Session 4: The Preparation Process
Six Preparatory Steps for FSPs to Include Refugee Clients

1. Conduct a scoping/feasibility study
2. Generate the strategy/concept
3. Contact refugees & conduct market research
4. Segment potential clients
5. Adjust eligibility and appraisal criteria
6. Conduct a pilot test
Step 1. Conduct scoping study

Ultimate goal for this step: Fill the information gap to enable the Board and management to decide on whether:

- A viable refugee market exists
- The FSP has the capacity to respond to this market
- The FSP is committed to proceed
1.1 Explore Market-level Levers

Find out:
- Is there a viable market?
- How competitive is the environment?
- What are the legal, policy, and regulatory constraints?

Look for information from:
- Refugee agencies (UNHCR, IOM, I/NGOs)
- Refugee service delivery providers
- National regulator and gov’t agencies
1.2 Explore Institutional Levers

Discuss:

• Why do we want to do this?
• What is our capacity to do it?
• What’s our time horizon for profitability?
• What are the opportunity costs?

Consider:

• Level of internal resistance and how to build buy-in
• Needed investment in infrastructure, training
Role of TA providers in the Scoping Study

- Identify and contact relevant agencies and government bodies.

- Compile and analyze information to inform the FSP’s knowledge of the refugee market (how large, how different/similar, which key challenges exist).

- Interview board and management, front line staff and existing clients and analyze perceptions to clarify motivation/rationale, institutional capacity, concerns, and social/profitability expectations.

- Recommend “stop” or “go” to Board/managers
Step 2. Generate the strategy

Ultimate goal for this step:
• Translate the finds from scoping study into a written plan w/ approach and budget, AND
• Build institutional buy-in
2.1 Write out the Concept/Plan

Outline of Content

Client segment research
- What we know
- What we need to know about the new client segment

Institutional review
- What we have
- What we need to adjust/add/change to serve the new clients

Rationale/concept
- What we want to achieve
- What it will cost (time/funds)
- How we will monitor progress
2.2 Build institutional buy-in

- Assign a ‘Champion’ (team) with TOR to lead the process - ensure support from the top

- Communicate: Involve front line staff, existing clients and other stakeholders – address their concerns
  - Cross-department briefings, Q&A, and feed-back
  - Newsletters/bulletins/suggestion boxes, etc.
  - FGDs with existing clients
  - Briefings of owners, investors, existing/new external stakeholders
Role of TA providers in Planning

Help FSP design the expansion in detail:

- Client segment research (next step)
- Review and adjustment of operational processes, procedures, operations, manuals, MIS, etc.
- Costing, pricing, financial projections
- Communication strategy
- Fundraising and establishing partnerships
- Legal/risk management support, etc.
- Supporting the ‘change management’ process (buy-in) and ensure that Board signs off on Plan.
Step 3. Research the new market segment

Ultimate goal for this step:
- Establish contact with the local refugee communities that the FSP may want to serve
- Assess needs, interest, constraints (market research)
- Refine the outreach/marketing methodology of the FSP.
3.1 Make contact with refugees

- **Quick brainstorm**: How might an FSP make contact with refugees?
- Protection agencies and local aid or services organizations
- “Ethnic”/“diaspora” businesses, associations, community centers – value chains
- Social media, existing support networks
- Camps
3.2 Conduct segment research

- Research Issue
- Qualitative Research Plan
- Qualitative Research PGD/PRA
- Understanding clients’ needs
- Concept Development
- Costing & Pricing
- Product Ready for Pilot test
- Quantitative Research: Prototype Testing
- Refine the Concept into a Prototype
- Refining/Testing the product prototype
- Risk Analysis & Process Mapping
3.3 Combine research & marketing

- Distribute materials in relevant language(s)
- Host/participate with existing clients in social or community events and info meetings
- Word of mouth is the best source of marketing. Encourage clients to spread the word.
Role of TA providers in Market Research

• Help FSPs identify refugee communities and make initial contact.
• Assist in market research (more likely qualitative than quantitative) to determine characteristics, demand, preferences.
• Support informal/social/NFS client-refugee interaction
• Discuss findings and recommendations with FSP to inform the design/plan and process.
Reactions so far? Questions?

✓ 1. Conduct a scoping study
✓ 2. Generate the strategy
✓ 3. Make contact -> market research

4. Segment potential clients
5. Adjust eligibility and appraisal criteria
6. Conduct a pilot test
Step 4. Client segmentation

- **Ultimate goal for this step**: Identify characteristics of the potential clients that the FSP can serve well, and those it can’t serve well.
Who can the FSP serve best?

• Segmentation is “exclusion” of some potential clients over others.
• But, it is more important to choose client segments that can be served well, than to be all-inclusive and serve some clients poorly and lose the investment.
• Do not let the FSP out-source segmentation (referral) to relief/protection agencies
Typical FSP segmentation and Refugees

FSPs usual practice:

• Geography

• Demography
• Income/business size

• Industry/occupation

• Financing needs

• Behavior

When segmenting refugees, add:

+ Density in areas within reach of FSP outlets, also camps
+ Displacement phase/migration plan
+ Remittances home, cash transfers, assets at home, (transnat.) business network

• Consider even if less poor that usual FSP clients due to exclusion
  + occupation at home and (lack of) access to jobs
+ displacement phase, access to markets, business experience and integration/location consistency
+ trust level, preference for informal, MM, KYC constraints
Example:
Segmentation matrix

“Managing”
Struggling
&
Better-off Refugees

Skills Building:
- job-specific
- entrepreneurship
- transferable

Employment Support:
- career counseling
- apprenticeship & job placement

Financial Services:
- savings
- micro-insurance
- loans

Business Development Services
Market Linkages

“Surviving”
Poor Refugees

Transferable Skills
Job Placement

Financial Services:
- savings
- micro-insurance
- financial literacy

Very Poor Refugees

Social Protection:
- self-help groups
- child protection programs
- social cash transfers

Food Security:
- urban agriculture
- food aid

Access to Livelihoods

Policies and practice

Access to services

Local market environment
Group work: Segmentation

- Read hand-out 3
- Assess the relevance/usefulness of the suggested characteristics for Finclude Bank to segment their potential market of 85,000 refugees
- Consider how difficult the characteristics would be for Finclude Bank to assess

Time: 20 minutes
Role of TA providers in Segmentation

- Segmentation = tradeoffs; discuss these with the FSP
- Help the FSP document the selected client segment profile and resulting FSP adjustments
- Encourage internal/external communication
- Support ongoing process of strengthening buy-in
- Support (recommend, budget, conduct) staff training
Step 5. Adjust eligibility and appraisal criteria

**Ultimate goal for this step:** Ensure that eligibility and appraisal criteria allow for inclusion of the new client segment.
5.1. Review criteria

Quick brainstorm: Which typical eligibility and appraisal criteria might translate into exclusion of refugees?

- National ID documents
- Proof of residency
- Guarantors
- Group members
- Location stability
- Credit history
- Outstanding debt
5.2 Determine acceptable substitutes

Think outside the box: Use alternative eligibility and appraisal criteria.

- UN registration cards, consular IDs, or IDs issued by local authorities
- Alternative address verification methods
- Character witnesses
- “Location consistency” instead of “location stability”
- Credit history from country of origin
- Mixed groups
Role of TA provider in adjusting eligibility and appraisal criteria

• Review existing criteria, applying a refugee-inclusive lens.

• Identify exclusionary criteria/requirements and research substitutes/alternatives.

• Discuss which alternatives are feasible with relevant departments and management.
Step 6. Conduct a pilot test and compile data for the business case

Ultimate goal for this step:
- Test the product features, mix, delivery, operational adjustments, etc. in practice
- Gather data to make the business case for roll-out.
6.1 Plan and conduct a pilot test

1. Compose the Pilot Test Team
2. Develop the Testing Protocol
3. Define the Pilot Test Objectives
4. Prepare All Systems
5. Modeling the Financial Projections
6. Document the Product Definitions & Procedures
7. Train the Relevant Staff
8. Develop Customer Marketing Materials
9. Commence the Product Test
10. Continuously Evaluate the Pilot Test
6.2 Focus areas of the pilot test

The Pilot test should answer:

- Which products should the FSP offer, in which sequence and through which delivery channels?
- Which approaches to marketing work best?
- Do the adjusted criteria, requirements and appraisal systems work?
- Which further operational adjustments/innovations are necessary, e.g. MIS?
- Is the assumed risk profile accurate? How can these risks be mitigated?
- What are the main cost and revenue drivers: Will this venture be profitable and when?
Role of TA providers in Pilot Testing

- Help FSPs with pilot design/protocol
  - Scope and staff/client involvement
  - Budget
  - Indicators of success and monitoring systems

- Support implementation (interview staff and clients and track data on: uptake/usage, performance, satisfaction, costs, monitoring, etc.)

- Review and document progress: analyze and suggest adjustments to products, delivery, systems, risk mitigation, marketing, costs/time

- Compile data to build business case
Reactions so far? Questions?

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- 2. Generate the strategy
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Wrapping up Day 1

• Feedback on FSP Guidelines Sections 1-2

• Mood barometer

• Logistics for tonight