Refugee Finance to Grow Income, Assets, Resilience Through Bundled Services (REFINE)

STATE OF THE REFUGEE FINANCE SECTOR REPORT III

3RD EDITION

Table of Contents

List of Abbreviations

MSD	Market Systems Development
NGOs	Non-Government Organisations
UNHCR	United Nations High Commission for Refugees
WFP	World Food Programme
MCU	Mercy Corp Uganda
ReFine	Refugee Finance to Grow Income, Assets, and Resilience through Bundled Services in Uganda (ReFINE) program
FSP	Financial Service Providers
B.O.U	Bank of Uganda
DFS	Digital Financial Services
KYC	Know your Customer
SACCOs	Savings and Credit Cooperatives
ToTs	Training of Trainers
CRRP	Interagency Country Refugee Response Plan
OPM	Office of the Prime minister
INGOs	International Non-Governmental Organisations
MOU	Memorandum of Understanding
RLOs	Refugee Led Organizations
OCA	Organizational Capacity Assessment
DREAMS	Delivering Resilient Enterprises and Market Systems

About Mercy Corps

Mercy Corps is powered by the belief that a better world is possible. We are an international non-governmental organization that exists to alleviate poverty and oppression by helping people build secure, productive, and just communities.

Since 2006, Mercy Corps has been present in Uganda, working to catalyze change through the private sector, civil society, and government to create resilient, economically inclusive, healthy, and secure communities. Our work is supported by partners including the FCDO, DANIDA, the Embassy of the Kingdom of the Netherlands, USAID, the French Development Agency, the Conrad Hilton Foundation, and other private sector foundations.

With a strong presence nationwide, we operate offices in Kampala, Yumbe, Moroto, Kotido, Amudat, Kaabong, and Gulu. Learn more at **mercycorps.org**

Acknowledgments

This report was prepared by the Mercy Corps ReFine team in January 2025. The team was led by Peter Otala, Senior Project Officer, with support from David Darkwa, Program and Strategy Lead, and Godwin Dembe, Monitoring, Evaluation, and Learning Officer.

The authors would like to thank several colleagues from Mercy Corps Uganda and the global team for their valuable contributions: James Love, Director of Programmes; Barbara Scola, Senior Strategic Partnerships Officer; and Nicholas Meakin, Senior Advisor, Digital and Financial Inclusion.

As Mercy Corps Uganda, we extend our sincere appreciation to the Agence Française de Développement (AFD) for its generous funding support, which made the ReFINE (Refugee Finance to Grow Income, Assets, and Resilience through Bundled Services in Uganda) program possible. Over the past three years, this support has enabled Mercy Corps, in partnership with Kiva and Cohere, to work alongside Financial Service Providers (FINCA, UGAFODE, and VisionFund) and Refugee-Led Organizations (Global Rehabilitation and Transformation Response, I Can South Sudan, Bondeko, Hope Of Children And Women Victims Of Violence, One Youth One Heart) to increase access to inclusive financial services for over 2,000 refugees in Yumbe District. These efforts have played a critical role in improving household incomes, building assets, and enhancing economic resilience among refugee communities.

Executive Summary

Forced displacement is growing at an unprecedented rate due to conflict, climate change, and socio-economic instability. As of June 2024, over 120 million people are forcibly displaced worldwide, with approximately 85% residing in developing countries. This growing crisis places immense pressure on social infrastructure, resulting in poor development outcomes. Many displaced persons face economic exclusion, limited access to formal employment, and restricted access to finance. Coupled with declining aid funding, these challenges have created heightened uncertainty—necessitating a shift in how interventions are designed and implemented.

Uganda currently hosts approximately 1.7 million refugees, a number projected to rise to 2 million by the end of 2027. This growing refugee population calls for a transition from traditional humanitarian aid to more sustainable, market-based approaches—specifically, the Market Systems Development (MSD) approach. MSD emphasizes systemic, sustainable change by addressing market constraints and fostering self-sustaining economies, enabling long-term economic participation for refugees.

This third State of the Refugee Finance Sector report builds a strong business case for applying the MSD approach within Uganda's refugee finance sub-sector. It offers practical tools, strategies, and guidance tailored for funders, development actors, donors, financial institutions, refugee-led organizations, and other stakeholders. The report draws insights from various refugee finance initiatives in both urban and settlement contexts, including Mercy Corps' ReFine program, funded by the Agence Fran aise de Développement (AFD).

Integrating MSD into displacement settings represents a transformative shift in both humanitarian and development assistance—fostering refugee self-reliance, promoting social cohesion, and reducing dependence on external aid. In Uganda, applying MSD principles can help build sustainable livelihoods and strengthen inclusive economic systems. Achieving this requires coordinated action among government agencies, development organizations, and the private sector to create an enabling environment for market-driven economic inclusion. Uganda has the opportunity to become a global model for displacement-affected regions, showcasing the potential of market-based solutions in humanitarian contexts.

The report is structured as follows:

- **Chapter 1** introduces the MSD programming approach, including tools and techniques aimed at influencing development actors to rethink program design in displacement contexts. It advocates for a dynamic and inclusive financial ecosystem and concludes with an overview of commonly used demand- and supply-side tools, drawn from evidence-based research and practical guides from both global and local contexts.

- **Chapter 2** dives deeper into the demand side of the refugee finance ecosystem, illustrating how key actors have used MSD tools to prepare refugees for engagement with financial services. It examines typical demand-side barriers found in both supporting functions and regulatory frameworks. Lessons are drawn from Mercy Corps Uganda's (MCU's) ReFine Program, DREAMS, and other financial inclusion initiatives that have worked with financial service providers (FSPs) to advance refugee financial inclusion.

- **Chapter 3** unpacks supply-side constraints and market failures that hinder access to appropriate and affordable formal financial services for refugees and host communities. It focuses on FSPs' understanding of refugee profiles, product development, and market entry strategies.

- **Chapter 4** presents recommendations for development and market actors—including funders, NGOs, FSPs, digital financial service (DFS) providers, grassroots refugee institutions, and policymakers—based on the outcomes and lessons from MSD interventions discussed in the previous chapters. The chapter highlights what has worked, what hasn't, and what emerging opportunities remain in the refugee finance space, offering a roadmap for stakeholders to prioritize scalable, sustainable, and impactful interventions.

Chapter 1: Introducing Market Systems Development in Displacement Settings

Key Takeaway: The MSD approach has been proven to stimulate economic growth through transforming how the economically active poor can interact with external market enablers to their benefit. Engaging refugees in markets systems is a sustainable avenue through which they can positively impact their host local economies to strengthen resilience and self-reliance.

Introduction

The protracted nature of displacement in Uganda has shifted refugee needs from basic food and cash assistance to long-term, socio-economic interventions that are sustainable and responsive to growing household financial demands. This evolving landscape calls for durable solutions that gradually introduce refugees into the market economy by facilitating exposure to various market actors and systems.

A well-functioning financial ecosystem empowers refugees economically, fosters resilience and self-reliance, and enhances their integration into host communities. This ecosystem involves the following components:

1. **Demand side:** Understanding refugee financial needs requires clear identification and mapping—disaggregated by gender, geographical location, and type of economic activity across the displacement cycle. As household and business financial needs evolve, FSPs must adapt by conducting refugee-centric market research, gathering feedback through customer satisfaction surveys, and leveraging data from implementing agencies and private sector partners. It is important to recognize that refugees are not a homogeneous group; they possess distinct socio-economic characteristics that require nuanced analysis. In many cases, their financial behavior and aspirations more closely mirror those of host communities than is commonly assumed.

2. **Supply side:** Modern financial services must prioritize appropriateness, accessibility, and affordability. FSPs play a critical role in ensuring their products and services are responsive to the needs of refugees—either through innovation

or by adjusting existing offerings to improve inclusivity. Central to this effort is the integration of financial and digital literacy training within financial service packages. These trainings enhance refugees' ability to access and effectively use financial products, particularly digital financial services.

3. **Enabling Environment:** Without proper regulation, refugee finance can inadvertently lead to exclusionary or exploitative outcomes. A sound regulatory framework is essential for guiding safe, transparent engagement between refugees and FSPs, while also defining the roles and responsibilities of all actors. Progressive developments, such as the Bank of Uganda's "no objection" to accepting refugee identification cards as valid Know Your Customer (KYC) documentation, are crucial. These regulatory adaptations enable refugees to access formal credit and reinforce financial sector protections. Additional components of an enabling environment include the establishment of credit referencing systems, business development and mentorship services, advocacy efforts, and coordinated action among stakeholders.

Understanding the Market Systems Development (MSD) Approach

The Market Systems Development (MSD) approach is a structured framework of principles, practices, and tools designed to promote sustainable economic growth and reduce poverty at scale. It achieves this by improving how market systems function—particularly for marginalized and vulnerable communities. MSD emphasizes a deep understanding of the dynamics, behaviors, and roles of both public and private sector actors, aiming to address the root causes of system underperformance and foster inclusive economic participation.

Unlike traditional aid models that provide short-term, heavily subsidized support, the MSD approach uses facilitation tactics. These tactics empower strategic market actors to lead systemic changes, making markets more inclusive, resilient, and self-sustaining over time.

Why Use a Systems Approach to Improve Markets?

To achieve long-lasting, pro-poor change, a systems approach focuses on reshaping incentives, relationships, and behaviours among market actors. It tackles constraints not only within individual value chains but also in cross-cutting systems such as financial services, logistics, and regulatory frameworks.

1. Tackling Root Causes of Market Failure

The MSD approach addresses structural market failures that keep people in poverty. Rather than focusing solely on macroeconomic reforms or narrowly targeting individual businesses or households, MSD considers how poor people and businesses interact within the broader market system. This approach enables the design of interventions that trigger systemic change and foster inclusive economic growth.

2. Stimulating Scale

Traditional business-focused development efforts often face limitations when individual enterprises encounter barriers that prevent broader market expansion. MSD overcomes this by addressing systemic constraints that affect entire sectors or sub-sectors. By partnering with both public and private actors, MSD interventions catalyse changes in rules, incentives, and relationships that enable markets to function more effectively and reach more people.

The result is a ripple effect—where many businesses, not just a few, are empowered to innovate, grow, and serve larger, more diverse populations, including marginalized groups.

3. Ensuring Sustainably

A core principle of the MSD approach is to align interventions with the incentives and capacities of local market actors. Instead of delivering services directly—which may only benefit a limited group for a short period—MSD fosters change that emerges from within the system itself. This ensures that progress continues well beyond the life of the program.

By embedding change into the way markets function, MSD creates durable, self-reinforcing improvements in access to opportunities, products, and services for poor and displaced populations.

Market Systems Development approach to financial inclusion

Access to appropriate and affordable financial services is critical for refugee communities, offering a pathway toward reduced dependency on aid, increased household incomes, enhanced resilience, and long-term socio-economic transformation. Financial inclusion, therefore, plays a pivotal role in shifting refugees from survival-based support models to sustainable, market-driven engagement.

Recognizing this, funders and development actors have increasingly moved away from traditional microfinance and savings group-only methodologies. Instead, they are adopting a Market Systems Development (MSD) approach that empowers specialized financial service providers—such as Savings and Credit Cooperatives (SACCOs), Microfinance Institutions (MFIs), and FinTech actors—to deliver a broader and more appropriate range of services tailored to the evolving needs of refugees and their enterprises.

Figure 01: The Market System and Main Market Functions

The adapted figure below illustrates a typical financial services market system, a framework commonly used within MSD programming. At the heart of the model is the core transaction—the direct provision and use of financial services. However, a fully functional financial system depends on more than these core interactions.

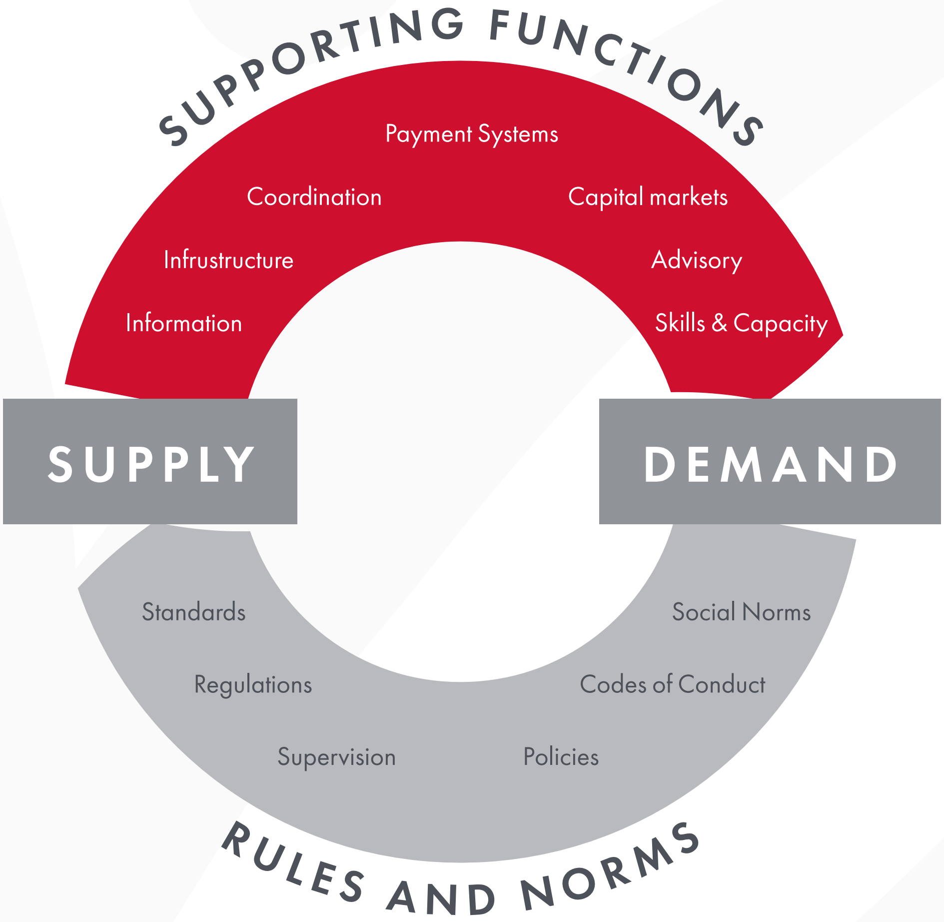
Surrounding the core are two critical layers:

Supporting Functions: These include financial education and literacy initiatives, information services, technology infrastructure, product development, business development services, and risk mitigation tools. These functions are essential to making the financial market more accessible, efficient, and responsive to refugee needs.

Rules and Norms (Enabling Environment): This includes formal regulatory frameworks (such as Know Your Customer—KYC—guidelines, licensing, and consumer protection laws), as well as informal norms and social structures that influence access and participation.

Key to the MSD approach is the recognition that each support function or rule constitutes a system in its own right—systems within systems. Effective financial inclusion programming must consider how these various systems interact, and how market actors—public, private, and civil society—can be engaged in ways that strengthen and sustain them.

For a financial market system to be inclusive and effective, it must be underpinned by collaboration across a diverse set of actors, including financial service providers, regulators, technology partners, and community-based organizations. This multi-actor engagement ensures that services reach the most vulnerable, including displaced populations, and that gains are sustained beyond the life of any individual intervention.



Key concepts in a market systems approach

Market system: The interaction of multiple market actors performing multiple market functions, including the core function (such as the demand and supply of financial services), supporting functions, and rules and norms.

Supporting Functions: range of functions that support, shape, inform, and enable transactions between demand and supply. Important supporting functions in financial services markets include information, coordination, skills and capacity building, market infrastructure, and capital markets.

Rules and norms: Formal and informal rules and norms shape incentives for market actors and determine who can participate in financial services markets and under what conditions.

Market Actor: Any organization or individual that performs a function in a market system, including both private and public sector organizations.

Systemic Change: A change in the underlying dynamics and structure of a market system, which is significant in scale, sustainable, and resilient. It occurs if market actors beyond those directly involved in a funder's program adopt a new behavior that improves the poor's participation in financial services markets.

Facilitation: An intervention approach that focuses on addressing systemic constraints by incentivizing and enabling market actors to perform their functions more effectively.

Financial services market: The term "financial services markets" is used as an umbrella term that includes markets for specific financial services (e.g., credit, savings, insurance, payments, leasing, Sharia-compliant financial products, etc.).

Benefits of the Market Systems Development Approach in Displacement Contexts

In displacement settings, humanitarian responses have traditionally focused on direct provision of services and support—such as agricultural training, free agro-inputs, cash transfers, and vocational or business skills training. While these interventions address immediate needs, they often fall short of building long-term economic resilience and self-reliance among refugees.

The Market Systems Development (MSD) approach, by contrast, is sometimes misunderstood as being incompatible with humanitarian models—particularly due to perceptions that it primarily benefits commercially viable enterprises while excluding subsistence-level microenterprises. However, this misconception has limited the adoption of MSD in displacement contexts, where in fact, it holds immense potential to build sustainable and scalable livelihood systems.

According to the United Nations High Commissioner for Refugees (UNHCR), there are over 110 million forcibly displaced people globally, with 44 million in Africa alone. Given the protracted nature of displacement—with the average refugee spending 20 years in exile—it is increasingly clear that humanitarian aid must be paired with long-term, market-oriented strategies to support both refugee and host communities.

Here are three compelling reasons why NGOs should integrate an MSD approach into their displacement programming:

1. Promoting Self-Reliance and Resilience

A decade ago, the idea of self-reliance among refugees—particularly in Uganda and other host countries—was seen as far-fetched, given the scale of humanitarian needs and the assumption that displacement would be temporary. However, prolonged stays have transformed both household and community needs, requiring solutions beyond food and cash aid.

Today, despite progress in refugee economic inclusion, significant financial vulnerability persists. Funding shortfalls in humanitarian assistance have led to reduced provision of critical relief items such as food rations, hygiene kits, and medicines. As of July 2023, only 14% of refugees in Uganda received 60% of a full food ration, while 82% received just 30%.

Meanwhile, many refugee-run microenterprises remain economically fragile, largely due to limited engagement with market systems and poor integration into wider value chains. The MSD approach addresses these challenges by linking refugees with market actors, enabling them to participate more fully and sustainably in the economy.

2. Unlocking Sustainable Livelihoods

MSD shifts the focus from short-term aid delivery to long-term economic empowerment. By working with market actors—such as input suppliers, financial service providers, buyers, and government agencies—MSD interventions create an ecosystem where refugees can access the tools, services, and networks needed to grow resilient businesses and increase income.

Crucially, the approach recognizes that market-based solutions can work at the bottom of the pyramid when systems are adjusted to be inclusive. Rather than replacing humanitarian support, MSD complements it by building the capacity of local systems to serve refugees and host communities equitably.

3. Ensuring Efficient Use of Resources

With global humanitarian funding increasingly under strain, development actors are under pressure to do more with less. The MSD approach ensures better return on investment by catalyzing systemic change that outlasts individual projects. By facilitating local ownership and strengthening existing market relationships, MSD ensures that impacts are scalable, cost-effective, and sustainable over time.such as market strategy, governance, financial management prepares them for smooth navigation of external markets.

Application of MSD in ReFine project

Over the past three years, the ReFINE project has developed and adapted business, financial, and digital literacy manuals; trained staff from partner Financial Service Providers (FSPs) and Refugee-Led Organizations (RLOs) through Training of Trainers (ToTs); and strengthened leadership capacity among RLO staff to enable them to transfer this knowledge to refugee entrepreneurs.

Information desk systems established at RLO premises have further supported these efforts, enabling staff to offer entrepreneurship mentorship and refer participants in need of financial services to banks—even beyond the project's closure.

By midline, 1,376 participants (68% of the targeted reach) had accessed financial products developed or adapted under the program. Additionally, 72.2% of respondents reported an increased ability to provide for their families after accessing financial services—highlighting that access to relevant financial products is a viable pathway to building resilience.

While self-reliance and resilience are long-term and high-level outcomes, improving refugee knowledge in financial and business literacy is a foundational step. It increases demand for financial services and improves their responsible use, ultimately enhancing household well-being and strengthening participation in local and regional economies.

4. Creating Sustainable Markets

Sustainable markets function effectively, are inclusive, and foster resilience by addressing systemic barriers and empowering locally based actors. By layering humanitarian response with MSD principles, NGOs and development partners can shift refugee engagement from short-term market activity to long-term participation in value chains that generate sustained value.

The MSD approach fosters sustainable market systems in the following ways:

i) Overcoming Systemic Market Barriers

Many refugee entrepreneurs, farmers, and small-scale producers struggle to grow due to limited access to processors, bulk buyers, input suppliers, and other market actors. MSD identifies and addresses policy, process, and practice-related barriers, enabling refugees to meaningfully engage as producers, sellers, buyers, and employees.

ii) Facilitating Inclusive Access

MSD prioritizes inclusion by creating an enabling environment for marginalized groups—including women, ethnic minorities, people with disabilities, and the poorest households—to participate in and benefit from market systems. This ensures that no one is left behind in economic recovery and growth.

iii) Promoting Private Sector Engagement

Integrating private sector actors into displacement settings exposes refugee entrepreneurs to quality standards, formal value chains, and business models that promote productivity and consistency. This collaboration enhances both the quality and quantity of goods and services produced.

iv) Building Local Capacities

A core component of MSD is strengthening the capacity of local actors—refugees and host community members alike—to engage profitably in external markets. Rather than relying on costly external consultants, MSD emphasizes training local trainers and service providers to deliver ongoing support. This builds a self-sustaining system for skills development and business support.

v) Addressing Policy and Structural Barriers

Markets in low-income countries often face challenges such as volatility, weak institutions, and limited trust. Refugees, in particular, have historically been excluded due to lack of documentation. However, policy innovations—such as the Bank of Uganda's 2017 no-objection allowing the use of refugee IDs as KYC documentation—have opened access to formal financial services, driving financial inclusion.

5. Creating Sustainable Impact

Traditional humanitarian programming tends to be activity-based and short-term. However, protracted displacement contexts like Uganda's demand sustainable, systems-based solutions.

The MSD approach aims for long-term impact by developing a clear Theory of Change (ToC) that maps the pathway from intervention to systemic transformation. Key components include:

- **Systemic Change:** A durable shift in market systems—how actors interact, what incentives exist, and what capacities are built—that leads to positive development outcomes at scale.
- **Facilitation:** A temporary role played by development actors to stimulate change, after which market actors assume full ownership.
- **Adaptive Management:** A data-driven, iterative decision-making process that allows implementers to respond to uncertainty, test new solutions, and improve effectiveness over time.

Market Systems Development Tools in Displacement Contexts

To support effective implementation, development partners can use the following **demand- and supply-side tools tailored to displacement settings:**

Demand-Side Tools:

- **Skills-Based Training Manuals:** Customized vocational and practical training, often preceded by Training of Trainers (ToTs), equip refugees to participate effectively in markets.
- **Technical Assistance:** Strengthening the capacity of refugee entrepreneurs in business strategy, governance, and financial management.
- **Poverty Graduation Approach:** Combines seed capital, technical training, and mentorship. Graduates are linked to further investment opportunities.

Supply-Side Tools:

- **Guarantee Funds:** Help de-risk lending by partially covering defaults, encouraging financial service providers (FSPs) to extend credit to refugees.
- **Input Subsidies:** Especially relevant in agriculture, these support the adoption of productive practices and entry into commercial markets.
- **Market Linkages:** Connect refugee businesses to larger regional or national markets.
- **Aggregation & Bulking:** Refugee-led cooperatives facilitate collective marketing and access to services. Tools like warehouse receipts can also serve as collateral.
- **Digital Infrastructure:** Expanding access to internet, mobile banking, and e-commerce tools enables greater reach and operational efficiency.
- **Market Monitoring Tools:** Providing timely data (e.g., weather forecasts, price trends) supports better decision-making for refugee enterprises.

Cross-Cutting Tools:

- **Advocacy:** Through stakeholder meetings, working groups, and dissemination events, NGOs align partners on sustainable refugee programming and policy change.
- **Market Research:** Refugee-focused tools (e.g., household surveys, observation guides) help identify needs and inform tailored interventions.

Chapter 2: Preparing Refugees and Hosts for the Formal Financial Sector

Key Takeaway: Access to formal financial services is a critical step towards economic self-reliance for refugees and hosts however, inherent barriers often hinder their inclusion. Strategic approaches are required to address gaps if refugees and hosts are to sustainably engage with the formal financial sector.

Introduction

Financial inclusion in Uganda continues to grow significantly, in part due to the rapid adoption of digital financial technologies across the country. According to the latest Uganda Finscope Survey (April 2024), overall financial inclusion increased from 77% in 2018 to 81% in 2023. Formal financial inclusion improved substantially—from 58% in 2018 to 68% in 2023. However, these numbers are significantly lower among refugees, particularly those in settlements. A financial services assessment conducted by U-Learn across 12 refugee-hosting districts revealed that only 17% of refugees were banked. Mobile money was reported as the most prevalent form of non-bank formal financial inclusion among refugees, at 64%.

A range of national and individual barriers continue to exclude both refugees and host communities from the formal financial system. Refugees, in particular, often originate from economies with very different financial structures, making it essential to prepare them for formal inclusion. Refugees registered in settlements typically receive basic cash and food assistance, along with free access to essential education, health, and protection services. These provisions can create expectations of continued free services and handouts. Even after transitioning from basic aid, many refugees continue to benefit from significant subsidies when introduced to trade or production by INGOs.

This chapter explores the constraints to refugee financial inclusion and outlines Market Systems Development (MSD)-based approaches and tools that can support sustainable linkages to the formal financial sector.

1. Lack of Credit History, Credit Referencing, and Collateral Requirements

Credit history refers to a person's borrowing and repayment behavior and enables lenders—especially regulated financial service providers (FSPs)—to assess a borrower's reliability. This includes previous loans, repayment patterns, defaults, outstanding debts, credit card use, spending habits, and bankruptcy records. Such information is typically compiled by credit bureaus and accessed by banks and microfinance institutions (MFIs). As of 2024, Uganda has four licensed credit bureaus: Armada, Compuscan, Metropol, and GnuGrid CRBs.

However, most refugees have never borrowed through the formal financial system. Even those who have often lose important documentation during forced migration due to conflict or violence, making it difficult to establish creditworthiness. In addition, refugees generally lack physical assets—such as land—that are commonly used as collateral for loans.

Several approaches and tools can be used by sector actors to help refugees build credit histories and prepare for formal financial inclusion:

i) **Participation in Savings Groups:** Savings groups serve as a critical entry point into the financial system. They allow refugees to cultivate a savings culture and practice borrowing and repayment within a safe, peer-supported environment. NGOs have long facilitated the formation of savings groups among refugees for diverse purposes—ranging from promoting peaceful coexistence and improving nutrition, to supporting agro-production and livelihoods. The savings and loan activities within these groups can generate credit records, which are often accepted by FSPs when extending group-based credit. Improved accuracy in record-keeping, proper document storage, and promotion of sound financial habits within the groups are essential for making these references more credible to formal lenders.

ii) **Digital Innovations (Digitized VSLAs, Fintechs, and Mobile Money):** The rise of digital tools presents new opportunities for building refugee credit histories. Mobile money platforms like MTN and Airtel allow users to save, transfer, and receive money without the need for a bank account. Financial statements from these platforms can serve as alternative credit references. Fintech companies such as Ensibuuko offer apps that digitize record-keeping for Village Savings and Loan Associations (VSLAs). These apps help groups generate credit scores and improve their eligibility for loans from formal institutions. Such data can also be enhanced by integrating mobile money transactions, utility payments, and other alternative data sources.

iii) **Innovative Asset Financing Products:** To address the lack of collateral for agro-production and capital-intensive inputs, FSPs can offer asset acquisition loans. These loans rely primarily on the projected cash flow of the business, a model known as cash flow lending. In this case, the asset itself—such as a piece of equipment—can serve as collateral, easing access for refugees who lack traditional forms of security.

iv) **Contract Farming:** Development partners can also facilitate contract farming arrangements that link refugee entrepreneurs and farmers with market actors such as aggregators, transporters, or processors. These contracts, which guarantee a market for produce, can serve as informal assurances or future cash flow projections for financial institutions—enabling access to credit without the need for traditional credit history or collateral.

2. Knowledge and Skills Gaps in Financial and Digital Literacy, and Business Development

One of the most persistent barriers to refugee financial inclusion is the low level of knowledge and skills needed to navigate financial systems. These include choosing the right products, managing personal and business finances, and understanding both digital and financial tools.

Although many refugees receive basic financial literacy training when they receive aid, this is often limited to household budgeting and conducting basic transactions. Such training does not equip them with the confidence or skills to effectively engage with formal financial institutions.

Additionally, refugees face significant gaps in digital literacy—with many only trained to use basic USSD codes to access mobile money services. More advanced tools such as mobile banking apps, e-commerce platforms, smart card systems, and digital loan products remain out of reach. Furthermore, many refugees lack the skills to set up and manage businesses in a way that would make them bankable or creditworthy.

According to the U-Learn Report (2022), just 21% of host community members and 17% of refugees reported having accessed digital literacy training.

Evidence shows that increased training in financial, business, and digital skills improves both confidence and access to financial services among refugees and host communities.

Tools and approaches developed and deployed among refugees include the following:

i) Financial Literacy Trainings

Many refugee livelihood programs include financial literacy training components. However, these often fall short due to a lack of contextualization and inclusivity, limiting their impact. For training to be effective, financial literacy manuals should be tailored to the specific realities of settlement-based refugees—incorporating rural and community-based references to increase relevance and engagement. Training should also be delivered within savings or business groups to promote peer learning and accountability. Employing participatory methodologies such as the Gender Action Learning System (GALS) can further enhance impact by ensuring the approach is inclusive and participatory.

ii) Business Literacy Trainings

Business literacy trainings aim to equip refugee entrepreneurs with practical business management skills, helping them make their enterprises more profitable and bankable. To maximize the impact, clear selection criteria should be applied to ensure that participants are already engaged in income-generating activities. Training should emphasize practical application of concepts over theoretical coverage. NGOs providing such trainings are encouraged to administer pre- and post-training assessments to measure learning outcomes and improve training design.

iii) Digital Literacy Trainings

The rapid expansion of digital financial services (DFS) in Uganda—spurred by mobile money since 2009—has played a significant role in advancing financial inclusion. Innovations such as mobile wallets, mobile loans, digitized savings groups, mobile banking, and growing interoperability between banks and telecoms have all contributed to this progress, as outlined in the past three Finscope surveys. E-commerce platforms have further digitized market interactions. However, these advancements often leave behind a large number of refugees who lack the digital skills needed to engage confidently with these platforms.

Effective digital literacy training should begin with a proper diagnostic assessment to understand learners' needs and adapt tools accordingly. Training should be practical, utilizing smartphones and tablets, and should be delivered in collaboration with telecom providers and financial institutions. This will ensure that participants are familiar with digital delivery channels and essential tools, including relevant USSD codes.

iv) Coaching and Mentorship

While many financial inclusion programs offer one-time financial and business literacy trainings followed by linkages to financial service providers, such short-term interventions are rarely sufficient to drive lasting behavioral change. Continuous coaching and mentorship are critical. This includes regular follow-ups, adaptive use of training materials, monitoring the application of learned skills, and providing on-demand guidance. Development partners should embed coaching and mentorship as core elements of refugee financial inclusion strategies to support long-term learning and sustainable financial behavior change.

ReFine's refugee capacity building approach

The project conducted financial business and digital literacy training with over 2,000 participants as well as facilitating business mentorship and coaching sessions.

Training Approach: The Project conducted ToTs with staff from partner Refugee Led Organizations and equipped them with adapted manuals. These staff in turn facilitated participant training.

The participant trainings included use of a pre/post test to measure learning and adoption of concepts.

Participant selection criteria: The project developed a tool to enable RLOs identify participants who are most likely to benefit the most from the training. The tool can be viewed herexxx

Adaptation of content: Using a consultant, the financial, business and digital literacy manuals were developed and adapted to the context.

Business mentorship: The project's key innovation included the information desk system that was designed to provide business/digital mentorship to participants and referrals to FSPs.

3. Weak technical and organizational capacity of Refugee Led Organizations

4. Refugee-Led Organizations (RLOs) are locally based, independent entities led by refugees that advocate for refugee agency and self-representation. Beyond advocacy, RLOs offer essential services such as survival skills training, psychosocial support, livelihood development, and education support. They often serve as the first grassroots point of contact for refugees and asylum seekers entering the country.

The Business Case for Working with Refugee Led Organizations

Engaging RLOs presents a compelling business case rooted in four core advantages:

- **Local Knowledge:** RLOs have a deep understanding of refugee needs and challenges, given their direct presence and operation within refugee communities.
- **Sustainability:** Empowering RLOs enhances the continuity and long-term sustainability of interventions, as they remain embedded within the communities post-project.
- **Mobilization:** RLOs are well-positioned to support the identification and mobilization of potential program participants.
- **Financial Linkages:** Similar to Village Savings and Loan Associations (VSLAs), RLOs have demonstrated the ability to facilitate linkages between participants and financial service providers (FSPs).

Challenges Faced by Refugee Led Organizations

Despite their integral role, RLOs face several constraints that may limit their attractiveness to development partners:

- **Weak Organizational Systems:** Many RLOs lack robust governance and financial systems, increasing their risk profile in the eyes of donors and partners.
- **Limited Skills and Capacity:** Often staffed by volunteers or low-skilled personnel, RLOs may struggle with program implementation and compliance due to limited resources.
- **Restricted Funding:** These capacity limitations, combined with donor preferences, result in RLOs receiving significantly smaller grants compared to international NGOs.

Recommended Tools for Strengthening Refugee Led Organizations

To maximize the potential of RLOs, development partners can adopt the following approaches:

- **Program Co-Design:** Actively involving RLOs in the proposal development process builds their business development acumen and enhances ownership.
- **Capacity Building:** Embed continuous capacity development in key areas such as governance, financial management, reporting, and program implementation.
- **Systems Strengthening:** Use tools like Organizational Capacity Assessments (OCA) to inform support around developing policies, HR systems, strategic plans, and financial procedures. [Link to sample OCA tool]

5. Limited Knowledge of Local Market Systems

In displacement settings, implementing Market Systems Development (MSD) requires highly tailored approaches. Refugees engaged in production or trade often lack comprehensive knowledge of how local market systems function. Many projects focus narrowly on production and selling, with limited effort to expose refugees to full value chains or market dynamics. Consequently, linkages with the market often dissolve once the project ends.

Approaches to Strengthen Market Linkages

- **Gradual Reduction of Subsidies**: Reducing subsidies with each project cycle helps refugees transition toward market independence and build long-term relationships with market actors.
- **Support to Cooperatives:** Facilitating the formation of cooperatives enables collective bargaining, bulking, and improved market presence for refugee producers.
- **Peer Learning Mechanisms:** Encouraging peer-to-peer learning within business groups helps refugees share best practices and adapt to local market realities.

Case Study: DREAMS Program - Integrating Poverty Graduation with Market Systems Development

The Delivering Resilient Enterprises and Market Systems (DREAMS) program supports refugee self-reliance and durable solutions in displacement-affected contexts across Uganda, Ethiopia, and Tanzania—regions that host nearly 10% of the world's refugees. The program seeks to promote economic inclusion for 150,000 refugees, helping them build resilience, dignity, and confidence in their futures.

Since 2021, DREAMS has merged two evidence-based approaches—poverty graduation and Market Systems Development (MSD)—to broaden its impact. While poverty graduation helps marginalized households develop viable livelihoods, integrating MSD ensures scalability and sustainability in thin markets.

DREAMS links households with input suppliers, FSPs, technical service providers, and off-takers. At the same time, the program addresses barriers faced by the private sector in extending their supply chains and services to last-mile refugee communities. This strategic market engagement not only improves refugee participants' access to economic opportunities but also supports inclusive economic growth across the host

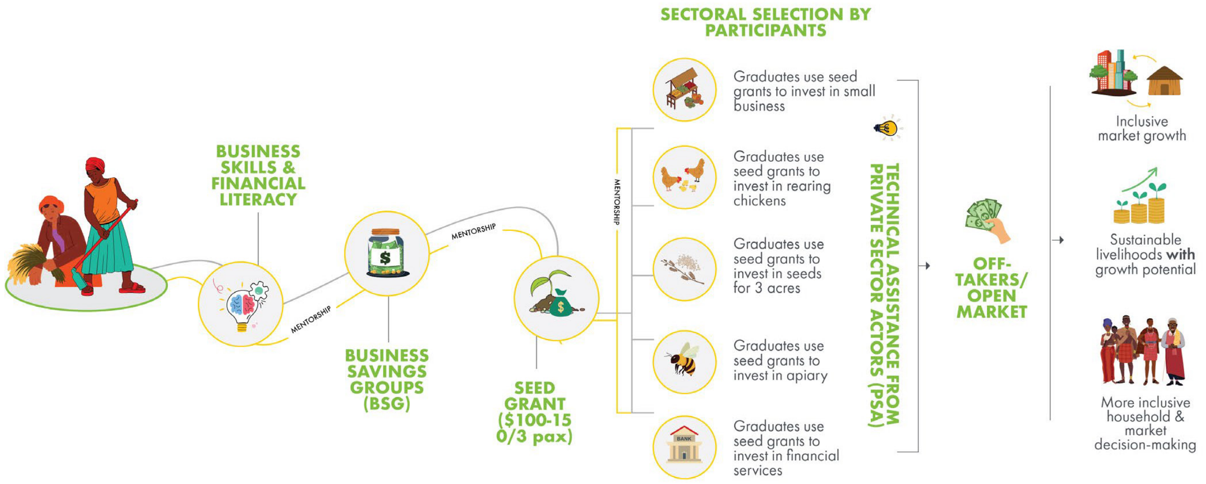


Figure 2: DREAMS participant's interaction with poverty graduation and MSD programming

Resilience outlook of the first 1,200 graduates connected to MSD – DREAMS midline 2024

- 81% of Refugees still working in sector selected during graduation.
- 84% of refugees have access to sales avenues for business production
- 86% of refugees and hosts satisfied with prices received for own business production
- 71% confident in continued income from selected sector
- 70% of refugees trust in market information from PSAs

Progress on gender and inclusion.

- 72.3% of female graduates make decisions over the cash earnings
- 91% of female graduates determine how earnings are allocated for household expenses
- 67.5% of women have improved access to market information through PSAs

"Last season, I received Sesame Seeds, planted and was able to harvest 1½ bags. From the sales to Ag-Ploutous Company (DREAMS PSA). I earned enough to buy a piece of land worth UGX 700,000. In addition, I secured a loan from Vision Fund and was able to start a Small Business."

FEMALE DREAMS PARTICIPANT IN BIDI BIDI

Chapter 3: Supporting Financial Service Providers to Serve Refugees Profitably

Key Takeaway: It's imperative that FSPs are supported through a blend of innovative financial and non-financial mechanisms to build sustainable systems, processes and portfolio to serve the dynamic refugee market in Uganda.

Introduction

Sustainable refugee participation in local economies requires more than livelihood training or business support—it hinges on access to appropriate, affordable, and accessible financial services for both investment and working capital needs. In recent years, significant progress has been made in extending formal credit to refugee populations, driven by donor investments and support from development agencies such as the French Development Agency (AFD), Grameen Credit Agricole, Opportunity International, the European Union, and USAID.

This chapter explores how market systems development (MSD) tools—particularly non-financial support such as technical assistance, market research, and blended finance—have been deployed over the past five years to prepare financial service providers (FSPs) to serve refugee and host communities sustainably.

1. Market research

Reliable market data plays a crucial role in enabling FSPs to make informed adjustments to products, systems, and internal policies that cater to the unique needs of refugee populations. A common pitfall for many institutions entering refugee markets is a failure to segment refugee customers appropriately, often resulting in ineffective "one-size-fits-all" solutions.

Instead of entirely new products, what refugees often need are minor but strategic adaptations—such as more flexible KYC compliance procedures, adjusted collateral requirements, and improved customer onboarding.

Market research supports FSPs by:

i) Building confidence and appetite to serve refugee clients profitably and sustainably;
ii) Challenging stereotypes and fostering institutional buy-in;
iii) Enabling the design of better, context-specific financial products.

Notable Research Insights:

i) ReFine Project Assessments (Bidi Bidi, Rhino Camp, Kampala):

- **Baseline:** 91% of refugees accessed credit via VSLAs; only 13% through formal FSPs.
- **Midline:** Formal credit access rose to 44%; VSLA dependency dropped to 56%.
- **Endline:** 93.2% had gained access to at least one formal financial product—including mobile money (44.3%), bank/MFI loans (24.2%), and business savings accounts (22.7%).

ii) IFC Consumer and Market Study (West Nile & Southwest Uganda):

Estimated refugee-host consumer market worth USD 485 million. The findings illustrate a strong business case for offering SME and micro-loans to entrepreneurs in these regions.

iii) FSD Uganda Financial Diaries:

Ongoing since 2020, the diaries shed light on how refugees manage income and expenses. A gender-sensitive lens reveals trends in financial vulnerability, decision-making dynamics, and access to financial tools—providing valuable evidence for designing tailored financial solutions.

2. Technical Assistance (TA)

Technical assistance is a key tool in helping FSPs adopt new technologies, align with regulatory requirements, and improve internal systems to better serve emerging market segments like refugees.

In the refugee finance space, TA has been used to support:

- Digital transformation
- Risk management (especially around credit processes)
- Product adaptation
- Market outreach and expansion

a) **Designing Effective TA for FSPs:**

i) Institutional Buy-In Matters

Sustainable refugee finance solutions require buy-in at all levels—from executive leadership to branch staff. While executive-level approval can initiate change, functional-level engagement ensures implementation. Regular advocacy, training, and data sharing are essential—especially in settings with high staff turnover.

ii) Pair Consultancy Support with Modest Funding

Consultancy alone is often not enough. TA has greater impact when accompanied by matching grants or seed funds that incentivize FSPs to implement recommendations. Cost-sharing with the FSP builds ownership and commitment.

iii) Focus on Process Improvements over Product Innovation

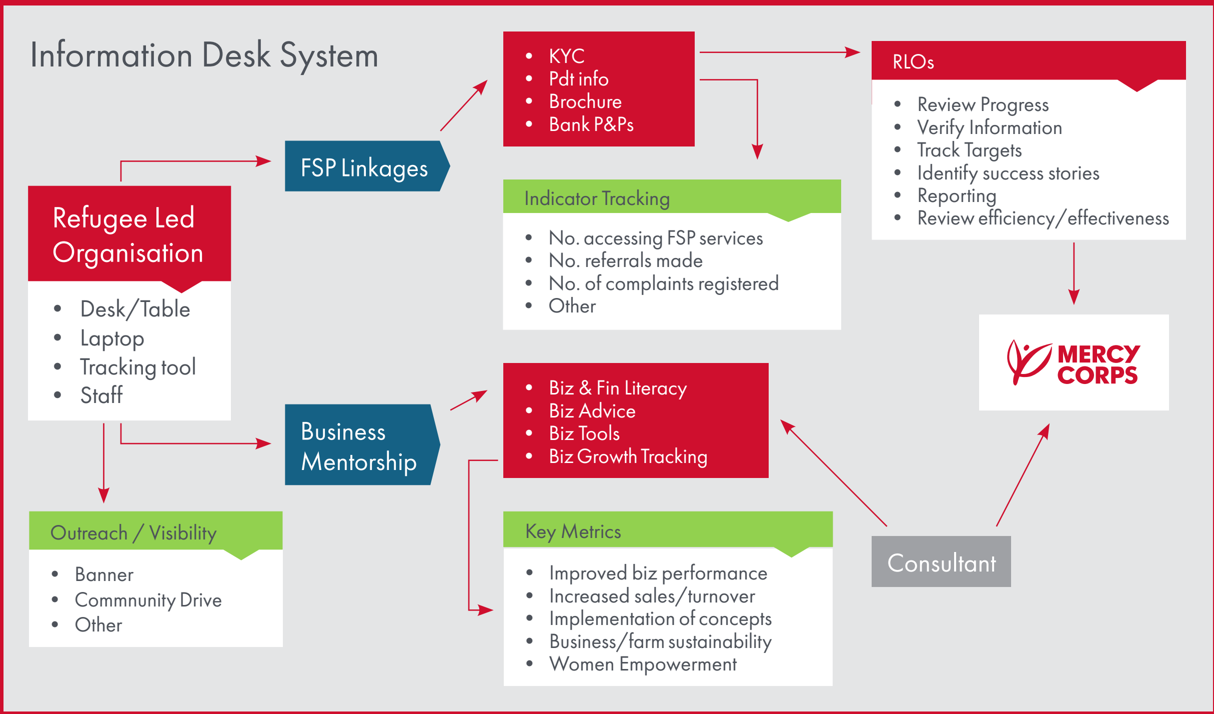
In most cases, FSPs do not need to create entirely new financial products for refugee clients. Instead, impact can be achieved through:

- Adjusted KYC/documentation requirements
- Increased credit ceilings to support business growth
- Pairing financial tools (e.g., savings and loans) with non-financial support such as business mentorship

iv) Segment Refugee Clients Appropriately

Just as host community clients are segmented by needs, livelihoods, and income levels, so too should refugee clients be treated as a diverse group. Tailored segmentation improves product relevance and uptake.

ReFine's Information Desk Model



The information desks established at each of the 5 partner RLOs are aimed at providing crucial information on financial services and mentorship to entrepreneurs in preparation for linkages to financial institutions. Initially funded by Mercy Corps, the information desks will be handed over to financial institutions as part of the sustainability strategy of the program.

b) Categories of Technical Assistance to FSPs

i) Skills-Based Training for Staff and Management

Training helps correct misperceptions that refugees are unbankable and equips staff with tools for effective service delivery. Under ReFine, VisionFund and FINCA staff received training on refugee bankability, credit management, and market segmentation.

ii) Product Development and Refinement

Market insights guide product redesign to match refugee realities. For instance, ReFine conducted Human-Centred Design (HCD) research in Kampala and Nakivale to adapt the SMART Woman product for urban refugees. It also supported FINCA's refugee finance strategy through localized research in Kiryandongo and Kampala.

iii) Exposure Visits and Rapid Prototyping

Sessions such as Design Sprints—led by FSD Uganda and BFA Global with four FSPs in Kyangwali Settlement—allowed staff to co-create financial solutions and gain firsthand experience with refugee market dynamicss.

3. Information Dissemination and Coordination

Reliable data on refugee financial lives—covering income sources, cultural practices, and expenditure patterns—is crucial for product and service alignment. However, lack of accessible data remains a key barrier to market entry for many FSPs. INGOs and development actors play a central role in bridging this gap.

- **Refugee Investment Network (RIN):**
  An impact investing initiative focused on evidence-based policy change, capital mobilization, and shifting refugee narratives.
- **Livelihood & Resilience Sector Working Group (LRSWG):**
  Co-chaired by UNHCR and World Vision, this forum coordinates economic resilience efforts across stakeholders. ReFine presented findings from its second State of the Sector report at the national level through this group.
- **Refugee-Led Organizations (RLOs):**
  As grassroots institutions with deep community insight, RLOs play a vital role in advocacy, community cohesion, and promoting financial service usage. ReFine established information desks in five partner RLOs to facilitate referrals and financial access.
- **Information Exchange Forums:**
  Various national and local forums—roundtable discussions, webinars, product launches—have facilitated meaningful exchange. Active facilitators include U-LEARN, IRC, UNCDF, FSD Uganda, and Mercy Corps.

Extract from UNCDF's Digital Fireside (DFS information dissemination workshop) – 19th July 2023

Theme: Expanding Digital Financial Services in the Humanitarian Space

DFS in the Refugee Context in Uganda.

According to a study conducted by U-Learn in collaboration with the Uganda Inter-Agency Cash Working Group (CWG), the Livelihoods and Resilience Sector Working Group (LRSWG) and UNCDF in 2022, over 95% of refugees receive some form of cash and voucher assistance (CVA) as direct cash transfers, mobile money or through bank agents. Mobile Money is the most popular choice of receiving financial assistance as well as for commercial use for both refugees and host communities. The study further reveals that 64% of refugees use mobile money while 52% of refugees have or are receiving over the counter (OTC) or direct financial assistance.

WFP has been able to extend digital financial inclusion and related services through cash-based transfers to over 14,000 Ugandans and over 1.3 million refugees that they support monthly through various interventions.

What is holding up scale of use with DFS in humanitarian cash transfers in Uganda?

The benefits of DFS are evident. However, low basic and digital literacy levels particularly for refugee women and elderly persons constrain faster adaptation of digital payments. Additionally, the long distances to mobile money agents, who sometimes have no liquidity to serve these customers, the complexity around SIM card registration, replacement, and reset, as well as prohibitive withdrawal fees make digital financial services unfavourable for the recipients.

While Uganda has made significant progress in terms of electronic and merchant payments infrastructure, the readiness and adoption of these payment systems in the country remains low. Additionally, fintechs in Uganda have introduced innovative payment solutions and platforms that cater to both individuals and businesses, bridging the infrastructure access gaps. Despite this progress, the infrastructure challenges and the costs incurred by merchants in accessing cash in some areas still affects their willingness to accept electronic payments, especially in remote or rural areas. The readiness of consumers to adopt these payment methods and actively use them largely depends on the trust they have in the digital economy, and their level of digital literacy.

How do we navigate these challenges.

- Reducing the need for cash-outs – by increasing the availability of merchant pay points within refugee settlements.
- romoting digital access: - Content should be tailored to the needs of recipients in the languages they understand and delivered using simplified and illustrated methodologies such as visual aids.
- Advocacy for reduced fees: - Eliminating such fees does not only enhance financial accessibility but also aligns with the principle of ensuring affordable financial services for vulnerable populations.
- Data privacy and protection: - Stakeholders at the fireside unanimously emphasised the need to safeguard refugees' data throughout the digital financial service delivery process.
- Responsive customer support: - Streamlining customer support services can enhance user experience and trust in DFS

It is important to note however, that refugees are not a homogenous group. Therefore, there is need to innovate DFS around their diverse needs, and be cognizant of how long they have been in the country, their age, gender and other dynamics

Financial Mechanisms Used to Facilitate the Refugee Finance Market In Uganda

The refugee finance market in Uganda is relatively young and continues to evolve in response to the changing financial needs of refugee and host communities. While there is still a need for continuous learning and adaptation, a number of innovative financial mechanisms have been developed and deployed to expand financial service delivery in these settings.

The table below outlines key tools and programs that have been implemented to strengthen Uganda's refugee finance sector.

TOOL	PURPOSE	EXAMPLES
Risk-sharing mechanism **Credit Guarantees:** Cover a percentage of loan defaults to encourage FSPs to lend to refugees. **First-Loss Guarantees:** Absorb initial losses in portfolios serving refugees.	To mitigate the financial risk for market actors (e.g., banks, MFIs) in lending to refugees and incentivise them to enter the perceived high-risk refugee market.	**USAID's** 8-year $20M first-loss credit guarantee for Opportunity Bank (60% coverage) in 2024. **UNCDF** (United Nations Capital Development Fund) implemented a guarantee scheme with VisionFund Uganda. **Uganda Development Bank** and other partners have used guarantee schemes to encourage banks and MFIs to offer credit to refugees.

Concessional financing (low-interest financing to FSPs for on lending)	Offer loans at below-market interest rates with extended repayment terms to reduce financing costs for market actors. Used to support development goals, address emergencies, and aid vulnerable populations.	Kiva's crowd lending facility provides patient and affordable capital to MFIs. UNCDF and Grameen Credit Agricole provided a concessional facility to **UGAFODE**'s refugee operations in Nakivale. **World Bank**'s IDA18 Regional Sub-Window for Refugees and Host Communities provides concessional financing to refugee-hosting countries like Uganda. This funding supports initiatives that integrate refugees into formal financial systems.
Performance-based incentives (e.g. revenue-based financing) • Disbursement of funds tied to performance indicators (e.g., number of refugees served). • Rebates or financial incentives for institutions that exceed targets.	To reward financial institutions for achieving specific outcomes, such as opening refugee accounts or disbursing loans to refugees.	GiZ's EnDev RBF facility to off-grid energy providers working in refugee and host communities in Uganda (implemented via PSFU)

Chapter 4: A Call to Action for Development and Market Actors

Key Takeaway: Amidst the dwindling donor support to Uganda's refugee programming, development actors and INGOs need to build on existing MSD approaches to foster sustainability of their interventions.

Introduction

In Uganda, where the refugee population continues to grow amid declining humanitarian aid, the need for sustainable and impactful solutions is more urgent than ever. Development actors must fully embrace Market Systems Development (MSD) programming and faithfully apply its principles to support refugees in transitioning from aid dependency to self-reliance.

Development and market actors operating in displacement finance contexts have a unique opportunity to leverage MSD tools to build sector capacity, strengthen relationships, and align incentives that enable refugee self-reliance while also delivering value for market actors. This chapter outlines a set of recommendations for funders, NGOs, financial institutions, and Refugee- and Community-Based Organizations (RLOs/CBOs) to drive holistic, sustainable, and transformational change in how financial markets serve both refugee and host communities.

A Call to Action for Refugee-led Organisations (RLOs)

Supporting RLOs to Develop Viable Commercial Models

As grassroots organizations, RLOs provide a critical link between refugee and host communities and financial institutions—especially during the early stages of engagement. Many are also primary implementing partners for development actors and funders, positioning them as essential players in deploying locally-led MSD solutions.

Despite this pivotal role, most RLOs and CBOs remain heavily reliant on aid. They often operate with weak structures, underdeveloped systems, and policies shaped around grant funding cycles, making it difficult to retain skilled staff and assets once projects close.

Development partners must support RLOs in developing viable commercial models that enable them to generate revenue, cover operational costs, and scale sustainably. This support is critical for reducing dependence on grant funding and enabling RLOs to grow their organizational capacity and long-term impact.

How grassroot entities such as Refugee Led Organization (RLOs) can be supported to develop commercial models.

The dwindling donor funding for Refugee response in Uganda requires that all stakeholders including RLOs evolve if they are to remain operational. This requires a shift is strategic and operational approaches and most importantly mindset change since most RLOs are registered as CBOs or NGOs with no focus on commercialization. Key steps to developing commercial models include the following.

1. **Gap/Needs analysis:** Targeting 4 broad categories; governance, strategy, management and operations. The end goal is holistic institutional strengthening to deliver on the new model.
2. **Value chain analysis:** Intended to identify viable value chains to build a commercial model. Deploy a participatory approach for when identifying the commercial model.
3. **Strategy/Business plan Development:** Include extensive analysis of the working environment. Develop consensus on goals, objectives and activities.
4. **Capacity development:** Focusing on needs and capacity gaps identified and mindset change from CBO focus to a commercially focused model.
5. **Model pilot:** The pilot is key to enabling the management and staff identify the practicality of the model to make necessary changes and strategies to scale-up.
6. **Growth & adaptation:** Continuous processes of learning, unlearning and re-learning to ensure sustainability.

A Call to Action for Development Actors, Donors, Financial Service Providers and Non Profit Organizations

Development partners should implement blended financing approaches through an MSD lens to build viable local financial markets and critical infrastructure. Such approaches enhance the impact of limited donor resources and help channel muchneeded capital to refugee populations and host communities.

For example, the IKEA Foundation's ReBuild project is piloting a risk-sharing facility that layers an incentive model on top of a first-loss guarantee to address bottlenecks in refugee lending.

Temporary subsidies—such as guarantees, matching grants, and interest rate subsidies—can be powerful tools when used strategically. These mechanisms should be designed to help Financial Service Providers (FSPs) develop new products and expand outreach, not to subsidize their ongoing operations. Subsidies must also avoid distorting the market on either the supply or demand side.

A successful example is Kiva's open market crowdfunding platform, which the ReFine project leverages. This platform incentivizes FSPs to scale lending while maintaining market-consistent interest rates and loan terms.

Although evidence increasingly shows that lending to refugees is no riskier than lending to host populations, FSPs often seek guarantees to mitigate perceived risk when entering new markets or serving higher-risk sectors like agriculture. Guarantees can also motivate frontline staff to engage underserved communities, and in many cases, lending continues after the guarantee expires.

That said, guarantees and concessional loans are finite. Overreliance on these tools poses a risk to the long-term sustainability of refugee finance. A strategic blended finance approach is needed—one that attracts private capital and centers on sustainable, long-term credit provision in displacement settings.

Brief Analysis of Blended financing Tools and Approaches

1. Guarantee Funds

Example: USAID's 8-year $20M first-loss credit guarantee for Opportunity Bank (60% coverage) in 2024

Pros:

- De-risks investments, encouraging FSPs to enter the refugee finance space.
- Helps build initial refugee lending portfolios.

- Shields FSPs from early-stage loan losses.

Cons:

- May distort market dynamics, affecting credit access when guarantees end.
- Often lacks complementary support like technical assistance or market research.
- Can discourage loan officers from enforcing repayment on guaranteed loans.

---

2. Concessional Loans

Example: Kiva's refugee crowd-funding facility under the ReFine project.

Pros:

- Encourages lending to refugees, often seen as high-risk.
- Makes credit more affordable in critical sectors like climate resilience and agriculture.

Cons:

- Can disrupt markets due to below-market interest rates.
- Often limited in scope and scale.

---

3. Crowd funding and Community-based financing

Examples: GoFund platform, Go Giving crowd fund.

Pros.

- Offers low-cost capital for community-driven investments.
- Strengthens community ownership through local resource mobilization.

Cons

- Insufficient for MFIs/FSPs seeking large-scale capital.
- Unreliable for long-term investment planning.

---

4. Matching Grants

Example: Government of Uganda's matching grant facility funded by the World Bank

Pros.

- Builds partner capacity through co-investment.
- Strengthens local actors' ability to make strategic financial decisions.

Cons.

- Often limited to select sectors (e.g., agriculture, local manufacturing).
- Rare in displacement settings.
- High qualification requirements can exclude startups and small businesses.

Impact Investment Funds

Example: EU's Euro 2M to Inua impact fund to support SMEs in Uganda.

Pros.

- Aligns financial and social returns for local actors.
- Unlocks equity capital for innovative business ideas with limited upfront resources.

Cons.

- Tends to favor high-growth, high-return ventures and urban areas.
- May dilute founder ownership, which can be a deterrent.

Strengthening Refugee Finance Through Collaboration

While tools like guarantees and concessional credit are helpful for opening access in underserved segments such as agriculture, donors and development partners should also invest in technical assistance for both FSPs and refugee communities.

For FSPs, this includes training staff to better understand refugee livelihoods, debunk myths around refugee creditworthiness, and build skills in credit management for displaced populations.

For refugees, assistance should focus on building business acumen, financial and digital literacy, and entrepreneurship skills. Mentorship, business incubation, peer learning, and industry linkages are also key to helping refugee entrepreneurs grow and thrive.

The ReFine project's technical assistance component is a compelling example of what's possible: in just three years, partner FSPs have enabled access to savings and credit for over 9,000 refugees and host community members, far exceeding the initial target of 2,000. The project achieved over a 90% repayment rate, thanks to its combination of financial training, digital literacy, and strong market linkages. This has led to increased business growth, asset acquisition, and rising incomes at both household and enterprise levels.

Appendix

Table 2: Showing recommendations for blended financing options

Area of focus	Market condition	Financing option	Pros/cons	Examples
Displacement phase	Arrival & initial displacement	None – Focus on cash and food aid, trauma recovery.	Pros: Support settlement and financial recovery. Cons: Potential of abetting aid receiving mindset.	N/A
	Protracted and permanence	Guarantee funds	Pro: de-risking investments into refugee space for FSPs. Con: FSPs potentially developing a 'lazy' approach to lending.	USAID's 8-year $20M first-loss credit guarantee for Opportunity Bank (60% coverage) in 2024.
		Concessional loans	Pros. Encourages FSP scale up. Cons: Financial Services market disruption.	Kiva's crowdfund under ReFine provides patient and affordable capital to MFIs.
		Crowd funding & community based financing	Pro: Often a cheaper source of capital. Con: Often limited in nature.	GoFund me platforms have raised funds for refugee orphans in Nakivale.
		Matching grants	Pro: Increases private investment. Con: Potentially crowds out low capital start ups	GOUs Matching grant facility funded by World bank supports private business.
Local market infrastructure	Availability of strong local market structures	Concessional loans	Pros: Catalyses local investment. Cons: Potential of disruption of financial market.	Grameen has supported Vision Fund's FAST (Finance Accelerating Savings group Transformation) Product to refugees in WNile
		Matching Grants	Pro: Encourages capacity development. Cons: Often limited to few sectors eg. Agriculture	

	Weak market structures	Guarantee funds	Pro: Supports in guarding against loan loss. Con: Not sustainable	GVEP Loan guarantees have been used to increase access to clean energy solutions in East Africa
		Crowdfunds & Community based financing	Pro: enhances mobilization of local resources. Cons: Often inadequate	Global Giving crowd fund fundraises for project across Uganda.
Financial legal & regulatory framework	Strong legal framework	Insurance schemes	Pro: Enhances confidence in investors. Con: Increases cost of credit.	N/A
		Concessional loans	Pro: Very useful for scale up in remote areas. Con: Often limited to specific sectors of donor interest.	Kiva's Crowdfund under ReFine project.
	Weak legal framework	Guarantee funds	Pro: Protects FSPs from loan loss. Con: Often unsustainable.	MasterCard has subsidized credit to enable equity drive financial inclusion among refugees.
		Insurance funds	Pro. De-risking FSP investment capital. Con: Increased cost of lending.	N/A
Capacity of local actors	High technical capacity of local actors	Concessional loans	Pro: Drives innovation and local investment. Con: Often short term and market disruptive	Grameen supported UGAFODE open a branch in Nakivale settlement.
		Impact investment	Pro: Promotes duo social and financial objectives. Con. Often focus on high return sectors/ locations.	EU's Euro 2M to Inua impact fund to support SMEs in Uganda.
		Matching grants.	Pro: Strengthens and establishes local actors. Con: Not readily available in displacement settings	

	Weak technical capacity of local actors	Crowd funding & local based financing	Pro. Provides flexibility and small-scale financing options. Con. Often unreliable source of funding for large investors.	Kiva's crowd fund
		Credit Guarantees	Pro: Helps in de-risking FSPs Cons: Unsustainable approach.	UNCDF (United Nations Capital Development Fund) implemented a guarantee scheme with VisionFund Uganda
Cost of lending/ Capital	High cost of lending	Guarantees	Pro: Incentivizing FSP investment in refugee settings. Con: Often unsustainable	Launched in July 2024, World Bank Group Guarantees platform simplifies access to financial guarantees for development projects in emerging markets
		Matching Grants	Pro: Reduces cost of investment in local economies. Con: Often requires established private actors which is rare in displacement settings.	CEDP Matching Grant Facility funded by World Bank
		Impact investment	Pro: Attracts equity capital to local economies Con: Investors only focus on thriving sectors/ areas.	EU's Euro 2M to Inua impact fund to support SMEs in Uganda.
	Low cost of lending	Concessional loans	Pro: enhances FSP investment in displacement settings. Con: Often limited in nature.	Grameen credit line to Brac, Vision Fund and UGAFODE to extend credit to refugees.
		Insurance schemes	Pro: Guards against risk of loss of investments. Con: Increases cost of capital.	N/A

Contacts

JAMES LOVE
Director of Programs
Mercy Corps | Uganda
jlove@mercycorps.org

PETER OTALA
Senior Project Officer, ReFINE
Mercy Corps | Uganda
potala@mercycorps.org

About Mercy Corps

Mercy Corps is a leading global organization Powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.

MERCY CORPS
45 SW Ankeny Street Portland, Oregon 97204
888.842.0842
mercycorps.org