



**Impact Capital
for Development**

MOVING UP THE DIGITAL LADDER: THE CASE OF REFUGEES DIGITAL FINANCIAL INCLUSION IN RWANDA

Lessons and Recommendations from Pairing Digital Financial Services and Digital and Financial Literacy for Refugees and Host Communities in Rwanda.



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BACKGROUND

OVERVIEW: RWANDA - EXPANDING FINANCIAL ACCESS AND DIGITAL AND FINANCIAL LITERACY (REFAD) PROGRAMME

In 2019, UNCDF partnered with ComicRelief and Jersey Overseas Aid to launch the **'Expanding Financial Access and Digital and Financial Literacy (REFAD)'** programme with an objective to support a resilient and sustainable local economic development through empowering the demand and supply sides of Rwanda's financial sector ecosystem.

The REFAD model is an approach that coalesces digital financial education, designing and adopting client-centric financial products, strengthening VSLAs to provide rural and refugee communities with transformational, convenient, and affordable financial services that enable individuals and families to make sound financial choices and increase their households' incomes.

REFAD PARTNERS

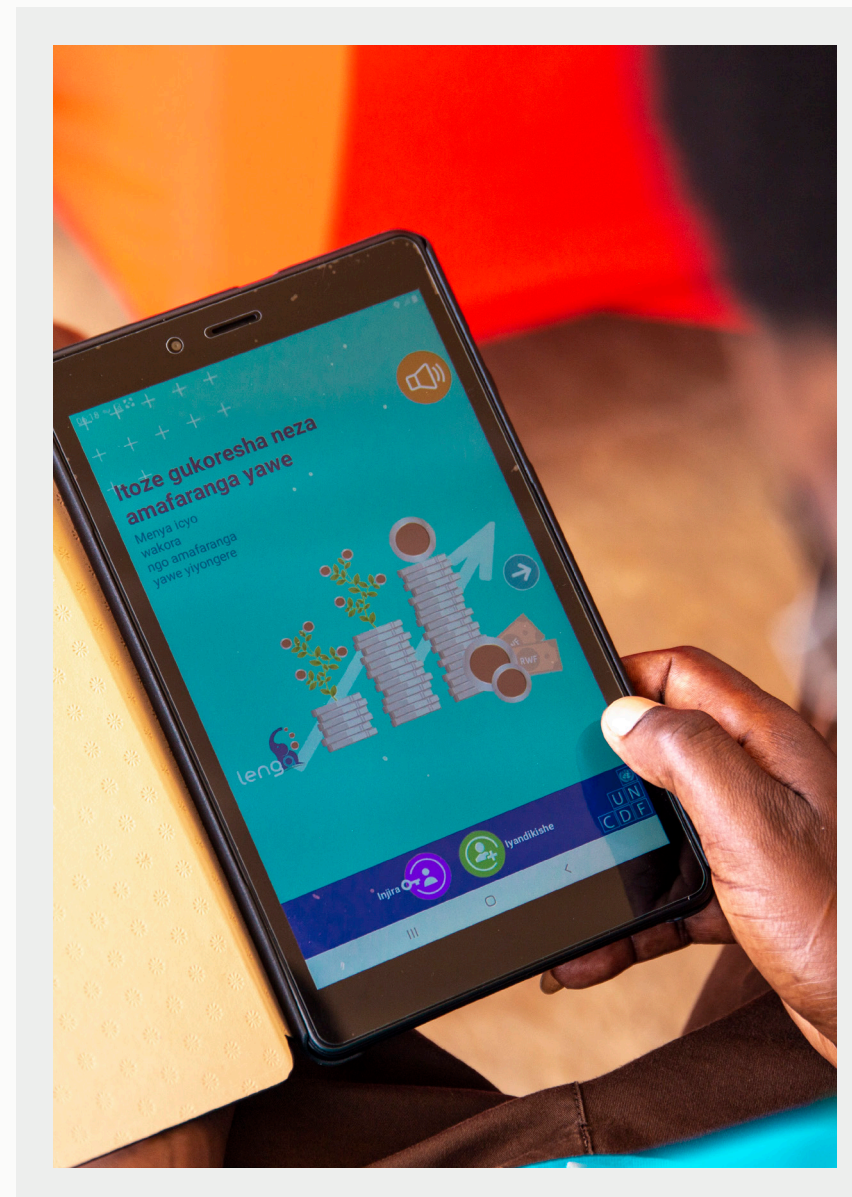


THE NEED FOR REFAD

In 2018, when REFAD was first designed, new strategies were needed to reach both refugees and host community members with expanded access to financial services; particularly digital services that had the potential to bring finance to hard-to-reach areas, bringing down costs, increasing transparency, improving convenience, and broadening the range of formal services available to these populations. At the time, over [170,000 refugees and asylum seekers](#) from the Democratic Republic of Congo (DRC) and Burundi were residing in six camps in Rwanda, presenting an opportunity to inject cash into rural markets and potentially increase trade for both communities, as well as to improve choice and self-reliance for refugee households.

While REFAD was designed for the Rwandan context, its initial framework benefited greatly from UNCDF's experience in developing a similar programme in the Kigoma Region of Tanzania under the [Kigoma Joint Programme Phase I](#). This included an ecosystem approach with a basket of interventions, combining:

- Informal financial mechanisms such as savings groups for the most vulnerable and those with irregular incomes to inculcate regular savings habits, provide access to small loans, increase social solidarity, and allow for basic business, financial and digital literacy training.
- Digital solutions for savings groups that helped to create transparency as well as digital footprints for groups' savings and loan performance.
- Expanded formal financial services, such as increased access to agents in camps – particularly refugee agents - and redesign of products targeting lower-income groups (such as the UFC Twigire (Resilience) products).
- “[Hybrid](#)” packages of financial and digital literacy tools that included face-to-face interventions, a white-label application, video, audio, and interactive voice response (IVR).
- Digital products and became even more important than anticipated when COVID-19 shutdowns began in 2020 and traditional training, savings groups meetings, and visits to formal institutions became impossible for periods of time.

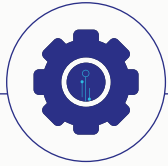


WHY TARGET REFUGEES AND HOST COMMUNITIES WITH FINANCIAL SERVICES AND FINANCIAL AND DIGITAL LITERACY?

- UNHCR, MINEMA and partners began shifting from ration-based aid to cash aid as early as [2016](#), creating a need for refugees in particular to gain new skills in managing money instead of physical rations. Likewise, many government programs (such as the Village Umurenge Programme or VUP) have adopted similar strategies [using digital services](#), meaning that those in rural host communities need new digital and financial skills as well.
- As a signatory of the Comprehensive Refugee Response Framework ([CRRF](#)), Rwanda is committed to the economic integration of refugees and host communities. Both segments still need increased access to financial services as well as the capacity to make informed choices and increase usage.
- Additionally, there is [some evidence](#) that local markets have responded to cash injections without causing inflation and it has [generated positive impacts on local economies](#), such as higher host-community incomes and spending.
- [Financial and digital inclusion](#) allows both refugees and host communities to keep their funds safe, receive and send money more efficiently and cheaply, benefit from improved liquidity of funds or ease of carrying value from place to place, access risk management tools, and invest funds. This can lead to increased self-reliance, better coping mechanisms, access to livelihoods and work, and contribution to their communities, whether they are citizens or displaced persons.
- The Government of Rwanda has a goal of [60% digital literacy by 2024](#), a date fast approaching. Some of the populations still in need of strengthening digital skills are those in rural communities and camps, and UNCDF has a suite of tools that can contribute to achieving this goal.
- [As many as 83% of refugees](#) are hosted in low- to middle-income countries like Rwanda. Presented with cash that they have the option to decide how to spend, they have the potential to contribute to host economies in a way that ration-based aid does not allow.
- Finally, [research suggests](#) that when receiving cash transfers, refugees tend to spend cash sensibly, and are less likely to spend on items that are not beneficial to their households.



TIMELINE



January – May 2019

NEEDS ASSESSMENT

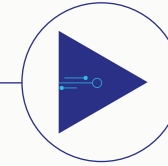
UNCDF visits each camp and neighboring community to create a landscape and complete a qualitative needs assessment for digital and financial literacy. In May, Comic Relief follows with a team for initial overview, taking photos and short films.



May 2019 - July 2022

A FOCUS ON REFUGEE & HOST COMMUNITIES

Using research findings, UNCDF and partners concurrently began work with savings groups and formal financial service providers to ensure that while building digital and financial literacy, appropriate products would be available on the market.



2023 and onwards

PHASE II

Based on the learnings from REFAD's Phase I, UNCDF has begun to design programmes to further the digitalization of savings groups, to update the white label Lenga application and launch with new partners, and continue to develop digital financial solutions for those still left behind in and beyond Rwanda.

2019



January 2019

PROJECT PLANNING AND LAUNCH

After signing the official contract with Comic Relief and Jersey Overseas, UNCDF officially launched the REFAD project in Rwanda.

2020



March – December 2020

RESTRICTED IMPLEMENTATION

The implementation of livelihood activities in refugee camps is restricted in March 2020 and eventually suspended at the end of that year, prompting UNCDF to focus solely on agricultural host communities.

2021



October 2021 – July 2022

ENDLINE EVALUATION

UNCDF and partners complete final research and evaluation missions.

2022

2023



2

OUR APPROACH

SCHOOL FOR CHANGE PROJECT
UMURUKAMUKAMUKA WIGI GIZIHO

OUR APPROACH

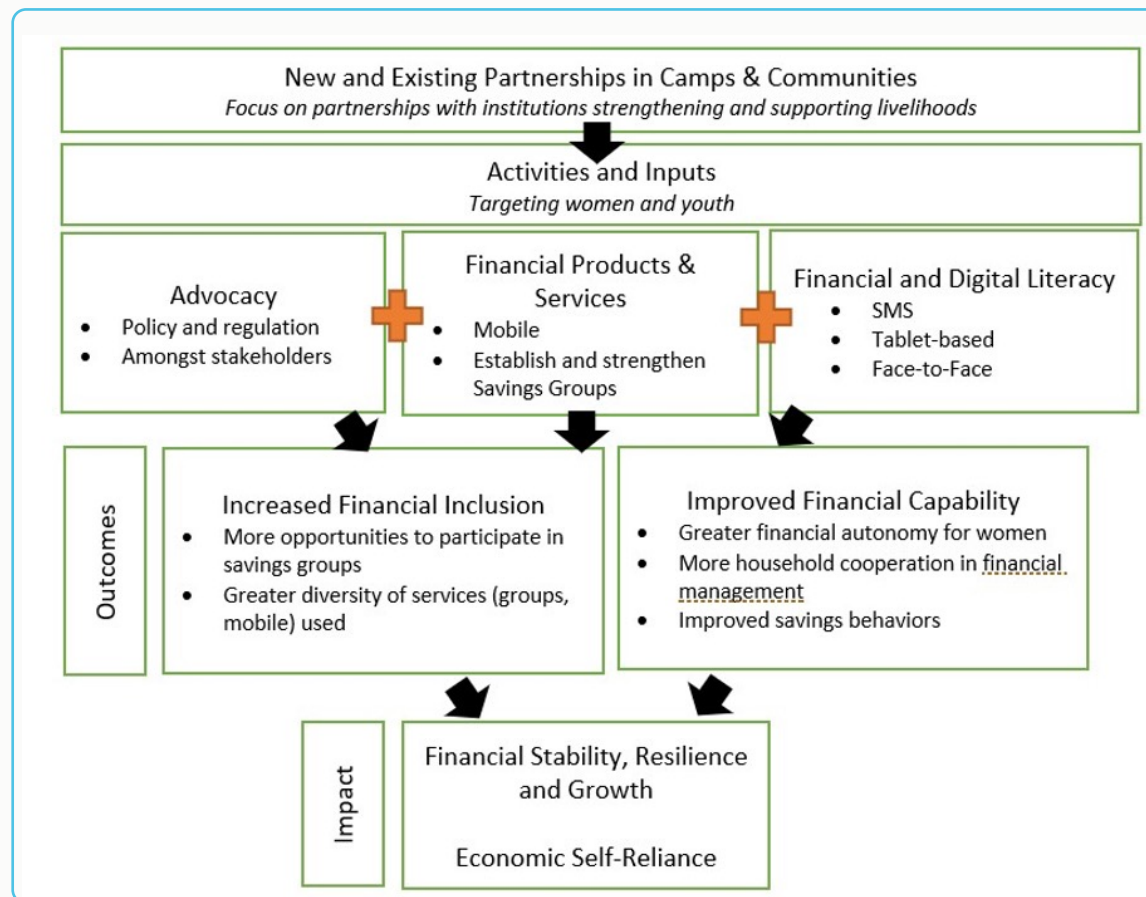
The UN Capital Development Fund (UNCDF) has decades of experience in supporting grassroots efforts to provide last mile groups with beneficial financial services – formal and informal – as well as the upskilling needed to use these services to their greatest benefit. Due to the Government of Rwanda’s adherence to the Comprehensive Refugee Response Framework (CRRF), which includes the goal of the economic integration of refugees and host communities, and the need for strengthened financial tools – particularly digital financial tools, in these areas, UNCDF developed the Expanding Financial Access and Financial Literacy for Refugees in Rwanda (REFAD) in 2018.

While UNCDF employs a [market systems approach](#), targeting demand-side, supply-side, and policymakers and regulators, this brief will focus on describing the achievements, failures, and lessons learned in increasing the access to and usage of financial and digital financial services by refugees and host communities, as well as the financial and digital literacy tools adapted, designed and employed to support uptake and usage of these services.

Financial, Digital, and Financial and Digital Literacy Framework

REFAD’s broader objective was increased access to and use of formal and informal financial services by financially included populations in Rwanda with a focus on digital financial services. Specific goals for refugees and host communities included:

1. **Improved knowledge and awareness of financial and digital products and services available on the market**
2. **Improved capability to make choices about such services**
3. **Increased access to financial services**
4. **Increased regularity of usage of financial services**
5. **Increased regularity of usage of digital financial services**

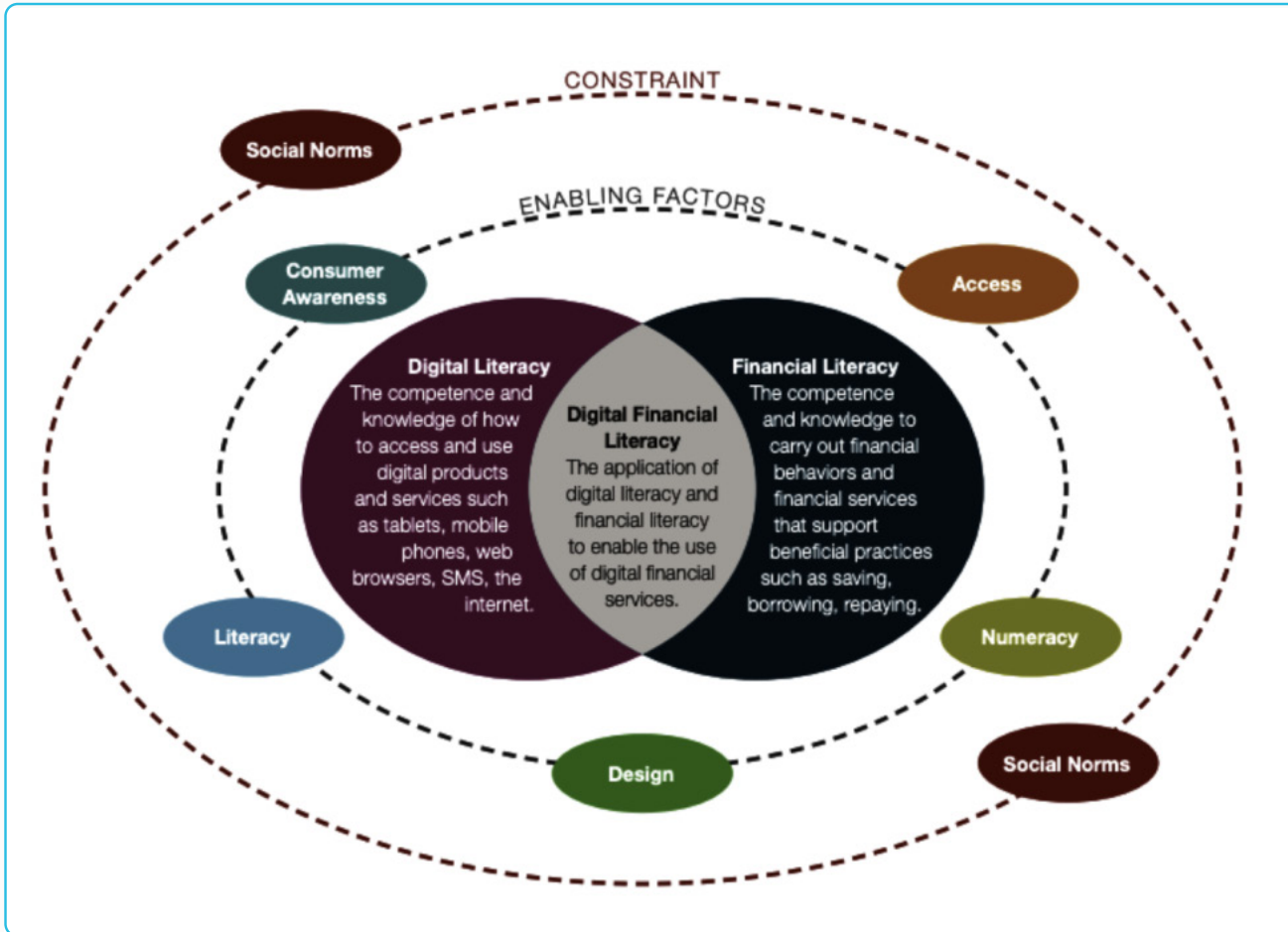


Financial, Digital, and Financial and Digital Literacy Framework

Basing programming on data is a good practice followed by UNCDF, and the baseline survey laid out a number of key performance indicators (KPIs) chosen both to track receipt of financial education interventions, as well as to ascertain the knowledge, skills, attitudes and behaviors (and potential changes over time) around financial services; particularly digital financial services.

Content Area	Key Performance Indicator (KPI): Number of respondents
Financial Education Participation	<ul style="list-style-type: none"> • who have participated in a financial literacy training
Phone Use/Digital Literacy	<ul style="list-style-type: none"> • who have acquired and registered a SIM card • who own or have access to a mobile phone • who use their phones for more than sending and receiving messages and calls
Mobile Money	<ul style="list-style-type: none"> • who can describe how to choose a trustworthy mobile money agent • who can name where to find fees and charges for mobile money transactions • who know that PIN numbers must be kept secret • using mobile transactions (send, buy airtime, check balance, cash out) • paying extra charges for mobile money transactions • who can independently access a mobile money menu • who express confidence in using and accessing mobile money.
Savings	<ul style="list-style-type: none"> • who can set a savings goal • who have a plan to meet their savings goal • who have taken up and use a formal product • who are members of a savings group
Budgeting	<ul style="list-style-type: none"> • who can describe a budget • who report using a household budget
Borrowing	<ul style="list-style-type: none"> • who have ever borrowed money • who have repaid a loan
Risk Management	<ul style="list-style-type: none"> • who have savings or an asset that could be sold to deal with an emergency • who feel more financially secure now than they did 6 months ago

When referring to digital and financial and digital financial literacy, UNCDF Rwanda adopted the [FinEquity model for reference](#):



Partners have appreciated this approach as well:

“Since we started with the REFAD Programme we’ve been able to expand our work with refugees and host communities and trained 80 refugees as Lenga facilitators (peer refugee and host communities – as of January 2022). We used the app along with traditional financial literacy employing a hybrid model, as we have prior expertise in face-to-face education as well. However, Lenga has added value in that digital literacy wasn’t part of our previous programming. This is paramount because without the new content, some of the beneficiaries would not have had the skills to access digital services.

~ Umutanguha Finance Ltd.

While financial and digital education combined with opportunities to use and apply new knowledge and skills were appreciated by implementing partners and by participants, there is a need to revisit the content, troubleshoot some of the pending issues with digitalization of savings groups, and further expand financial services beyond REFAD’s partners. Recommendations are discussed in the final section of this brief.

REFAD Activities – Before, During and After COVID-19 Lockdowns

Even though COVID-19 had disrupted some of the REFAD activities, participants in Kigeme and Mugombwa camps in 2021 stated that through Lenga and their savings groups, they learned about money management, how to use a phone as a bank, budgeting, how to use a gift or “windfall” by saving some, not spending more than your income, and how to track cash flow. When asked “What do you do differently now that you have participated in some of the financial education activities?” Many found the planning aspects of the lessons to be particularly helpful, saying “It’s all about the way you plan to use your money.” Further answers from participants included:

“I used to chase non-needed items in the market – like I might see some clothes I like, and just buy it. Now I try to spend with a purpose and a plan.”

“Before, we spent without a purpose, but now we make a plan on spending our cash as a family – and we are looking at it yearly. With our budget, and knowing our needs and wants, we can make a change if wants are more. I used to not count my money before lessons. I spent 1,000 without even counting it.”

“I used to get loans without a purpose, and now I make a plan and a budget for my loans.”

“I spent carelessly, but after the lessons, I made a list of needs, then planned to spend more on needs than on wants. This has really helped my family.”

“At times, I spent all my loan without working. But I learned to make a smart spending plan, like reducing wants. For example, I learned about sometimes walking instead of taking a moto.”









3

IMPACT

IMPACT AT A GLANCE

	542 savings groups formed with 11,702 members
	51,412 women served through project activities
	19,164 youth served through project activities
	2 financial products (savings and credit) designed specifically for refugees
	36,085 active accounts at partner financial institutions
	400 smart phones distributed to project participants
	950 SIM cards distributed to project participants
	1 white-label financial and digital literacy application: LENGA

RESEARCH METHODOLOGY

MIXED-METHODS EVALUATION



PRIMARY



QUALITATIVE



SECONDARY



QUALITATIVE



QUANTITATIVE

**DESK REVIEW OF KEY DATA AND
PROJECT DOCUMENTS**

BASELINE AND ENDLINE SURVEYS

Baseline and endline surveys were developed by UNCDF Rwanda staff, based upon previous surveys from the Kigoma Joint Programme as well as resources from OECD, FinScope surveys, and the World Bank's Financial Capability surveys (all open source). GSMA also reviewed the endline survey prior to launch.

Endline data collection combined face-to-face survey techniques with technological solutions (using tablets) given restrictions imposed by COVID-19. While the majority of the data arises from quantitative surveys, a number of qualitative focus-group discussions were held as well to gather more detail on findings. In total, 1,112 respondents were surveyed, with 53% of the sample living in camps and 47% of the sample in neighboring host communities. Cohorts of women and youth were included in the samples as well. 52% of respondents were female, and 48% male. 71% of respondents were between the ages of 18 and 40, while 39% were aged older than 41.

While correlation does not equal causation, some results from the endline study point to potentially positive outcomes from programmes that not only provide traditional face-to-face training (the only kind of training that respondents in the baseline reported having received), but training with alternate and complementary delivery mechanisms such as audio, video, app-based, via written and pictorial materials, and others.

It is also important to note that at baseline, only about 30% of those surveyed ($n = 1,247$ across six districts) had ever received financial education training and 23% had received business or entrepreneurship training, which further added to the rationale for providing such training in host communities as well as in refugee camps.

Finally, given that refugees were not included in the baseline, unfortunately only comparisons between baseline and endline data for host communities is reflected in this brief because COVID-19 restrictions did not allow researchers to access refugee respondents. However, the refugee endline data reflects that from host communities, other than in areas such as borrowing and saving through brick-and-mortar mechanisms.

WHAT WERE THE RESULTS?

Indicators	Baseline - Host community	Endline Host Community	Endline - Refugee community
Perception that using a mobile phone is “very easy”	61.7%	82%	87%
Awareness of mobile money	81%	98%	87%
¹ Mobile phone ownership	78%	94%	95%
Smart	11%	35%	31%
Feature/Basic	83%	73%	61%
SIM card ownership	88%	97%	96%
Have ever used mobile financial services	81%	98%	98%
Use mobile financial services as a savings mechanism	10%	61%	58%
² Has a smart, ATM or debit card	<1%	29%	27%
Using VSLAs as a mechanism for financial services	75%	70%	47%
Using other types of savings groups (merry-go-rounds, for example) as a mechanism for financial services	28%	22%	17%
Saving through banks, MFIs, and SACCOs (formal mechanisms)	38%	71%	55%
Has a specific, measurable savings goal (i.e. not simply “the future”)	48%	Not captured – Needs to be included in future surveys	Not captured – Needs to be included in future surveys
Use of household budget	48%	88%	85%
Have ever taken out a loan/borrowed	59%	80%	66%
³ Reports knowing how to use insurance	98%	72%	61%
Has an Ejo Heza Long-term Savings Scheme account	14%	38%	<1%
Percent of respondents with savings that could be used to deal with an emergency	47%	52%	40%
⁴ Percent of respondents who would sell an asset in the case of an emergency	47%	1%	1%
Percent feeling less financially secure than 6 months previous	57%	42%	49%
⁵ Small business as a major source of income	27%	56%	51%

[1] Because many people own more than one mobile phone, often more than one type, percentages on phone ownership often exceed 100%.

[2] Refugees are more likely to own these cards because they receive their cash rations via a transfer to their smart cards.

[3] For host community members this is likely because of familiarity with the mutuelle de sante, and with refugees, with the health services provided to them, although further qualitative research would help to better understand this data point.

[4] Researchers noted an increase in household asset ownership as well as an increase in reported savings from baseline to endline, at least in the case of host community.

[5] Note that for refugees, the voucher is still the major source of household income.



4

RECOMMENDATIONS

WHAT WERE THE RESULTS?

Researchers also found that at endline, both host community members and refugees trust formal financial services – specifically banks – more than any other type of service. 37% of the overall sample ranked banks as most trustworthy over VSLAs (18%) and mobile money services (16%). Unfortunately, the research firm did not include data (or potentially omitted questions) in the endline on consumer protection issues such as PIN sharing, and therefore these should be considered in future research.

It is interesting to note that within the Lenga application as well as with face-to-face and IVR financial education interventions, cash-flow tracking, budgeting, diversification of income earning

activities, broader usage of financial services, understanding one's ability to borrow, were all incorporated in the learning content. It is not possible to draw any correlation, but as these issues arose during the needs assessment and baseline and were therefore included as part of UNCDF's interventions, they may suggest that following a similar methodology for combining appropriate and convenient services along with opportunities to learn (as is UNCDF's approach in general) may lead to better outcomes than are often seen in traditional financial and digital educational programmes.

WHAT CAN WE APPLY TO SIMILAR PROGRAMMES IN THE FUTURE?

- **Continue to start with saving, especially savings groups.** As one endline respondent noted: "I feel financially secure because of the saving group loans, I invested in agriculture, when I sold the produce from what I cultivate, I made money. It has helped me to develop and build a house and keeping save more money."
- **Scale up efforts that help/encourage refugees to participate in income-generation activities.** While almost half of refugees in the endline study reported having small businesses, the great majority (80%) rely on vouchers/cash transfers for survival. This is not an unexpected finding, but given that just over 1,200 refugees were resettled from Rwanda by the end of 2022 out of 127,000 total (less than 1%), there is a need for more localized ways to earn money. For example, some saving groups started group businesses with a private company in Kigali called UZIMA CHICKEN where they ordered 1000 one-day-old chicks keeping them

for 45 days before selling them for a profit. They now have a vision to expand their business to producing chicks instead of purchasing them from private company.

- **Capitalize on new technologies for linking savings groups to formal institutions, such as upcoming digital tools for savings groups.** While the model for digitalization of savings groups is still being tested and refined, many banks still consider groups (and low-income clients) too large a risk, or too large of an investment. Digitalization may hold the key to bringing more clients in need of larger loans and a broader range of services into the formal sector as well as to bring more local capital into the Rwandan economy.



- **A full application is an interesting and attractive method for teaching beneficiaries. However, the strength of Lenga to be replicated is the fact that it can be used in a hybrid way.** While whenever possible with groups or in branches or community centers, learners could use the full Lenga app, implementing partners noted that they appreciated that the videos could be used separately for replication of learning, or for reaching larger groups. The videos were developed so that they could be shared easily via WhatsApp or played on television sets in branches, meaning that they were multi-use.
- **Financial resilience requires having a safety net and a plan to deal with unforeseen and unexpected events, like disasters or emergencies.** There is room for more emphasis on learning about savings, as well as insurance, to increase the financial literacy of beneficiaries, especially given the products on the market and the illustrated need for safety nets given the current COVID-19 pandemic and risks it causes.
- **Recognize the specific needs of refugees, migrants, and other groups likely to be mobile in the design of new products and services.** This will include products that can rely on new technologies (i.e. blockchain) to avoid expensive and lengthy currency conversions, the need to cash in and cash out when moving from place to place, rapid liquidity if needed, for example.
- **Likewise, increase the access of refugees, migrants and like groups to products (such as**

credit) designed for their needs. While financial institutions are often reticent to lend to these groups because of the possibility they could move without completing repayment, UNCDF's experience through REFAD has proven that by institutions working closely with camp staff and governments, this can be mitigated. Further, designing products with shorter repayment terms may be prudent for such target segments.

- **Expand pension and insurance access and education:** Overall, access to pensions across the sample was only 35%. Yet even in the host communities, only slightly more than half (56%) of endline respondents indicated they currently used insurance products. This is potentially because of low access to formal financial institutions or lack of understanding about what benefits that insurance and pension may offer these populations. UNCDF and partners can continue to advocate for an increased range of insurance and pension products that are suitable for both refugees and host community members, as well as provide training and support in obtaining policies. (This excludes the Rwanda health insurance scheme "mutuelle de sante" as well as the health coverage provided to refugees in camps.)
- **Rwanda is still in the early stage to adopt digitalization in rural and hard-to-reach areas and the level of digital literacy among communities is low.** Partners' feedback show that when it comes to digital and financial literacy training, digital training methods (tablet/projection/IVR) is far from enough. It is recommended not

to abandon **traditional training methods** (face-to-face/paper materials) at this stage in order to boost clients' trust of technology and better intake of training content.

"After our experience with REFAD, we are trying to make all of our offerings have a digital aspect, so why not make financial and digital literacy part of it? Financial education is part of the products and services, and it's more holistic when a client gets the product (savings and loan) plus the financial and digital literacy in a digital way, which helps to reduce the time that staff needs to do face-to-face training which makes their job easier. We saw the time impact on the loan officers which helps the institution overall."

~ World Relief

WHAT CHALLENGES DID WE FACE?

- Financial institutions do not have direct access to deposits of a digital savings group which are housed on an electronic wallet (e-wallet) hosted by a fintech company, hence minimal interest in the linkage with digital savings groups. And SGs also find banks less attractive especially when comparing interest rates paid on their in-group loans.
- At the same time, there is a need to help formal institutions and fintechs work together – even though there is the possibility and perception of competition – to help more people access necessary products and services. with fintechs given the potential of competition. While there is indeed an element of competition, especially those partnerships that could help cooperatives and groups access formal services more easily could help to achieve a broader usage of financial services in Rwanda.
- The current digital products and services available on the local market are not yet mature. For example, some of the savings group platform developed by a local fintech company is slow to open and operate. There is a need to better prepare and test innovative digital financial service product before promote it on the ground in order to gain the trust and easy adaptation by the clients.
- Women actively participated in financial education and their intake applied for loans to start small business is higher than that of men even though in both refugee camps and host communities, gender balance is fairly equal. This may suggest either that men have more access to finance than women; or potentially that programmes including men as well may be beneficial to these communities at large.
- Finally, mobile groups need access to savings, risk management and investment opportunities that often lack. This lowers their resistance to financial shocks and emergencies, which could place a heavier burden on host countries and aid organizations. Proactive solutions, such as tailored insurance products and liquid savings schemes (or groups) can become more of a focus to lessen the effect of these emergencies which are nearly certain to occur.

CONCLUSION AND WAY FORWARD

- Incredible strides have been made in increasing the affordability, convenience and attractiveness of financial services for refugees and the host communities that surround them in previous years. By facing the issues that still persist and allowing more facilitation for the movement of money and value across borders, those obliged to flee or migrate could have more secure, transparent, and equitable access to funds that will better allow them to participate in and contribute to new economies. And finally, relevant financial and digital literacy programmes that are designed to complement new products and services, providing immediate opportunities for usage, have the potential to drive both uptake and usage of these services.

ABOUT UNCDF

The UN Capital Development Fund makes public and private finance work for the poor in the world's 46 least developed countries (LDCs).

UNCDF offers “last mile” finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF's financing models work through three channels: (1) inclusive digital economies, which connects individuals, households, and small businesses with financial eco-systems that catalyze participation in the local economy, and provide tools to climb out of poverty and manage financial lives; (2) local development finance, which capacitates localities through fiscal decentralization, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and (3) investment finance, which provides catalytic financial structuring, de-risking, and capital deployment to drive SDG impact and domestic resource mobilization.

DISCLAIMER

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