It is assumed that refugees with cash transfers only would not be attractive to FSPs for loans

Model findings

With these parameters plus the ones found in Appendix 5, the dynamic business case model can generate estimates of NPV. In Figure 10, a screen shot from the BFA dynamic model was used to generate the findings below.

Figure 10: Screenshot from BFA dynamic business case model

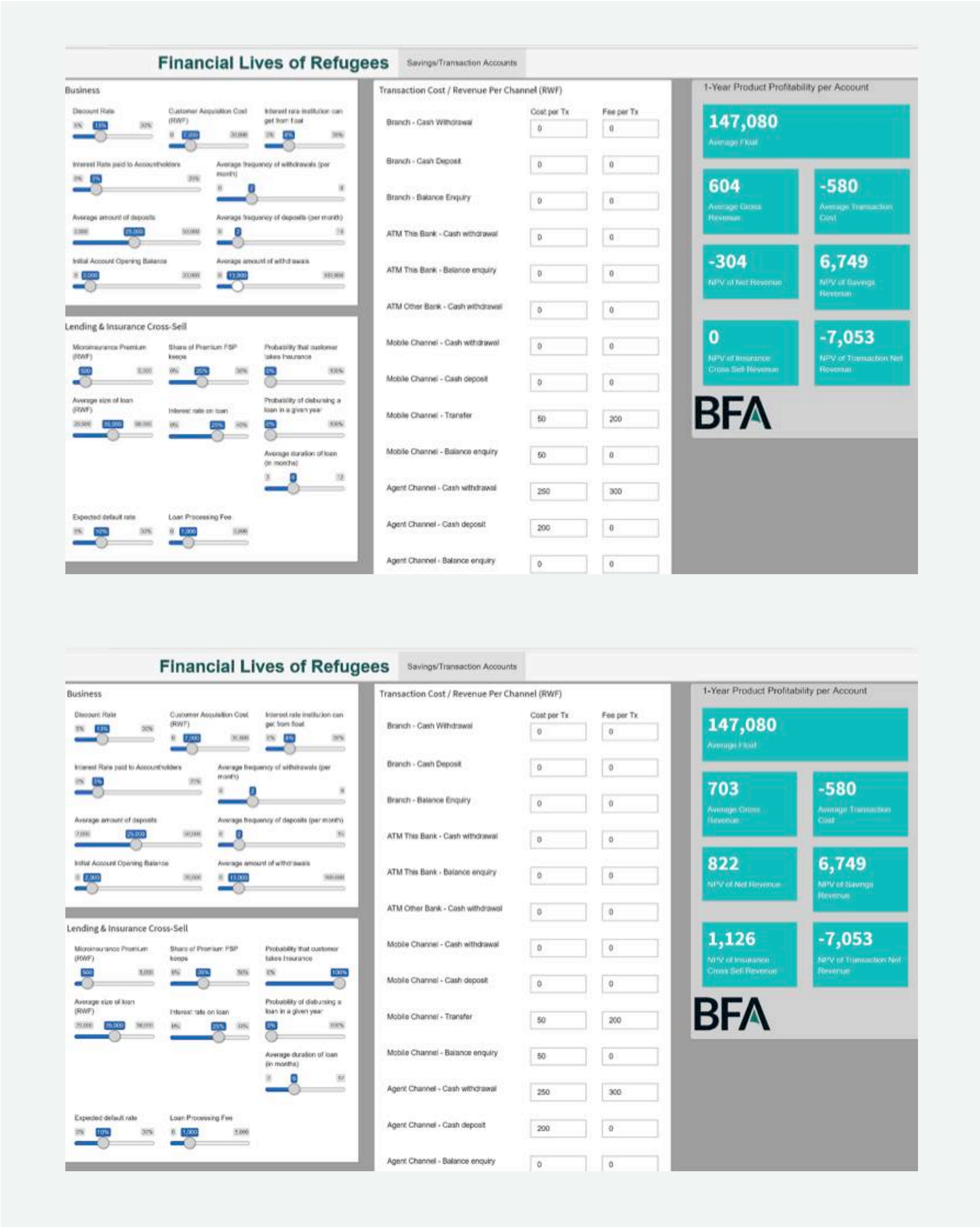


Table 8 (below) is a summary of the estimated NPV from the business case model based on the assumed uptake and usage of savings, loans, and micro insurance products for each of the refugee sub-segments. These totals indicate how much each customer could be 'worth' to the bank given the assumptions outlined above and in Appendix 5.

Table 8: Business case results[34]

Net Present Value (NPV) of Net Revenue (RWF) based on:	'Typical' Rwandan loan customer	Refugee: Cash transfer and salaried jobs	Refugee: Cash transfer and remittances	Refugee: Cash transfer and odd income/self-employment	Refugee: Cash transfer only
Savings product only	1,547	1,453	1,914	426	-304
Savings product with loan cross-sell (NPL at 10%)	336	242	703	-785	
Savings product with loan cross-sell (NPL at 3%)	2,704	2,610	3,071	1,582	
Savings product with insurance cross-sell	2,673	2,579	3,040	1,552	822
Savings product with loan (3% NPL) and insurance	3,829	3,736	4,196	2,708	
Savings product with loan (10% NPL) and insurance	1,462	1,368	1,829	341	

[34] Table 8 and the four bar charts are a summary of the Net Present Values from BFA's business case model based on assumed uptake and usage of savings, loan, and micro insurance products for each of the sub-segments of the refugee population. These results are based on the deposit, withdrawal, and initial account opening deposit assumptions in Table 6, loan assumptions in Table 7, and the following cross-sell scenarios:

1. Cross-selling an insurance product with a monthly premium of RWF 500 and earning a commission of 20% of the monthly premiums paid.
2. Cross-selling a loan with the following parameters: loan amount – RWF 35,000, tenor – 6 months, interest rate of 24% per annum, a loan processing fee of RWF 1,000 and a non-performing loan ratio of 10%,
3. Cross-selling the same loan product but with a non-performing loan ratio of 3%.
4. Cross-selling an insurance product and a loan product with non-performing loan ratios of 10% and 3% to different sub-segments of the refugee population.

We compare the profitability of the four sub-segments of the refugee population to the profitability of an average low-income Rwandan accountholder based on product uptake and usage assumptions highlighted in Tables 6 and 7. The estimates in Tables 6 and 7 are based on triangulated data from the MGSG data set on income and expenditures for each of the sub-segments as well as lessons learned from typical financial behaviour in data sets like the Financial Diaries.

Business case results

Note: The NPV estimates above for those scenarios including loan products assume a 3% non-performing loan

The model suggests that two refugee segments are competitive in comparison to the model Rwandan customer. Based on the assumptions, the profitability of providing financial services to refugees who receive cash transfers and earn a regular income from employment, and refugees who receive cash transfers and remittances, is about the same as the profitability of providing financial services to the typical (low-income) Rwandan.

By varying the default assumptions for each of the segments of refugees the profitability of that segment can be altered. As predicted, the 'cash transfer only' sub-segment is not profitable if only a savings product is offered. However, if it is assumed that FSPs are able to acquire 'cash transfer only' customers more efficiently, at a cost of RWF 5,100 instead of RWF 7,000, the NPV of the segment improves from -304 to 1,595. For the same segment, if FSPs pay an interest rate of 2% on savings balances instead of 3%, the NPV improves from -304 to 1,046.

However, if FSPs are able to achieve NPL levels of say 3%, then the loan cross-sell improves the business case by RWF 2,368. Similarly, the profitability of the 'cash transfer and salaried job' segment improves from RWF 1,453 to RWF 2,579 if a micro insurance cross-sell is added.

Micro insurance products also present FSPs with a great opportunity to meet the insurance needs of the refugee segment while driving profitability. Cross-selling a micro insurance product with monthly premiums of RWF 500 plus a commission of 20% of the premium income improves the NPV by 1,126. Changing the probability of uptake from 100% to 50% reduces the potential additional revenue from the sale of the insurance product from 1,126 to 563.

This is a link to the **dynamic business case model**. FSPs are encouraged to see how the various input parameters will impact on profitability for their particular institutional specifications.

7. Regulatory Review

7.1 Know Your Customer requirements

Discussion with different FSPs and refugees in Rwanda revealed the need for more clarity around the application of Know Your Customer (KYC) requirements for refugees. The following is a brief summary of key customer identification and verification requirements for individuals; more information is available in Appendix 2.

Banks, electronic money (e-money) issuers, and other providers of financial services are required to verify the identity of 'natural persons' using "… a valid official ID document with a photograph."[37] Among other requirements, residents must provide an original and a copy of an ID, passport, or national driving licence and a passport-size photo, while nonresidents must provide an original and a copy of a passport, laissez-passer or other ID and a passport-size photo.[38]

Specific requirements have also been established for e-money accounts. For accounts opened remotely, the applicant's identity card number or passport must be verified through the national ID agency database or other BNR-approved means. For accounts opened in-person, residents must produce an original ID, passport, or driving licence, and the applicant's identity card number or passport number also must be verified. Non-residents must produce an original passport or laissez-passer document. If applicable, non-residents must also provide a letter from their employer confirming employment, contract details, address, and employment visa.

Refugees are not specifically addressed in the laws and regulations governing customer identification and verification. 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, inconsistent information was found on the types of documents that they were required to present in order 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 the 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.

[37] Regulation No. 08/2016 of 01/12/2016 Governing the Electronic Money Issuers, Art. 11.
[38] Regulation No. 08/2016 of 01/12/2016 Governing the Electronic Money Issuers, Annex II.

8. Conclusions

Refugees have a strong need for comprehensive financial services to support their livelihoods. Refugees, like other relatively low-income segments, need: savings or transaction accounts to safely store their income and minimise the risk of theft; loan products to support business ventures and meet other personal needs; insurance to minimise the financial impact of unpredictable events; and convenient access to financial services channels to receive remittances. The refugees' need for financial services has become even more apparent as the World Food Programme continues to shift its humanitarian support from food assistance to cash-based transfers.

One of the biggest challenges refugees face in accessing financial services relates to satisfying the ID requirement for KYC purposes. Most refugees do not have a government-issued ID card. All refugees, however, have a proof-of-registration document issued by MIDIMAR. Some FSPs have proactively sought and obtained approval from the National Bank of Rwanda and MIDIMAR to accept proof-of-registration documents. A clear and general directive from the National Bank of Rwanda that lists proof-of-registration documents issued by MIDIMAR, as valid KYC documentation, would make it easier for refugees to satisfy the KYC documentation requirement.

That said, contrary to the stereotypical notion that ALL refugees live in camps and do not undertake any productive, income-generating activities, there are refugees within the broad refugee population that have full-time employment, or are self-employed, and earn an income that supplements the humanitarian assistance they receive from the WFP and UNHCR. Each of these sub-segments presents a different opportunity to FSPs. The camp economy is quite vibrant and it is imperative for financial institutions to understand the dynamics of the various sub-segments of the refugee population.

Cross-selling financial products, such as a micro insurance product and a loan product (if the non-performing loan ratio is well managed) has the potential to enhance the profitability of providing a savings or transaction account to a refugee customer. It is important to note that the profitability of providing financial services to refugees is estimated to be about the same as the profitability of serving the typical low-income Rwandan accountholder.

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Appendix 1: Methodology of this report

This report considers access to financial services by presenting both the demand and supply side. To consider demand, the refugee population was analysed from two points on view: one focused on income sources and amounts, and the other on usage of financial services. To consider the supply side, a dynamic business model was developed to understand how costs and profitability would work out for FSPs serving refugees.

The size of potential users of financial services was measured by analysing income and demographics, using various data sets from FinScope, the UNHCR, and the Maastricht Graduate School of Governance. These were used to determine income sources and amounts, combine transaction and financial data to analyse demographics, and examine socio-economic data on refugees to determine if they are similar to Rwandans. These sources of data and forms of analysis are more typical of those used by aid and relief agencies to understand the nature and needs of the targeted families.

Next, qualitative interviews were conducted with 35 refugees to better understand their financial needs and to provide FSPs with detailed information about how refugees currently use and access financial services. By presenting refugees in segments that are familiar to FSPs, they will be better able to consider them as clients.

Finally, various FSPs including banks, mobile money operators, Savings and Credit Co-operative Organisations (SACCOs), microfinance institutions (MFIs), and fintech companies, were interviewed to better understand the bottlenecks they experience in serving the FDP population. This information was used to develop a dynamic business case for the supply side of the financial service industry. To complete the picture for financial service providers, the regulatory structures that govern the provision of financial services to refugees, such as KYC and identity requirement, were reviewed.

Appendix 2: 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 Relief Agency (UNHCR)
19. Ministry of Disaster Management and Refugee Affairs (MIDIMAR)

Appendix 3: Findings from regulatory review

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 (US$ 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 license 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
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

Type of account	Minimum requirements
Personal account for non-residents (continued)	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 license, 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. Filled 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. Filled 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 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
  - Monitoring 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 ML or 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 AML/CFT 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: 500,000 RWF • Per day: 500,000 RWF • Maximum monthly balance (unclear if this is a maximum monthly transaction limit or a maximum balance limit): 1 million RWF	**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: 1 million RWF • Per day: 1 million RWF • Maximum monthly balance (unclear if this is a maximum monthly transaction limit or a maximum balance limit): 2 million RWF	**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
3 (Legal entities)	• Per transaction: 5 million RWF • Per day: 20 million RWF • Maximum monthly balance (unclear if this is a maximum monthly transaction limit or a maximum balance limit): 20 million RWF	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) • Maximum monthly balance (unclear if this is a maximum monthly transaction limit or a maximum balance limit): 5 million RWF	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 3. Agent Identification Number
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

Appendix 4: Business case assumptions

Below are the bases for some of the default assumptions made in the business case. When using the dynamic business model, FSPs can change the default assumptions to reflect 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 – 7,000 RWF (about US$8). This estimate is based on 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_structure_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 non-performing loan ratio for agriculture, livestock and fisheries and non-classified sectors in 2016 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_structure_up_to_July_2017.pdf

- Refugee customers will not access branch and ATM channels – 50% of their transactions will be at the agent channel and 50% using the mobile channel. Some default cost and fees for different transactions for each channel were assumed.

- Product development and product management costs were not estimated, which will reduce the profitability of the segment. FSPs must determine how many resources will be required to develop and maintain products for FDPs and allocate costs when building a business case for the segment.

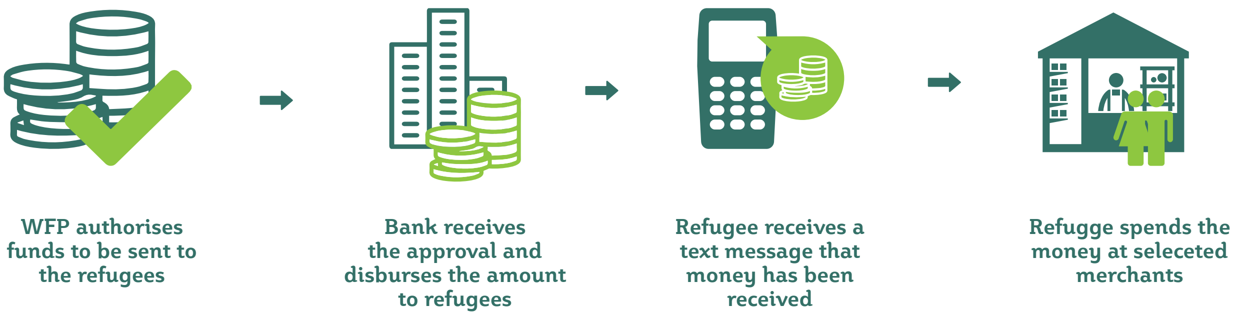
Appendix 5: Cash transfer programme

In January 2014, the World Food Programme began to shift from a food distribution system to a cash transfer based system, distributing the cash equivalent of the food to heads of households. This initiative kicked off with the distribution of nearly 3,500 mobile phones to heads of households in the Gihembe camp. WFP partnered with the Bank of Kigali to pilot the cash transfer to refugees' mobile phones through the bank's mVisa mobile banking platform.

Later, in December 2014, the WFP switched from Bank of Kigali to I & M Bank, which also offered a mobile-based solution using the mVisa platform. WFP paid the bank a monthly fee for the transfer service and also topped up the cash transfers to refugee households with an amount to cover cash out charges. Refugees who made merchant payments using their mobile phone benefited by saving the amount allocated to cash out charges.

The mobile-based products that Bank of Kigali and I&M Bank offered were essentially virtual transactional accounts that allowed refugees to receive and send money and also make payments at merchant points. The banks' value proposition did not include savings or loan products to refugees.

Cash transfer process



For the partnership, WFP recruited the merchants for the cash transfer programme. The bank did not have a contractual agreement with these merchants and therefore found it difficult to resolve payment disputes between refugees and merchants. Although the bank generally processed payments on time, some refugees experienced delays in receiving payments.

In October 2016, Equity Bank won a bid to provide a payment solution to the WFP and open accounts for refugees. The bank opens an account for each head of household and links a multiple wallet MasterCard debit card to each account, which enables refugees to receive and send money, make payments at merchant points and withdraw cash at Equity Bank agent locations. These debit cards have nine sub-wallets, of which two have been dedicated to WFP and UNHCR transfers, and are also near-field communication (NFC) enabled for 'tap and go' payments. Refugees can receive other payments in any of the other seven wallets.

As of July 2017, Equity Bank had issued about 15,000 debit cards to heads of refugee households. The bank has a network of about 2,000 agents and 500 merchants (about 350 are active), with a good presence in and near the refugee camps.

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

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