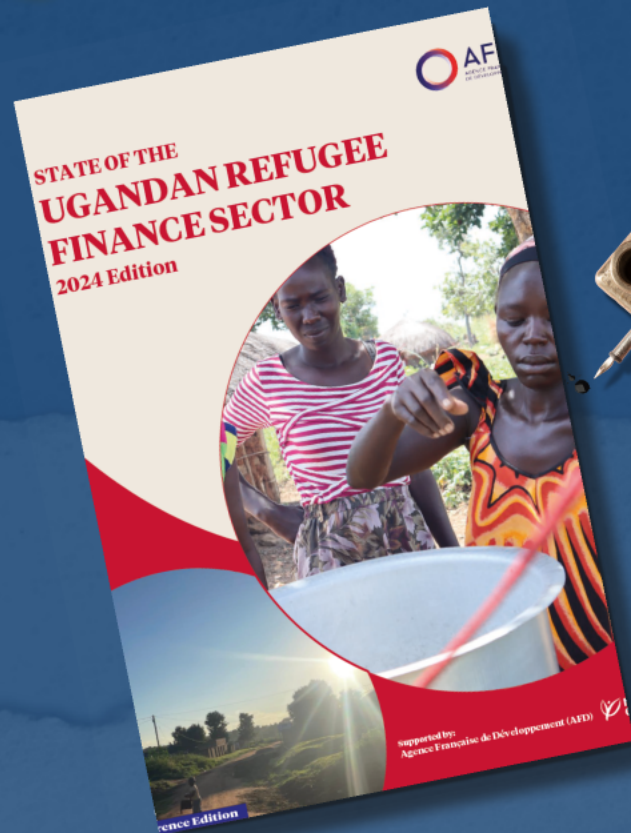


STATE OF THE UGANDAN REFUGEE FINANCE SECTOR REPORT



Uganda's Context

Drivers, Levers &
Opportunities

Overview:
Global Refugee
Finance

Recommendations
& Outlook

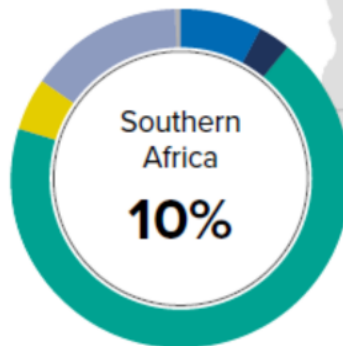
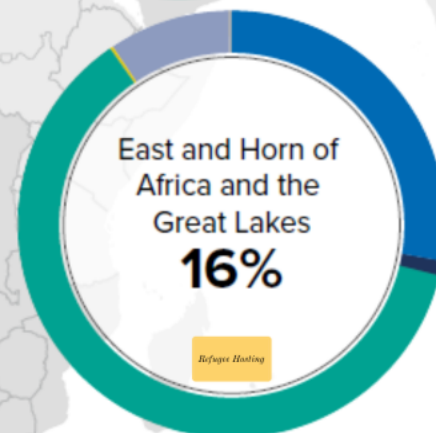
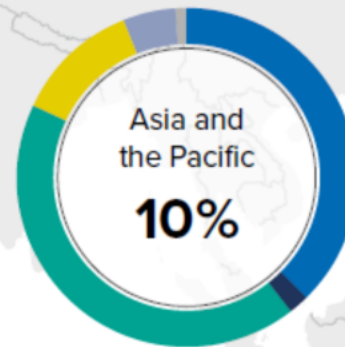
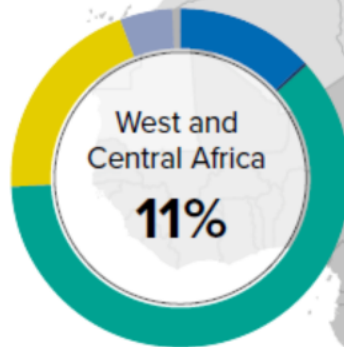
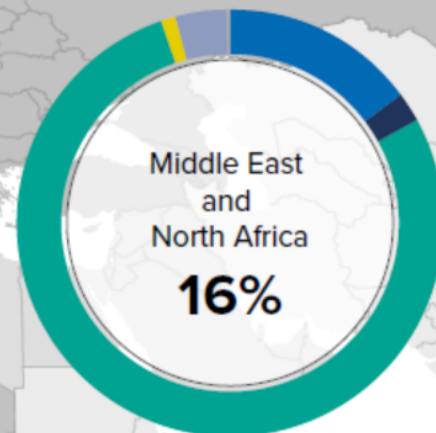
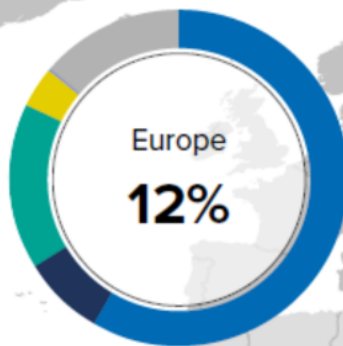
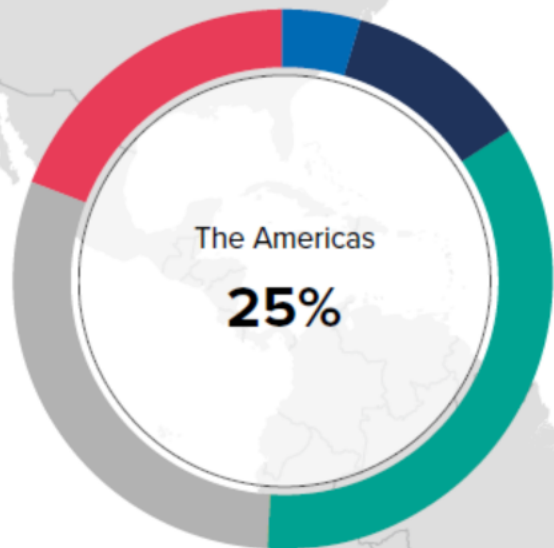
Top Refugee Hosting Countries

Why Forced Displacement is significant today

- Leading outcome of 2 of the 3 biggest social crises of our time (conflict, climate change)
- Rapidly growing global refugee population (tripling from 43.3M in 2009 to 117M in 2023) and average length of protracted displacement keeps growing
- Dwindling humanitarian aid (\$700 M funding gap recorded by UNHCR in Oct 2022 for refugee support)

Refugee Finance

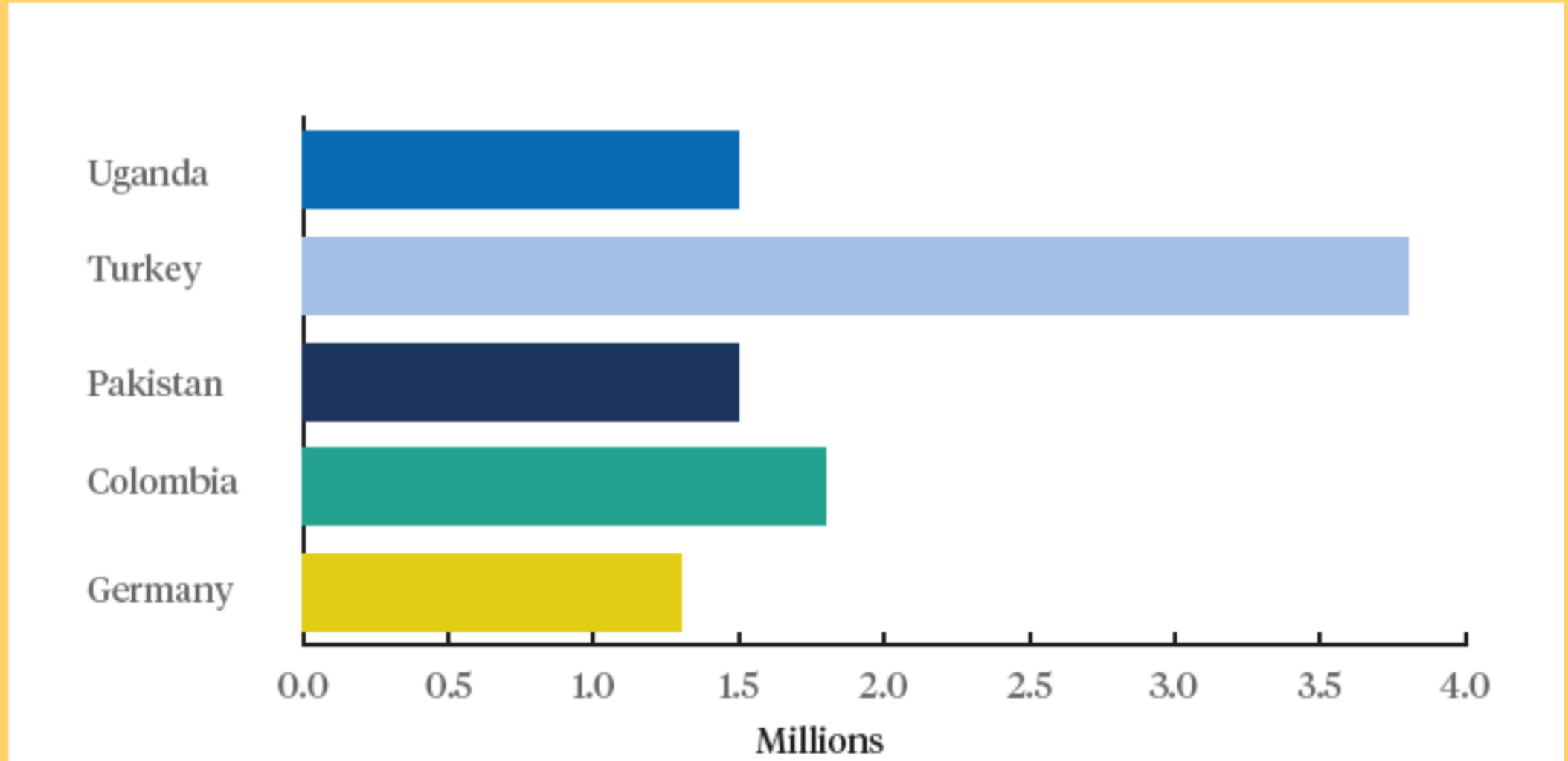
Determinants of FI for refugees



- Refugees
- Asylum-seekers
- Internally displaced people (IDPs)
- Stateless persons
- Returnees (refugees and IDPs)
- Others of concern
- Venezuelans displaced abroad

Refugee Hosting

Top refugee hosting countries in the world



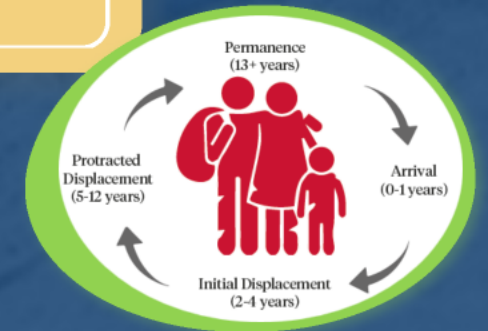


Nakivale refugees in registration queue

Refugee Finance

Includes both **financial and non-financial services** to meet refugee financial needs

- Savings
- Loans
- Insurance
- Remittances
- Financial, business, digital literacy training
- Market information access
- Business development services, mentoring



Displacement Phase

Displacement Phase	Key Financial Needs
<p>Phase 1: Arrival (0-1 year) Focus on immediate basic needs for protection, shelter, food, medical services, and communications technology to reconnect with family</p>	<p>Survival cash for housing, food, medical services, and often to repay debt incurred during escape.</p>
<p>Phase 2: Initial displacement (2 - 4 years) Focus on access to housing, education, learning the language, work, or business start-up</p>	<p>Financial services: Savings, remittances to family in country of origin; micro-/consumer credit for furniture, appliances, school fees, business equipment; and health insurance. This demand can remain latent due to real or perceived financial exclusion.</p> <p>Non-Financial services: Market information and access, job placement/vocational training, business skills, life skills and social interaction with hosts.</p>
<p>Phase 3: Stable/protracted displacement (5 - 12 years) Focus on making an increasingly better living</p>	<p>Financial services: Savings products, micro/consumer credit, mortgage/home improvement loans, business loans, transactional accounts for cross-border payments and remittances, and health insurance.</p> <p>Non-Financial services: Job placement, vocational or business training, linkages to the market /value chains, social/business interaction with hosts.</p>
<p>Phase 4: Permanence (13+ years) Focus resembling host population, i.e. livelihood building to ensure the best life possible for self and family.</p>	<p>If integration is the goal, financial service demands become more sophisticated and resemble those of hosts: savings, pension plans, credit, insurance, and transnational services (e.g. line of credit, remittances, insurance for family in country of origin).</p>

Determinants of refugee financial inclusion

Demand

- *Prior economic participation of refugees*
- *Social x'stics, gender*
- *Reasons for migration*
- *Location (rural, urban)*
- *Displacement phase*
- *Human, social capital and income generating capacities*

Demand

Supply

- *Maturity of innovations & inclusive finance ecosystem*
- *Availability of cheap short and long-term capital deployed to vulnerable populations*
- *Growth and maturity of MFIs and community lenders*
- *Degree of partnerships and collaboration between govt & private sector*
- *Priority placed on NFS*

Supply

Policy

- *Existence of clear & inclusive legal and regulatory frameworks*
- *Presence/absence of policy signals, NDPS, FI strategies,*
- *Presence of Safeguards for financial offerings (responsible finance)*

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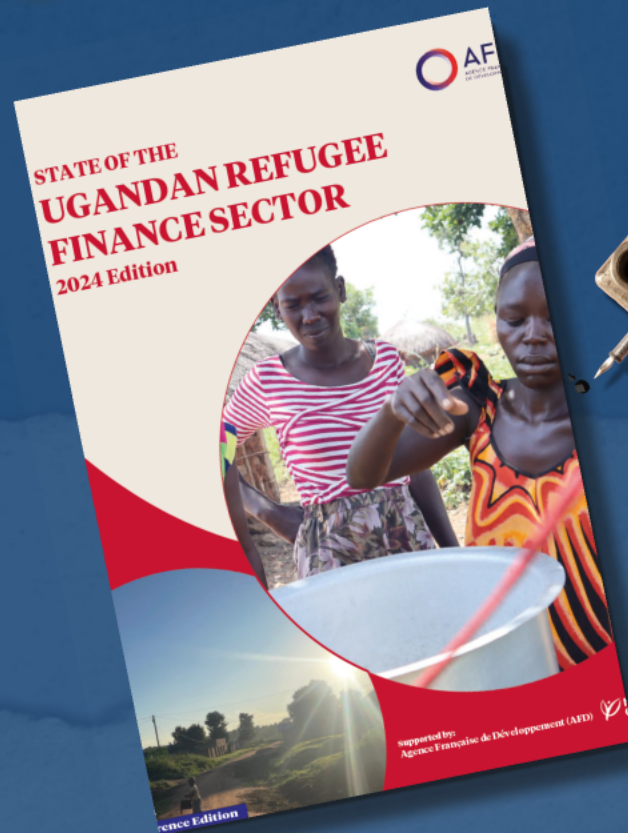
Degree of partnerships and collaboration between govt & private sector

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Market Demand



- Majority of market demand value driven by host communities, with W. Nile and S. West nearly at parity
- Average loan size for a refugee entrepreneur between **UGX 1-5M**
- Dire humanitarian situation with reduced aid and limited capital available through VSLAs and SACCOs for refugees
- Both urban and settlement-based refugee increasingly demanding bigger ticket loans from FSPs

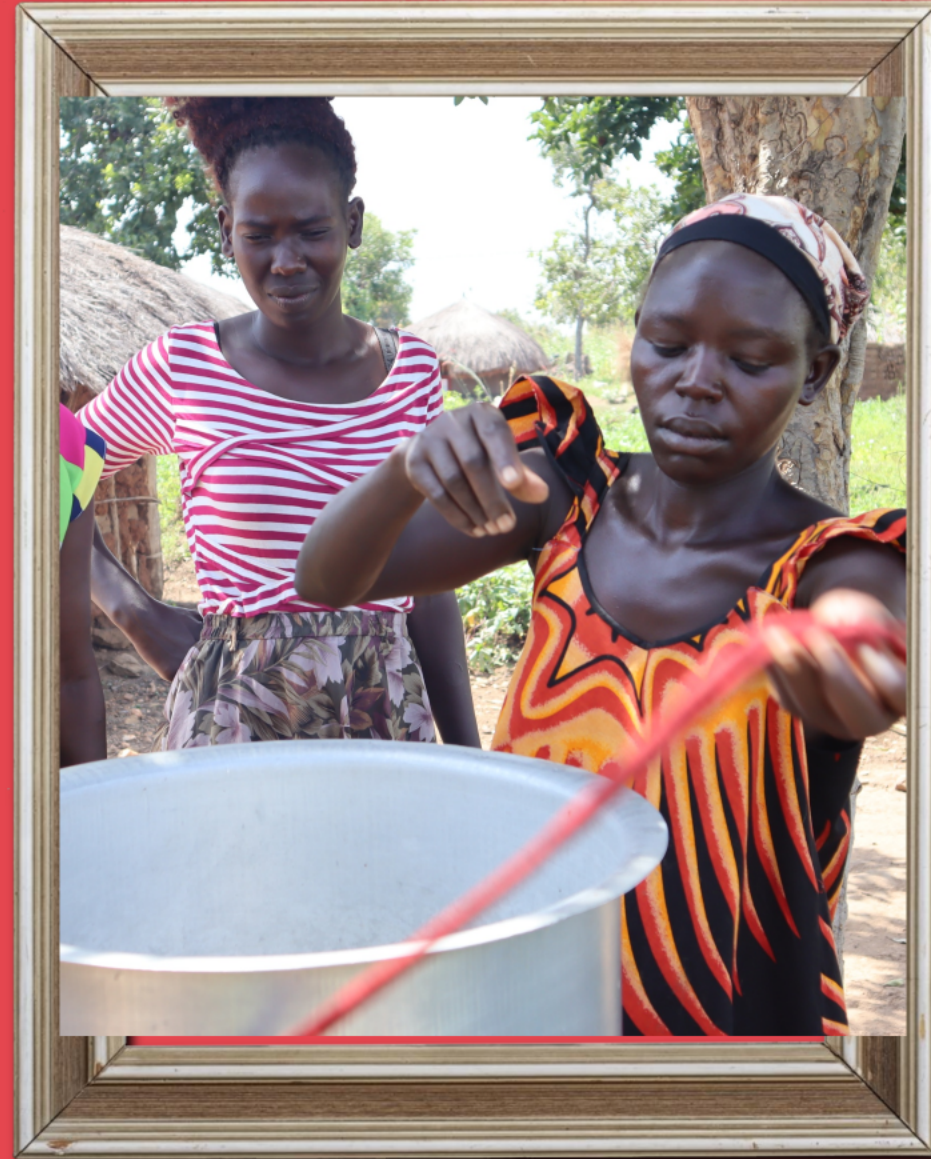
Est. annual demand approx. **\$500M**

Supply Profile

- Digitization of VSLAs and linkage initiatives with FSPs on the rise
- Devt agencies funding more piloting and testing of commercial viability of the refugee market with FSPs
- MFIs more active in offering financial services to refugees compared to commercial actors
- For those actively serving this segment, refugees generally regarded as a homogenous group by most FSPs, and a mix of approaches are employed to target them



Est. no of FSPs serving refugees still under 10



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Influencers (*Drivers, Levers*) of Uganda's RF landscape

Drivers: External forces to supply side factors

Levers: Endogenous factors in control of supply side actors



*Policies, data
availability*

*Humanitarian-
development nexus*

**Technology &
Innovation**

**Blended finance &
capital; NFS**

Government Policies

- **Policies and regulatory frameworks that support refugee rights and welfare**

- (2006 Refugee Act, 2010 Refugee Regulations, Settlement Transformative Agenda annexed to NDP II)

- **Legal and policy frameworks supporting an inclusive financial sector**

- NFIS (2023 - 2028), FIA and Tier IV MFI Regulations (2019), Agent Banking (2017), DFS Policy (2018), FI and Consumer Protection Framework (2017), UCC directive 2019



Improved availability of data on refugees

- **Rich data borne out of market-led interventions, academic research, and scoping studies spearheaded by:**

- UNHCR
- WFP
- FSD Uganda
- Tufts University, IFC,
- GIZ
- U-LEARN
- And many more

Influencers (*Drivers, Levers*) of Uganda's RF landscape

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Growing humanitarian-development nexus in Uganda

Recognition of synergies between development and humanitarian worlds in NDP under the STA and ReHOPE strategy

Landmark initiatives

- ILO's PROSPECTS
- IR+ IKEA's ReBUILD
- JobTech Alliances's Jobtech 4 Refugees
- Mercy Corps + Village Enterprises DREAMS

Technology & Product Innovation

Technologies that have been instrumental:

- Mobile money
- USSD
- Biometric verification
- Digital Field Automation
- Account ledger digitization
- IVR

DreamSave, Ensibuuko, Akaboxi, Akello Banker, True African, Future Link Technologies, MTN & Airtel

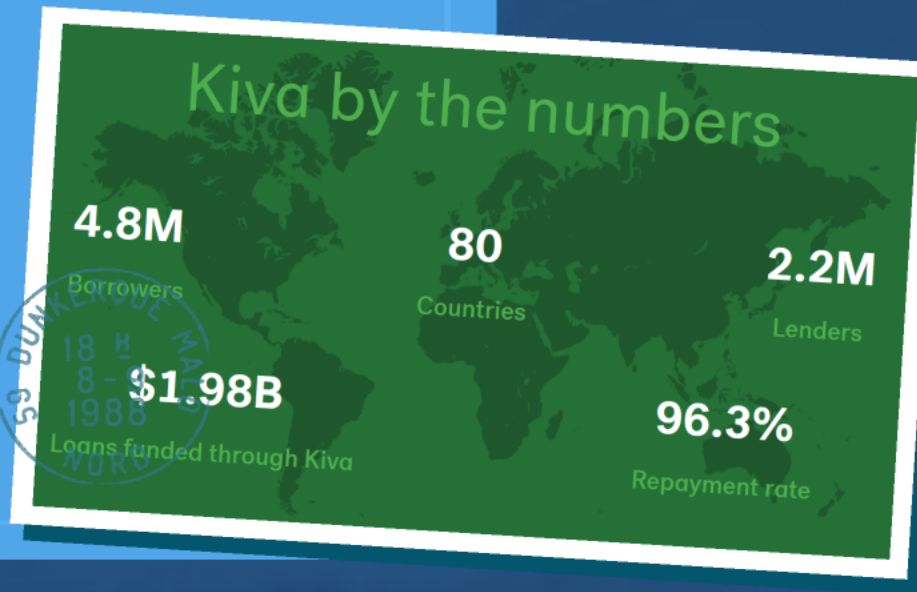


Innovative Product Offerings

- Group lending methodology (VisionFUnd Uganda)
- Cross border appraisals of refugees (RUFi)
- Recruiting staff from local community (UGAFODE, Opportunity Bank)
- Blended product offering comprising foreign exchange, savings, financial literacy, and loans with a branch model (Opportunity Bank)
- Agency banking, biometric verification + card technology (Equity Bank)

Blended finance on the rise

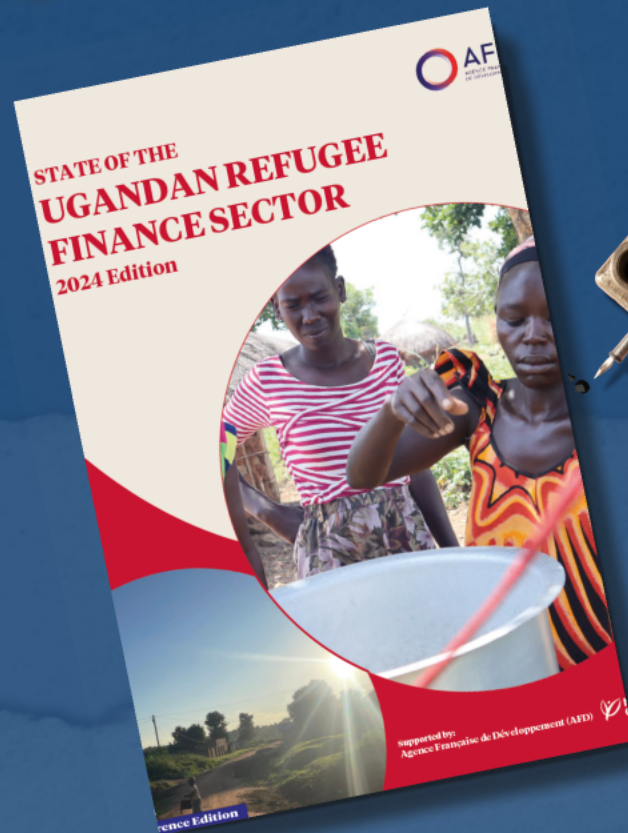
- Credit guarantees
- interest rate subsidies
- Matching grants to refugees
- Crowdlending



Bundling FS with NFS

- NFS not new but successful approaches have combined financial & digital literacy education, market information and access, vocational training and linkages to the market / value chains
-
- Ultimately, NFS should be offered by the FSPs themselves, and interest from supply side to do this is increasing; technologies are also evolving to meet this phenomenon
-
- Key barrier to address is cost

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Learnings & Outlook

Learnings

Outlook



Learnings so far

- Refugee market not as **homogenous** as perceived
- Financial literacy is a great conversation starter but more emphasis is needed on **business training and mentoring**
- Building **trust** through transparency with pricing and data use, open communication in the local language, and working through grassroots organizations
- RLOs can be employed as **mindset change agents**
- Gender issues are more about just disaggregation; asset financing is still a barrier; attention must be paid to **agency over resources** and involving men as advocates



Additional observations:

- Data is key to overcoming assumptions
- Improve processes rather than products
- Partnership is hard but necessary
-
- Institutional buy-in for serving refugees in FSPs takes time

Learnings & Outlook

Learnings

Outlook



Outlook

Trends

Blended finance appears to be the way to go

Growth of future **jobs** in critical areas such as trade, agriculture, fueled by digital platforms and NFS

Gender work should consider **closing gender gap** in digital financial inclusion and increasing agency of women over resources

Increased public and private capital channelled towards **climate change** mitigation and adaptation

Recommendations

Deliver with discretion; don't distort. Also consider TA to FSPs

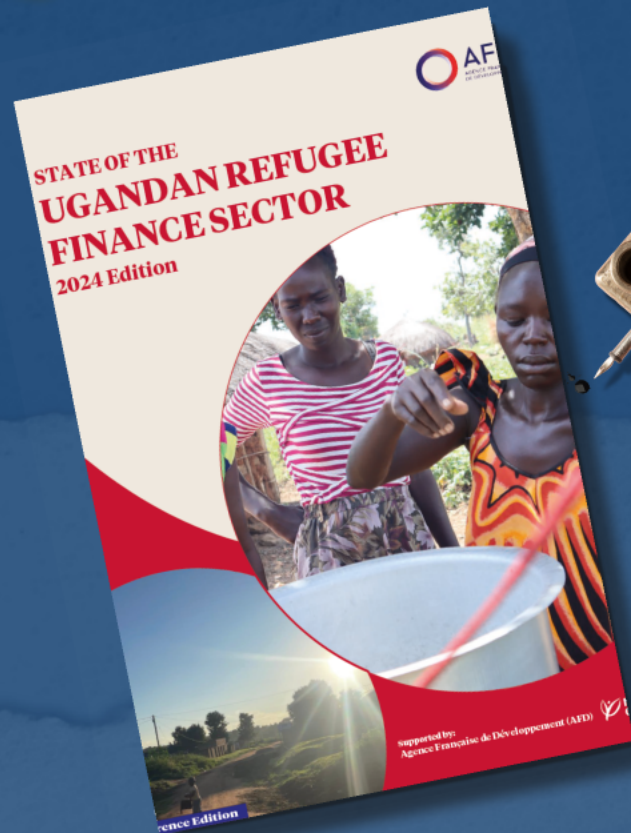
Businesses to be more proactive with refugee employment and partnerships with RLOs

Analyze and **use data and insights** on your products, don't just disaggregate; prioritize **mentoring for women**; actively **partner with men** in this conversation and don't alienate them

Gov launching Sustainable Energy Response Plan; FSPs to develop innovative financing models and partnerships around agriculture



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