

UNCHR-SPTF Webinar Series on Financial Inclusion of Refugees
Session 4: UNCDF Projects in Refugee Camps in Tanzania, Uganda, and Zambia
(7 December 2017)

In 2017, the Social Performance Task Force (SPTF) is collaborating with the United Nations High Commissioner for Refugees (UNHCR) to offer a six-part webinar series on the financial inclusion of refugees. The webinars will share insights from practitioners, researchers, and other stakeholders.

Speakers:

1. Pamela Eser (UNCDF, based in New York)
2. Ivana Damjanov (UNCDF, based in Tanzania)
3. Bram Peters (UNCDF, based in Uganda)
4. Nandini Harihareswara (UNCDF, based in Zambia)

Project Overview:

UNCDF and UNHCR have jointly designed a program to help implement UNHCR's Comprehensive Refugee Response Framework (CRRF), which was designed about a year ago. CRRF recognizes that host countries have a large burden in hosting refugees and we need to develop responses that include not only short-term humanitarian aid but also the long-term development needs of refugees and members of the host community. UNCDF will initially focus on nine countries: Cameroon, Chad, DRC, Ethiopia, Kenya, Rwanda, Tanzania, Uganda, and Zambia. It has already launched projects in Tanzania, Uganda, and Zambia. UNCDF is coordinating with many types of partners as it implements its programs: digital identification providers, financial service providers (FSPs), which include both traditional financial institutions and mobile network operators (MNOs), payment service providers, remittance service providers, policymakers/regulators, and NGOs/United Nations agencies.

Tanzania:

There are three camps in Tanzania, which has been hosting refugees since the 1970s. UNCDF has a program in the Nyarugusu refugee camp, which was established in 1996. In 2015, the population of refugees swelled enormously due to the conflict in Burundi; before 2015, Tanzania was hosting 64,000 refugees, while today it hosts 359,000 refugees. The refugee population consists of Congolese and Burundian refugees. In addition, Tanzania hosts about 40,000 asylum seekers, who are persons that do not have refugee status. Refugees receive monthly in-kind donations of food supplies but cash-based transfers are not happening, due to a government policy prohibiting this. The camps are not connected to the electrical grid, so power comes from solar power and generators. Tanzania imposes mobility restrictions on refugees: prohibition to go beyond a four kilometer radius outside the camp. Refugees are not allowed to be employed. And the UNHCR refugee card is not recognized nationally as a form of identification.

Refugees in Tanzania are economically active. Specifically, 40% of the population in Nyarugusu camp is involved in livelihood activities: 20% in trading, 10% in informal labor, and 10% working for NGOs or as teachers. Recently, a common market was established inside the camp, which allows the host community and refugees to trade, and that is flourishing.

Mobile phones are widely used. Two-thirds of the households in the camp have access to a mobile phone. More men than women have access to cell phones (65% vs. 47%). Vodacom installed a cell phone tower in Nyarugusu camp in 2016 and it operates at full capacity, equal to 180,000 calls per day. A second MNO subsequently built a tower just outside the camp, and Vodacom is now building a second tower in Nyarugusu and is building a tower in each of the other camps. Refugees report spending about 10% of their monthly total expenditures on cell phone use. Among refugees with phones, 22% report receiving international remittances over their phones and 14% use mobile services for savings. About half of users transact on their phones at least once a month.

UNCDF is focusing on savings groups as a channel for providing self-reliance and access to capital without reliance on external stakeholders. UNCDF hopes to link these savings groups digitally in the future to formal financial service providers. Many Tanzanian FSPs have already developed digital savings products for savings groups, so the infrastructure to make these links already exists. UNCDF is collaborating with various technical partners to implement its pilot activities, which revolve around two main objectives:

1. developing and implementing financial capability and digital literacy programming using SMS messaging and tablet-based applications
2. strengthening and establishing savings groups

The pilot project launched three months ago, so it is too early to share results.

Uganda:

Uganda has been hosting refugees for years and currently hosts 1.4 million of them. Recently, Uganda received a substantial influx of South Sudanese refugees, which resulted in the establishment in August 2016 of a large refugee settlement in western Uganda, called Bidibidi. UNCDF began a project in Bidibidi, to be implemented from July – December 2017, to support Airtel in setting up a mobile financial services ecosystem that would allow Danish Church Aid and Mercy Corps to digitize their existing cash-based transfer systems. Some cash-transfers are unconditional and some are cash for work. UNCDF sees the potential for digital payment infrastructure to serve as the rails on which other financial services, such as credit and payment services, would be built. UNCDF supported Airtel and an Airtel distributor to set up shop within Bidibidi settlement to facilitate customer acquisition. UNCDF's program also provides support to refugees and the host community with activation of mobile money phones, agent recruitment, management, and liquidity of the agent network. So far, it has established more than 30 mobile money agents in the settlement. UNCDF has established more than 10,000 unique payees to receive cash based transfers digitally, and on average the distributor is enrolling 1000 mobile money customers per week. Simultaneously, UNCDF is seeking to interest banks and payment services providers, like Visa and MasterCard, to work in the settlement. The program also raises awareness of mobile money use cases, meaning it teaches customers the benefits of storing money in mobile platform rather than cashing out immediately.

Challenges: 1) Different expectations. Humanitarian aid agencies did not understand why MNOs were not interested in serving this population of 300,000 potential customers concentrated in relatively small area of land. UNCDF had to convince Airtel to set up a new tower, which was not easy. Airtel invests about 250,000 USD to set up a new tower and seeks to recover the investment cost within six months. 2) Not enough phones, though people had SIM cards.

Initially, the ration was three phones per 10 SIM cards. 3) Low literacy levels. 4) Inadequate infrastructure (e.g., agents, liquidity).

Zambia:

There are about 57,000 refugees in Zambia and three locations with settlement camps. Most but not all of the refugees come from either the DRC or Angola. There was a significant influx of refugees this year because of problems in the DRC. The UNCDF project operates in the Meheba refugee settlement, which has more than 20,000 refugees. The purpose of the project is to digitize the cash transfers being made into Meheba, as well as to develop a roadmap to guide a future scaling up of digitization efforts. This program is a partnership with UNHCR, which provides the equivalent of about US\$ 10 per refugee per month in Meheba. Refugees have mobility restrictions and must apply for a “gate pass” to move out of the settlement. UNCDF did some research on customer needs and wants and found that customers prioritize spending money on food and seed. Women in particular also prioritize paying for school fees and buying batteries for flashlights. Research on existing economic activity revealed that a significant amount of bartering happens in the camp along with cash transactions. Additionally, a small number of refugees are sending and/or receiving international remittances, primarily through Western Union, while many refugees engage in local remittances, some sent using Airtel Money. The grocery store in the settlement provides local and international remittance services. Currently there are only two agents working in the settlement though it is large, so part of the work of digitization requires scaling up the agent network. The project must also include a training element; research shows that only 12% of respondents know what mobile money is. Another challenge is cell phone ownership. About half of households in Meheba have at least one cell phone, but only about 20% of the recipients of cash transfers own their own cell phone. One idea is to find a way to distribute a SIM card to each recipient, rather than focusing on having each cash transfer recipient owning a phone.

Digitization of cash-based transfers would increase efficiency and cost less. Right now, it takes about 51 days between when a person arrives in a camp and when that person receives her/his first cash-based intervention. With digitization, the process is shortened to about 29 days. The process also costs significantly less, and the savings could allow for more frequent cash-based transfers and/or increasing the number of persons who receive cash-based transfers.

Questions and Answers:

- Q: *Some of the research shows not a strong link between digitizing cash transfers and people engaging with formal financial services in other ways. Have you seen this?* A: In Tanzania, the electronic cash-based intervention (CBI) was piloted last year by the World Food Program (WFP) and reached about 10,000 people. Almost everyone cashed out immediately and not a lot of activity remained on SIM cards. This implies a strong need for digital literacy and financial capability training.
- Q: *What has been the interest among financial service providers to date? Are you connecting CBI clients to FSPs?* A: The more Ivana (UNCDF, Tanzania) speaks to FSPs, the more they are interested. A lot of the FSPs in the area already have products that would be suited to the needs of the refugee population.
- Q: *How easy/difficult is it to build the agent ecosystem in the camp?* A: In Tanzania, there is a strong presence of agents. Four major MNOs have agents in the camps. But,

there is a lack of client protection, exacerbated by lack of knowledge and lack of mobility by the refugee clients. UNCDF has seen “quite a number of instances of fraud.” Refugees did not realize that the informal taxes that agents were placing on top of the transactions were not legal.

- *Q: How do you deal with the identity issue in Uganda? One challenge that arose was the Uganda Communications Commission switched off SIMs in April because the attestation card was not recognized. What lessons have been learnt and how can this be avoided in other geographies? A: That was a glitch in the project. In Uganda, the office of the prime minister issues refugee IDs. But when that glitch happened, the influx of refugees was so high that the office of the prime minister was not able to keep up. Now the issue has been largely resolved.*
- *Q: WFP uses bloc chain technology to do iris scanning. Are there plans to bring that to Uganda? A: Bram (UNCDF, Uganda) is not aware of any plans by WFP to deploy that solution in Uganda. The office of the minister is considering how to strengthen its IDs, however, and this includes considering the introduction of iris scans.*
- *Q: What are the use cases for convincing FSPs to offer services to refugees? Does the economic activity of the refugees make them viable clients? A: In Mehaba, economic activity is quite vibrant. One particular block has a market where people sell goods: foodstuffs, airtime, a multitude of things. These business owners are the ones most likely to have the liquidity to be agents, but would still require more support in times of high cash out.*
- *Q: Is UNCDF thinking about women’s economic empowerment as one of the potential outcomes of its intervention? If yes, how is achieving women’s economic empowerment nuanced by the setting of working in fragile/conflict populations? A: In refugee camps, there are more women-led households than in other contexts, so there is a particularly strong need to address women’s needs and empower women. In Tanzania, women and youth are priority client groups. Savings groups are proven to be a good way of reaching women. Developing financial capabilities gives women the tools they need to be comfortable and participate in the program on their own time. UNCDF hopes in the future to link the savings groups to an MNO or a more traditional financial service provider.*

SPTF and UNHCR welcome your input. To ask questions or share feedback, please contact info@sptf.info.