



# Financial Inclusion Through Urban Saving Schemes:

Enabling Urban Refugees and Host Communities in Nairobi and  
Kampala to Access Formal Financial Services

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## Overview of the Re:BUiLD Program

The **Re:BUiLD** program (Refugees in East Africa: Boosting Urban Innovations for Livelihoods Development) is a five-year initiative (2021–2025) led by the International Rescue Committee and funded by the IKEA Foundation. Operating in **Kampala, Uganda and Nairobi, Kenya**, Re:BUiLD has been supporting urban refugees and vulnerable host community members in achieving **economic self-reliance** while fostering stronger, more inclusive urban economic, regulatory, and social systems. The program has delivered comprehensive livelihood interventions to over 20,000 clients in low-income urban neighborhoods in Kampala and Nairobi, backed by flexible funding and an adaptive, evidence-driven design. By generating and sharing evidence on “what works,” Re:BUiLD seeks to influence policies and practices at local, national, and global levels, ultimately improving service delivery and investments in urban refugee livelihoods. In essence, Re:BUiLD is demonstrating sustainable livelihood solutions for refugees and host communities in East Africa, with financial inclusion as one of the key interventions under its service delivery approach (IRC, 2024b).

## Urban Refugees and Financial Inclusion: Context and Challenges in Kenya and Uganda

Urban refugees in Nairobi and Kampala face a challenging financial landscape (FSD Africa, 2023; UNHCR & World Bank, 2022). Both cities host significant refugee populations (the East Africa and Great Lakes region has ~5.9 million refugees and internally displaced people), many in urban areas who often remain **excluded from formal financial services** (UNHCR & World Bank, 2022). On the **demand side**, refugees and low-income nationals grapple with barriers such as a lack of collateral or guarantors, limited financial literacy, and documentation challenges (e.g. refugee ID or permit issues) (Bongomin et al., 2016). Many refugees rely on small, informal businesses for income, yet struggle to access growth capital. Women, who make up a large share of refugee entrepreneurs, face additional hurdles, including household responsibilities and gender biases in accessing finance (UNHCR & World Bank, 2022). On the **supply side, financial service providers (FSPs)** have historically perceived refugees as high-risk or costly clients. Strict KYC requirements and regulatory barriers often prevent refugees from opening bank accounts or accessing loans. Few banks offer products tailored to irregular incomes or group savings, and frontline staff may be unfamiliar with refugee documentation. These demand- and supply-side constraints have led to a systemic gap: refugees and marginalized urban residents remain largely **unbanked or underserved**, relying on informal savings mechanisms or high-interest loan sharks. Bridging this gap requires both empowering the clients and incentivizing providers – a dual challenge that Re:BUiLD set out to tackle (World Bank, 2021; FSD Africa, 2023).

## Re:BUiLD’s Financial Inclusion Strategy

To overcome these challenges, Re:BUiLD implemented a multi-pronged strategy addressing both community-level demand and financial-sector supply:

**Urban Savings and Loan Associations (USLAs):** The **USLA** model serves as the foundational building block for financial inclusion. USLAs, adapted from the Village Savings and Loan Association (VSLA) model for urban settings, bring together 15–25 self-selected members—refugees and hosts—who meet regularly to save and issue small loans to each other from their pooled funds. These groups are supported with structured training on governance, record keeping, conflict management, and financial literacy, which not only builds group capacity but also fosters strong norms of trust, transparency, and accountability. Importantly, USLAs offer more than access to informal credit. They function as safe and supportive spaces where financial habits are nurtured. Members internalize the discipline of saving and repaying loans, creating informal credit histories



that demonstrate their creditworthiness. This repayment discipline becomes a key signal for Microfinance Institutions (MFIs) and banks, which see USLAs as attractive entry points for group-based lending. Unlike individual borrowers, who may be unfamiliar or carry higher risk, USLA members are often already equipped with basic financial education, group accountability structures, and a track record of responsible financial behavior. This significantly reduces the onboarding and monitoring burden for financial service providers (FSPs).

In addition, USLAs help to bridge the social capital divide between refugees and host communities. As diverse members collaborate around savings and business goals, these groups enhance social cohesion and collective resilience. Women's participation in USLAs has been particularly notable, providing them with greater control over household finances and catalyzing microenterprise development. In Kenya, the success of this model is evident in the establishment of 133 USLAs (by IRC and Shining Hope for Communities - SHOFCO), with over 2,059 clients (1,349 female and 1,670 refugees) accumulating savings of KES 12.7 million and issuing loans worth KES 4.8 million. Nearly 974 of these members have already leveraged their loans to launch or grow microenterprises. In Kampala, Re:BUiLD supported 104 USLAs comprised of 2,177 members (1,558 female; 614 male; 1,447 refugees; 730 hosts). These figures underscore the broad reach of the model in both cities (IRC, 2024c).

- **Loan Guarantee Fund (LGF):** The LGF served as a de-risking mechanism that reassures financial institutions to lend to refugee populations. This facility covers potential loan defaults, thereby absorbing some of the risk that financial institutions would otherwise bear entirely. In Uganda, for instance, Re:BUiLD partnered with UGAFODE Microfinance to roll out a pilot loan product targeting refugee USLA members. The LGF guaranteed loans borrowed from UGAFODE in case of default. The outcomes of this pilot were encouraging: from a sample of 129 refugees and nationals who borrowed UGX 194,800,000 (approx. €48,700), 69% of the clients repaid the principal and interest – thus signaling the bankability of urban refugees and their host communities. The amount repaid was UGX 135,045,192 (approx. €33,761) (UGAFODE Microfinance Bank, 2024). Of the 245 clients who sought and received either credit or savings services from UGAFODE, 191 (78%) were refugees while 54 (22%) were from the host community; 172 of these clients were female (70%) while 73 were male (30%).

To underscore the viability of refugee borrowers – many of whom have cultivated savings discipline and repayment behavior through USLAs – clients were able to transition smoothly into formal credit markets and scale their enterprises. This validates the USLA-to-MFI pathway as not only feasible but also scalable, and it demonstrated to banks that refugee clients are indeed **“bankable”**, changing perceptions of risk. Similarly in Kenya, Re:BUiLD partnered with Equity Bank Kenya to extend the de-risking model to urban refugees and host communities in Nairobi. The pilot, which ran over a two-year period, yielded strong evidence of the LGF's effectiveness in advancing financial inclusion for marginalized populations. A total of **297 clients** were successfully onboarded from **17 USLA groups**, with **85% being refugees** and **62% women**, underscoring strong outreach to vulnerable groups. Each participant opened a personal Equity Bank account, contributing to **1,287 new bank accounts**, which reflects an inclusive impact beyond loan access. The pilot disbursed **KES 4.27 million (approx. €28,800)** in loans – nearly **185% of the guarantee fund value of KES 2.3 million (approx. €16,660)**. This **leverage effect** demonstrated how limited risk capital can unlock significantly larger private-sector credit flows (FSD Africa, 2023). Most loans supported microenterprise activities such as retail kiosks, tailoring, and service provision. This pilot validates the LGF model's replicability in Kenya and reinforces the importance of combining informal savings structures like USLAs with risk-sharing partnerships to unlock access to formal finance (FSD Africa, 2023).



Photo Credit: February 27, 2025, Nairobi, Kenya. Members of the Rangers Family USLA group make weekly contributions to their savings kitty, through the group treasurer. (PHOTO: Edgar Otieno for the IRC).

- **Results-Based Financing (RBF):** To complement the LGF, Re:BUiLD designed a results-based financing mechanism to offer tailored incentives to FSPs and achieve proof of concept for lending to refugees. Under the RBF initiative, the program developed specific milestones (for example, number of refugee accounts opened or loans disbursed) and provided financial incentives to motivate lending to target groups. This effectively subsidized initial outreach costs and signaled a business case for inclusion. The **RBF-LGF pilot** in Kampala not only spurred UGAFODE to reach refugee clients, but also highlighted opportunities for other financial service providers to offer “refugee-friendly” services. Banks like Opportunity Bank in Uganda have since adopted similar products. By leveraging RBF alongside the LGF, Re:BUiLD aligned incentives to stimulate innovation in banks by both lowering risk and positively rewarding outreach, thereby increasing banked refugee and host community groups.
- **Financial Literacy and Training:** Alongside these financial mechanisms, the program invested heavily in client training to drive uptake while also strengthening clients’ capacity for sound financial decision-making and effective risk management. Re:BUiLD and partners (like Equity Bank in Kenya) conducted **financial literacy sessions** for USLA members covering budgeting, savings habits, and responsible debt management. They also offered **entrepreneurship training** to strengthen clients’ small business skills (for instance, partner SHOFCO trained nearly 600 refugee and host entrepreneurs in Nairobi on marketing, pricing, and business planning). This capacity building addressed demand-side barriers by increasing clients’ confidence and ability to engage with financial products. As a result, more USLA members felt prepared to open bank accounts and apply for loans after these trainings.

Through this integrated approach – **building informal saving groups, linking them to formal finance via guarantees/incentives, and enhancing financial capability** – Re:BUiLD tackled the inclusion gap from both ends. The strategy recognized that sustainable financial inclusion for refugees requires strengthening community-based systems and adapting institutional practices. Below, we highlight the achievements of this strategy in Nairobi and Kampala and explain why the USLA model has proven effective.

## Key Achievements in Kenya and Uganda

Re:BUiLD's financial inclusion efforts have yielded impressive results in both Kenya and Uganda, demonstrating the impact of the USLA approach and formal linkages:

**In Kenya (Nairobi):** The program formed **133 Urban Savings and Loan Associations** in Nairobi's informal settlements (in partnership with local NGO SHOFCO). These groups mobilized a total of **2,059 members** (1,349 women, 710 men), of whom 1,670 are refugees and 389 are host community members. Together, they have collectively saved **KES 12.7 million** (≈ €85,300) and internally loaned out **KES 4.8 million** (≈ €32,200) to members as of mid-2025. The availability of small loans from group funds has spurred livelihood activities – **974 group members** have started or expanded micro-enterprises using their USLA savings and loans. Popular businesses include tailoring, food vending, beauty shops, and mobile accessories, which provide incomes for refugee families. Additionally, many groups and their members are now connecting with banks. By mid-2025, **1,287** Kenyan USLA members had opened bank accounts and the program had linked **30** formally registered groups to Equity Bank for advanced financial products. There are early signs of improved economic outcomes; for instance, 79% of the Kenyan USLA clients have started businesses, and on average, profits have more than doubled (IRC, 2024c).

**In Uganda (Kampala):** The program supported **104 USLA groups**, engaging about **2,177 members** (1,558 female, 614 male, 5 other; 1,447 refugees, 730 hosts). Together, these groups have accumulated savings of **UGX 339 million** (≈ €82,600), providing an important safety net and capital pool for members (International Rescue Committee [IRC], 2023). By design, the Kampala USLAs were linked to formal finance through UGAFODE's loan product. About **15% of the USLA members** have now accessed formal financial services – including opening bank accounts, taking commercial microloans, or using mobile wallets – a figure that is steadily rising as more groups formalize and gain confidence. The Loan Guarantee Fund in Uganda enabled **129 refugee borrowers** (75% of whom were women) to secure bank loans (UGAFODE Microfinance Bank, 2024). Moreover, **23 USLA groups** (~22% of the total) succeeded in registering with Kampala city authorities as official Community-Based Organizations, which was a prerequisite for fully partnering with banks. Although formal borrowing in Uganda initially started slowly (some refugees were hesitant to take loans), uptake increased after Re:BUiLD and UGAFODE simplified application procedures and tailored loan terms to suit the needs of refugee businesses. By mid-2025, many Kampala USLA members had transitioned from being entirely unbanked to having a bank account, and a growing subset had established credit histories with formal institutions. The infusion of capital has enabled refugees in Kampala to invest in inventory for market stalls, purchase essential equipment (e.g., sewing machines for tailors), and protect their families against financial shocks. Just as importantly, the process has brought refugees into the **formal financial ecosystem** – building relationships with banks and improving financial literacy.

Overall, across the two cities, Re:BUiLD formed over **230 savings groups** (reaching nearly 3,900 individuals) during the period 2021–2025. Cumulatively, these groups have saved more than €139,000 – a testament to the financial discipline and trust that have been built (IRC, 2024c). To date, **141 of the groups** (88 in Kenya, 53 in Uganda) have achieved formal registration with government authorities – a key step toward sustainability. Importantly, **1,228 refugee and host clients** (974 in Nairobi and 254 in Kampala) have opened bank accounts through Re:BUiLD's linkages, establishing a foothold in the formal financial system (IRC, 2024c). The success is evident in qualitative ways too: refugee participants report greater confidence in handling finances and indicate that the group model has fostered solidarity and a sense of belonging in the city.



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Another advantage of USLAs is **cost-effectiveness and sustainability**. Setting up and training a savings group is relatively low-cost compared to delivering individual microloans or grants. The capital that fuels the loans is generated by the members themselves, rather than being reliant on continual donor funding. This means the model can continue to operate and even grow after the program ends, as long as group members remain committed to its goals. The high repayment rates within groups (often exceeding 98%, as members are aware that defaulting affects their neighbors) ensure that the pooled funds circulate and even appreciate (via interest paid) over time. These attributes make USLAs an attractive platform to build on – they create a **financial track record** at the community level, which can then serve as a stepping stone to formal finance.

## Linking Community Groups to Formal Financial Services

While USLAs are powerful on their own, Re:BUiLD recognized that **linking them to formal financial institutions** is essential for scaling impact and long-term sustainability. Informal group funds can only take a business so far; for larger capital needs or specialized services (e.g. insurance), formal financial inclusion is needed. Additionally, **formalization** of the groups gives them legal standing and access to opportunities beyond their internal activities. For these reasons, the program worked deliberately to bridge USLAs with banks, microfinance institutions, and cooperatives.

One key step was **facilitating group registration**. In Kampala, Re:BUiLD supported USLAs to register as Community-Based Organizations (CBOs) with the city authority (KCCA), and in Nairobi, as self-help groups with the Ministry of Labor and Social Protection. Registration was not always easy – bureaucratic delays in Uganda, for example, slowed the issuance of CBO certificates. To expedite this, Re:BUiLD provided logistical support to KCCA (supplying printers, paper, and toner for certificate printing) and engaged officials in dialogue to streamline the process. The effort paid off as dozens of groups obtained official certificates. **Why does this matter?** Once registered, a group becomes a recognized legal entity, which **unlocks new opportunities**. They can open a bank account in the group's name, enter into contracts, and interface with the government or NGOs as a unified entity. In Nairobi, for instance, **53 USLA groups gained official status as self-help groups**. They were promptly linked with banks for account opening, training, and even consideration for government development programs. Registered groups in Kenya have been connected to financial institutions to access loans and financial training, and are now eligible to compete for government tenders and capacity-building opportunities. This formal recognition greatly **enhances sustainability** as the groups can continue operating and growing autonomously, with the ability to tap external resources without needing IRC as an intermediary.

Moreover, linking USLAs to banks introduces members to a broader suite of financial services. Through Re:BUiLD's partnerships, group members were assisted in opening individual savings accounts (often for the first time in their lives), and some groups opened group bank accounts to safely deposit their excess funds. Access to a formal **bank account** provides security for their savings (reducing the risks of theft that informal groups face when holding cash) and enables the use of **digital financial services**, such as mobile banking. The program has started exploring digital solutions (in partnership with fintechs like Ensibuuko Technologies, 2024) to digitize group records and transactions, which can further reduce costs and help integrate USLAs into the digital finance ecosystem. Members with bank accounts also gain a financial identity – a history of transactions that can be used to access larger credit or services (for example, some Kenyan refugees were able to access mobile money loans and use bill payment services after establishing bank and mobile accounts).

Most critically, linking to formal finance enables scaling up credit access beyond what the groups can manage on their own. As a result of the Loan Guarantee Fund, partner banks began issuing loans that exceed the typical USLA loan size, allowing entrepreneurs to significantly expand their businesses (e.g., purchasing equipment, bulk stock) rather than just micro-trading. Program data indicated that this approach is more

effective and sustainable than relying on one-off grants. As noted in program learnings, **“linking clients to financial services is more effective and sustainable than seed grants”** (IRC, 2024a), and refugees in the program could secure bank loans with ease once minor Know Your Customer barriers were addressed. This success has prompted discussions with major banks like Equity Bank and UGAFODE on extending more mainstream loans to refugee group members as part of their regular portfolio (beyond the pilot guarantee). In short, the linkage to formal institutions has started a **virtuous cycle**: groups formalize and save in banks, banks see good performance and increase lending, refugees invest and grow economically, which in turn makes them even more attractive clients for the private sector. This is the pathway to sustainable financial inclusion that Re:BUiLD envisioned.

## Scaling What Works: Lessons Learned and Broader Implications

At the 2024 Re:BUiLD Program Learning Conference, partners highlighted the **high loan uptake and near-perfect repayment rates among refugee clients**, which demonstrated their **bankability** (IRC, 2024a). These outcomes challenged long-held assumptions in the banking sector that refugees are too risky or unprofitable to serve. Refugees proved to be eager customers when given appropriate products – and they repaid as well as (if not better than) other client segments, due in part to the group solidarity and business support they received. This evidence influenced Re:BUiLD’s strategy to scale: resources were shifted to form even more USLAs and to deepen engagements with financial institutions, viewing these as high-impact, cost-effective interventions. A key rationale was cost-effectiveness – reaching people via savings groups and facilitated bank linkages was cheaper and more sustainable than direct handouts or provision of seed capital.

Comparative evidence from Re:BUiLD revealed that some pilot interventions — such as vocational skills training — resulted in relatively low transition rates into employment, prompting a strategic shift toward scaling up Urban Savings and Loan Associations (USLAs). While vocational training and wage employment initiatives remained important components of the program, the entrepreneurial self-employment pathway—catalyzed by USLA-facilitated microloans—yielded faster and more widespread income gains for refugee clients. In fact, over 80% of participants who received business grants or accessed loans through USLAs were operating microenterprises within a few months. In Kenya, many of these clients saw their average monthly profits more than double, demonstrating the tangible livelihood improvements that resulted from investing in community-based financial solutions and enterprise support. Moreover, the USLA model significantly enhanced gender-responsive outcomes. Women not only participated more actively in savings groups but also consistently repaid their loans on time and reinvested their earnings in household welfare — amplifying the social impact of financial inclusion. These results underscored the effectiveness of USLAs as a foundational platform for sustainable income generation and reinforced the decision to expand their reach within urban refugee communities.

It is worth noting that Re:BUiLD’s approach aligns with broader trends and efforts in the humanitarian-development sector. Many organizations have recognized the value of savings groups and adapted them for refugee contexts. For instance, global non-profit Accion recently piloted an initiative in Kampala connecting refugee women entrepreneurs with microfinance (UGAFODE) and an online marketplace, seeking to improve access to working capital and training. Accion’s findings echoed those of Re:BUiLD: a combination of **financial services, skills training, and strong partnerships** is needed to support refugee businesses holistically. Other NGOs and agencies in East Africa are promoting village savings groups in refugee settlements and linking them to banks or mobile money services, acknowledging that purely informal or purely formal solutions, when used in isolation, are less effective than a **hybrid model**. For example, the African Entrepreneur Collective (AEC) – through its Inkomoko program – has reported high loan uptake and repayment rates among refugee entrepreneurs in Rwanda, reinforcing that refugees can be viable finance clients (African Entrepreneur Collective [AEC], 2023). Re:BUiLD’s innovation was to apply this at an urban scale and test it. The results from Re:BUiLD show that given the right support, refugees and urban poor can organize, save, and become valued clients of banks, all while strengthening social cohesion in their communities.



## Conclusion: From Implementation to Policy

What began as an ambitious pilot in Nairobi and Kampala has now demonstrated a **sustainable pathway for financial inclusion** of urban refugees and hosts. By empowering communities through USLAs and creatively partnering with financial institutions (via LGF and RBF incentives), the Re:BUiLD program enabled thousands of marginalized people to access savings, credit, and formal financial tools that were previously out of their reach. The approach addressed both the **demand-side needs** (building financial literacy, trust, and group capital) and the **supply-side concerns** (de-risking and making a business case for banks) to achieve inclusion. As a result, refugees in these cities are not only managing their day-to-day finances more effectively; they are also able to access essential services. They are investing in businesses, creating jobs, and building assets – thereby contributing to the growth of their host economies (Nakakaawa, 2024). For stakeholders such as donors, implementing agencies, financial institutions, and government actors, the implications are clear and persuasive: investing in community-based savings schemes and linking them to formal finance is effective. It is a scalable, cost-effective strategy to bring those at the margins into the economic mainstream (World Bank, 2021).

Going forward, the lessons from Re:BUiLD can inform refugee financial inclusion efforts globally – whether through adopting similar **savings group models**, forging innovative bank–NGO partnerships, or advocating for policies that recognize refugee groups as viable financial actors (World Bank, 2021). With continued support and adaptation, the successes in Nairobi and Kampala can be replicated and expanded, ensuring that refugees and their host communities have the financial tools to rebuild their lives with dignity and hope.



**Photo Credit:** November 10, 2023, Nairobi, Kenya. Members of the Tujijenge Mulenge USLA group make weekly contributions to their savings kitty, through the group accountant. (PHOTO: Edgar Otieno for the IRC).

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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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