



Refugee Bankability

Lessons from a Results Based Loan Guarantee Fund Pilot for refugees and nationals in Kampala

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ABSTRACT

Urban refugees in Uganda are, by policy, expected to be self-reliant. Self-reliance, according to the UNHCR¹ livelihoods and economic inclusion global strategy, is the social and economic ability of an individual, a household or a community to meet essential needs in a sustainable manner and with dignity. However urban refugees and vulnerable nationals in Kampala face barriers in their strides towards self-reliance including but not limited to access to finance.

This learning brief shares trends, learnings and recommendations from an urban refugees' and vulnerable host community Loan Guarantee Fund (LGF) pilot by the Refugees in East Africa: Boosting Urban Innovations for Livelihoods Development (Re:BUiLD) Program. The Re:BUiLD is a 5-year program (2021-2025) implemented in Kampala and Nairobi by the International Rescue Committee (IRC) and partners with financial support from the IKEA Foundation.

The learnings in the brief were generated from evidence and programmatic experiences in Kampala between 2023 and 2024 through Re:BUiLD's financial inclusion work. This work supported Urban Saving and Loans Associations (USLA) and linkage of the groups and their members to a Results Based - Loan Guarantee Fund (RBF- LGF) with [UGAFODE Micro Finance Limited](#), a micro finance service provider and a leader in refugee financing in Uganda.

The data from the pilot involved a sample of 129 refugees and nationals (R94, H35; F104, M25) supported from July 2023 to March 2025. Clients borrowed cumulatively UGX 194.8 million (approx. Euros 48,700) with 69% of the clients repaying the principal and interest thus showing the potential bankability of urban refugees and their host communities. The total amount repaid was UGX 135 million (approx. Euros 33,761).

URBAN REFUGEES IN UGANDA: A GROWING REALITY

Over 60%² of refugees globally live in cities—and Uganda is no exception. Known for its progressive refugee policies, Uganda hosted 1,829,047³ refugees and asylum seekers as of March 2025, up from just 143,000 in 2014. Kampala alone is home to over 157,000⁴, underscoring its key role in the national refugee response. Notably, 60%⁵ of refugees and asylum seekers in Uganda are women and youth, —mirroring Re:BUiLD's focus groups.

Urban refugees in Uganda are expected to be self-reliant, yet they face steep barriers—especially in accessing formal finance. Banks often view them as high-risk, excluding them from vital economic tools. UNHCR's global strategy emphasizes livelihoods and financial access as critical to refugee protection and long-term solutions. Uganda's own Jobs and Livelihoods Integrated Response Plan (JLIRP)⁶ echoes this, promoting inclusive growth through microcredit, startup capital, and financial linkages. Re:BUiLD's work aligns with these goals, advancing financial inclusion and economic integration for urban refugees and their host communities.

¹ UNHCR handbook on self-reliance chrome-extension: <https://www.unhcr.org/sites/default/files/legacy-pdf/44bf7b012.pdf>

² The power of cities <https://www.unhcr.org/innovation/the-power-of-cities/>

³ Uganda refugee numbers per district <https://data.unhcr.org/en/country/uga>

⁴ Uganda refugee numbers per district <https://data.unhcr.org/en/country/uga>

⁵ 60% of refugees are women & youth <https://data.unhcr.org/en/country/uga>

⁶ Jobs & Livelihoods integrated response plan for refugees and host communities <https://data.unhcr.org/en/documents/details/86601>

OBJECTIVES OF THE LEARNING BRIEF

The evidence that informed this learning brief was generated over a two- year period through Re:BUiLD's support to Urban Saving & Loans Associations (USLA). USLA's run on the same model/approach as the Village Saving & Loans Associations (VSLA) which have been found to be effective⁷ in mobilizing savings, providing access to credit and improving the lives and livelihoods of the impoverished.

The second piece of evidence that informed this learning brief was generated from an analysis⁸ of data from a Loan Guarantee Fund (LGF) with UGAFODE targeting refugees and hosts in Kampala . Members of the USLA's were linked through Re:BUiLD and implementing partners to the Loan Guarantee (LGF) partner, UGAFODE Micro Finance Limited.

The learning brief is intended to contribute towards providing the necessary evidence for financial service providers to design financial products suitable for urban refugees considering their unique circumstances. While the number of urban refugees continues to grow in Kampala and emphasis continues to shift towards self-reliance for refugees due to among others dwindling donor funding, there has generally been insufficient and limited programmatic evidence on refugee bankability in Kampala. Furthermore, the brief is intended to demonstrate Re:BUiLD's contribution towards the JLIRP policy (2020-2025).

Re:BUiLD's FINANCIAL INCLUSION INTERVENTIONS

Re:BUiLD's financial inclusion interventions were designed to address the barriers that urban refugees and vulnerable hosts in Kampala face in accessing informal and formal financing with the objective of unlocking their economic potential. The interventions were informed by assessments including a skills and labour market assessment⁹, gender analysis¹⁰ and a context analysis report¹¹.

Re:BUiLD sought to address the barriers faced by urban refugees in accessing financing through support to USLA groups, formalization of the groups with the Kampala Capital City Authority (KCCA) and linkage of the USLA groups and its members to formal financial service providers particularly the Financial Service Provider , UGAFODE Micro Finance Limited.

Support to Urban Saving & Loans Associations (USLA)

A major entry route for Re:BUiLD's linkage of clients to UGAFODE was through support to 104 USLAs and their 2,177 members. Support provided to the USLAs enabled clients to access informal and formal financing. Support offered to groups included record keeping, financial literacy and training in the USLA methodology. The USLA groups are usually made up of 15 - 30 self-selected members from within a community who meet regularly to save and create a group fund from which members can borrow when needed and repay with interest.¹²

⁷ Stephen Deloach & Alexa Rasmussen The impact of savings-led micro finance on refugees <https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.7910/DVN/OFLQKZ> pp7

⁸ An analysis of the final report submitted to the Re:BUiLD program by UGAFODE on 31st March 2025

⁹ Re:BUiLD skills & labour market assessment report March 2021

¹⁰ Re:BUiLD gender analysis March 2021

¹¹ Re:BUiLD context analysis report March 2021

¹² Digital Savings Groups in Uganda <https://ulearn-uganda.org/digital-savings-groups-in-uganda-learning-brief>

An examination of the data on number of clients supported by Re:BUiLD under the USLA intervention indicates that 72% were female and 28% male. The variance between female and male clients supported can be explained by two factors. The first is that the groups are self-selecting. Secondly, the Re:BUiLD program was designed to support at least 60% female clients, mostly youth. Importantly, these figures also reflect the fact that the majority of the number of refugees in Kampala are women (60%) and youth (22%), according to the April 2025 Uganda refugee statistics figures from UNHCR and the Office of the Prime Minister(OPM).

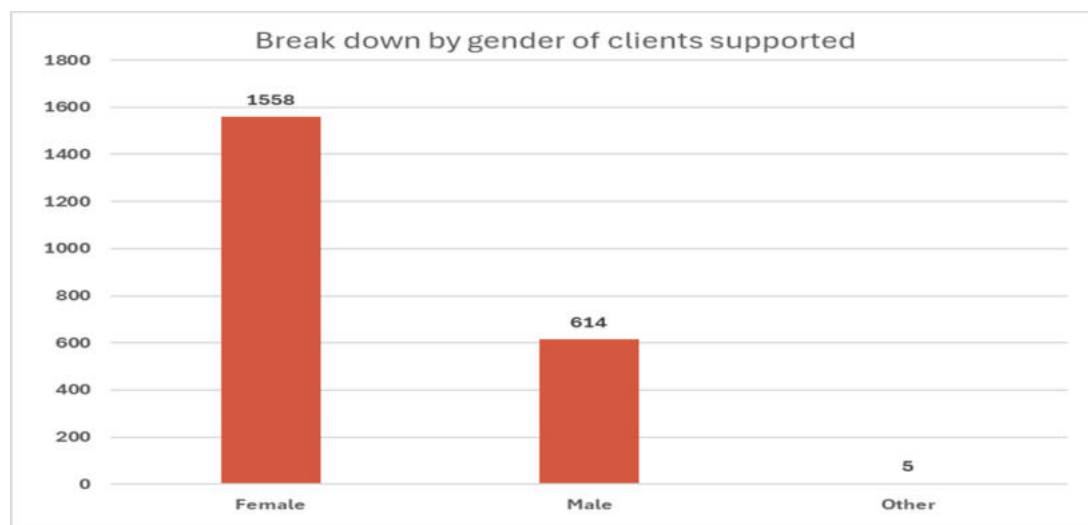


Figure 1. Breakdown of Urban Saving Loans Association (USLA) clients supported

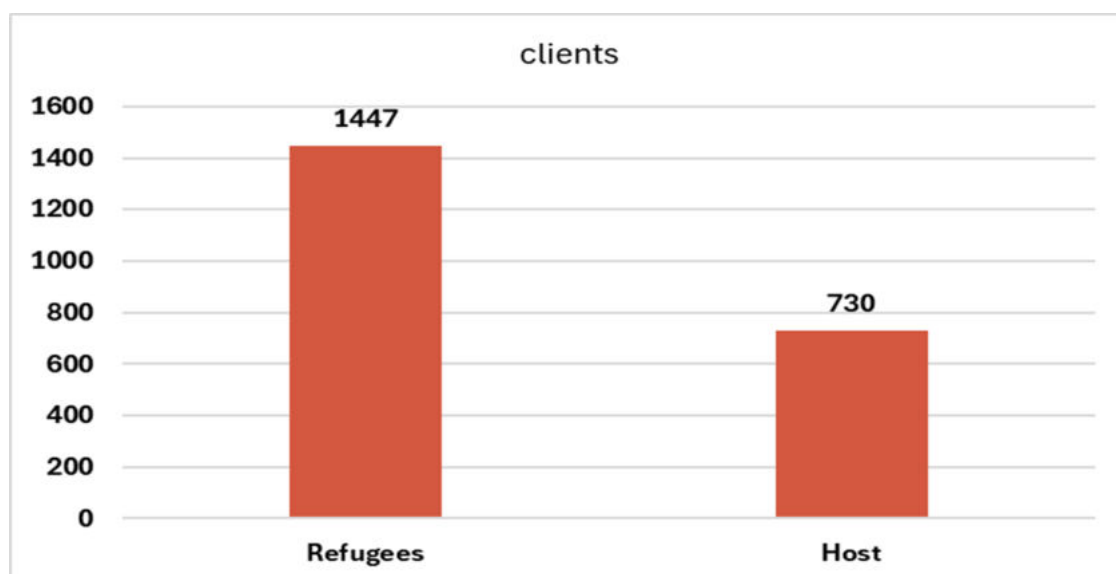


Figure 2. Breakdown by residency of clients served in USLA groups

A breakdown of the services offered by Re:BUiLD to clients under USLA shows that 66% of clients were refugees while hosts stood at 34%. Re:BUiLD support focused on improving practices such as saving, borrowing, record keeping, training the groups in financial literacy and offering technical support to the groups to ensure continuity in the practice of the USLA methodology.

Among USLA groups supported by Re:BUiLD included "same nationality" and "mixed nationality" groups. Mixed nationality groups aimed to promote financial inclusion and self-reliance through integrating and promotion of social cohesion among diverse groups.

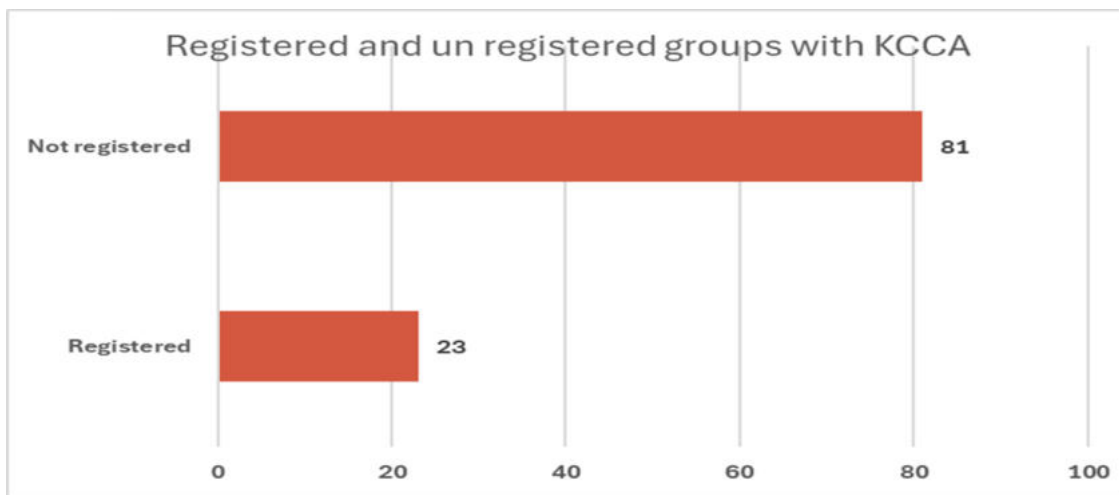


Figure 3. Group formalization with KCCA

Formalization of the USLA groups was an adaptation after feedback from the clients that the loan guarantee partner had, as a requirement, registration of the groups with Kampala Capital City Authority (KCCA) as a necessity for accessing financial services. As earlier stated, the USLA's operate on the same model as the Village Saving & Loans Associations (VSLA), the exception being that in Kampala the groups preferred to be referred to as "Urban" saving groups to reflect their location and the peculiarities that come with it. The VSLA methodology has been described as a simple system but with powerful results for communities that do not have easy access to formal financial services.¹³

Re:BUiLD worked with KCCA and the USLA groups to demonstrate the formalization process with the city. Formal registration as a Community Based Organisation (CBO)¹⁴ offers an additional and beneficial layer of legality and legitimacy for USLA groups and its members to aid access to services, in some instances, beyond financial services.



Photo Credit: February 18, 2025, Kampala, Uganda. Women of Saint Grace Development group making liquid soap in one of their member's house. They decided to start this business venture with their group savings in a bid to increase income. (PHOTO: Nathan Tibaku for the IRC).

¹³ The VSLA methodology <https://www.vsla.net/the-vsla-methodology/>

¹⁴ Community Based Organisation (CBO) <https://ngobureau.go.ug/en/services/community-based-organisations>

LOAN GUARANTEE FUND (LGF)

Re:BUiLD established a pilot Loan Guarantee Fund (LGF) to de-risk UGAFODE Microfinance Limited, a financial service provider with demonstrated experience of serving refugees as well as a Results Based Facility (RBF) with five milestones targeting 400 clients. UGAFODE would be paid for each milestone met in addition to the LGF of Euros 30,000 (UGX 118,886,400) for de-risking clients. The RBF- LGF ran from 16th June 2023 to 31 March 2025 to enable generation of learnings from the pilot. Potential qualifying clients for credit underwent UGAFODE's internal processes for vetting borrowers to access credit. There was no minimum amount for clients to borrow, but the maximum amount was set at 3 million Uganda shillings (approx. Euros 750). Clients linked by the Re: BUiLD implementing partners to UGAFODE were only those who received USLA support including financial literacy training.

While the 400 targeted number of clients to be served by UGAFODE was not met, the micro finance provider extended credit to 129 clients (91 refugees, 38 hosts; 104 F, 25M). In addition, a total of 245 clients opened accounts with the financial service provider. Furthermore, by the end of the LGF agreement, UGAFODE had a total loan portfolio of UGX 189,9Million (approx. Euros 47,475) with clients. The clients served, the accounts opened, and the running loans post the LGF agreement (which illustrates UGAFODE's commitment to continuing with the urban refugee financing), provided the grounds upon which learnings were generated.

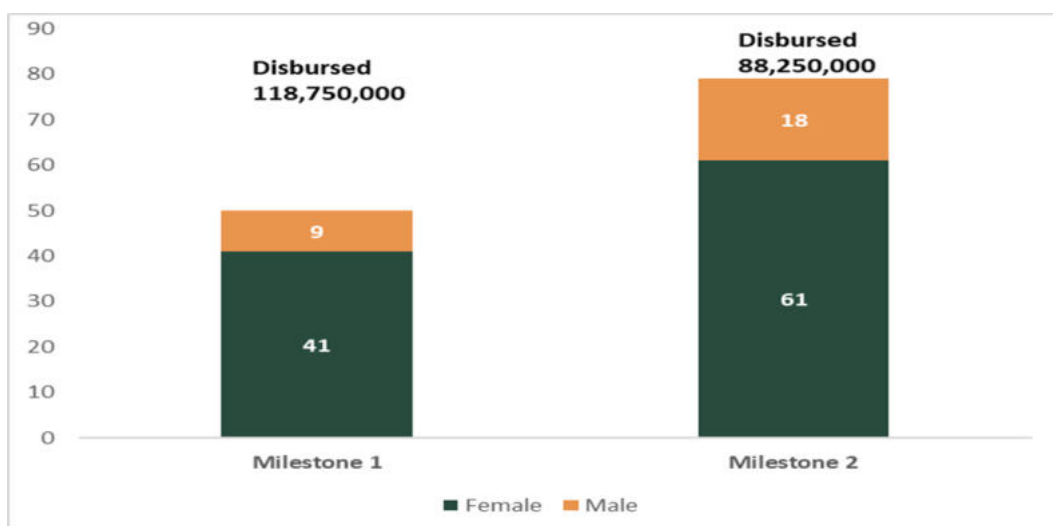


Figure 4. Amounts disbursed across the 2 milestones (Source: Re:BUiLD M&E Primary Data)

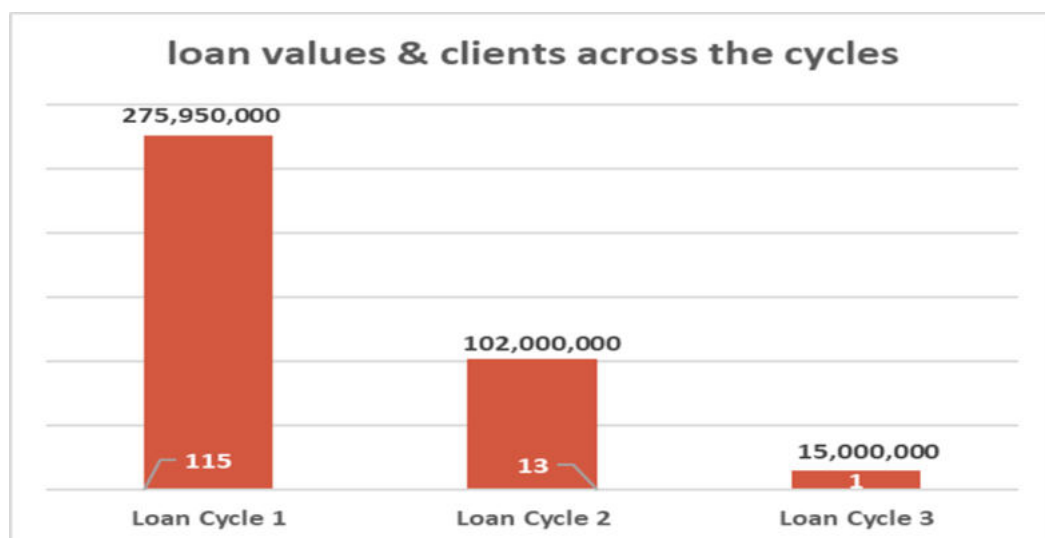


Figure 5. Number of clients served, and amounts disbursed across the cycles (Source: Re:BUiLD M&E Primary Data)

RESULTS

Refugee bankability proven: Of the 129 clients who borrowed UGX 194,8Million (approx. Euros 48, 700), 69% were able to pay back the principal and interest amounting to 135,045,192.47 (approx. Euros 33,761) thus proving the refugee bankability case.

Adoption of urban refugee financing concept: By end of the LGF agreement, UGAFODE had loaned out and additional UGX 189,9 million (approx. Euros 47,475) of its own resources outside of the LGF to a total of 148 clients (R110, H38; F115, M33). As of 31st March 2025, 68% (102 clients) of clients were complying with and meeting their repayment obligations.

Higher loan values for second time borrowers: Clients from groups linked to the financial service provider borrowed sums of money ranging from UGX 400,000 (~100 Euro) to 2 million UGX (500 Euro) for first time borrowers. Second time borrowers, after building a credit score with the microfinance, were able to access up to a maximum of UGX 5 million (~1196 Euro).

LEARNING

- **High bank interest rates compared to USLA rates:** Clients felt the ~17.9% p.a interest rate levied on the loans by the MFI was higher than the USLA groups usual ~10% rate. Some clients decided not to access credit facilities due to the perceived higher interest rate.
- **Majority of clients served were refugee women:** Of the 245 clients who sought and received either credit or saving services from UGAFODE, 191 (78%) were refugees while 54 (22%) were from the host community. Of the 245 clients, 172 were female (70%) while 73 were male (30%).
- **Clients who opened accounts but did not take a loan:** A total of 97 clients opened accounts but did not apply for loans. These included those that were not interested in credit or those that were interested but at point of accessing the loans declined due to the interest rates.
- **Bank recruitment of refugees' staff improved uptake:** Recruitment of two refugee staff improved uptake of services offered by UGFAODE.
- **Refugee clients have the capacity to repay pay loan and interest:** Based on repayment of principal and loans from the clients under milestones one and two, clients proved that they are bankable.
- **USLAs offer cheaper access to credit than financial services providers:** Some clients noted that they preferred to borrow from their own USLA groups because the groups offered credit at a lower interest (ranging from 3-10%) rate than the financial service provider.
- **Opening accounts for savings other than credit:** Some clients (97) opened accounts to save and not necessarily for accessing credit.

RECOMMENDATION

- Clarity and consistency in communicating interest rates to clients will improve the uptake of services by financial service providers.
- Recruitment of refugee staff by financial service providers will equip the FSPs to better mobilise and engage clients.
- Support USLAs to register as Community Based Organizations (CBOs) as this offers a legality and formality that enables clients to access financial services and other services offered by the city, the government, and other actors.
- Financial service providers should design products suitable for refugee clients with particular attention to women as they constituted the largest percentage of those who accessed and repaid loans.
- There should be closer collaboration among partners in the urban refugee space to continuously share evidence of refugee bankability in order to influence banks to create more opportunities for refugees to access financial services.
- Provide linkage services to refugee clients to multiple financial service providers for access to diverse and suitable financial products.
- There is need for continuous engagement with urban refugees to change the negative perception about banks.
- Feedback from clients suggested that a six-month repayment period is the most preferred and suitable loan tenure.

In partnership with the IKEA Foundation, Re:BUiLD brings together the International Rescue Committee (IRC), the Center for Global Development (CGD), Open Capital (OCA), Kampala Capital City Authority (KCCA) and Nairobi City County Government (NCCG). Re:BUiLD is committed to generate and share evidence for innovative, sustainable livelihood solutions that can be adopted to support refugees and host residents in other cities in East Africa and beyond.

The opinions expressed in this brief belong to the authors and do not necessarily reflect those of Re:BUiLD's funding entities and partners.

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