

ADVANCING THE FINANCIAL INCLUSION OF FORCIBLY DISPLACED PERSONS IN RWANDA



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EXECUTIVE SUMMARY

For more than 20 years now, Rwanda has opened its borders to displaced persons who were forced to leave their home countries. Rwanda currently hosts more than 148,000 refugees and asylum-seekers. National Bank of Rwanda (BNR) has shown commendable leadership in leveraging financial inclusion as a durable, dignified, and empowering solution to what is traditionally viewed as a humanitarian policy challenge.

Despite grappling with already existing hurdles in economic development, they have begun to work towards transforming their policies and breaking silos in multi-stakeholder coordination to ensure FDPs are no longer financially excluded.

This case study presents a stocktaking and examination of BNR's progress in advancing FDP financial inclusion, namely the policy and regulatory barriers that remain, the opportunities, and potential ways forward. In some sense, it can be considered a part of the preliminary diagnostic of FDP financial inclusion in Rwanda.

This case study illustrates Rwanda's forced displacement context, a high-level baseline of FDP financial inclusion, and the ecosystem of stakeholders advancing the financial inclusion of FDPs. The key considerations provided at the conclusion have been categorized in accordance with the recommendations of the Roadmap to the Sustainable and Responsible Financial Inclusion of FDPs which was developed by a coalition of partners from the humanitarian and development sectors, including AFI, which authored the chapter on National Strategies and Regulation. Accordingly, the key considerations presented in this document carefully build on the Roadmap's recommendations which are summarized in Box 1.

BOX 1.

THE KEY CONSIDERATIONS FOR RWANDA ARE AS FOLLOWS:

- 1 NATIONAL STRATEGIES AND REGULATION**
 - > Formulate and implement targeted interventions for fdps, and ensure continued robust M&E of NFIS implementation
 - > Leverage already existing coordination mechanisms
 - > Include the voices of refugees
- 2 IDENTIFICATION AND RELATED INTERNATIONAL STANDARDS ON AML/CFT**
 - > Continue risk-based measures to simplify KYC and CDD
- 3 FINANCIAL CONSUMER AND DATA PROTECTION, FINANCIAL LITERACY**
 - > Implement digital financial literacy initiatives for refugees
- 4 BRIDGING HUMANITARIAN AND DEVELOPMENT APPROACHES WITH DIGITIZED PAYMENTS**
 - > Facilitate mobile and fintech solutions for refugees

It is envisioned that the BNR and the relevant national stakeholders advancing the FDP financial inclusion agenda in Rwanda will use this country case study and multi-stakeholder map for country-level efforts in implementing policy change for FDP financial inclusion.

INTRODUCTION

Due to a recent reduction in the influx of refugees into the country, as well as low rates of repatriations to their home countries, various stakeholders are shifting their focus to the integration of refugees. This entails providing the refugees with economic opportunities as proactive measures to help them realize their full economic potential. A key contribution is to encourage a culture of self-reliance that involves improving their financial capabilities in order to invest in their enterprises, education and overall livelihood.

Yet FDPs in Rwanda are currently faced with numerous barriers to access formal financial services, including restrictions related to the legal and regulatory environment, low financial capability, and financial products and services which are not always accessible or appropriately fitting their needs. Overcoming these challenges will require a multi-stakeholder approach

that engages the Government of Rwanda and its relevant ministries and financial regulatory institutions, FSPs, telecommunication providers, humanitarian and development organizations, and the refugees themselves. In support of this, the Rwandan National Financial Inclusion Strategy (NFIS) for 2020-2024, places refugees in the high priority segments for financial inclusion.⁴

- 1 UNHCR Population Statistics - Rwanda. Available at: <https://data2.unhcr.org/en/documents/details/77054>
- 2 UNHCR. 2015. Submission by the United Nations High Commissioner for Refugees. For the Office of the High Commissioner for Human Rights' Compilation Report Universal Periodic Review: 2nd Cycle, 23rd Session, The Republic of Rwanda. Available at: <https://www.refworld.org/docid/56371c604.html>
- 3 UNHCR Global Focus: UNHCR Operations Worldwide. Available at: <http://reporting.unhcr.org/rwanda>
- 4 Government of Rwanda & Access to Finance Rwanda. 2019. National Financial Inclusion Strategy for Rwanda 2019 - 2024. Prepared by Nathan Associates. Not public.

THIS CASE STUDY EXPLORES THE FOLLOWING AND TO WHAT EFFECT FDPs ARE BEING CONSIDERED WITHIN THEM, THAT IS, WHETHER:

1

An NFIS is in formulation or already formulated

2

An NRA has recently or ever been conducted, or if there is one planned

3

There is application of simplified Customer Due Diligence (CDD) based on a Risk-Based Approach (RBA)

4

There is collaboration with relevant ministries and other stakeholders through various coordination mechanisms

5

An innovative regulatory approach to engage with FinTechs such as an active regulatory sandbox or innovation hub

6

There is roll-out of the Comprehensive Refugee Response Framework (CRRF)

7

National digital ID system or intention to implement a national digital ID system

8

Efforts to create enabling regulatory environments for "portable" financial inclusion solutions that can be effective regardless of whether the FDPs integrate, resettle, or voluntarily repatriate.

FORCED DISPLACEMENT IN RWANDA

FDPs in Rwanda largely consist of refugees settled across six large camps where they are offered housing and food supplies, and a smaller proportion who live in urban and rural areas.⁵ They are granted freedom of movement, and the right to work and own businesses both within and outside the camps.

0.2%

Based on 2020 UNHCR data,⁶ only 0.2 percent of refugees in Rwanda are from countries other than Burundi and DRC.

These countries currently include Eritrea, Somalia, Sudan, South Sudan, and Ethiopia. Rwanda hosts more than 76,000 refugees from DRC. A majority of the Congolese refugees live in five camps: Gihembe, Kigeme, Kiziba, Mugombwa and Nyabiheke; while the remaining 1.5 percent reside in urban areas.

The Congolese refugee population includes those who arrived in Rwanda in the mid-1990s, as well as those who arrived during the 2012 - 2013 renewed hostilities in eastern DRC. In addition, there was a spike in the number of Burundian refugees entering the country from 2014 onwards. Today, approximately 73,000 Burundian refugees are hosted in Rwanda. 12,481 or 18 percent live in the urban areas of Kigali and Huye, while most others live in Mahama which is the largest refugee camp in Rwanda, hosting about 60,000 people.

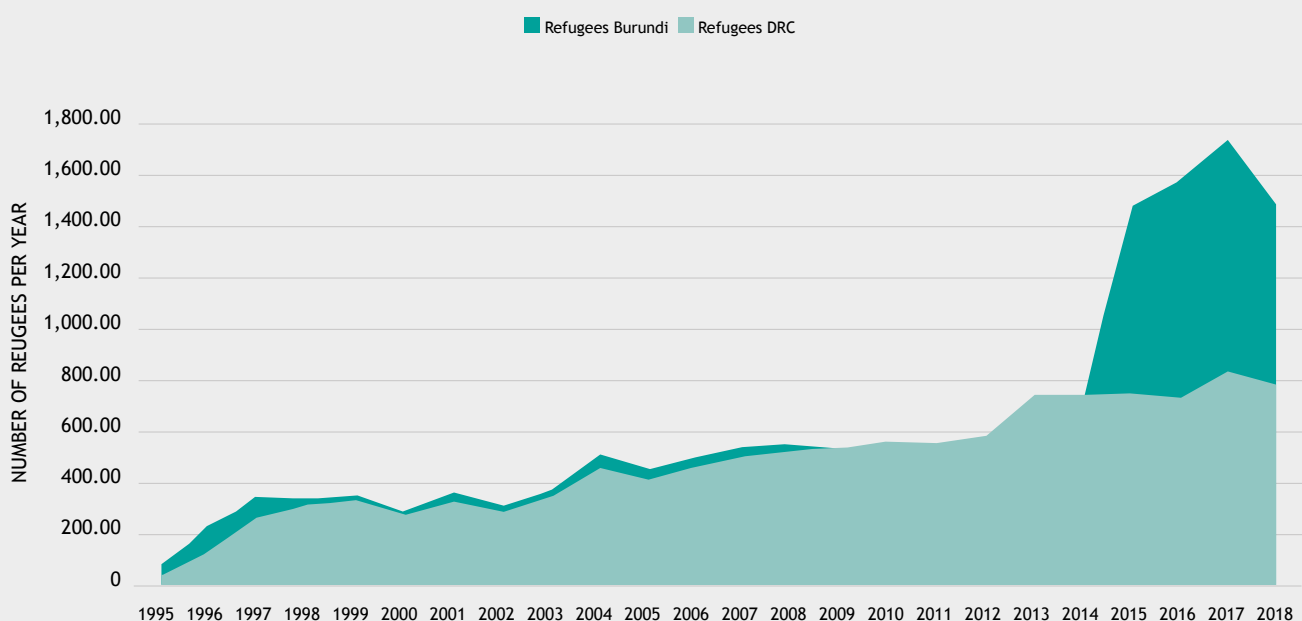
51%

UNHCR 2020⁷ records show that the gender distribution of the refugee population is 51 percent women and 49 percent men.

Minors below the age of 18 form the largest age group for both genders, which may be an indication that there could be a larger refugee youth population in the coming years.

- 5 Bankable Frontiers Associates (BFA). 2018. Refugees and Their Money: The Business Case for Providing Financial Services to Refugees. Available at: <https://bfaglobal.com/wp-content/uploads/2020/01/Refugees-and-Their-Money-Assessing-the-Business-Case-for-Providing-Financial-Services-to-Refugees.pdf>
- 6 UNHCR. 2020. Rwanda Country Refugee Response Plan: January 2020 - December 2021. Available at: <https://reliefweb.int/sites/reliefweb.int/files/resources/69632.pdf>
- 7 UNHCR Population Statistics - Rwanda. Available at: <https://data2.unhcr.org/en/documents/details/77054>

FIGURE 1: NUMBER OF REFUGEES FROM BURUNDI AND DRC (1995 TO 2018)



There exists a social stratification referred to as Ubudehe, which was created in 2011 and categorizes Rwandans according to the financial status of each household. Within seven defined categories, the extremely poor make up 25 percent of the entire population and are stratified into the Ubudehe Category II and I referred to as the “very poor.” Key informants note that refugees mostly form part of this group, although differences between the most prominent refugee groups exist: Refugees from Burundi who had some possessions were able to liquidate them before fleeing to Rwanda. Those from DRC had no time to do so thus could only get out with their families.

This affected their ability to access formal financial services upon reaching Rwanda, given the high initial capital costs required to open a small enterprise and to access other services.

Today, the main source of income for most refugees is monthly cash transfers. A study⁸ looking at the economic impact of refugees in Rwanda showed that a large percentage of the refugees in the sample relied on cash transfers as their only source of income. The second largest group had alternative sources of income which complemented the cash transfers received. The sources listed were odd jobs, agriculture, self-employment, remittances and salaried jobs. The total household income for both groups is equivalent to that generated by host communities living in rural areas, while the average family size is 3.5.⁹

RWANDA’S FINANCIAL INCLUSION LANDSCAPE FOR REFUGEES

Formal financial services in Rwanda include savings and investment products, credit and loan facilities, insurance products and remittance services.¹⁰ In 2016, Rwanda recorded a 32 percent increase in formal financial inclusion which was driven by non-bank formal financial institutions such as mobile money service providers, Umurenge SACCOs,¹¹ and insurance companies.

MOBILE MONEY

The ease of access and low-cost attributes of mobile money have increased refugee and low-income Rwandans’ ability to save and transfer money with minimal risk of theft¹². Mobile money is one of the coping strategies of choice for refugees exposed to theft in the camps where they reside.¹³ Research¹⁴ shows that the most significant barrier faced by refugees in using mobile money is a lack of a legally recognized identification document (ID) to register for a SIM card. While mobile money plays a critical role in accelerating financial inclusion, mobile wallets also have limitations, for example, there is still an inability to provide savings records and loan facilities.

Microfinance institutions (MFIs) are playing an important role in financially including refugees within the camps. Despite the remote locations of most camps, MFIs entered this market to provide micro-credit facilities. One such institution is Umutanguha Finance Company which provides refugees with services such as savings and loan products.

10 Access to Finance Rwanda. 2016. FinScope Report: Financial Inclusion in Rwanda 2016. Available at: <http://www.statistics.gov.rw/publication/finscope-rwanda-2016#:~:text=The%20FinScope%20Survey%20not%20only,findings%20of%20FinScope%20Rwanda%202016>.

11 SACCO stands for Savings and Credit Cooperative Organization. Umurenge SACCO is a government initiative to financially include Rwandan citizen living in rural areas. The SACCO provides savings and loan products.

12 GSMA. 2019. The digital lives of refugees: How displaced populations use mobile phones and what gets in the way. Available at: <https://www.gsma.com/mobilefordevelopment/blog/the-digital-lives-of-refugees-how-displaced-populations-use-mobile-phones-and-what-gets-in-the-way/>

13 This is the case in Mahama and Gihembe for instance (BFA, 2018).

14 GSMA. 2019. The digital lives of refugees: How displaced populations use mobile phones and what gets in the way. Available at: <https://www.gsma.com/mobilefordevelopment/blog/the-digital-lives-of-refugees-how-displaced-populations-use-mobile-phones-and-what-gets-in-the-way/>

8 Maastricht Graduate School of Governance (MGSG) research conducted May 2016.

9 UNHCR Population Statistics - Rwanda. Available at: <https://data2.unhcr.org/en/documents/details/77054>

“

...MFIs have come close especially... Umutanguha finance company. It opened in three camps to serve refugees and the results show that they can save, are doing business, [and] can access some loan. September 2018, [Umutanguha and AFR] launched products in Mahama camp such as the savings products bundled with finance education which is a limitation (sic). We have seen figures go up for savings, loans and progressive loans.”

Key Informant, AFR

REMITTANCES

Remittance services are a crucial financial need for refugees. They access these services from bank branches or agents that require only a valid ID.¹⁵ Remittance service providers (RSPs) such as Western Union and World Remit in partnership with mobile money providers offer these services to beneficiaries directly into their mobile money wallets. There are however very few refugees that receive these remittances through the agents despite their presence in the camps. This is because of the high charges associated with these services. A trend observed within the camps was the access to remittance money through bus services offered by Volcano^{16,17} and the Western Union agents. The Equity Bank Limited agents have partnered with money transfer operators (MTOs) to offer these services as well.

“

Refugees in urban settings are able to access remittance services from Western Union while those in the camps access these services through mobile money.”

Key Informant, Inkomoko

“

Equity bank agent is a one-stop shop. When collecting your cash transfer from the agent, you also purchase your household essentials as well as the money sent to you through Western Union or MoneyGram. The same agents also open accounts for the bank.”

Key Informant, Equity Bank

INFORMAL FINANCIAL SERVICES

Informal finance refers to financial products or services that are not regulated and use community-based organizations to save and/or borrow money. A large proportion of adults utilize informal mechanisms to manage their finances through savings groups, for example those offered by community members within the camps who form unregulated groups called Village Savings and Loan Associations (VSLAs). These groups

reported a 79 percent uptake while credit shops¹⁸ accounted for 47 percent in 2016. The main limitation of these informal groups is the lack of access to substantive loan amounts given that this is determined by the amount of savings contributed. More formal FSPs enable its customers to access large loan facilities and a broader range of services including insurance products.

“

In the savings groups, people learn from each other. They contribute weekly/monthly on an agreed upon amount and have a committee that governs the group. Most times there are no interest rates charged on loans. The money collected is recorded then kept in a box which is put under lock and key.”

Key Informant, Inkomoko

Savings groups which offer both saving and credit, albeit at a micro-level, tend to be the financial solution of choice both for refugees and Rwandan low-income earners.

“

For those relying on cash transfers only, it will be very challenging to require them to start using formal financial institutions... Monthly maintenance fees will not be removed from them as they are being treated as normal clients. Refugees prefer to use savings groups because it is cheaper and accessible.”

Key Informant, UNCDF

Loans which can be obtained through these groups are however limited.

“

...they are saving in informal groups but how much of a loan can you get from there? If you have a bigger enterprise, you will have access to bigger loans from a financial service provider.”

Key Informant, AFR

Informal finance can also take the form of credit purchases from shopkeepers and business services who offer their goods and services in exchange for valuable items such as SIM cards and cash aid cards as collateral.

15 Bankable Frontiers Associates (BFA). 2018. Refugees and Their Money: The Business Case for Providing Financial Services to Refugees. Available at: https://bfa.global.com/wp-content/uploads/2020/01/Refugees-and-Their-Money_-Assessing-the-Business-Case-for-Providing-Financial-Services-to-Refugees.pdf

16 Ibid.

17 Volcano is a bus service that allows people to send and receive money from friends and families living in Burundi.

18 Credit shops offer goods on credit/in advance to be paid on a later date.

BARRIERS TO REFUGEE FINANCIAL INCLUSION

According to a 2019 joint study by the World Bank and the MINEMA, “access to formal finance is consistently identified as a major constraint to self-reliance by host communities and refugees alike. It is a particular challenge for refugees, who often lack collateral and legal identity and are also considered a flight risk by financial institutions.”¹⁹ This section explores the existing barriers to refugee financial inclusion in Rwanda.

SUPPLY-SIDE BARRIERS

As shown in the previous section, refugees tend to be underserved by the formal financial sector. On the supply side, FSPs lack familiarity with, and trust in, this market segment. FSPs have expressed various concerns in considering refugees as viable client segments. A study²⁰ showed that in Rwanda, FSPs are concerned that refugees:

- > do not have a regular source of income;
- > are transitory in nature;
- > do not have experience with financial instruments; and
- > do not have necessary documentation to access financial services.

Despite their efforts to serve refugees the same way as rural-based Rwandan citizens, some FSPs tend to be uncertain of the legal framework that governs them while offering financial services to this community.

“

When providing financial services there is always risk. In terms of financial transactions especially for micro-finance institutions, the major risk is credit exposure risk.”

Key Informant, UNCPD

“

Banks raise concerns around credit access because when you move to another country, you may already have an existing credit line, -there isn't that regulation to close and manage it from the other side (once you cross the border.”

Key Informant, AFR

While serving refugees, it is helpful to appreciate that their financial needs tend to differ depending on their financial status. The same BFA²¹ report lists the segments that FSPs use to categorize refugee households based on their income sources. These segments are:

- > households with members who receive cash transfers only;²²
- > household members who receive cash transfers and have odd jobs;
- > household members who receive cash transfers and have salaried jobs, and
- > members who receive cash transfers and remittances.

Having more than one source of income enables them to have access to more formal financial services such as an Umurenge SACCO or a bank account. This however is not the case for most of them as they tend to either rely on cash transfers or secure odd jobs which do not provide substantial additional income. This causes them to opt into VSLAs in order to save any excess income.

“

There are different categories of refugees. There are those that only receive transfers from WFP of RWF 6,500 ...which is equal to almost USD 9 dollars per person. This is very little compared to the cost of goods they have to buy.”

Key Informant, UNCDF

“

[Refugees] need insurance for their business and for the savings groups²³ because they heavily rely on the incomes from the informal savings groups”

Key Informant, Equity Bank

Proximity to financial institutions from the remote camps and settlements where refugees reside is another barrier to financial inclusion.²⁴ FSPs require an incentive

19 World Bank. May 2019. Rwanda: Economic Activity and Opportunity for Refugee Inclusion. Available at: <http://documents1.worldbank.org/curated/en/817901558950692659/Rwanda-Economic-Activity-and-Opportunity-for-Refugee-Inclusion.docx>

20 Bankable Frontiers Associates (BFA). 2018. Refugees and Their Money: The Business Case for Providing Financial Services to Refugees. Available at: <https://bfaglobal.com/wp-content/uploads/2020/01/Refugees-and-Their-Money-Assessing-the-Business-Case-for-Providing-Financial-Services-to-Refugees.pdf>

21 Ibid.

22 The World Food Programme shifted to a cash transfer-based system in 2014, partnering with the Bank of Kigali to pilot transfers to mobile phones through the bank's mVisa platform. In 2016, Equity Bank won a bid to provide a payment solution to the WFP... while also offering accounts for refugees.

23 This refers to Village Savings and Loan Associations (VSLAs).

24 UNHCR & UNCDF. 2018. Financial Inclusion of Forcibly Displaced Persons and Host Communities: a UNHCR and UNCDF joint initiative. Available at: <https://reporting.unhcr.org/node/20859>

to bring financial services closer to the refugee community.

“

In terms of accessibility to the branches of banks other than Equity bank, there is a significant distance.”

Key Informant, UNCDF

“

...lack of access points like branch outlets in and around refugee camps. Refugee camps are largely based in rural areas, few are close to some towns (sic). In terms of figures, definitely access [to financial services] by hosts and refugees may not be equal.”

Key Informant, AFR

DEMAND-SIDE BARRIERS

Limited financial literacy is a barrier to refugee financial inclusion in Rwanda, and refugees have expressed their fears with respect to accessing formal financial services. Some of them had never used formal financial services in their countries of origin and were unaware of the business practices that would enable them to secure loans.

“

Some of them [refugees] fear to open a bank account and to access loans because they plan to in the future repatriate to developed countries. There is that fear of maybe some are young they have not really handled money (sic).”

Key Informant, AFR

Financial literacy programs have therefore since been introduced by various stakeholders to tackle this barrier.

“

The financial literacy programs cover small business management, things to do with loan management and not fearing loans (sic). There are those who have small businesses but do not have records and the banks need business records. The literacy programs help them with record keeping, how to record business transactions (etc.)”

Key Informant, AFR

“

Financial literacy matters a lot not just in the case of debt but also in day-to-day transactions. People can have access but are still financially illiterate because decisions made will not be informed. There was an educational financial strategy which ended in 2018 implemented by the ministry of financial and economic planning.”

Key Informant, BNR

REGULATORY BARRIERS

The country’s KYC regime presents a regulatory barrier to the financial inclusion of refugees.²⁵ The laws and regulations governing customer identification and verification do not explicitly address refugees, causing both refugees and FSPs to be unsure about the documentation necessary to satisfy KYC and CDD requirements to access formal financial services.²⁶ According to the National Bank of Rwanda (BNR),²⁷ FSPs are expected to follow the KYC and CDD requirements outlined by the GoR which stipulates that the minimum account opening requirements for non-residents is an “original and copy of an ID or passport.”²⁸ This requirement tends to be difficult to meet for refugees who do not own such documents.

Even if they do, the requirement appears to be challenging to interpret due to language barriers and low levels of financial literacy. It has also been found that both FSPs and “refugees face obstacles related to a lack of regulatory clarity regarding the acceptability of proof-of-registration documents for the purposes of customer identification and verification” for accessing formal financial services.²⁹

MFIs offering services to this segment meet this requirement by asking for UNHCR registration certificates. Banks, however, remain hesitant to use these registration certificates as a formal ID requirement.

“

[Refugees receive] cash flow lending from an MFI but it has a limit and is gradual. They access the first loan depending on their assessment and business project. They observe payment patterns and if satisfactory, it is increased. There exists, however, a certain limit which you can’t go beyond if you do not have collateral.”

Key Informant, AFR

25 Bankable Frontiers Associates (BFA). 2018. Refugees and Their Money: The Business Case for Providing Financial Services to Refugees. Available at: <https://bflaglobal.com/wp-content/uploads/2020/01/Refugees-and-Their-Money-Assessing-the-Business-Case-for-Providing-Financial-Services-to-Refugees.pdf>

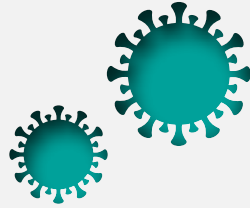
26 Ibid.

27 National Bank of Rwanda. 2014. Guidelines to Banks on Anti-Money Laundering and Combating Financial Terrorism. Available at: <https://dfsobservatory.com/sites/default/files/National%20Bank%20of%20Rwanda%20-%20Guidelines%20to%20Banks%20on%20Anti-Money%20Laundering%20and%20Combating%20Financin%20Terrorism.pdf>

28 Bankable Frontiers Associates (BFA). 2018. Refugees and Their Money: The Business Case for Providing Financial Services to Refugees. Available at: <https://bflaglobal.com/wp-content/uploads/2020/01/Refugees-and-Their-Money-Assessing-the-Business-Case-for-Providing-Financial-Services-to-Refugees.pdf>

29 World Bank. May 2019. Rwanda: Economic Activity and Opportunity for Refugee Inclusion. Available at: <http://documents1.worldbank.org/curated/en/817901558950692659/Rwanda-Economic-Activity-and-Opportunity-for-Refugee-Inclusion.docx>

IMPACT OF COVID-19 ON FINANCIAL INCLUSION OF REFUGEES IN RWANDA



The COVID-19 global pandemic has had ramifications on financial inclusion initiative planning and implementation in the country. Key informants note that the pandemic has resulted in the suspension of financial interventions such as financial literacy classes.

Physical distancing has hampered the source livelihoods of refugees, due to an inability to receive any earnings from their agents. A key informant interview with the Equity Bank underlined that “the agents receive a big portion of their revenue in cash, that cash has to be transferred to enable them to continue to operate by physically taking the money to an Equity bank to deposit to be converted to float.” The pandemic has additionally necessitated the digitization of financial services.

“

There are no mechanisms to help with physical meetings, and traveling to the camp is really limited, meaning no mobility and no delivering financial education activity.”

Key Informant, Inkomoko

“

The COVID-19 had amplified the need to digitize financial transactions.”

Key Informant, UNCPD

Stakeholders are working on finding solutions that facilitate refugee livelihoods through the following initiatives:

- > **Online financial literacy workshops:** Financial trainings are currently being conducted through sending videos via mobile phones.
- > **Mobile wallet services:** Given the ongoing cashless initiative in the country, food and non-food interventions are now being provided through household members’ mobile money wallets. Purchases are now made through mobile money services.
- > **Mobile money transaction-free charges:** These have been offered by telecommunication services in order to encourage cashless transactions in the country. In response to COVID-19 the BNR had set guidelines to reduce transfer fees for mobile money or electronic wallet and bank accounts transfers.

OPPORTUNITIES: POLICY AND REGULATORY ENVIRONMENT FOR REFUGEE FINANCIAL INCLUSION IN RWANDA

NATIONAL REFUGEE POLICIES

Rwanda signed and ratified the UN 1951 Refugee Convention and its 1967 Protocol, in addition to the 1969 Convention Governing the Specific Aspects of Refugee Problems in Africa (the OAU Convention).³⁰ The conventions enshrine the rights of refugees, including the right to work and to receive an education. The right to asylum is enshrined in the Rwandan Constitution in Article 28.³¹ Rwanda passed Law No. 13ter/2014 of 21/05/2014, which relates solely to Refugees, in 2014.³²

“

The Government creates a framework into which the different agencies can plug in. With any policy initiative driven by the government, chances of success are higher than those driven by other agencies with different mandates.”

Key informant, Equity Bank

More recently the country has elected to apply the Comprehensive Refugee Response Framework (CRRF) at the national level. The CRRF is a new global instrument which aims to meaningfully integrate refugees into host communities from the very beginning of displacement through ensuring that refugees have the equal opportunity to become self-reliant and active contributors to local economies when they gain access to education and labor markets. The decision to become a CRRF roll-out country flowed naturally from four commitments that the GoR made at the 2016 New York Leaders' Summit, as follows:

1. A public launch of a joint government-UNHCR livelihood strategy, with a focus on graduating camp-based refugees out of assistance programs and increasing formal access to work opportunities;³³
2. Ensuring that 100 percent of refugees are in possession of refugee identity cards;
3. Ensuring that 100 percent of refugee students of secondary school age and 50 percent of those of primary school age will be integrated into national education systems; and

4. Ensuring that that 100 percent of urban refugees will have the opportunity to buy into the national health insurance system.

In March 2019, the government completed a Strategic Plan for Refugee Inclusion 2019-2024 which spells out how the four commitments will be implemented. The strategic plan's timeline is aligned with the National Financial Inclusion Strategy for Rwanda (NFISR) 2019 - 2024 discussed in the following section. The GoR has famously also offered a legal pathway to naturalization to refugees, though few have taken up the offer due to either a desire to eventually return home or hopes of third country resettlement. Accordingly, a sizable refugee population is likely to remain in Rwanda for the foreseeable future. This necessitates the adoption of long-term development solutions that will promote self-reliance and contribution to the host economy.

NATIONAL ECONOMIC AND FINANCIAL INCLUSION STRATEGIES

In 2012, the Ministry of Finance and Economic Planning and the BNR approved Rwanda's first NFIS with support from the World Bank³⁴. In 2015, the World Bank's Country Support Program (CSPs)³⁵ assisted in the development of laws and requirements on financial consumer protection, disclosure and credit reporting. The legal framework supporting microfinance and SACCOs were also updated to meet international standards. Financial education programs were designed, tested and offered to SACCO members in the country. Approximately 70,000 members received this training; more than half were women.

30 UN Refugee Convention (Convention Relating to the Status of Refugees, 1951. Available at: <https://www.unhcr.org/4ca34be29.pdf> Protocol Relating to the Status of Refugees, 1967. Available at: <https://www.unhcr.org/EN/ProfessionalInterest/Pages/ProtocolStatusOfRefugees.aspx> Convention Governing the Specific Aspects of Refugee Problems in Africa, 1974. Available at: <https://www.refworld.org/docid/3ae6b36018.html>

31 Constitute Project. 2015. Rwanda's Constitution of 2003 with Amendments through 2015. Available at: https://www.constituteproject.org/constitution/Rwanda_2015.pdf?lang=en

32 Government of Rwanda. Rwanda: Law n° 13ter/2014 of 21/05/2014. 2014. Available at: <https://www.refworld.org/docid/53fb08cd4.html>

33 Ministry of Disaster Management and Refugees (MIDIMAR) & UNHCR. 2016. Economic Inclusion of Refugees in Rwanda. Available at: <https://www.unhcr.org/rw/wp-content/uploads/sites/4/2017/02/Economic-Inclusion-of-Refugees-in-Rwanda-Final-Version.pdf> MIDIMAR changed to Ministry in Charge of Emergency Management (MINEMA) in October 2018.

34 This was made possible through the World Bank's Financial Inclusion Support Framework (FISF) program.

35 Country Support Programs is one of two main components of the Financial Inclusion Support Framework (FISF) initiated by World Bank Group. Available at: <https://www.worldbank.org/en/topic/financialinclusion/brief/financial-inclusion-support-framework>

The Mobile Money Regulatory Index³⁶ shows that Rwanda had an overall regulatory index score³⁷ of 97.50 in 2019. This translates to the extent to which Rwanda's regulatory framework enabled extensive mobile money adoption.

100%

All strategy components recorded the highest score of 100 except "KYC" and "infrastructure and investment environment" which recorded 92 and 87 respectively.

Since the first national strategy, Rwanda has set up a National Financial Inclusion Task Force which has completed the formulation stage of the second NFIS and which is currently awaiting approval for implementation.

The NFISR 2019 - 2024 was developed to further increase the level of financial inclusion in the country³⁸ and is strongly aligned with Rwanda's Vision 2050 "which aspires to take Rwanda to high living standards and high quality livelihoods by the middle of the 21st century."³⁹ The national strategy is underpinned by five pillars covering financial literacy, SME finance, agricultural finance, DFS, and responsible finance.

While it is not yet a public document, Rwanda's NFIS is intended to be implemented towards achieving the target of 100 percent financial inclusion by 2024 from 89 percent in 2017. This includes lifting the level of access to formal financial services from 68 percent to 90 percent. The NFISR 2019 - 2024 situates financial inclusion as a stepping-stone to sustained poverty reduction and an accelerator of economic growth, increased household welfare and income opportunities.

At the same time, the MINEMA together with the UNHCR has developed a refugee economic inclusion and livelihood strategy. The strategy is built on a vision that refugees and hosting communities will "fulfil their productive potential as self-reliant members of Rwandan society."⁴⁰

The strategy has three pillars, which are as follows:

- > **Pillar 1 supports wage-earning employment** and seeks to: (a) raise awareness of refugees' right to work; (b) provide technical and vocational skills training, and (c) support job placement services;
- > **Pillar 2 is centered on self-employment** and supports entrepreneurship and access to finance;
- > **Pillar 3 supports advocacy** to the GoR, the general public, the private sector and refugees themselves for refugee self-sufficiency and entrepreneurship.

The strategy recognizes that "inclusion can help to graduate refugees from unsustainable long-term humanitarian aid while optimizing the contribution they can make to local economic development."⁴¹

Evidently, the GoR sees value in the financial inclusion of refugees as a legal pathway towards their self-reliance and economic contribution to the host economy. It is imperative for the implementation of the NFISR 2019 - 2024 and the joint GoR-UNHCR 2019 - 2024 Strategic Plan for Refugee Economic Inclusion to be harmonized under the leadership of the government and in close coordination with all key implementing stakeholders.

“

Financial literacy will be further developed in the recently formulated NFIS. It is envisaged to have digital literacy to at least more than 60 percent by 2024. A Financial Inclusion division was established in 2019 by the BNR to oversee this. NFIS is however not yet approved. The approach taken by BNR is that financial literacy is never ending since people need to be constantly educated.”

Key Informant, BNR

UNCDF and UNDP provided support to the GoR in 2009⁴² through an initiative called "Building an Inclusive Financial Sector in Rwanda, BIFSIR 2010 - 2015". The aim was to strengthen the financial sector and encourage financial inclusion.

Partly as a result of this initiative, the size of the banking system grew substantially since 2008, accounting for 37 percent of the country's GDP in 2012; a non-bank formal sector developed comprising MFIs and Umurenge SACCOs who serve the unbanked population, and credit cards and payment mechanisms through agents were introduced.

36 GSMA. 2019. Mobile Money Regulatory Index. Available at: <https://www.gsma.com/mobilemoneymetrics/#regulatory-index?y=2019>

37 Money Mobile Regulatory Scores range between 0-100, with a high score associated with more enabling regulation.

38 Alliance for Financial Inclusion. 2015. National Financial Inclusion Strategies Current State of Practice. Available at: https://www.aifi-global.org/sites/default/files/publications/fisplg-state_of_practice.pdf

39 Government of Rwanda & Access to Finance Rwanda. 2019. National Financial Inclusion Strategy for Rwanda 2019-2024. Prepared by Nathan Associates. Not public.

40 World Bank. 2019. Rwanda: Economic Activity and Opportunity for Refugee Inclusion. Available at: <http://documents1.worldbank.org/curated/en/817901558950692659/Rwanda-Economic-Activity-and-Opportunity-for-Refugee-Inclusion.docx>

41 Ibid.

42 Ministry of Finance and Economic Planning (MINECOFIN). 2015. Rwanda - Financial Inclusion Programme (R-FIP) 2016-2020. Concept Note-Final. Available at: https://info.undp.org/docs/pdc/Documents/RWA/Concept%20Note%20R-FIP_FINAL_LPAC.pdf

+25%

On the demand-side, the BIFSIR initiative aimed to increase access to formal and informal financial services by 25 percent.

Recently, the GoR and stakeholders have begun to offer financial education modules to specific segments such as the youth, women and low-income groups. The initiative additionally provides capacity building programs for SACCOs, MFI and auditors. These programs will similarly target refugees who are acknowledged as not having equal opportunity to access formal finance by the central bank.

“

...there are some refugees who have stayed [in Rwanda] for more than 15 years. That [shows the] willingness of government to integrate these refugees in the local community and other systems, education, vocational training, schools in camps and around, not only primary and secondary but also vocational training. Also finding work except in government institutions (sic).”

Key informant, AFR

LEGAL IDENTIFICATION OF REFUGEES

Owning a valid and recognized proof of identity and legal residency in a country is crucial for the safety of an individual and it enables their economic participation. A government-issued ID can facilitate the financial inclusion of refugees. It allows them to register for SIM cards in their own name and open a mobile money or bank account.⁴³ However, the refugee population does not have timely access to formal identification.⁴⁴ This is especially limiting as FSPs require documentation of legal names and proof of address.⁴⁵ A data protection policy⁴⁶ exists to take up and implement strong legal and regulatory frameworks for personal data protection.

The Rwandan government in 2017 granted refugees the right to work and be integrated into the national health and education systems.⁴⁷ In 2018 the GoR, the National Identification Agency, the Rwanda Directorate General of Immigration and Emigration and UNHCR launched an initiative to provide verified refugees with national refugee identification cards, which include biometrics, to facilitate access to public and private services, employment and increased freedom of movement.⁴⁸ This exercise is still ongoing at the time of writing.

“

[Equity Bank] is able to use [refugee registration] cards to open a cash transfer account, but they are opened in a restricted manner. The card cannot be validated nationally.”

Key Informant, Equity Bank

In some cases, refugees can access identification through the 2008 Rwandan Nationality Law which allows for the naturalization of refugees and asylum-seekers married to Rwandan nationals; and for all children born in Rwanda to refugees and asylum seekers after they reach adulthood.⁴⁹ UNHCR has, however, noted that in practice, the occurrence of naturalization is quite rare due to a lack of knowledge regarding the existence of this provision.

43 Npm Platform for Inclusive Finance. 2018. Finance for Refugees: the state of play. Available at: https://www.inclusivefinanceplatform.nl/wp-content/uploads/2019/04/npm-report_finance-for-refugees_the-state-of-play.pdf

44 GSMA. 2019. The digital lives of refugees: How displaced populations use mobile phones and what gets in the way. Available at: <https://www.gsma.com/mobilefordevelopment/blog/the-digital-lives-of-refugees-how-displaced-populations-use-mobile-phones-and-what-gets-in-the-way/>

45 National Bank of Rwanda. 2018. Article 16, Regulation No 2100/2018 - 00011[614] Of 12/12/2018 Of The National Bank Of Rwanda Governing Non Deposit Taking Lending Financial Institutions, Official Gazette n° 51 of 17/12/2018. Available at: http://www.afr.rw/IMG/pdf/regulation_no_2100_2018_-_00011_614_of_12_12_2018_of_the_national_bank_of_rwanda_governing_non_deposit_taking_lending_financial_institutions.pdf

46 UNHCR. 2015. Submission by the United Nations High Commissioner for Refugees. For the Office of the High Commissioner for Human Rights' Compilation Report Universal Periodic Review: 2nd Cycle, 23rd Session, The Republic of Rwanda. Available at: <https://www.refworld.org/docid/56371c604.html>

47 Government of Rwanda. 2014. Rwandan Law n° 13ter/2014 of 21/05/2014. Available at: <https://www.refworld.org/docid/53fb08cd4.html> See also, UNHCR, 2018. Rwanda Operational Update, available at <https://www.unhcr.org/rw/wp-content/uploads/sites/4/2019/01/November-2018-Operational-Update.pdf>

48 UNHCR. 2018. The Government of Rwanda and the UN Refugee Agency Launch Issuance of National Refugee Identification Cards in Kigali. Available at: <http://www.unhcr.org/rw/13587-the-government-of-rwanda-and-the-un-refugee-agency-launch-the-issuance-of-national-refugee-identification-cards-in-kigali.html>

49 Government of Rwanda. 2008. Organic Law N° 30/2008 of 25/07/2008 relating to Rwandan Nationality. Available at: <https://www.refworld.org/docid/4c569f4dc.html>

STAKEHOLDER MAP: THE REFUGEE FINANCIAL INCLUSION ECOSYSTEM IN RWANDA

Multi-stakeholder information sharing, coordination and collaboration are extremely crucial in efforts to advance financial inclusion for FDPs. In the Rwandan context, there is a plethora of stakeholders from the public, private and civil society sectors who are currently taking proactive measures to financially include refugees.

The GOR takes commendable policy action to work towards ensuring that refugees are protected and have access to economic opportunities. However, the stakeholders’ initiatives are not fully harmonized in order to maximize the wide range of actions in manner

that will be most impactful for refugee financial inclusion. In this section, we highlight the main stakeholders involved and explore the specific actions they are undertaking.

GOVERNMENT

It is well-known that the GoR plays a critical leadership role in ensuring that refugees who seek asylum in their country are protected and empowered economically. The GoR works closely with the UNHCR in various capacities including the registration of refugees and the creation of a protective environment for refugees in the country. Key roles performed by the Rwandan government include:

- > **Legal registration:** The GoR through the Ministry in charge of Emergency Management (MINEMA),⁵⁰ adopted a policy in 2015 of prima facie recognition.⁵¹ This involves initial registration procedures at the border, and then more comprehensive registration upon relocating to the camp and urban areas.

50 MINEMA was formerly known as the Ministry of Disaster Management and Refugee Affairs (MIDIMAR).

51 UNHCR. 2019. Rwanda Country Refugee Response Plan 2019 - 2020. Available at: <https://reliefweb.int/sites/reliefweb.int/files/resources/69632.pdf>

FIGURE 2: REFUGEE FINANCIAL INCLUSION ECOSYSTEM



> **Profiling unregistered refugees:** Furthermore in 2014, MINEMA implemented a continuous registration exercise that recognized unregistered spouses, parents and children under derivative status. This enabled the affected individuals to be recognized as refugees in all the camps, which in turn enabled them to benefit from international protection.

> **Advocacy for the economic inclusion of refugees:** Despite refugees possessing registration cards, initially, banks were not accepting them to satisfy KYC requirements. The MINEMA intervened by providing approvals to specific requests from FSPs, to accept the refugee cards as proof-of-registration documents when conducting KYC and CDD.⁵² There are however no official regulations from the MINEMA to clarify whether all formal FSPs are permitted to accept these proof-of-registration cards to access financial services. The MINEMA continuously advocates for and promotes the economic inclusion of refugees, as demonstrated by the in-country roll-out of the CRRF jointly with the UNHCR.

“

One of the barriers was just validation for refugees. Most financial institutions could not use their registration for refugees. They had to take it to the central bank who told the financial institutions that the registration certificate is good enough as an ID. So that is the reason they were basically not served...”

Key Informant, AFR

HUMANITARIAN AGENCIES

UNHCR acts as a facilitator and convener through reinforcing institutional capacity and fostering key partnerships with the GoR, private sector actors and other stakeholders. The aim is to create an inclusive market which targets both refugees and host communities. UNHCR and WFP run programs that provide cash transfers to refugees in order to facilitate their household needs. These cash transfer programs sign up refugees as regular bank clients and so food and non-food cash allowances can be directly deposited into a bank account attached to a debit multi-wallet MasterCard from Equity Bank.

DEVELOPMENT AGENCIES

Inkomoko is a business consulting firm that works together with MSMEs in Rwanda. Within the refugee community, it serves entrepreneurs in the camps and those in urban areas. It provides access to finance and development services such as business training and consultancy.

Access to Finance Rwanda (AFR) and Financial Sector Deepening Africa (FSD Africa) work together to advocate for the business opportunity that exists in serving the refugee community. They provide interested formal FSPs with incentives to offer financial services to refugees.

PRIVATE SECTOR

BANKS

Equity Bank’s key mission is to reach the population at the bottom of the economic pyramid through agency banking.⁵³ The role of the bank is to facilitate cash transfer programs for refugees. Through partnerships with humanitarian organizations such as UNHCR and WFP, the bank issues a card to household heads which enables them access to the money through Equity Agents within the camps. The card is treated as a household account, which is accessed with the head of the household’s refugee registration document.

“

WFP-UNHCR program [sends] cash to refugees. Money is loaded on a card and there [are] partnerships with banks like Equity Bank. ...the refugee can get access to financial services through the card. That card just accesses their grant from the UNHCR. In their mind it wasn’t really a bank account.”

Key Informant, AFR

“

Financial inclusion is represented at the household level and not at the individual level. This shows that it does not capture the majority who are below 18 years and those between 18-59 years.”

Key Informant, BNR

52 Bankable Frontiers Associates (BFA). 2018. Refugees and Their Money: The Business Case for Providing Financial Services to Refugees. Available at: <https://bfaglobal.com/wp-content/uploads/2020/01/Refugees-and-Their-Money-Assessing-the-Business-Case-for-Providing-Financial-Services-to-Refugees.pdf>

53 Duval, A. 2014. Increasing Financial Inclusion in East Africa: Equity Bank’s Agent-Driven Model. Available at: <https://www.unCDF.org/article/2193/increasing-financial-inclusion-in-east-africa-equity-banks-agent-driven-model>

MFIS

The Umutanguha Finance Company is an MFI that offers credit facilities, savings products and mobile banking services. It is a joint initiative - advanced by AFR, FSD Africa, MTN Rwanda and Umutanguha, that offers a savings and a loan product, both of which address the key financial needs of the refugee communities.

MOBILE MONEY AND REMITTANCE SERVICES

MTN Rwanda and Tigo are telecommunication network services which provide mobile financial services within the camps. MTN mobile money refugee users can access loans and savings products, as well as get access to e-health and e-learning platforms. Western Union offers remittance services for sending and receiving money within Rwanda and across its borders.

WAY FORWARD

Despite the barriers to refugee financial inclusion that were previously presented in this case study it is manifest that there is a strong drive and clear momentum on the part of the wide range of stakeholders, to enhance both access to and usage of quality formal financial services among refugees in the country.

Towards that end, this section presents key considerations for relevant stakeholders in moving forward based on the SWOT analysis provided in Figure 3.

FIGURE 3: SWOT ANALYSIS OF FINANCIAL INCLUSION OF FORCIBLY DISPLACED PERSONS**STRENGTHS**

- > Issuance of national ID to refugees: Recent exercise to register and offer refugees government issued IDs is ongoing.
- > Willingness to work: Refugees are actively taking part in financial literacy workshops, have the capacity to learn and are willing to take up job opportunities.
- > Stakeholder collaboration is strong: No duplication of efforts.
- > NFIS caters for all.

WEAKNESSES

- > Lack of self-reliance: Camp-based refugees are highly dependent on humanitarian funding which has been decreasing
- > Existence of unregistered asylum seekers: The process of registration is quite slow.
- > Proximity to financial institutions: Limited accessibility to financial services offered by FSPs due to the great distance and challenging terrain on the way to the camps.
- > Low uptake of formal financial products in rural areas: Most refugees prefer using informal financial products that have informal mechanisms.
- > Financial inclusion measurement: This is measured at the household - not individual - level, hence it is not representative of most of the population aged between 18-59 years.
- > No individualized financial inclusion of FDPs. This would otherwise provide a true picture of the financial inclusion of individual refugees rather than looking at the household level.

OPPORTUNITIES

- > Existing programs that address the digital and financial literacy among refugees.
- > Regulatory benefits for FSPs that provide services for refugees.
- > NFIS strategy to have 100% financial inclusion by 2024.

THREATS

- > Underfunding of humanitarian organizations: The humanitarian organizations are currently experiencing a decline in funding which has negative impacts on refugee income source.
- > Limited access to loan facilities.

KEY CONSIDERATIONS

NATIONAL STRATEGIES AND REGULATION

FORMULATE AND IMPLEMENT TARGETED INTERVENTIONS FOR FDPs, AND ENSURE CONTINUED ROBUST M&E OF NFIS IMPLEMENTATION

Financial inclusion stakeholders in Rwanda should continue to have accurate data to drive their NFIS implementation and make adjustments in policy as necessary. This includes further refinement in data collection and analysis to target refugees alongside or as part of the existing household - and MSME-level financial inclusion data. Such sex- and age-disaggregated data will provide in-depth information and high-quality evidence with regard to the financial inclusion of refugees in Rwanda. This will support policymakers in formulating targeted interventions for FDPs and including them in M&E frameworks to track implementation progress. This was similarly recommended in the FinScope Rwanda 2020 Report which stressed implementing interventions for the inclusion of vulnerable groups such as refugees and people living with disabilities.⁵⁴

LEVERAGE ALREADY EXISTING COORDINATION MECHANISMS

Financial inclusion stakeholders in Rwanda can continue to build on the strong coordination mechanisms currently in place for the NFIS, and expand coordination ties with key forced displacement stakeholders. This includes concerted action and data-sharing with the MINEMA, UNHCR and other NGOs and civil society organizations (CSOs) working in forced displacement.

INCLUDE THE VOICES OF REFUGEES

Financial inclusion stakeholders should continue to consult with and include refugees themselves in the implementation of the NFIS. Working directly with refugees and forced displacement stakeholders, such as the MINEMA, UNHCR, NGOs and CSOs, can reveal the types of financial products and services that are most needed or desired, and how to overcome barriers in their access and increase usage. This for instance, could involve leveraging remittances both to and from refugees living in forced displacement in Rwanda. Including refugee voices and their inputs into policy formulation and implementation will guarantee the legitimacy and impact of the NFIS. Where it can be meaningful and effective, refugee representatives should be included in coordination mechanisms.

IDENTIFICATION AND RELATED INTERNATIONAL STANDARDS ON AML/CFT

CONTINUE RISK-BASED MEASURES TO SIMPLIFY KYC AND CDD

While there is still strong overall drive to provide refugees with identification documents in Rwanda, financial inclusion stakeholders can consider the formulation and implementation of a risk-based, tiered KYC regime that has provisions for a lower-risk tier. This can enable the onboarding of refugees who have been confirmed as lower-risk through a national or sectoral risk assessment. This tier could be simplified by removing identification or proof of address requirements for the offering of low-balance accounts that are still subject to consistent monitoring.

FINANCIAL CONSUMER AND DATA PROTECTION, FINANCIAL LITERACY

IMPLEMENT DIGITAL FINANCIAL LITERACY INITIATIVES FOR REFUGEES

One of the pillars of the Rwandan NFIS is “responsible finances” which is focused on enhancing the financial capability of consumers towards increasing the usage of quality formal financial services.⁵⁵ Refugees can be included in broader measures to increase financial capability such as through targeted digital financial literacy programs, aligned with any FDP financial inclusion targets established, as previously recommended in “National Strategies and Regulation.”

BRIDGING HUMANITARIAN AND DEVELOPMENT APPROACHES WITH DIGITIZED PAYMENTS

FACILITATE MOBILE AND FINTECH SOLUTIONS FOR REFUGEES

Challenges in providing services in remote camp settings were highlighted as one of the major difficulties in expanding financial access for many refugees. These geographical or access point constraints can be overcome with continued work on innovation, through the creation of enabling policy and regulatory environments for mobile money or even Fintech solutions. While physical banking infrastructure remains important, coordinating with the Rwandan Ministry of ICT and Innovation and the Rwanda Utilities Regulatory Authority (RURA), in addition to building on existing initiatives in the digital finance space⁵⁶ should enable more refugees to be financially included.

54 Access to Finance Rwanda. 2020. FinScope Report: Financial Inclusion in Rwanda 2020. Available at: <https://www.statistics.gov.rw/publication/finscope-rwanda-2020>

55 Ibid.

56 For instance, the electronic platform initiatives outlined in AFR. Digital Financial Services in Rwanda - Leveraging technology for maximum use of financial services: FinScope Impact Assessment Note. 2016. Available at: <http://www.ruralfinanceandinvestment.org/node/2829>

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ACRONYMS AND ABBREVIATIONS

AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
BNR	National Bank of Rwanda
CDD	Customer Due Diligence
CRRF	Comprehensive Refugee Response Framework
FATF	Financial Action Task Force
FDPs	Forcibly Displaced Persons
FSPs	Formal Financial Service Providers
GCR	Global Compact on Refugees
GoR	Government of Rwanda
IDPs	Internally Displaced Persons
KYC	Know Your Customer
ML/TF	Money Laundering and Terrorist Financing
M&E	Monitoring and Evaluation
NFIS	National Financial Inclusion Strategy
NRA	National Risk Assessment
RBA	Risk-Based Approach
SDGs	Sustainable Development Goals
UNHCR	United Nations High Commissioner for Refugees

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