

Microfinance Programmes in UNHCR operations – Innovative Microlending in Kenya – Kiva Zip & RefugePoint

ENABLING REFUGEE ENTREPRENEURS TO BECOME MORE SUCCESSFUL AND SELF-RELIANT

Microfinance is an important part of helping refugees to become self-reliant. Financial services such as savings accounts, credit, money transfers and micro insurance are highlighted in UNHCR's *Global Strategy for Livelihoods (2014-2018)*, and should be a key element in all comprehensive livelihoods programmes. UNHCR works with accredited microfinance institutions globally to provide refugee entrepreneurs with access to these services.

What is Microfinance?

Microfinance is the supply of small loans, savings, insurances and other basic financial services to people who earn a low income or who do not have access to formal banking.

There are an estimated 2.5 billion financially excluded adults today, with almost 80 per cent of those living under \$2 per day having no accounts at formal financial institutions. The growth of micro, small and medium-sized enterprises (MSMEs), which are, collectively, the largest employers in many low-income countries are often stifled by a lack of access to credit and savings services. About 200 million formal and informal businesses in developing countries lack the financing they need to grow.

Successful microfinance projects help refugees with a range of tools according to the needs and opportunities available, by offering services and products to help safeguard assets, build financial capital, and strengthen resilience to market shocks.

UNHCR'S ENGAGEMENT WITH MICROFINANCE

UNHCR recognizes that access to financial capital is an important element of the durable solutions needed to promote self-reliance, coexistence, and dignity of the displaced through economic empowerment. In addition, UNHCR recognizes the role of microfinance in protecting and building financial capital for men and women that lack access to mainstream financial services, aiming at expanding their livelihoods opportunities and supporting their socio-economic well-being.

UNHCR works with financial institutions, partners and local governments in host communities to allow access to services and products where they exist, and develop them where they do not. UNHCR does not directly deliver microfinance services for people of concern, but plays a central role in planning, financing and monitoring the projects implemented by appropriate microfinance partners.

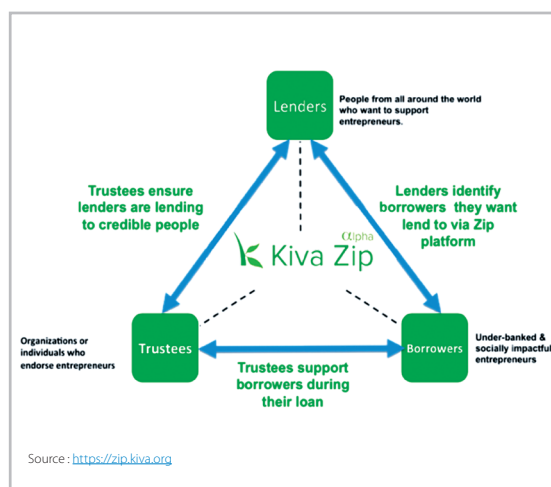
For successful projects, refugees need to be able to trust service providers to protect their assets and help them build financial capital. Services must be appropriate to local circumstances, and avoid rates or conditions that vary greatly from those offered to the host community. Where loans are provided, partner financial institutions should ensure high repayment rates to dissuade inappropriate use of credit and maintain the sustainability of loan funds. Credit should not be targeted at the most vulnerable who are in need of cash transfers to meet their basic needs, but rather at refugees with entrepreneurial skills and/or an existing business.

INNOVATIVE MICROLENDING IN KENYA – KIVA ZIP & REFUGEPPOINT

As of October 2014, some 583,000 refugees and asylum-seekers reside in Kenya. Many refugees in Nairobi as well as Kakuma and Dadaab camps run successful small businesses that meet their basic needs. A lot of them, however, are unable to accumulate sufficient capital to grow their businesses and become more successful entrepreneurs.

Kiva Zip, a pilot programme of Kiva.org, is a micro-lending program started in 2005, connecting lenders and borrowers directly. In cooperation with UNHCR and implementing partner RefugePoint, Kiva Zip facilitates loans to refugees in Nairobi.

RefugePoint-a U.S. based organisation that works with the most vulnerable refugees in several African countries- acts as a trustee and selects refugees to participate in microfinance activities with KivaZip. As a trustee, Refugepoint does not bear financial responsibilities but guarantees for lenders with their public reputation. If the refugees who receive loans do not pay them back, RefugePoint loses the ability to act as a trustee, therefore limiting this opportunity for other refugees. While RefugePoint works with the most vulnerable refugees, all recipients prior to receiving a loan, first receive a cash grant to help smooth consumption as well as close scrutiny of their proposed business plan. Nairobi is a dynamic market, which lends itself to a bustling small trade economy. It should be noted that this case is unique and not representative of all operations, and as such it is uncertain if the Kiva Zip programme is scalable in other locations.



Kiva Zip advertises the refugee profile on the web and charitable persons from around the globe commit a small no-interest loan (upwards from \$5) towards the overall loan. In this way refugees in urban Nairobi use crowd sourced funding to access credit from around the globe.

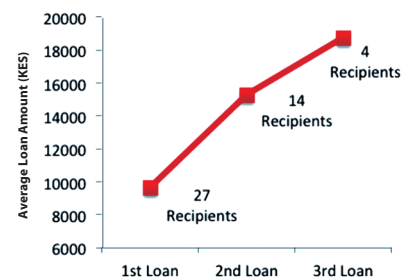
While most regular microfinance products involve low interest rates, Kiva Zip offers loans without interest and fees. The entire lending procedure takes place online and payments to the borrowers are made via the mobile money provider M-PESA. Refugees do not need a bank account or internet access, all communication and money transfers are made to their mobile phones. Refugees pay a small transaction fee to M-PESA for each repayment. The borrowing scheme, as well as the number of borrowers a trustee can endorse, both gradually increase with proof of repayment. The maximum amount for a first loan is \$125 or ~10 000 KSh. Once a refugee has established a repayment record (by repaying a loan successfully), s/he can move on to a higher credit level. Because the system builds on trust alone, one trustee can only endorse a set number of borrowers. Nairobi is a dynamic market, which lends itself to a bustling small trade economy.

The repayment rate of refugees is currently at 90 per cent and the impact of Kiva Zip loans has been very high. A tripling of average monthly income of beneficiaries from 4000 to 12 500 KSh (equivalent of \$40 to \$130). Also, in comparison to other beneficiaries, loans for refugees have been funded at a faster rate, the average being loans fully funded within 24 hours, and a record of 5 minutes.

Summary Statistics Kiva Zip & RefugePoint Loan Data

Total # of Loans to Refugees (2012 Nov - 2014 Apr)	45
Total # of Distinct Refugee Loan Recipients (2012 Nov - 2014 Apr)	27
% of Recipients With Additional Family Member Helping in Business or Doing Other Work	70%
% With Bank Account	33%
% With Savings Account	44%
Average Loan Size (Kenyan Shillings)	17518
Average Monthly Income (Kenyan Shillings)	11259
Average Total Current Savings (Kenyan Shillings)	5439
Average Working Capital Before Loan (Kenyan Shillings)	3128
Average Working Capital After Loan (Kenyan Shillings)	12026

Average Kiva Loan Size



Zewditu is a refugee from Ethiopia, living in Nairobi with her three children. Before she fled Ethiopia over 15 years ago, she had a full-time steady job. As a refugee, she had to start over taking jobs far below her skill level. After receiving an initial cash grant from RefugePoint, she started a peanut business. Receiving

a KivaZip loan of 15 000 KSh, she shifted to manufacturing the typical Ethiopian bread 'njeira'. As her customer base grew, she established a stable circle of customers. Today Zewditu produces 140 pieces of 'njeira' per day.

Before receiving the Kiva Zip loan, she worked as a domestic worker, earning about 4000 KSh per month. With her 'njeira' business going well, she is now able to earn on average 5000 KSh per day – thus earning more in one day than what she previously earned in one month. With the profit made, she pays for her children's school transport and food. She has also been able to move to a better house and install electricity, which she needs for the pan she uses to make njeira. So far she has not been able to make savings, but this is her priority the future.

Access to a no-interest microfinance loan from Kiva Zip has revolutionized Zewditu's earning potential. While it is unclear if this model can be brought to scale (only 45 loans to date), qualitative evidence suggests that well-targeted microfinance programmes can have transformative impacts on the economic well-being of refugees.

MORE INFORMATION

UNHCR and microfinance, see: <http://www.unhcr.org/pages/4ad2ebbc6.html>

UNHCR (2011): *Investing in Solutions - A Practical Guide for the Use of Microfinance in UNHCR Operations*, see: <http://www.unhcr.org/4eeb17019.pdf>

Homepage of Kiva Zip, see: <https://zip.kiva.org/>

Homepage of RefugePoint: <http://www.refugepoint.org/>

For any questions or inquiries regarding microfinance projects with UNHCR involvement please contact: livelihood@unhcr.org