

Panel 2: Engaging FSPs: Funding and other Market-based Incentives

How do we encourage more financial service providers to serve refugees (and other foreign-born residents)?

Panelists:

- Philippe Guichandut, Grameen Crédit Agricole Foundation
- Resi Janssen, Cordaid Investment Management
- Jim Brands, FMO

OBS: Get ready for Audience poll

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Key constraints to FSP engagement

- **Reputational Risk:** Societal fears and prejudices reflected in public policy and media cause FSP concerns
- **Legal Barriers:** Legal and regulatory constraints – both external and internal to FSPs
- **Ignorance:** Lack of information and relevant data, contact, and familiarity about refugees fuels the perception of refugees as “high risk” clients.

An Eco-system for Financial Inclusion of Refugees is emerging

- UN agencies looking for partnerships and improving linkages
- Private sector companies stepping up, including Fintechs and impact investors
- Some livelihoods I/NGOs taking market systems approach
- Investors and funders driving the agenda and promising support

But **advocacy, better coordination and information sharing** is needed to support actual financial inclusion on the ground:

- Advocacy for policy reforms and facilitation of the key rights to recognised IDs, work, business ownership and free movement for refugees
- National “Anchor policies” help to counter perceived reputational risk
- Better coordination of FSP demand, supply and support: less talk, more action!

Legal constraints have lessened in some markets

Having a **valid and recognized proof of identity and legal residency** is core to refugees being served by (licensed) FSPs:

- Neither a new nor refugee-specific issue: globally, 523 million adults lack any form of government recognized ID
- More UNHCR-assisted refugees have (biometric) IDs
- Guidance from central banks on how to KYC refugees (and other foreign-born residents) helps FSPs

But severe restrictions persevere in host countries perceiving refugees/migrants as competitive 'burden' or security threat

- Evidence-based documentation of positive impact on local communities may help

Lack of FSP info, contact and guidance biggest constraints

FSPs need better access to relevant information and data to determine which segment of the potential refugee/FBR market they might be able to serve best:

- Existing data needs to be presented in relevant form to FSPs
- Case studies of FSPs already serving refugees are requested
- Guidelines, toolkits, and action plans help FSPs think through the proposition
- Working with refugees = working with stereotypes; requires mindset change
- Most effective way to get to know refugees is to meet them!

- **TA** helpful to confront and overcome stereotypes and guide pilots
- Reasonably priced **guarantees** help mitigate perceived risk in initial phases
- Some FSPs need **financing** to grow inclusive portfolio
- Investors/FI community can help **advocacy** efforts to reduce reputational risk

Time to act!

Current FSP pain points

- Applied, relevant data/info and 'how to' guidance
- Overcoming perceived risks
- Refugee client segmentation
- Avoiding project/nationality silos
- Convincing Boards/stakeholders
- Monitoring & progress reporting
- Growing inclusive portfolio

What can investors/funders do?

- Fund TA for (joint and published) demand profiling/feasibility studies
- Fund experienced TA and pilots
- Fund TA for tools, staff training
- Fund TA for Action Plans/strategies
- Provide/arrange initial guarantees
- Fund case studies, share and advocate for positive impact
- Provide appropriate financing

What have we learned so far – and what are next steps?

- **Cordaid Investment Management:** Investing in cross-border growth and NFS
 - South Sudan and Uganda
- **Grameen Crédit Agricole Foundation:** Implementing the Sida-UNHCR debt financing and TA programme
 - Jordan and Uganda
- **FMO's NASIRA program:** Guarantees and TA programme
 - European Neighbourhood and Sub-Saharan Africa

Cordaid Investment Management and RUFİ

- RUFİ: Rural Finance Initiative

South Sudan → North Uganda



RUFI

- Almost 100% of clients of 3 southern branches fled to Uganda in 2016
- RUFI followed them to recover loans
- Refugees also need financial services -> RUFI decided to offer them
- USD 5,000 capital from shareholders, USD 59,000 from Cordaid
- Started in Uganda in March 2017

Status September 2018

- Gross portfolio: USD 120,000
- 902 clients, 623 active borrowers
- PAR 30: 4.7% (Write off 0%)
- OSS 150%
- Agent Banking MoU with Centenary Bank approved by Bank of Uganda

Business diversification, Emmanuel Muki. Arrived in August 2016



- ❑ 1st loan €112 for stock. With the profit he bought a sewing machine. He and his son learnt how to sew
- ❑ 2nd loan €182 for a boda boda (motorcycle taxi) that he rents out
- ❑ With his 3rd loan he wants to start a coffee-tea café next to his place, and employ a woman to run it.

He works 7 days per week. On a good day his turnover is €9, on a bad day 0.

Remedy project



THE GOVERNMENT
OF THE GRAND-DUCHY OF LUXEMBOURG
Ministry of Finance

- €150,000 grant from Gov. of Luxembourg + €40,000 from Cordaid for on-lending
- Entrepreneurship stimulation, job creation and income generation, since January 2018
- 450 youth and 100 widows, organized in small groups who had to develop enterprise proposals and pitch their ideas
- Training in selected enterprises by local master trainers
- Asset transfer with own contribution, loans for working capital
- High demand, good performance

Success factors

- RUFİ was already known by clients, from their home-town
- RUFİ is an MFI of “own people”, same language, branch in camp
- Refugees have no other sources of finance
- REMEDY project: real need, own contribution, good selection
- Response to needs: money transfers and savings
- Highly motivated and committed owners and staff

Project Overview

- The Swedish International Development Cooperation Agency (Sida) and the United Nations High Commissioner for Refugees (UNHCR) want to implement a financial inclusion program targeting refugees and host communities.
- The Grameen Crédit Agricole Foundation was selected to manage a pilot program in 2 countries that consists of technical assistance and investments in MFIs.
- Microfinanza Srl was selected to conduct a first study on the financial and non-financial needs of the refugees in Uganda and Jordan.

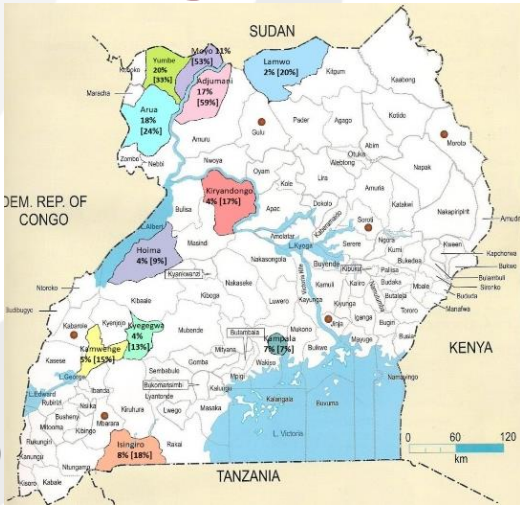


Uganda

GDP :
USD 25.9 billion

Population :
44 million

Economy :
80% agriculture
(small producers)



Visit to Bidibidi & Nakivale settlements and Kampala

Meeting with 111 refugees and 3 MFIs

1.4 million refugees

(3rd largest host country for refugees globally, 1st in Africa)

- 75% South Sudanese and 20% Congolese (DRC)
- Most live in rural settlements
- Regulatory framework favourable for refugees, including for work, business and professional insertion

Scope of Market Study

Jordan

GDP :
USD 40 billion

Population :
10 million

Economy :
67% services,
29% industry



Visit to Zaatari refugee camp and Amman

Meeting with 117 refugees and 3 MFIs

750,000 refugees

(6th largest host country for refugees globally, 2nd in % of population)

- 89% Syrians and 9% Iraqis
- 83% are self-settled in urban areas
- Restrictive regulatory framework that limits refugees' rights to work and run businesses

Findings: Similar demand in different policy contexts

Uganda

Jordan

Aspirations

Only 3% intend to resettle

This is the case for 80% of refugees – half of them demand financing

1. The majority don't consider leaving their host country
2. Strong motivation to develop a business

More than 50% can't move and 9% intend to resettle

This is particularly the case of Syrian refugees in rural areas

Challenges

Difficult access to agricultural lands

Difficult access to loans

The market is not very developed around rural camps (ID – KYC)

Transportation

Regulatory framework limiting

ID - KYC

Difficult access to loans

Difficult integration of women in the job market

Transportation

Opportunities

Strong entrepreneurial skills

Well-structured economy in the camps

Opportunities in agribusiness

(manioc, sorghum and food processing)

Strong entrepreneurial skills

Refugees prioritised in the National Strategy of Financial Inclusion

Opportunities for international aid

(financial and non-financial resources)

Findings: Business finance and NFS in demand

Uganda

Jordan

Financial Inclusion

Savings groups and VSLAs

Preference for **individual business loans**
(USD 260 - 1300)

Ready to pay interest

Demand for **business management services and reinforcement of savings groups**

Already used by refugees as a **tool to save and transfer money**

Limited access to formal financial services

Non-financial services is a need

The importance of digital

Savings groups are not very commonly used

Preference for **business loans** (USD 420 - 2800)

Ready to pay interest

Divided field of **non-financial services providers**

Can potentially contribute to financial inclusion if used with **financial education**

Key Take-aways

Uganda

Jordan

Develop and reinforce partnerships in the field – Coordination is key
(Especially with the local communities and economic players)

Do not create new financial services specifically for refugees
(Knowing the types and amounts of loans needed by refugees is important)

Screen their business ideas - Promote entrepreneurship
(Refugees show a strong entrepreneurial spirit and good business knowledge)

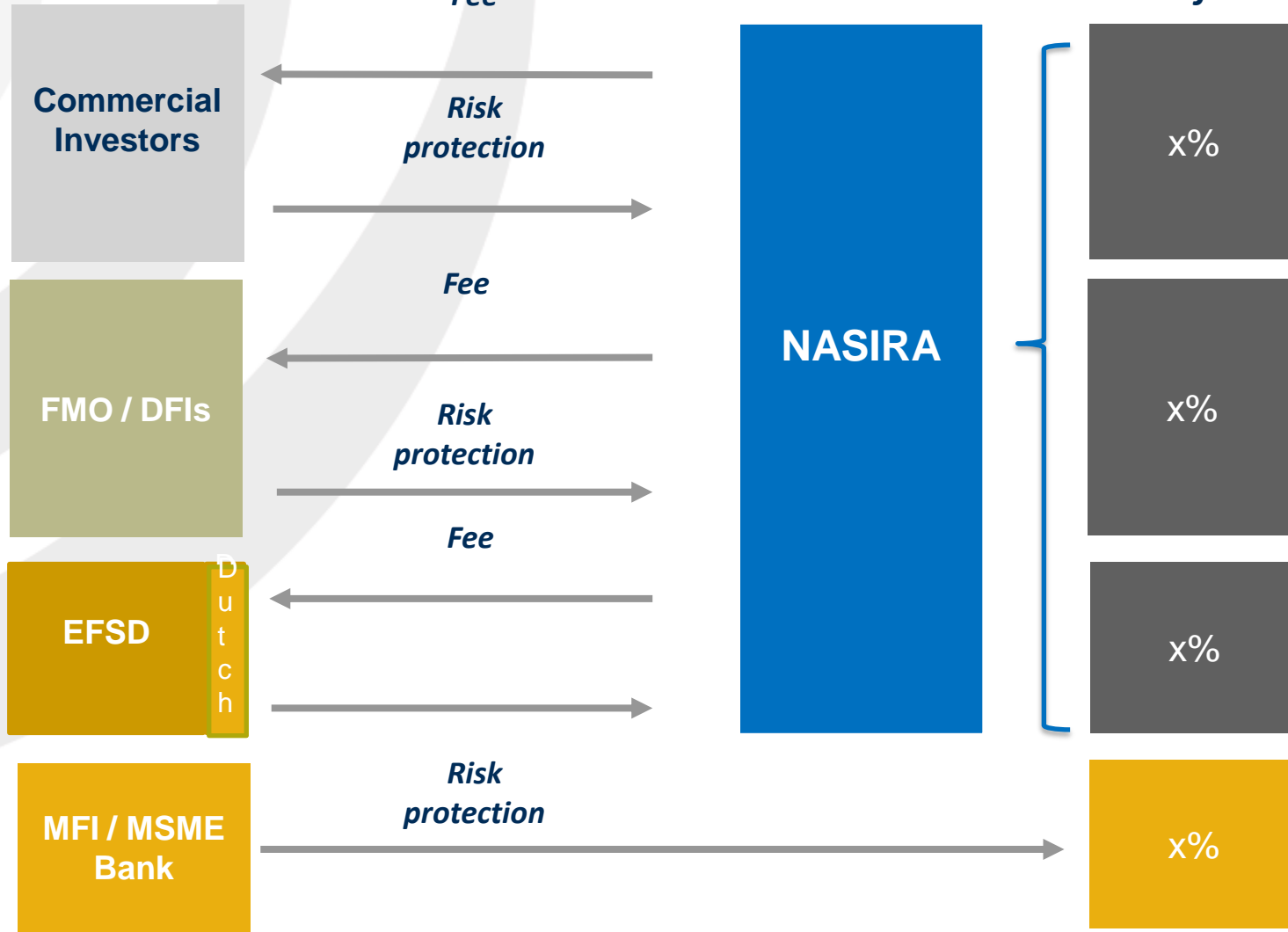
Overcome the FSP fear of flight risk
(Most refugees do not plan to leave, they aim to gain economic independence where they are)

Implement training and support programs
(Especially in management and financial education in addition to the supply of credit)

Next steps for the Project

- Work with 3 to 4 FSPs in Uganda and Jordan
- One-year pilot projects
- Debt funding provided by GCAMF
- TA funded by SIDA in cooperation with UNHCR
 - For FSPs: staff training, marketing, branch development, DFS, etc.
 - For Refugees through FSPs and/or NGOs:
 - Financial education
 - Business support
 - Business mentoring/coaching

NASIRA | outline of financial structure



Vote on a Vision – Conference poll

Vision: By 2020 refugees and other FBRs will be considered an attractive market segment by FSPs

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Vision: By 2020 refugees and other FBRs will be considered an attractive market segment by FSPs

For:

- We have included new segments before (the poor were 'unbankable' in 1970)
- Min. 20,000 new refugees served by FSPs since 2015
- PaR of included refugees/FBRs is as good or better than nationals
- Legal barriers are being addressed in many countries

Against:

- 11.2 million adult refugees and asylum seekers – too many are transient
- Fear, stereotypes and political unwillingness dominate in many markets
- Serving refugees/FBRs is a passing interest for investors
- The effort by FSPs is too much – they can't make money from serving FBRs