SAVINGS GROUPS FOR REFUGEES

10 Tips for Development and Humanitarian Actors

seep
leading collaboration & learning
fsdafrica
UKaid
from the British people

This learning brief was developed by the SEEP Network's Peer Learning Group on Savings Groups for Refugees, in partnership with FSD Africa.

Contributors

Shatha Alfayez (*Danish Refugee Council*)

Kingsly Atemnkeng (*formerly Trickle Up*)

Mohamed Bathily (*Mercy Corps*)

Alexi Bernagros (*Trickle Up*)

Mélina Djre (*United Nations High Commissioner for Refugees*)

Anna Ferracuti (*United Nations Capital Development Fund*)

Brianna Fierro (*SEEP Network*)

Marion Kimani (*FSD Africa*)

David Panetta (*SEEP Network*)

Nicki Post (*Mercy Corps*)

Dr. Richard Reynolds (*VisionFund International*)

Sonya Salanti (*SEEP Network*)

Kuria Wanjau (*FSD Africa*)

Sarah Ward (*SEEP Network*)

Kim Wilson (*Fletcher School of Law and Diplomacy, Tufts University*)

About SEEP

SEEP is a collaborative learning network. We support strategies that create new and better opportunities for vulnerable populations, especially women, to participate in markets and improve their quality of life. For over 30 years, our members have served as a testing ground for innovative strategies that promote inclusion, develop resilient markets, and enhance the livelihood potential of the worlds' poor. SEEP's 100 member organizations are active in 150 countries worldwide. They work together and with other stakeholders to mobilize knowledge and foster innovation, creating opportunities for meaningful collaboration and, above all, for scaling impact.

For more information, visit
www.seepnetwork.org
or follow on Twitter @TheSEEPNetwork.

About FSD Africa

FSD Africa is a specialist development agency working to reduce poverty by strengthening financial markets across sub-Saharan Africa. Based in Nairobi, FSD Africa's team of financial sector experts work alongside governments, business leaders, regulators and policy makers to design and build ambitious programs that make financial markets work better for everyone. Established in 2012, FSD Africa is incorporated as a non-profit company limited by guarantee in Kenya. It is funded by UK aid from the UK government.

For more information about FSD Africa, visit
www.fsdafrica.org
or follow on Twitter @FSDAfrica.

TABLE OF CONTENTS

INTRODUCTION

> "The core essence of financial inclusion lies in its non-discriminatory principle that everyone, everywhere, should have access to essential financial services that are affordable and that meet their needs. When it comes to refugees, however, access to even the most basic financial services, such as opening a bank account, is not legally allowed in some countries and problematic in most others."
>
> -Micol Pistelli (UNHCR, 2017)

Savings Groups can overcome some of the barriers to expand access to finance for refugees. They do not require legal identification, collateral, or investments in infrastructure. They can be integrated with formal financial services and digital payment systems – but can operate independently as well. And they appeal to refugees as many are already familiar with informal savings and lending. In fact, informal savings mechanisms are the most prominent financial service provider in refugee communities; and emerging evidence suggests that Savings Groups perform just as well in refugee communities as in host communities.

Several challenges remain, however, before these efforts can reach scale. The mobility of refugees challenges some of the basic principles and operational norms of Savings Groups; legal barriers to employment and the isolation of refugee camps constrain livelihoods opportunities; increased levels of theft and insecurity can place members and group assets at risk; traditional group mobilization and training practices may not be sufficient to develop group solidarity amongst target populations comprised of multiple nationalities, ethnicities and languages, and without permanent residency; and evidence remains thin regarding the complex interactions between Savings Groups and humanitarian aid, including cash transfers, food aid and other in-kind support.

WHERE DO THESE TIPS COME FROM?

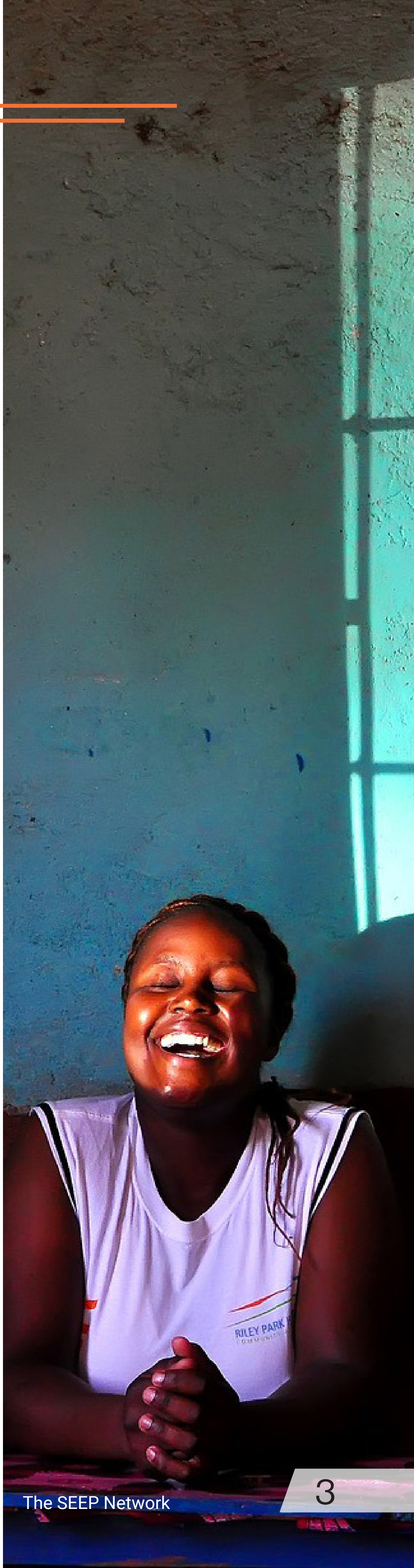
These 10 tips are a product of the SEEP Network's peer learning group on Savings Groups for Refugees – composed of representatives from the Danish Refugee Council, the Fletcher School of Law and Diplomacy of Tufts University, FSD Africa, Mercy Corps, Trickle Up, the United Nations Capital Development Fund, the United Nations High Commissioner for Refugees, and VisionFund International.

Through our consultations with experts, Savings Groups and refugee and host communities, we were able to dispel two misconceptions widely held by practitioners and policymakers in the humanitarian sector.

First, we acknowledge that when refugees begin to settle – and are not in the midst of an ongoing journey – they are stable members of Savings Groups and good stewards of group assets. Savings Groups composed of refugees are not volatile, as imagined by sceptics.

Second, we recognize that refugees have the demand and capacity for regular savings deposits, and to service loan obligations, despite subsisting on relatively low incomes. In situations where refugees receive humanitarian cash assistance, incomes are more stable than those of host populations. Indeed, refugees have proven over the past decades that they can be dependable savers and borrowers.

The experience and lessons learned of the Peer Learning Group is consolidated in these 10 tips for development, humanitarian and market actors that promote or work with Savings Groups for refugees.



TIP 1

BEST PRACTICE STILL APPLIES

We recommend using established [Savings Groups methodologies] while adhering to [industry-accepted best practices]. As with non-refugee populations, refugees build savings habits through regular, flexible savings deposits. In many instances, Savings Groups may be the primary source of credit for members, creating pressure to lend. Facilitators should help groups to understand loan rules and procedures, intended to protect the group, borrowers and all members.

Transparent recordkeeping, election of officers, and share-outs are the hallmarks of healthy Savings Groups in non-refugee contexts. So are solid savings and lending policies. These same principles apply in refugee contexts. And as is the case with traditional groups, self-determination and participative rule-setting promote the kinds of skills needed for refugee members to resolve disputes and build group assets.

Savings Group program managers and facilitators can adapt approaches and strategies based on local context, market forces, and the specific needs of refugees. Some groups include refugees as well as members of the host population; others may include both older and recent arrivals; and others still may include camp and non-camp members. Best practices still apply to these scenarios.

Key Resources:

Savings Groups – What are they?
(Allen and Panetta, 2010)

Program Quality Guidelines for Savings Groups
(SEEP Network, 2015)

Savings Groups and the Dynamics of Inclusion
(Allen, 2018)

Good Practices for Savings Groups under the Kigoma Joint Program
(UNCDF Tanzania, 2019)

Strengthening Resilience Through Savings Groups
(UNCDF Tanzania, 2019)

TIP 2

BUILD ON WHAT EXISTS

People are more likely to use products and services that they are already familiar with. Refugees are no different. In countries around the world – from Syria to the Democratic Republic of Congo to Myanmar – people use informal savings mechanisms. Wise practitioners spend the time to understand the financial behavior of refugees – their networks, affiliations, habits, preferences and biases – and use this information to develop and support Savings Groups that respond to these experiences.

Many refugees, separated from family and friends during their journeys, arrive in their host country absent any social network. This can be a barrier to joining or forming a group made up of trusted members. Additionally, as result of persecution faced in their country of origin, many harbor high levels of distrust of their new neighbors. It may be difficult for them to summon the kind of relationships needed to start a group from scratch. Facilitators can step into the breach by making introductions among interested members. Naturally, facilitators must avoid forcing groups together.

Forming new groups is not always necessary. Instead, development organizations may be better positioned to help existing Savings Groups develop and mature. Activities may include helping a group sort through a problem, create bylaws, or improve their recordkeeping. This type of support can help strengthen the functionality of Savings Groups, while also building social cohesion.


The SEEP Network

Examples:

1

Integrating refugees in existing Savings Groups in Malawi

In Malawi, the Building Self-Reliance for Refugees Program delivers a graduation program, including Savings Groups, to improve the resilience of refugees and host communities. Prior to the project, informal savings groups existed in the camp and surrounding host communities. By leveraging these existing groups, the program supports refugees to overcome the challenges of forming new groups. Building upon existing groups requires less investment compared to forming new groups, and the adjustments required to align approaches with best practices were minimal.

2

Working with informal savings groups in Uganda

In Uganda, the International Rescue Committee (IRC) supports refugees belonging to a variety of informal savings groups. The IRC advises these groups on issues as they arise, devising custom solutions. Volunteers and staff counsel members on pricing shares, interest rate calculation methods, and managing share-outs. Groups report that the service is invaluable in resolving disputes, claiming that an impartial party such as the IRC garners the trust needed to arrive at a collective resolution.

Key Resource:

Village Savings and Loan Association Assessment: Graduating to Resilience
(USAID, 2019)

TIP 3

CHALLENGE THE MISCONCEPTIONS OF FINANCIAL SERVICE PROVIDERS


The SEEP Network

Financial service providers (FSPs) largely overlook refugees as a viable client segment. Historically viewed as transient, risky, stuck in camps and not undertaking any productive, income-generating activities, refugees are often excluded from the formal financial sector. This means that successful Savings Groups and their members struggle to access formal services that may help them better meet their financial needs.

FSPs require a business case that clearly details how refugees can represent a viable market segment. Work with Savings Groups. Use their data and records, access other data points from humanitarian and development assessments to help develop and present the business case to FSPs.

And above all, speak the language of the financial sector and give FSPs information that they value and understand:

1. Present the financial needs, use cases and demand for financial services by refugees.
This starts to make the case for refugees' potential as customers. Like other low-income segments, refugees need the following: savings or transaction accounts to safely store income and minimize the risk of theft; loan products for livelihoods and business investments; insurance to minimize the financial impact of unpredictable events; and convenient access to financial channels to receive remittances.

2. Segment the refugee population by income levels and sources of income.
Effective product design requires an understanding of client income sources, levels and flows. This information help FSPs determine the profitability and risk of specific products and market segments and identify opportunities for bundling and cross-selling of additional products from their existing portfolio.

3. Explore the feasibility of different cost structures, and their impact on profitability.
Providing financial products and services to any customer segment requires product development teams to think hard about the profitability of the product and of the segment, and how each aligns with the institutions' vision and mission. This is no different for refugee populations.

4. Adaptation vs. innovation.
For FSPs, serving refugee populations does not always mean coming up with new solutions. FSPs can provide refugees existing products with minor adaptations to the product or business processes, such as agents that speak the language of the refugee segment.

5. Articulate the positive contribution to the economy.
Evidence shows that refugees that are integrated into the broader economy make positive contributions to the economies of host communities. Financial services are likely to play an important role in helping refugees integrate and contribute to the broader community.

6. Help FSPs address KYC issues.
An important factor that limits the ability of FSPs to serve refugees and their Savings Groups is 'Know Your Customer' requirements. These requirements vary by regulatory jurisdiction as well as the internal policies of financial institutions. Helping group members to ensure they have the identity documents they need can go a long way toward the due diligence efforts of FSPs.

Examples:

1 The positive impact of refugees on host communities

A 2016 **study** in Rwanda, conducted by the Maastricht Graduate School of Governance, demonstrates that Congolese refugees have a positive economic impact on host communities.

2 Refugees constitute a viable market for FSPs in Rwanda

Research conducted by FSD Africa on **refugees and their money** concludes that, contrary to expectations, refugees in Rwanda are a viable market segment for FSPs, with as much potential to generate profit for FSPs as traditional clients.

3 Groups in the West Nile demonstrate their viability as a market for loans

A 2018 **study** by VisionFund International in the West Nile region in Uganda reveals the demand and viability of expanding financial services for refugees and host communities in the region.

Key Resources:

Assessing the Demand for Goods and Services (Financial and Non-Financial) Among Refugees and IDPs in the Democratic Republic of the Congo
(FSD Africa, 2019)

Refugees and Their Money: The Business Case for Providing Financial Services to Refugees
(FSD Africa, 2018)

TIP 4

CONNECT EARLY. LEARN ABOUT THE SKILLS, ASSETS AND NEEDS OF REFUGEES AS THEY ARRIVE IN THE HOST COUNTRY.

Traditional humanitarian needs assessments and processes, such as registration, generate a lot of data that can support the effective design and implementation of Savings Group programs for refugees.

It is important to first determine what data exists and connect with the responsible community, government, NGO and UN actors to develop a profile of the target population, including socio-economic and educational backgrounds, skillsets, assets, levels and sources of income sources, coping mechanisms, and current and possible future needs.

In the early stages of program development, information should also be collected about the host country financial sector and labor regulations – work permits, business permits, tax IDs, refugee identity cards, driver's licenses, etc. Demystifying bureaucratic procedures can help refugees access the services they need to fully participate in local markets.

Examples:

1 In 2016, UNDP conducted a **livelihoods needs assessment in the Bidibidi and and Mungula II refugee settlements** in the West Nile region. The assessment provides an overview of the livelihoods in the settlements, with a focus on gender and risk management; as well as skill sets and education, and access to land, water and health services – valuable information for the design of humanitarian and development programs, including Savings Groups.

2 In general, each humanitarian agency owns and manages its own database – and they do not interface with each other. In Tanzania, for instance, WFP, IOM and UNHCR are typically the first point of contact for refugees; and the information they collect remains largely for internal purposes.

With appropriate data protection and privacy safeguards, making those databases open for development and humanitarian actors may drastically improve the formation of Savings Groups – and the support services provided to members.

Connecting early requires starting a record or personal history that is portable and as complete as possible. Such a record would help refugees rebuild their lives without having to start all over again at each border, project, service provider or touch point.

TIP 5

SAVINGS GROUPS REQUIRE TRUST. SUPPORT GROUP COHESION.


Andreas Peham

Within refugee populations, there is often a reduced sense of community and levels of trust. Many refugees continue to be haunted by fear and insecurity, long after relocation. Under these circumstances, the need to relate and engage with each other is even more important. One of the main benefits of belonging to a Savings Group – beyond access to financial services – is the opportunity to form new bonds.

Traditional animation activities – such as dance, celebration and drama – that build group cohesion can be effective where trust and a sense of community are nascent. Participation in religious and cultural activities can also promote interaction and bonding among refugees, strengthening the social networks that support group formation and functioning.

While social cohesion within the refugee population is necessary, similar efforts should be directed to building interactions with host communities. If Savings Groups are only promoted and supported for refugees, it can create resentment and conflict with host communities. Facilitators should be sensitive to these tensions and work to mitigate them. Context-specific solutions might include creating mixed groups, finding private meeting places, promoting community dialogues and receiving the blessings of local leaders.

Example:

In Rwanda, interaction between Congolese refugees and local Rwandans engendered trust

A 2019 study investigates how social dimensions of life in local communities are affected by the long-term presence of Congolese refugees in Rwanda, focusing on feelings of safety, social networks and trust. Qualitative evidence suggests that greater interaction between refugee and host populations increases trust; and economic and social support given to refugees plays a key role in reducing and preventing conflict between the two groups. These findings map the experiences and give voice to host communities' perspectives on social life in their community.

Key Resources:

Changing opportunities: refugees and host communities in western Tanzania
(University of North Carolina, 1999)

How do refugees affect social life in host communities? The case of Congolese refugees in Rwanda
(Fajth et al., 2019)

TIP 6

ENSURE GOOD COMMUNICATION. LANGUAGE MATTERS.

Catholic Relief Services

Effective communication builds bridges. Facilitators impart information on how to form groups, where to access additional services, and how to manage financial instruments. This information should be conveyed to communities and potential members in their local language, and in ways they understand.

Facilitators should not only speak the same language as the refugee population; they should also understand the cultural dynamics of the community. In some situations, it can also be useful to have facilitators from outside the refugee community, as they can support communication with host populations and local institutions. In all instances, close attention should be placed on the ability of facilitators to communicate effectively with group members.

Such attention to language and cultural issues can also pave the way for better adoption of formal financial services. We recommend that FSPs serving refugees also hire staff familiar with the language and culture of refugee clients.

Examples:

1 **An FSP in northern Uganda finds refugee staff key to financial service adoption**
In northern Uganda, a financial service provider reported a marked difference in service uptake by refugees when the service was promoted by a refugee versus a local staff person. The product was more readily understood and positive perceptions about its benefits increased.

2 **World Vision and DRC learn that group formation improves when facilitators come from the refugee population**
In the West Nile, World Vision experienced more efficient group formation with tighter bonds forming among members when facilitators came from the same community as the targeted refugee population. The Danish Refugee Council in Nairobi experienced similar results.

3 **In Mali, Mercy Corps built on native languages as much as possible**
In Malian villages affected by conflict and displacement, Mercy Corps delivered financial education to refugee Savings Groups. Using distributed mobile phones, members were able to listen to free audio messages, in their local language, related to financial education and business skill development; they could also make savings deposits, request and receive a loan, and make loan repayments in their native tongue.

TIP 7

THE FINANCIAL SERVICES NEEDS OF REFUGEES ARE DIVERSE. ONE SIZE DOES NOT FIT ALL.

The financial needs of refugees are both diverse and evolving. Solutions – including Savings Groups – should be based on a clear assessment of the displacement period of the refugees targeted for services.

The table below summarizes the displacement phases of refugees and their main financial service needs in each stage, according to the United Nations High Commissioner for Refugees (UNHCR) and the Social Performance Task Force (SPTF) Working Group on Microfinance and Refugees.

Displacement phase	Financial Service Demands
Phase 1 (arrival)	Survival cash for: food, housing, medical services and to repay debt incurred during escape.
Phase 2 (initial displacement)	Saving products, remittances, microcredit for consumption, health insurance.
Phase 3 (stable/protracted displacement)	Saving products, microcredit for business and consumption, mortgage/home improvement loans, transactional accounts for cross-border payments, remittances, health insurance.
Phase 4 (permanence)	Saving products, micro-credit for business and consumption, pension plans, insurance products. If return/resettlement is the goal: savings for journey, transferable credit history, transferable pension schemes.

The financial needs of a recent refugee, or a refugee with a small income-generating activity, may be met by joining a Savings Group. But more may be needed.

The needs of some group members may outstrip the capital available in the group fund. Their growing businesses could require larger loans for working capital or expanded investments. In these instances, development organizations can facilitate an introduction between qualified refugees and MFIs or banks.

Savings Groups can help build the financial histories and capabilities of refugees, supporting improved access to financial institutions. Key components in this pathway include good records, information management beyond group or project lifecycles, co-development of data collection methods, and the effective transmission of information to stakeholders. For more mature groups, development organizations may consider facilitating relationships with commercial banks and MFIs.


The SEEP Network

In all cases, practitioners may find that cookie-cutter approaches to financial services will not suffice. Understanding the range of needs and capabilities will help in the design of bespoke solutions.

Example:

Match-making workshops between FSPs and refugees can produce good results

In Kenya, in 2018, the UNHCR facilitated a match-making workshop between refugee business owners and microfinance institutions. Participating MFIs learned about the special circumstance of refugee entrepreneurs and quickly identified how their off-the-shelf products might be best adapted to serve a new market.

Key Resource:

Serving Refugee Populations - The Next Financial Inclusion Frontier: Guidelines for Financial Service Providers
(UNHCR, 2017)

TIP 8

RECOGNIZE THE "AID" CONTEXT. WORK WITH OTHER DEVELOPMENT AND HUMANITARIAN ACTORS.

Refugee communities have diverse needs and a range of actors working with them, whether in camps, settlements, villages or urban settings. Linking Savings Groups to protection activities and other services that support basic needs can have a 'wraparound effect' for refugee households.

The loss of livelihood and productive assets during flight, as well as the hardships endured by refugees during their journeys, make them particularly exposed to risks. While Savings Groups support resilience, practitioners should not consider them a standalone solution. Refugees need support to meet basic needs and to overcome barriers to access education, work, information and social services.

The combination of Savings Groups and support for basic needs – such as protection, shelter, legal and employment counselling, business support services, and access to markets – is mutually reinforcing. Whether in camps or urban settings, make sure to connect and work alongside partners providing such 'wraparound' services. **UNHCR's partner list** is a good resource to map existing service providers.


CARE International

Examples:

1

The Graduation Approach

The Graduation Approach is a sequenced and time-bound intervention that aims to help the extreme poor build resilience. The approach works well with refugee populations. The holistic approach supports social protection needs through: consumption support, coaching, referral services and linkages; financial inclusion; social empowerment; and livelihoods promotion.

Several graduation projects in West Africa, implemented by Trickle Up and UNHCR, have integrated Savings Groups. Savings Groups are promoted as a safe place to save cash transfers and other income, build assets, support consumption smoothing, and serve as a platform for the delivery of other services.

2

The Case Management Approach

Another good example of cross sectoral interventions is the 'case management approach', applied by Refugee Point to urban asylum-seekers in Nairobi.

Through this integrated model, 'Case Managers' coordinate a range of services – including livelihood support and the promotion of Savings Groups – for asylum-seeking households. Given their pivotal role and connections with service providers, Case Managers have a comprehensive perspective on the needs of asylum seekers and can tailor support as necessary.

Key Resources:

Leaving no one behind: graduation for refugees
(UNHCR, 2017)

UNHCR Partner List

TIP 9

REFUGEE SAVINGS GROUPS MAY NOT BE VERY DIFFERENT. BUT THEY NEED MORE TIME.


The SEEP Network

The formation of Savings Groups within refugee populations may not be very different from other contexts – but it may require more time. The timeline for most refugee funding and work is short, sometimes less than six months. By contrast, a Savings Groups is typically trained over a period of about 9-12 months; and most traditional Savings Group projects last 2-3 years.

Promoting Savings Groups with refugees may require more time. Potential members need to get to know each other and adapt to new circumstances.

Refugee contexts are further complicated by unforeseen events: closure of camps, repatriation, resettlement, disruptions in food distribution, and the revocation of rights, for example, again requiring time for facilitators to help groups stabilize. And partnership development (see **Tip 8**) in an evolving, often unstable context also takes more time.

The design and duration of activities is also affected by the phase of displacement – where in their journey refugee members find themselves. Is the target population composed mainly of recent arrivals? Or have they been coping in their circumstances for years, even decades?

Savings Group programs for refugees should last at least two years – ideally more. And promoters should build in an additional six months (beyond what a non-refugee group would require) into group training and supervision.

Example:

The degree to which group formation must be adapted varies by context

In Nairobi, the Danish Refugee Council promotes Savings Groups among urban asylum-seekers, most of whom were known to each other and had business relationships prior to the project. In this context, group formation is not very different compared to non-refugee populations.

In contrast, in northern Uganda, Seed Effect observes that refugee Savings Groups are more vulnerable to the unexpected departure of members. In response, staff built extra time into the training curriculum to introduce safeguards such as training an Assistant Record Keeper, peer-to-peer support, and simplified group records to accommodate greater member turnover.

TIP 10

SAVINGS GROUPS AND ECONOMIC INCLUSION – THE CHICKEN AND THE EGG

Savings Groups contribute to economic inclusion. On the other hand, a minimum level of economic activity may be required for individuals to participate and benefit from Savings Groups.

Access to markets, employment opportunities and formal financial services may be more limited for refugees than for host populations. Many refugees live in urban centers with constraining work permits and business licensing. Others live in camps, often in rural areas and cut-off from markets.

Nevertheless, even when livelihood options are curtailed, the benefits of Savings Groups are multiple. Savings Groups can help members cope with economic and personal shocks, strengthen social and business networks, and build self-esteem.

In other words, refugees, like any other marginalized group, would derive greater benefits from Savings Groups with improved access to markets, employment opportunities, skills development and formal financial services. Yet, even when relegated to the margins of an economy – with limited mobility, documentation and rights – refugees stand to benefit from Savings Groups. Groups may be the only support system they have.

Example:

Shrinking markets curtail the livelihood options for refugee Savings Groups in Tanzania

Tanzania hosts over two million refugees – 74 percent of whom are Burundian and the rest Congolese. They reside in three refugee camps located in the northwestern region of Kigoma and are not allowed to leave them.

Since 2017, the United Nations Capital Fund (UNCDF) has supported the creation and strengthening of Savings Groups in both refugee camps and host communities in Tanzania. In 2018, Tanzania withdrew from the **Comprehensive Refugee Response Framework**, prioritizing returns over integration. The country has restricted the income-generating activities of refugees, including closing the common markets with host communities as well as internal markets within the camps. Since the closure of common markets, which previously allowed refugees and host communities to trade with each other at the border of the camps, the income and livelihood options of both refugee and host communities has been scaled back.

Key Resource:

Strengthening resilience through access to finance – findings from a comparative study between refugees and host communities in Kigoma
(UNCDF, 2017)