STATE OF THE UGANDAN REFUGEE FINANCE SECTOR REPORT

Overview: Global Refugee Finance

Uganda's Context

Drivers, Levers & Opportunities

Recommendations & Outlook
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)
Top refugee hosting countries in the world

- Uganda
- Turkey
- Pakistan
- Colombia
- Germany
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

Nakivale refugees in registration queue
<table>
<thead>
<tr>
<th>Displacement Phase</th>
<th>Key Financial Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phase 1: Arrival (0-4 year)</strong></td>
<td><strong>Survival cash</strong> for housing, food, medical services, and often to repay debt incurred during escape.</td>
</tr>
<tr>
<td>Focus on immediate basic needs for</td>
<td></td>
</tr>
<tr>
<td>protection, shelter, food, medical</td>
<td></td>
</tr>
<tr>
<td>services, and communications</td>
<td></td>
</tr>
<tr>
<td>technology to reconnect with family</td>
<td></td>
</tr>
<tr>
<td><strong>Phase 2: Initial displacement (2-4 years)</strong></td>
<td><strong>Financial services</strong>: 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.</td>
</tr>
<tr>
<td>Focus on access to housing, education,</td>
<td><strong>Non-Financial services</strong>: Market information and access, job placement/vocational training, business skills, life skills and social interaction with hosts.</td>
</tr>
<tr>
<td>learning the language, work, or business</td>
<td></td>
</tr>
<tr>
<td>start-up</td>
<td></td>
</tr>
<tr>
<td><strong>Phase 3: Stable/protracted displacement (5-12 years)</strong></td>
<td><strong>Financial services</strong>: Savings products, micro/consumer credit, mortgage/home improvement loans, business loans, transactional accounts for cross-border payments and remittances, and health insurance.</td>
</tr>
<tr>
<td>Focus on making an increasingly better</td>
<td><strong>Non-Financial services</strong>: Job placement, vocational or business training, linkages to the market/value chains, social/business interaction with hosts.</td>
</tr>
<tr>
<td>living</td>
<td></td>
</tr>
<tr>
<td><strong>Phase 4: Permanence (13+ years)</strong></td>
<td><strong>If integration is the goal</strong>, 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).</td>
</tr>
<tr>
<td>Focus resembling host population, i.e.</td>
<td></td>
</tr>
<tr>
<td>livelihood building to ensure the best life</td>
<td></td>
</tr>
<tr>
<td>possible for self and family.</td>
<td></td>
</tr>
</tbody>
</table>
Determinants of refugee financial inclusion

**Demand**
- Poor economic participation of refugees
- Social, ethnic, gender
- Access to migration
- Location (urban, rural)
- Employment plan
- Human, social capital and income generating capacities

**Supply**
- Availability of finance and financial services
- Financial education and awareness
- Availability of microfinance

**Policy**
- Existence of clear & inclusive legal and regulatory framework
- Partnership with donors and financial partners
- Ensuring financial access & sustainability
- Strengthening microfinance institutions
Demand

- Prior economic participation of refugees
- Social x'tics, gender
- Reasons for migration
- Location (rural, urban)
- Displacement phase
- Human, social capital and income generating capacities
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
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)
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 US$ 1-5M.
- Dire humanitarian situation with reduced aid and limited capital available through VSLAs and SACCOs for refugees.
- Both urban and settlement-based refugees 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
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
• 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
**Influencers** *(Drivers, Levers)* 
of Uganda's RF landscape

**Drivers:** External forces to supply side factors

**Levers:** Endogenous factors in control of supply side actors
**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**

**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

**Drivers:** External forces to supply side factors

**Levers:** Endogenous factors in control of supply side actors
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
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**.

Recomendations

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.
STATE OF THE UGANDAN REFUGEE FINANCE SECTOR REPORT

Drivers, Levers & Opportunities

Uganda's Context

Overview: Global Refugee Finance

Recommendations & Outlook