

# Building Refugee Financial Resilience through UGAFODE

## Introduction

In line with our mission of transforming lives of our customers economically and socially by providing inclusive financial solutions, UGAFODE set out to extend services to refugees who had been excluded by formal financial institutions. This is because they were perceived as risky due to their mobility nature. Perceived risks in extending financial services to refugees include:

- **Flight risk** - There is always fear of the refugees relocating to other countries since our borders are porous.
- **Lack income** - Many refugees are unemployed,

thus, have no stable income, while others are under employed and do not earn enough.

- **Hard-to-reach settlements** - Financial institutions were reluctant to set up branches and extend services to refugees in settlements because they are located in isolated rural areas. This meant that investing in infrastructure, such as buildings, Internet connection or power, would not be cost effective.

- **Personnel** - In addition, there was fear of failing to find the right staff to work in the refugee settlements, because the working conditions were deemed difficult conditions.

## Background

In 2017, UGAFODE's Board adopted an ambitious strategic plan for 2017- 2021, with which the institution set out to increase its loan portfolio by UGX 55 billion (US\$14.4 million) within three years, increase efficiency to cut costs, and increase deposit mobilization to lower its dependency on external debt financing.

As a result, it was necessary for the institution to expand into new market segments. One such segment was refugees who had limited engagement with financial institutions.

In addition, UGAFODE recognised that expanding services to refugees would align with the institution's mission.

## Entering the refugee space

Initial research carried out by UGAFODE showed that refugees needed financial services just like any other group of people to achieve sustainable livelihoods. However, financial services providers, such as banks, SACCOs and MFIs, had limited engagement with refugees, which created an opportunity for UGAFODE to provide a wide-range of financial services (such as savings, loans and money transfers) to the refugees and host communities.

In addition, records showed that UGAFODE was already serving refugees, as many who received money transfers at our branches would ask to keep the money with the institution, thus, a need for them to open up savings accounts.

This is what informed UGAFODE's decision to venture into the refugee space to extend financial services to them and support them to create sustainable livelihoods.

## Implementation

In 2018, UGAFODE tried out a joint liability group loan to Congolese businesspeople in Kampala, which was successful. After that, the institution implemented a pilot in January 2019 among urban refugees in and around Kampala and Wakiso districts, as per Bank of Uganda guidelines. Following the pilot, UGAFODE extended services to refugees in a settlement area by opening up a branch in Nakivale

Refugee Settlement in Isingiro district in March 2020. This made the institution the first financial services provider in Uganda to offer financial services to refugees in a settlement area.



UGAFODE's branch in Nakivale Refugee Settlement

## Preparation

To prepare itself to successfully extend services to refugees, UGAFODE implemented the following:

- Revised the Human Resource Manual to allow for the recruitment of refugees. These supported us to infiltrate and be easily acceptable in the refugee communities. In 2019, 10 refugees were recruited as marketing and sales interns (5 Congolese and 5 South Sudanese by October 2019). By March 2020, UGAFODE had 16 sales and marketing interns who are all former refugee clients.

The refugee interns were able to overcome the language barrier that Ugandan staff would have faced with refugees. In addition, the interns were able to establish a higher level of trust with the refugee clients faster than Ugandans.

- To promote continuous engagement we established a sales and customer care (Call) centre where some of the refugee interns were employed to engage with the refugee customers in their different languages.

- We reached out and formed partnerships with various refugee communities and organizations that were engaged in providing financial services, such as business grants and non-financial services, such as financial literacy training to refugees. The partnerships included the urban Sudanese community, Congolese community and Burundian community, which made it easy for us to engage

them about our services.

## Achievements

### Provision of financial services

Since inception of the programme, a total of 5,254 refugees have benefited from our financial services. With our loans, some have been enabled to start businesses and earn a living, thus, greatly improving their quality of life.

### Employment for refugees

Jobs have been created for refugees who work with UGAFODE as Sales and Customer Service Officers, and Credit officers.



Some of the refugee interns participated in the celebration of World Refugee Day in 2019

## Opportunities

UGAFODE was able to achieve the above because of the following:

### Enabling environment in Uganda

The laws and policies in Uganda are favourable for the economic empowerment of refugees. Refugees are given identification documents by the Government through the Office of the Prime Minister (OPM) with which one can:

- Access a financial card, which facilitates their access to loans in financial institutions
- Process a Ugandan driving permit, which has given many refugees work opportunities as long-distance truck drivers (Somalis) and Uber drivers. This has enabled them to earn money, some of which they

save, which makes them bankable in addition to enabling them to get loans to develop themselves.

- More so, the laws in Uganda allow refugees to own land, for example, when a refugee arrives in a settlement, the government allocates them land on which to put up shelter and more land for them to grow food. In addition, refugees are legally free to buy and own land in any part of the country outside the camp. This has enabled refugees to carry out economic activities on the land and those who own property can use it as collateral to get loans. Refugees are also free to own businesses such as supermarkets, and to move outside the country and even engage in cross-border trade from which they earn money some of which they save.

As few financial services providers (FSPs) had engaged with refugees, therefore, there was a gap for UGAFODE to fill in by providing services to refugees.

## Threats

- Lack of collateral - Many refugees do not own property, thus, lack collateral to secure big loans. Therefore, they can only get small loans, which might not enable them to reach their full economic potential.
- No permanent addresses - Many refugees (especially those outside the camps/settlements) do not have permanent addresses. Since many are tenants where they reside and work, they keep changing homes and business premises, which makes it hard for the credit officers to follow up with loan repayment.
- Some refugees are in transit, and processing papers to settle abroad, while others might end up going back to their homes without repaying the loans.
- On the other hand, some refugees take advantage of their status and the safeguarding policies in place to default on their loan repayment, and when the UGAFODE uses tough recovery measures (which are also used on the nationals), the refugees report cases of abuse and harassment to safeguarding institutions, such as the Office of the Prime Minister, which threatens UGAFODE's business among refugees.
- Mind-set of receiving hand-outs from development

partners and NGOs. In Uganda, several NGOs are involved in programming for refugees, and through these programmes, refugees get a lot of free financial and non-financial services, which is a threat to doing business among them since some expect free services.

- Cultural differences between nationals and refugees. Some customer-facing staff of UGAFODE report that due to cultural differences, they find it hard to deal with certain groups among refugees, who they accuse of being difficult, rude or disrespectful. Relatedly, some incidents of conflict among staff and refugee customers have been reported where refugees accuse staff of mishandling them.

## Innovations

### Digitization of refugee services

Leveraging on technology, UGAFODE is digitizing refugee services to increase convenience and improve turnaround time. For example, the institution introduced remote account opening to improve turnaround time.



*A sales and marketing officer from UGAFODE helping a customer to open an account remotely in the community*

### Formation of groups

UGAFODE is encouraging refugees to form groups (Village Savings and Loans Associations) under which they can save money in addition to accessing loans. Belonging to a group enables some of them to access loan, which they cannot do so individually due to lack of collateral.

## Financial Literacy training

UGAFODE has solicited for support to scale the Non-Financial Services Agenda, for example, financial literacy training through which it raises awareness of refugees in financial management so as to promote sustainability and financial Independence.



*A sales and marketing officer carrying out financial literacy training among refugees in Nakivale*

## Future plans

UGAFODE plans to continue extending services into other refugee settlements by opening up new branches in or near Rwamwanja, Kyaka II and Kyangwali Refugee Settlements.

UGAFODE is investing into strengthening relationships with other refugee communities such as Somali, Eritrean and Ethiopian communities.

## Lessons learnt

From UGAFODE's engagement with refugees, we discovered that:

- Refugee customers are not more risky than the nationals. They perform as well as the nationals.
- Refugees need a variety of high-quality financial services and products (including loans, savings and money transfer) to achieve economic transformation.
- Contrary to popular perception, only about one-third of refugees live in managed camps or settlements, while the rest live among communities where they are engaged in economic activities from which they earn income.

## Happy customers



*Muhammed in front of her restaurant in Nakivale*

### **Maria Abdulai Muhammed, runs a restaurant in Nakivale Refugee Settlement**

I was funded by UGAFODE to construct a restaurant after taking over my mother's makeshift structure when she relocated to the USA in 2015.

I started with a loan of UGX 15m, after repaying it, I got another of UGX 15m and then UGX 20m. I invested all the money in building and furnishing my restaurant.

I have been able to pay back the loans with proceeds from the business and support from family members.

After expanding the business, the number of customers I serve every day increased and I was able to provide employment to four people. In addition, I am able to comfortably provide for my family of seven (husband and five children).

### John Bosco Bahati, operates a general merchandise shop

In December 2020, I borrowed UGX 5m from UGAFODE.

After paying it back, I borrowed another UGX 8m and in June 2022, I borrowed UGX 10m.

The loans enabled me to add new stock to my shop and expand my business, thus increasing my income.

I am grateful to UGAFODE for bringing financial services nearer to us in the settlement. In addition, during the Tupo



*Bahati and his wife in their shop*



*Bahati with the tank he won*

Pamoja Campaign in 2021, in which UGAFODE rewarded its customers, I won a water tank. In Nakivale, we have a

challenge of water shortage, therefore, I thank UGAFODE for the tank, which has made my life easier.

### About us

UGAFODE Microfinance Limited (MDI) is a deposit-taking financial institution that is regulated by Bank of Uganda.

It started out as an NGO, The Uganda Agency for Development Limited (UGAFODE) in 1994. The NGO aimed at providing affordable financial services to customers, mainly group credit for women.

In September 2010, UGAFODE Microfinance Limited was incorporated as a company limited by shares. The NGO divested from microfinance activities, but retained an ownership share. It transferred all its business, assets and liabilities to

UGAFODE Microfinance Limited.

In September 2011, it transformed into an MDI (Micro-deposit taking institution) with new savings products to balance credit operations and expanded shareholding.

It was licensed as a Tier III MDI by the Central Bank of Uganda (BOU) in 2011.

UGAFODE's mission is: *'To transform the lives of our customers economically and socially by providing inclusive financial solutions'*.

Its target market is low-income micro-entrepreneurs and small-holder farmers.

UGAFODE operates in 19 branches and three Sales and Customer Service Centres across the country.

### Acknowledgments

UGAFODE has leveraged strategic partnerships to meet the financial needs of a growing refugee population and it is thankful to its partners who have supported the financial inclusion for refugees programme. These include: The Office of the Prime Minister, the United Nations High Commissioner for Refugees (UNHCR), Swedish International Development Cooperation Agency (Sida) through Grameen Credit Agricole, Kiva, Bank of Uganda, InterAid and local communities that host refugees.