Uganda country assessment on affordable and accessible remittances for forcibly displaced persons and host communities

June 2018

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Acronyms

AML	Anti-Money Laundering
ASCA	Accumulating Savings and Credit Association
ATM	Automated Teller Machine
BoU	Bank of Uganda
CFT	Countering Financing of Terrorism
CGAP	The Consultative Group to Assist the Poor
CTAs	Community Technology Access hubs
DCA	Danish Church Aid
DFS	Digital Financial Services
DRC	Democratic Republic of Congo
EAPS	East African Payments System
FATF	The Financial Action Task Force
FDPs	Forcibly Displaced Persons
FFG	Fact Finding Group
FGD	Focus Group Discussion
FIA	Financial Intelligence Authority
FSDA	Financial Sector Deepening Africa
FSP	Financial Service Providers
IDI	In-Depth Interviews
KII	Key Informant Interviews
KYC	Know Your Customer
MFI	Microfinance Institution
MMO	Mobile Money Operators
MNO	Mobile Network Operator
MTCN	Money Transfer Control Number
MTO	Money Transfer Operators
NGO	Non-Governmental Organization
NIRA	National Identification and Registration Authority
NITA	National Information Technology Authority
OPM	Office of the Prime Minister
POS	Point of Sale
RIMS	Refugee Information Management System
ROSCA	Rotating Savings and Credit Association
RSP	Remittance Service Provider
SACCO	Savings and Credit Cooperative Organization
SIM	Subscriber Identification Module
SWIFT	Society for Worldwide Interbank Financial Telecommunication
UCC	Uganda Communications Commission
UGX	Uganda Shillings
UNCDF	United Nations Capital Development Fund
UNHCR	United Nations High Commissioner for Refugees
USD	United States Dollars
WFP	World Food Programme

GLOSSARY

Access point	Locations where end users can send/receive remittance transfers. "Locations" can be physical (e.g., bank branches, post offices, shops) or virtual (e.g., websites, telephones).
Agent (capturing or disbursing agent)	An entity that captures or distributes remittance transfers on behalf of a remittance service provider. "Capturing" means receiving the money and instructions from the sender. "Disbursing" means giving the money to the receiver.
Attestation letter	Applicants within a family are expected to provide all documents confirming their identity, including passports and/or national IDs from the country of origin, school diplomas, letters of support, etc. for verification. At this point, an attestation letter (A4 size paper) containing pictures and identification details of the entire family present are issued.
E-float	Mobile money systems rely on customers paying in with actual currency. Customers then obtain digital value, or e-float. E-float may be transferred to other mobile money users and exchanged by the holder for cash by visiting a mobile money agent.
Forcibly Displaced Persons	In this report, forcibly displaced persons (FDPs) are those who are forced to move across borders due to issues such as armed conflict, human rights violations and persecution. Unless explicitly stated, the term FDP will be used to refer to both refugees and asylum seekers as both segments fulfill the criteria.
Financial service providers	For this study, financial service providers include banks, MNOs, SACCOs, Savings Groups, MFIs, post offices and other financial institutions offering financial services such as deposit, savings, credit, insurance, mobile money, and other banking and financial products.
Formal remittance channels	Officially registered institutions that are authorized to operate in the money transfer business and meet relevant laws, regulations and good practices.
Informal remittance channels	Remittance service providers that are not registered or authorized to operate in the money transfer business and therefore do not meet relevant laws, regulations and good practices (e.g., hawalas).
Refugee ID	Identity document issued by the government once the Office of the Prime Minister (OPM) approves a refugee status.
Remittance service providers	For this study, "remittance service provider" (or RSP) refers to an entity, operating as a business, that provides a remittance service for a price to end users, either directly or through agents. RSPs may include money transfer operators, mobile network operators and financial service providers (including banks), MFIs, post offices, fintech remittance providers, payment hub networks, etc. that are providing services to facilitate international remittance transfers.
Unregulated transactions	Any product or service rendered without the provider being regulated or authorized to do so.

Average exchange rate[1] (November 1, 2017 – December 31, 2017): UGX 3,661 = 1 USD.

1 Source: https://www.oanda.com/currency/average

UNHCR

UNHCR, the UN Refugee Agency, is mandated by the United Nations to lead and coordinate international action for the worldwide protection of refugees and the resolution of refugee problems. The organization delivers life-saving assistance like shelter, food and water, helps safeguard fundamental human rights and develop solutions that ensure people of concern to UNHCR have a safe place to call home where they can build a better future. It also works to ensure that stateless people are granted nationality. UNHCR works in 128 countries around the world on behalf of 71.4 million people.

UNCDF

UNCDF makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through two channels: financial inclusion that expands the opportunities for individuals, households and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how localized investments — through fiscal decentralization, innovative municipal finance and structured project finance — can drive public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty and SDG 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a number of different SDGs.

BFA

BFA is a global consulting firm specializing in financial services for low income people. Our approach is to seek out, create and implement financial solutions to help people manage challenges and seize opportunities. We partner with cutting-edge organizations that touch the lives of low income consumers such as financial institutions, fintech companies and information providers. In creating solutions, we integrate our deep expertise in customer insights, business strategy, new technology, and growth-enabling policy and regulation. Founded in 2006, BFA's clients include donors, investors, financial institutions, policymakers, insurers and payment service providers. BFA has offices in Boston, New York, Nairobi and Medellín.

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INTRODUCTION

UNCDF and UNHCR have developed a joint program toward financial inclusion of forcibly displaced persons (FDPs) and host communities. The joint program aims to develop more inclusive financial markets in host countries to improve cost, access, and usage of appropriate and responsibly provided financial services for all concerned.

Remittances may act as a first touchpoint with the formal financial system for FDPs and could be linked to provide access to a variety of financial products and services. The two UN agencies, through Bankable Frontier Associates (BFA), are therefore undertaking a country assessment in Uganda to examine the access, cost and flow of inbound and outbound international remittances for FDP and host communities. The assessment will provide an overview of the demand, supply and regulatory constraints that FDPs face, especially, when accessing formal remittance channels and present key situation findings and reflections from a diverse set of stakeholders that will support humanitarian and development agencies to determine:

- ways to improve access to affordable and reliable regulated remittance services. (Findings would inform specific technical and financial assistance/interventions)
- whether or not there is a viable business case to link remittances to broader financial services such as credit, savings, insurance, or payment.

The country assessment in Uganda will also result in a remittance toolkit with a focus on FDPs. This public document will allow other stakeholders to conduct similar assessments in other countries.

In this report, the term "FDPs" will be used to refer to both refugees and asylum seekers[2] unless explicitly stated. Please note that the primary data collection for this study took place between November 2017 and December 2017, with some minor follow-up in January of 2018. Therefore, changes to regulations/guidelines processed beyond the data collection period may not be reflected in this report.

2 "An asylum-seeker is an individual who has sought international protection and whose claim for refugee status has not yet been determined." The onus of determining whether an asylum seeker is indeed a refugee is usually on the host country as part of its obligation to protect refugees within its territory. The determination is made in accordance with the host country's national legislation, which is usually derived from the United Nations 1951 Convention relating to the status of refugees. Source: GSMA, 2015.

BACKGROUND

METHODOLOGY

SUPPLY-SIDE FINDINGS AND BARRIERS

DEMAND-SIDE FINDINGS AND BARRIERS

POLICY FINDINGS AND BARRIERS

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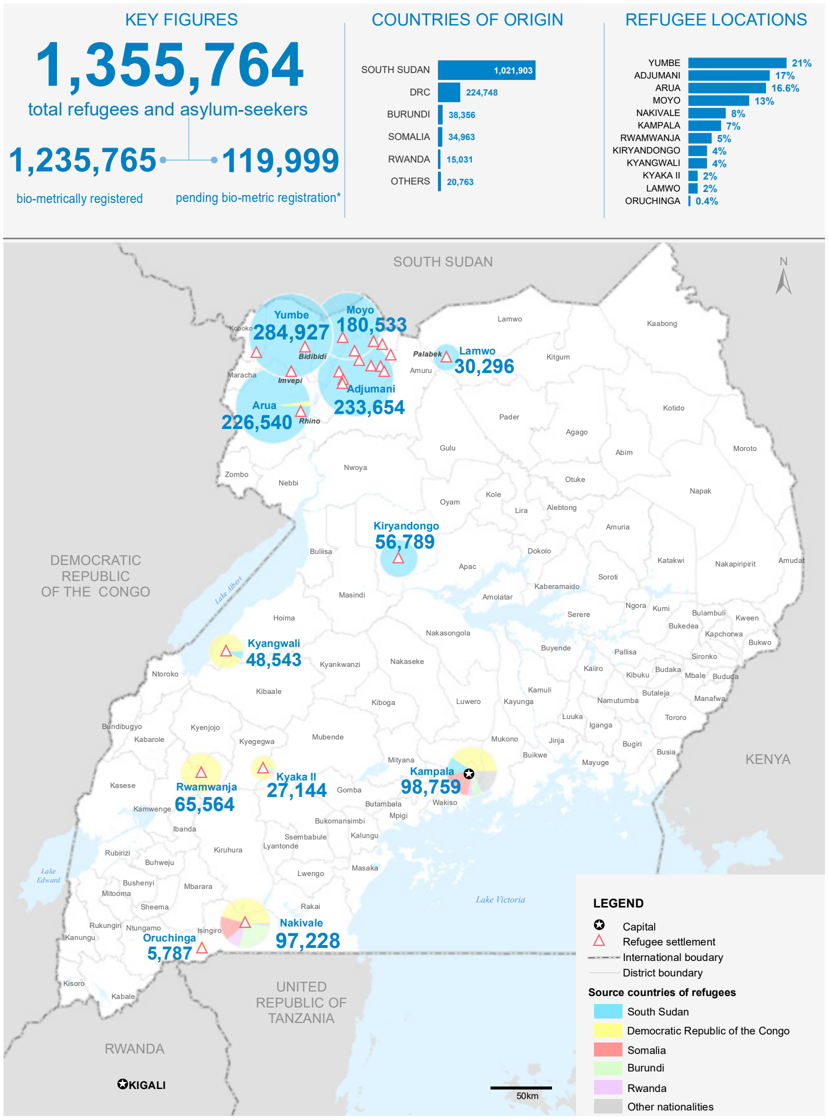
1. BACKGROUND

1.1 Uganda FDP synopsis

Uganda is the largest receiver of FDPs in Africa with over 1.3 million refugees and asylum seekers. There has been a rapid influx of FDPs in the last year due to escalation of the South Sudanese war in July 2016. FDPs in Uganda come from 10 countries (UNHCR, 2018). Three-quarters (75%) of these FDPs originate from South Sudan, 17% from Democratic Republic of Congo (DRC), 3% from Burundi, 3% from Somalia and another 3% from other countries such as Eritrea, Ethiopia, Rwanda and Kenya (UNHCR, 2017a). "Figure 1: FDPs by country of origin and refugee settlement across Uganda" below, represents the number of FDPs per country of origin, as well as their distribution across refugee settlements in Uganda. "Table 1: FDP versus host community characteristics" below provides a brief comparison between FDPs and host community members. For example, the table shows that the refugee segment having remittance as the main source of income earns the highest median monthly income (UGX 150,000/ USD 40.97) across all other refugee and host community segments.

Figure 1: FDPs by country of origin and refugee settlement across Uganda



Source: Government of Uganda and UNHCR, 2017

Table 1: FDP versus host community characteristics

	FDPs	Host community (Ugandans)
Gender (UNHCR Registration Unit, 2017 & UNHCR, 2017b)	• 52% female • 48% male	• 51% female • 49% male
Age (OPM, 2017 for data on FDPs & Uganda Bureau of Statistics, 2016 for data on Ugandans)	• 61% are < 18 years • 37% are 18-59 years • 2% are > 59 years	• 55% are < 18 years • 41.3% are 18-59 years • 3.7% are > 60 years
Household head (UNHCR, 2017b)	• 2.3% are child-headed • 63.8% are female-headed • 36.2% are male-headed	• 69.5% are female-headed • 30.5% are male-headed
Average annual income (UNHCR, 2018)	81% earned < UGX 1 million (USD 273), < USD 1 per day	65% earned < UGX 1 million (USD 273), < USD 1 per day
Main sources of income & monthly median income per segment (UNHCR, 2018)	• 45% odd jobs/business, earning UGX 50,000 (USD 13.66) • 24% agriculture, earning UGX 10,000 (USD 2.73) • 15% remittances, earning UGX 150,000 (USD 40.97) • 6% regular jobs, earning UGX 30,000 (USD 8.19) • 6% assistance from UNHCR/WFP earning UGX 15,000 (USD 4.10) • 4% no income	• 49% odd jobs/business, earning UGX 83, 333 (USD 22.76) • 39% agriculture, earning UGX 50,000 (USD 13.66) • 2% remittances, earning UGX 80,000 (USD 21.85) • 8% regular jobs, earning UGX 133,333 (USD 36.42) • 1% assistance from UNHCR/WFP earning UGX 833 (USD 0.23) • 1% no income

Uganda's refugee legal framework is considered one of the most comprehensive and progressive in the world. The Refugees Act 2006, which repealed and replaced the 1960 Control of Alien Refugees Act, was passed in 2006 and entered into force in 2008. To operationalize the Refugees Act, the government established the Refugees Regulations in 2010. These regulations entitle recognized refugees to work, have freedom of movement, own and dispose property and land, use land in designated settlement areas, access social services such as elementary education and be issued with identification and travel documents. These are some of the provisions in the legal framework that make Uganda a conducive environment for FDPs and affords them a chance to become self-reliant, integrate with local communities, and positively contribute to Uganda's economic and social development. For more information on Uganda's refugee legal framework, see "Annex 5: Uganda's refugee legal framework".

1.2 Uganda general remittances overview

The majority of remittances to Uganda originate from African countries. In general, Uganda receives more than USD 1 billion in remittances every year, almost 50% of which is from African countries. "Figure 2: Remittance-sending regions" and "Figure 3: Key bilateral remittance corridors" below contain figures from the World Bank Bilateral Remittances Matrices (World Bank, 2016). According to the Bank of Uganda Inward Personal Transfers Survey (BoU, 2016a), most senders remitting funds to Uganda live in other African countries and form part of the receivers' nuclear families.

Figure 2: Remittance-sending regions

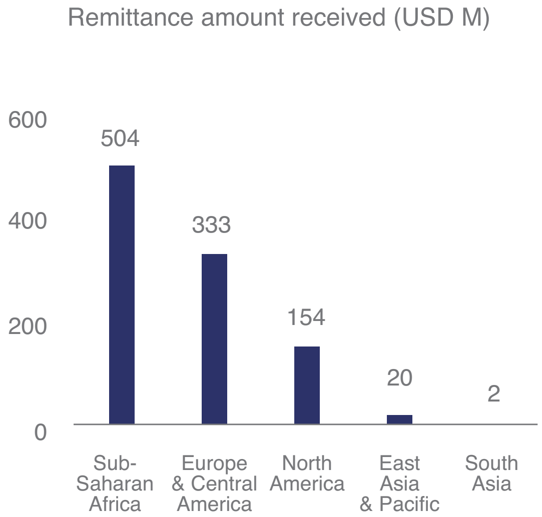
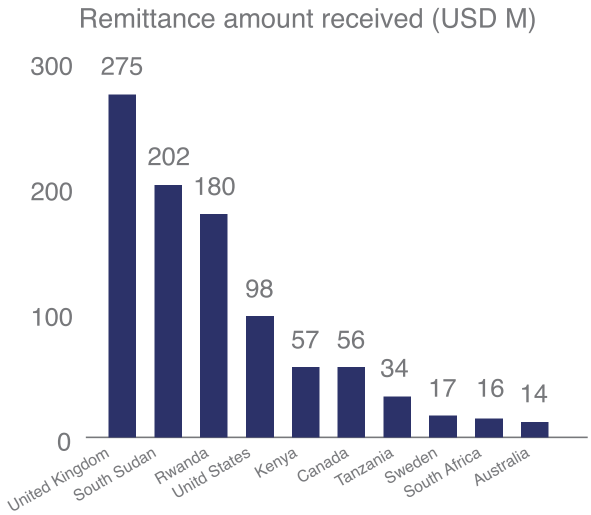


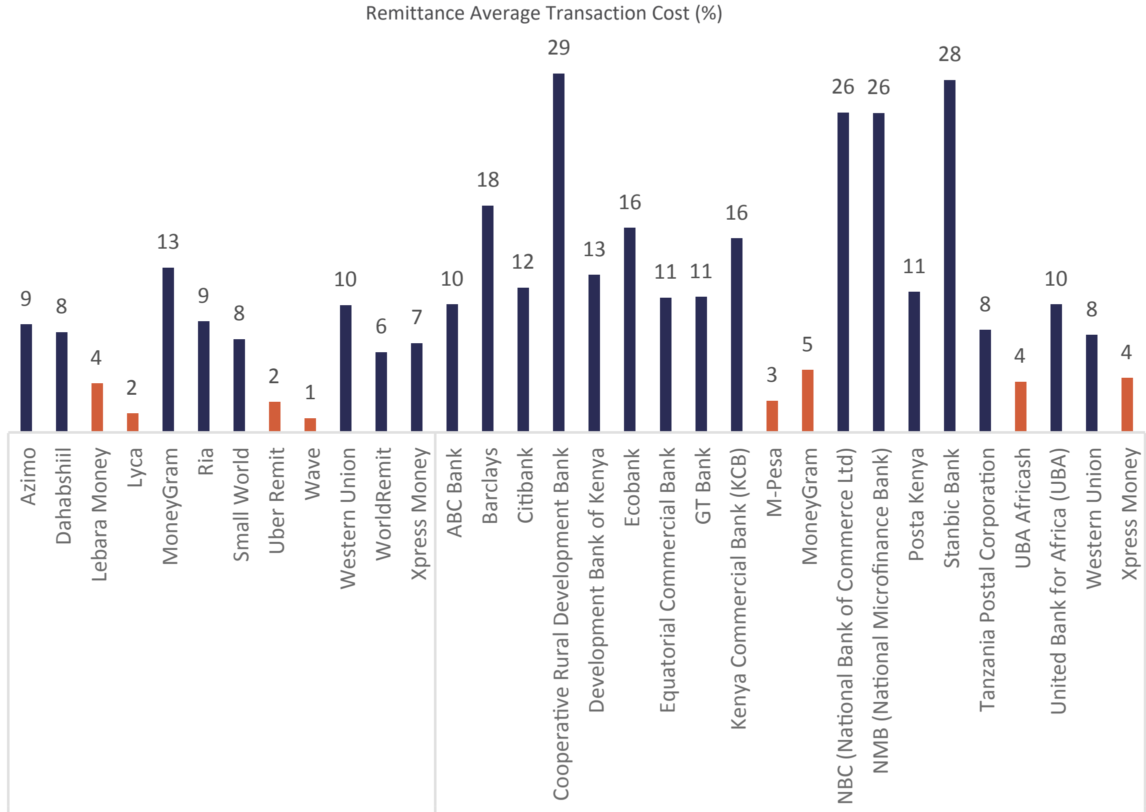
Figure 3: Key bilateral remittance corridors



Source: World Bank Bilateral Remittances Matrix, Dec 2016.

On average, remitting money across African corridors is costlier than for all other corridors. The cost of formal remittance channels varies according to the sender's country/region and the remittance provider used, but African corridors are the costliest. The Remittance Prices Worldwide (The World Bank Group, 2017) website compares prices for sending USD 200 via the formal channels available for remitting money to Uganda from the United Kingdom, Kenya and Tanzania. The prices range from 1% to 29% of the transaction amount as shown in "Figure 4: Average transaction cost as % of USD 200 remittance".

Figure 4: Average transaction cost as % of USD 200 remittance



Source: The World Bank, Remittance Prices Worldwide, Q3 2017

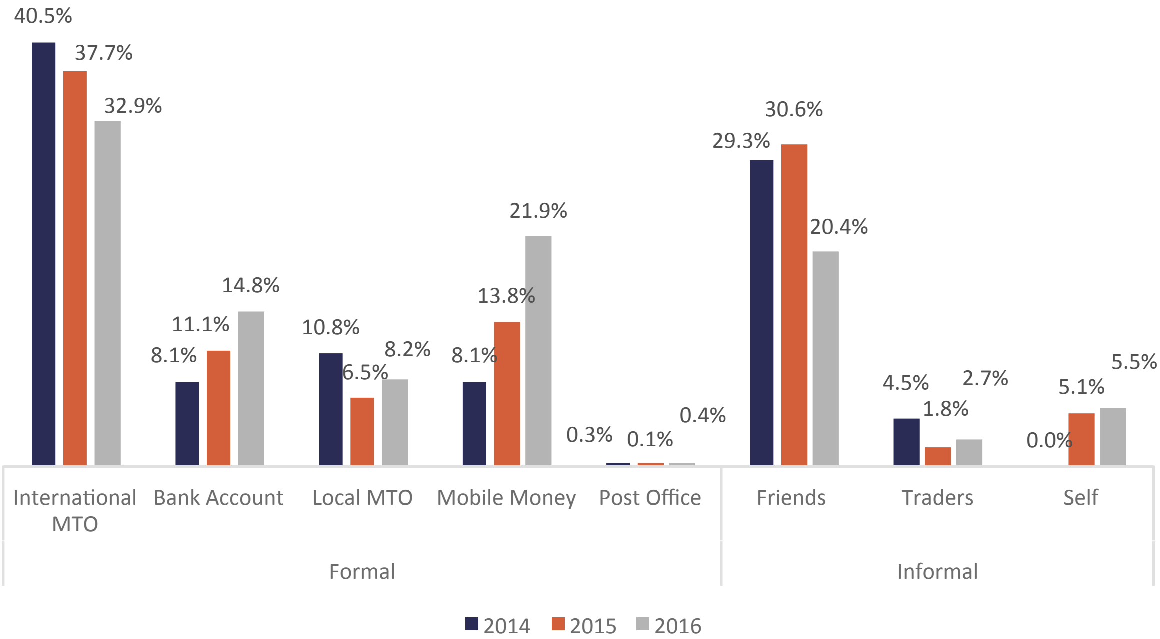
Note: The Europe & Central Asia region data reflect costs for a $200 remittance transaction from the United Kingdom to Uganda, and the Sub-Saharan Africa region data reflect costs for a $200 remittance transaction from Kenya or Tanzania to Uganda. These are the only outbound corridors to Uganda captured by the World Bank Remittance Prices Worldwide database.

According to the World Bank Remittance Prices Worldwide data (The World Bank Group, 2017), the average remittance cost to send remittances through MTOs is 7.36% when sending from the UK to Uganda. The cost is slightly lower (6%) when sending from Kenya and Tanzania to Uganda. This is attributed to cheap cross-border mobile money costs. Overall, the internet provides access to the cheapest channels. With cheap online transfer services, the money originates from a bank account or a debit/credit card and usually is received via a mobile wallet. For the most expensive channels, the money originates as cash and is received as cash.

According to BoU, formal remittance channels, particularly money transfer operators (MTOs) and mobile money channels (BOU, 2016a), are preferred. As per "Figure 5: Cash transfer channels used by households in Uganda", more than three-quarters (78.2%) of households reported receiving cash transfers via formal channels in 2016. MTOs (both international and local) hold the dominant market share in the Uganda corridor serving 41.1% of the households surveyed, while mobile money takes second place by serving 21.9% of the households surveyed. The percentage of people who received remittances via mobile money has almost tripled over the last three years marking the largest such increase in use across all channels. Use of bank accounts to receive remittances has also almost doubled over the last three years[3].

3 This could be explained by increased proliferation of regional banks. See: https://www.trademarkea.com/news/local-banks-spur-cross-border-trade-report/

Figure 5: Cash transfer channels used by households in Uganda



Source: BOU, 2016a and BOU, 2015

Ease of access (42.2%), choice of sender (38.8%) and favorable transaction charges (12.9%) are the top reasons for receiving in the preferred channels, but in the end, the senders' preferences matter the most (BOU, 2016a). Although the receivers' preferences do matter, sender-focused studies show that senders' preferences are usually a bigger factor in choosing the channel (BFA, 2017; Western Union & Mastercard, 2017) .

1.3 Uganda FDP remittances overview

FDP remittance levels are not widely reported. We did not find any study that is extensive enough in examining remittances among FDPs in Uganda to form a representative picture. Many of the studies conducted on FDP livelihoods have insufficient information related to remittances. In fact, according to Financial Sector Deepening Uganda, there is limited information on financial services in general[4]. It could be that many of the studies did not set out to collect remittance data or that it is too difficult to collect such data from FDPs. FDPs are more likely to withhold reporting on the remittances they receive because they are afraid that they might appear to be well off, which would result in a cut to their aid assistance (Chehade, et al., 2017).

Available evidence points to a remittance disparity corresponding to nationalities and settlements. According to a University of Oxford study (Betts, et al., 2014) based on interviews with 1,593 FDPs in 3 out of 12 refugee settlements (577 urban FDPs in Kampala and 1,016 rural FDPs from Nakivale and Kyangwali), Somali FDPs register higher access to international remittances compared to Congolese, Rwandan and South Sudanese FDP groups. In addition, 53% of urban Somali FDPs report being regular beneficiaries of international remittances compared to only 27% of rural Somali FDPs. Moreover, urban FDPs receive more than twice the amount rural FDPs receive (USD 155 compared to USD 55). Of the remittances received, 80% come from outside Uganda. (BFA requested the dataset from Oxford to analyze but did not get a response).

4 Feedback from Peter Kawumi, Innovations Specialist at FSD Uganda

2. METHODOLOGY

In addition to conducting desk research, which provided context for this study, BFA collected primary data. As the research objective is to understand and interpret social interactions rather than test a hypothesis, BFA aimed to collect qualitative rather than quantitative data. The methodologies implemented to collect such data included:

- In-depth interviews (IDIs): These provide the richest data about a person or experience and can take from 60 to 90 minutes. IDIs follow a set of mainly open-ended questions.
- Key-informant interviews (KIIs): These are in-depth interviews with people who are well versed in what is going on within communities.
- Focus group discussions (FGDs): These interviews with at least 6 to 12 people last from 60 to 90 minutes. A skilled moderator uses brainstorming and probing through open-ended questions to understand the deeper "why, how, and what might be".
- Informal (intercept) interviews: These are 15-minute interviews that happen in a busy market or on the street. The premise of this approach is to gather quick information on the activities and behaviours of people.
- Observation: This is a quick and effective way of collecting data with minimal intrusion. The researcher looks at body language, how people sit and how they dress. Observation should play a major role in all of the above methodologies.

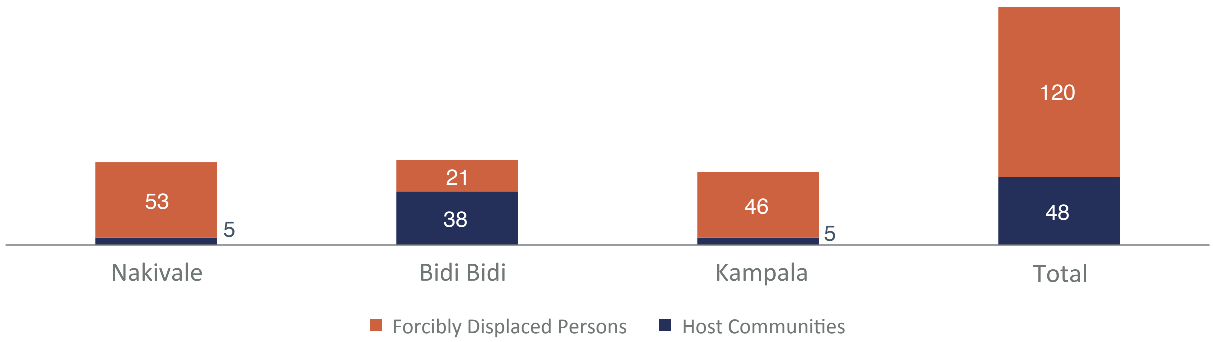
BFA conducted interviews with the following groups, individuals and entities, for the reasons stipulated below:

- FDPs, to understand the barriers they face in receiving international remittances.
- Host community members, to determine obstacles that are specific to FDPs versus those that are common to the Uganda remittance and financial services space.
- Stakeholders who play a part in the remittance and FDP support space, to obtain insights about the provision of remittances and other financial services to FDPs and their host communities.

2.1 Field interviews

BFA conducted interviews for this study in November and December of 2017. Researchers conducted interviews with 120 FDPs and 48 host community members in three selected sites: Nakivale, Bidi Bidi and Kampala as per "Figure 6: Number of people interviewed in each selected site" below. The interviews comprised 18 IDIs and 15 FGDs.

Figure 6: Number of people interviewed in each selected site



BFA aimed for a diverse sample to gain insight into all of the barriers FDPs face. FDPs and host community members interviewed for this study had to have received international remittances within the last 12 months through formal or informal channels. BFA also recruited study subjects who had not been over-researched, since research fatigue can produce biases that cloud responses, affecting the quality of data.

"Table 2: Attributes and selection criteria for interview sites" below presents the attributes of the selected sites as well as the selection criteria used. For more information regarding the recruitment approach, the challenges encountered and the lessons learned, please see "Annex 2: Field interview approach and experience".

Table 2: Attributes and selection criteria for interview sites

FDP settlement	Settlement attributes and selection criteria
Nakivale	**Attributes**: Located in the South West sub-region of Uganda in Isingiro District. Nakivale was recognized as a refugee settlement in 1960, making it Uganda's oldest (ReliefWeb, 2017). As of September 2017, it had about 97,228 FDPs, mainly from DRC, Burundi, Somalia, Rwanda and other countries in that order, as shown in "Figure 1: FDPs by country of origin and refugee settlement across Uganda". **Selection criteria:** Has inhabitants from a diverse range of communities presenting different dynamics. Inhabitants are also likely to have been in the refugee settlement for more than two years.
Bidi Bidi	**Attributes**: Located in the North West sub-region in Yumbe District. Bidi Bidi is relatively new — established in July 2016 — but is now the largest refugee settlement in Uganda. Its more than 280,000 FDPs are from South Sudan (GSMA, 2017). **Selection criteria**: The settlement hosts the largest community of FDPs in Uganda and, compared to Nakivale, is very new.
Kampala	**Attributes**: The capital city is not a refugee settlement but hosts about 98,759 FDPs from DRC, Somalia, South Sudan, Burundi, Ethiopia and Eritrea. **Selection criteria**: Kampala has urban FDPs from various communities. The two settlements studied are in rural areas.

2.2 Stakeholder interviews

BFA interviewed key stakeholders in the remittance market of Uganda as shown in "Table 3: Stakeholders interviewed". These interviews targeted key supply-side, regulatory and support-ecosystem stakeholders that could be instrumental in reducing the cost, improving access and linking remittances to broader financial services.

BFA worked closely with UNCDF and UNHCR to determine key stakeholders to be interviewed. We considered stakeholders that:

- surfaced from the desk review as vital remittance and financial service providers to FDPs and host communities.
- surfaced from the field interviews as vital remittance and financial service providers to FDPs and host communities.
- have a presence in and around refugee settlements.
- represent a mix of financial service providers, money transfer companies, mobile network operators, NGOs, regulators and policymakers, and development and humanitarian agencies.

Table 3: Stakeholders interviewed

Stakeholder category	Stakeholders interviewed
Money transfer operators (MTOs)	Dahabshiil, Juba Express, La-Cedri, UAE Exchange
Banks	Centenary Bank, DFCU Bank, Stanbic Bank, PostBank, Equity Bank, Ecobank, KCB, DTB
MFI & SACCO	UGAFODE, Moban SACCO
Mobile network/mobile money providers (MNOs)	MTN
Government ministries & policymakers	Bank of Uganda: Supervision (Money Remitters: non-bank financial institutions); Prime Minister's Office; Ministry of Finance, Planning & Economic Development
Development and humanitarian agencies	UNHCR, MercyCorps, VisionFund/World Vision, Financial Sector Deepening Uganda, Danish Church Aid

BFA researchers conducted interviews during the first week of December 2017, with some follow-up taking place until the end of January 2018. The UNCDF and UNHCR Uganda offices played a key role in making introductions and setting up meetings with stakeholders.

3. SUPPLY-SIDE FINDINGS AND BARRIERS

3.1 Uganda remittance provider landscape

In Uganda, remittance providers include international MTOs, local MTOs, banks, MNOs and informal channels. "Table 4: Remittance services providers in Uganda" summarizes their offerings:

Table 4: Remittance services providers in Uganda

International MTOs	**Examples: Western Union, MoneyGram, WorldRemit, Xpress Money, Wave (Business Daily, 2016)** **Operations:** - Hold money remittance business license issued by foreign authority - Operate through agents & sub-agents (no physical presence in Uganda or most countries where they operate) - Pay commission per cash-in or cash-out transaction facilitated through agent's or sub-agent's branch network - Agents have BoU-issued license, usually have wide branch network & have direct link to international MTO. Examples: banks & microfinance institutions[5] - Sub-agents also have BoU–issued licenses, usually have one or several branches & are managed through agent such as DTB or PostBank. Examples include forex bureaus - Agents paid commissions directly by international MTOs; sub-agents paid by MTO through agent (split commission) - Advantage of being sub-agent is having agent physically present to address issues **Fees:** - Include facilitation fees & forex spread & are based on amount remitted - Determined by international MTOs & varies across markets/countries. Agents such as banks cannot charge additional fee unless approved by international MTO **Receiver:** - Does not have to hold account at agent bank or MFI; can be walk-in customer at any of agent's branches[6] - Provides transaction-tracking number shared by sender, along with officially accepted identification documents, to cash out - Receives full amount in local currency

5 For example, Pride Microfinance Limited and UGAFODE. See: https://www.worldremit.com/en/uganda

6 In March 2017, Uganda had 24 licensed commercial banks, with a branch network of 546 as at June 2017. See: https://www.bou.or.ug/bou/bou-downloads/financial_institutions/2017/Licensed-Banks-as-at-March-31-2017.pdf and

https://www.bou.or.ug/bou/bou-downloads/publications/Annual_Reports/Rprts/All/Annual-Report-2016-2017.pdf

Local MTOs

Examples: Dahabshiil, JubaExpress, UAE Exchange & local forex bureaus licensed as money remitters by BoU (e.g., La-Cedri, Lloyds)

Operations:

- Non-bank entities licensed by BoU to conduct money remittance business in Uganda
- Have physical presence (one or more branches) in Uganda
- Some international/regional MTOs operate as local MTOs (e.g., Dahabshiil, JubaExpress & UAE Exchange)
- Some (such as forex bureaus & UAE Exchange) may act as agents of international MTOs
- May also have in-house money transfer services (e.g., Dahabshiil, JubaExpress & UAE Exchange). For example, UAE Exchange offers in-house product, Flashremit, via network of 230 correspondent banks across the world. UAE also offers Flashremit as white label product[7] for banks that want to utilize its network

Fees:

- Remittance transaction fees for international MTO products determined by international MTOs; fees for in-house products determined by the respective entities.

Banks

Examples: Centenary Bank, DFCU Bank, Stanbic Bank, PostBank, Equity Bank, Ecobank, KCB, DTB

Operations:

- In addition to serving as agents of international MTOs, banks provide in-house money transfer services such as:
    - Account-to-account international transfers facilitated by
        - SWIFT[8] (Society for Worldwide Interbank Financial Telecommunication) network, which includes most banks worldwide, or
        - EAPS (East African Payments System)[9], which covers Kenya, Tanzania, Uganda & Rwanda[10]. In these transactions, sender pays transfer fees, but some banks may charge a fee for receiving funds into recipient's account. Most such charges are flat fees unrelated to remittance amount
    - In-house solution that does not require sender or receiver to have account (e.g., Ecobank's Rapidtransfer product, facilitated through branch infrastructure, which allows instant sending and receiving for both account & non-account holders across 33 African countries where it operates)

Fees:

- Fees determined by banks
- In most cases, charges are flat fees unrelated to remittance amount

7 Could be rebranded by banks.
8 SWIFT is an international payment transfer network. See: https://www.swift.com/about-us
9 Facilitates the instant transfer of funds within the East African region (i.e., between Uganda, Kenya, Tanzania and Rwanda). http://www.centenarybank.co.ug/?q=product/money-transfer/east-african-payment-systems-eaps
10 Only a small proportion of FDPs in Uganda originate from the countries participating in EAPS

Mobile money operator (MMO) partnerships

Examples: MTN with WorldRemit & Wave, East African mobile money operator interoperability agreement

Operations & fees:

- Mobile money operators enter into various partnership agreements to facilitate international remittances. These include:
    - Agreements between regional MMO networks. For instance, East African mobile money interoperability allows MTN & Airtel subscribers in Uganda to receive remittances from Kenya, Tanzania & Rwanda directly into mobile money wallets at no cost to receiver. Easy cash out for receiver at tens of thousands of mobile money agents across Uganda
    - Agreements between international & regional MTOs enabling subscribers to receive directly into mobile money wallets. Commercial terms of these contracts usually based on revenue sharing. Others (i.e., Dahabshiil) use mobile money bulk payment services, resulting in minimal fee deducted from receiver (UGX 390 for MTN & UGX 250 for Airtel which is USD 0.12 and USD 0.07)[11]
- Daily transaction limits placed on mobile money. For instance, MTN's daily limit is UGX 7 million (USD 1,912.05) & Airtel's is UGX 5 million (USD 1,365.75) (MTN, 2018; Airtel, 2018)

Informal Channels

Examples: hawalas, friends & family, informal sub agents, "roaming"[12] with mobile money providers from other East & Central African countries

Operations and fees:

- Most informal channels provide last mile services to FDPs in remote areas. For instance, informal sub-agents & hawalas get into agreements with FDPs & MTOs to deliver remittances to FDPs in refugee settlements. Hawalas have own partner networks facilitated through trade
- Friends & family act as go-betweens with senders and FDPs. They receive on behalf of FDPs either because they have official documents needed to cash out or are close to cash out points. Some send on remittances to FDPs via mobile money or deliver by hand
- In some cases, informal channels are much cheaper than formal channels (e.g., receiving remittances by roaming on mobile money providers from home is considered cheaper than other channels)
- Informal channels allow FDPs to receive remittances in foreign currency since most informal remittance agents also operate as informal money changers
- Receivers sometimes pay small commission ("appreciating fee") to informal agents on top of what sender paid. In most cases, this is still marginal compared to convenience offered. Without informal agents, FDPs would pay more in transport charges to reach cash out points

Please see more details on informal remittance channels in the "DEMAND-SIDE FINDINGS AND BARRIERS"

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11 Dahabshiil interview.

12 One Network Area Initiative allows member of the four countries of the Northern Corridor (Uganda, Rwanda, South Sudan and Burundi) to operate their home country mobile money accounts while visiting either of the other four countries. See: http://www.ca.go.ke/index.php/what-we-do/94-news/396-one-network-area-initiative-pays-off-as-traffic-in-eac-region-swells

3.2 Provider perspective on FDP remittances

Providers have no straightforward way to verify government-issued refugee IDs to facilitate FDP transactions. As of September 1, 2017, 91% of Uganda's 1,355,764 FDPs had been biometrically registered (Government of Uganda and UNHCR, 2017). In theory, Uganda's rapid expansion of official identification should facilitate FDP financial inclusion since identification is an enabling factor. Financial service providers, however, are unable to query RIMS (the Refugee Information Management System) at the OPM to verify the authenticity of information contained in government-issued refugee IDs. As a result, providers must conduct manual customer identity verifications, including (1) requests for additional documentation such as an attestation letter to compare or (2) communications (email/call) with contacts at the OPM to verify information provided by customers with government-issued refugee ID cards. These manual measures do not, however, verify the refugee's photo on refugee IDs.

The difficulty of verification raises the cost of doing business for providers and it also drives the high opportunity cost to FDPs of accessing formal financial services. Anecdotal evidence indicates that a customer with a government-issued refugee ID may have to wait for several hours at a retail outlet for a remittance provider's staff to verify identity with the OPM. A Ugandan national or legal resident does not face the same challenges because providers trust national IDs. Conversations with providers indicate that national ID/alien ID cards and passports, unlike government-issued refugee ID cards, have more security features. These features are visible under ultraviolet (UV) light, making verification of national identity documents' authenticity much easier than verification of refugee IDs.

Although most remittance and financial service providers BFA spoke with acknowledge serving FDPs with varying degrees of engagement, all but one acknowledge that they do not track these customers' data. Consequently, they have never analyzed FDP data to inform their business case. Providers confirm, however, that tracking FDPs' financial data would be possible via tracking transactions conducted using the refugee ID for example. Some see potential in trying to analyze FDP data and requested technical assistance to do so.

Providers' estimates of their remittance business with FDPs is therefore light. Most remittance providers reckon that FDP remittances make up less than 3% of their remittance portfolios. However, Dahabshiil states that FDPs make up 10% to 15% of its clientele, and La-Cedri estimates that 10% to 50% of its customers are FDPs, depending on branch location. The majority of providers acknowledge handling FDP remittances originating from the US, Europe and home countries.

Most of the remittance providers cite a value of less than USD 200 for the majority of FDP remittance transactions. With regard to transaction numbers, DTB and La-Cedri estimate that on regular business days they process 5 to 20 remittance transactions per branch. During the high season, usually at the beginning of school terms and during holiday seasons, numbers go up to 7 to 45 remittance transactions per branch. This includes remittances for both FDPs and the general population.

3.3 Provider barriers to serving FDPs

In interviews, various stakeholders identified the factors in "Table 5: Summary of supply-side barriers to FDP remittance service" as supply-side barriers affecting access to remittances. Respondents rated these barriers from 1 to 5: 1 means that the indicator listed is either not an issue whatsoever or is working well, 2 means that the indicator listed is working well enough, 3 means that the indicator listed is a mild inconvenience, 4 means that the indicator listed is a serious inconvenience and 5 means that the indicator listed is a roadblock. Barriers rated 5 came across strongly from almost all stakeholders BFA interviewed across the various stakeholder categories.

Table 5: Summary of supply-side barriers to FDP remittance service

Identified supply-side barriers	Severity rating(1 - 5)
• Identity & KYC - Some FDPs use fraudulent identification documents - Providers have no way to easily verify legitimate FDP identity documents - Some FDPs present an AML/CFT risk because they come from sanctioned countries - FDPs are perceived as difficult to track and likely to be resettled elsewhere	5
• Accessibility - FDPs are expensive to reach due to remote location of settlements	5
• Business case - FDPs are perceived as too poor to be viable customers; they cannot afford transaction charges as they have little or no income - Banks lack necessary business case information (market size and segmentation data) for the FDP market. - So far, the main financial service interventions actively targeting FDPs involve closed-loop offerings focused on reducing challenges experienced by organizations that remit humanitarian cash transfers	5
• Others - FDPs lack knowledge that international remittances, especially, can be received via mobile money - Language barriers	3

3.3.1 Identity and KYC

Providers perceive that serving the FDP community presents greater risk than serving the host community. Providers speak of FDPs' rampant use of fraudulent documents, resulting in cases of payouts to the wrong person. Even when FDPs have the required government-issued refugee ID, providers have no way to quickly verify that a document is legitimate. The current KYC verification process for FDPs is onerous and time consuming as explained in "3.2 Provider perspective on FDP remittances"**.** In addition, some FDPs hail from AML/CFT–sanctioned countries such as South Sudan and Congo[13]. Serving these FDPs presents a risk, and the financial institution needs to perform necessary due diligence to ensure that funds remitted are not financing conflict or related to money-laundering activities. BFA spoke to many providers who gave examples of financial institutions suffering the brunt of regulation because of improper due diligence practices.

Additionally, several providers expressed concern that FDPs are in Uganda for the short term, waiting for resettlement in developed countries such as Canada, Australia and the US. Therefore, they face a business risk from dormant accounts or unpaid loans.

"They are not in Uganda to stay. They are on the move point [in transit] to be relocated to countries such as Canada." — Bank

"There is a business case for serving refugees, but risks are higher. When dealing with refugees, thorough scrutiny is needed." — Mobile Money Provider

"[Some] 466 members of the SACCO have bought shares, but the refugees have more shares compared to the nationals. We have encouraged the nationals to buy more shares since the refugees are mobile people. Any time they can leave the country and be resettled." — SACCO

"We are working with the Office of the Prime Minister, Bank of Uganda and also the other NGOs to maybe help us get a guarantor so that we can start giving the right service to the refugees. Why we need . . . guarantors is because, for example, the Ministry may know when the refugees are to leave the country. This would provide security for us." — UGAFODE

To cope with these challenges, providers make policies for serving FDPs more stringent than policies for locals. For example, some institutions ask for additional documentation on top of the refugee ID, adding another layer of confirmation. Also, some banks and MTOs will only allow FDPs to access money up to a limit pre-set for this group, even if they have the proper and verifiable documentation.

"We accept refugee ID accompanied by the attestation form." — Money transfer operator

"We may not serve a refugee trying to withdraw a lot of money. They should be needy people. They get flagged" — Bank

"Refugee ID should receive UGX 3 million (USD 819.45) and below. It is a directive from supervisors to control risk because refugee ID does not have authentication features." — Money transfer operator

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13 For a list of sanctioned countries, see: http://www.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=17EC58

3.3.2 Accessibility

FDPs are expensive to reach due to their remoteness. FDPs are often settled in areas that are remote from towns and sparsely populated. These locations present logistical challenges for providers since road and communications infrastructure is insufficient. For example, the Nakivale and Bidi Bidi refugee settlements are 20 to 30 km from the nearest towns, and both network connectivity and poor road networks are an issue. Financial service providers cite the cost of setting up a retail presence to serve such areas as prohibitive. Moreover, they anticipate that the returns from serving FDP communities would not allow them to recoup such an investment, even in the medium term. With the viable market size still in question, providers expect that the number of transactions from FDPs would be quite small. Even if agents, outreach vans and digital services were to be employed, poor connectivity still raises the cost of outreach.

"The smallest functioning branch can cost USD 8,000 to set up without operating costs. When will a refugee's USD 20 to USD 30 remittance sustain?" — Money transfer operator

"Connectivity is the greatest challenge when trying to serve remote people." — Bank

"At [the] bottom end, amounts are so small. It comes down to [the] cost of delivering the services versus revenue you can recoup." — Bank

"A major mobile money provider was asking that we provide a guarantee in case they do not recoup costs over a specified period after investing to reach remote refugees." — Financial Sector Deepening Uganda.

Some providers give examples of their experience serving remote FDPs, although on a small scale. They explain that many accounts opened by FDPs become inactive as their owners find accessing them difficult. Financial service providers also report that limited accessibility of service points is a key reason why FDPs end up withdrawing all of their remittances at once. Withdrawing small amounts of cash is onerous when facilities are not easily accessible.

In addition, agent formality requirements may create challenges in remote areas. Both the Mobile Money Guidelines and the Agent Banking Regulations require providers to use agents that are formal, registered businesses. While this requirement is not typically enforced for mobile money agents, it is expected that it will be enforced for bank agents. Given that 96% of Ugandan businesses are informal[14], this could pose a challenge for providing access to formal financial services in remote FDP communities.

3.3.3 Business case

FDPs are perceived as too poor to be viable customers since they can barely afford transaction charges. Many providers believe that most FDPs are too poor to afford their services. The perception is that, with few exceptions, FDPs do not engage in economic activities and rely on handouts. In the provider's view, FDPs cannot afford to pay full fees for services, and yet financial institutions cannot afford to waive those fees.

14 See Uganda Bureau of Statistics, Report on the Uganda Business Inquiry 2009/2010. This report defines a business as "informal" if it "may not be registered/licensed and normally has no final accounts and also employs less than 5 persons and does not pay any taxes such as Value Added Tax and Income Tax."

Mobile money providers and development agencies observe that there is little incentive for FDPs to leave cash transfers in their mobile money wallets, knowing that they will incur a withdrawal fee each time they access the money. According to Mercy Corps, its humanitarian cash transfer scheme using mobile money results in 95% of FDPs cashing out everything. The 5% who do not cash out simply do not show up to cash out for one reason or another or have forgotten their PIN. In comparison, according to data received from Danish Church Aid (DCA, 2017), in humanitarian cash transfer schemes that provide e-vouchers that eliminate transaction charges, FDPs do not use up all of the value in their mobile money wallets at once but leave some value in their accounts. In fact, on average, each beneficiary saves 9% of the monthly stipend e-voucher of UGX 38,000 (USD 10.38) to use at a later time. Mercy Corps also explains that mobile money agents are not always present, so lack of ready access to agent service points remains a major reason why FDPs withdraw their entire stipend or remittance at once. In the e-voucher intervention, the traders that accept e-vouchers are always present, so FDPs know they can redeem their value at any time.

"Transaction costs are not minimal compared to [the] stipend they receive. Subsidize the transaction costs so that financial service providers do not have to lower transaction cost by too much affecting viability." — Bank

"Mobile money cost is not favorable to refugees." — Mobile money provider

"Transaction cost should be covered by development partner, (e.g., through a UNHCR platform that allows refugee remittance from across the world to be facilitated on that platform)." — Money transfer operator

"We do not see refugees as obvious customers. They do not work but always receive." — Bank

With regard to remittances, MTOs and banks give examples of how remittance senders pull together to save costs. They observe that in many cases, one FDP receives a single lump sum on behalf of a few others to reduce the cost of sending separate amounts to different individuals.

"The $200 sent could be for multiple people. We often see them coming as five. One receives and shares with others to reduce charges." — Bank

Banks lack necessary business case information regarding the FDP market. Banks recognize that the FDP population could present a large market because of their large number. However, they have no information with which to determine which segments might be viable. Moreover, they realize that they could serve viable segments through partnerships that could make financial service provision more sustainable. For instance, banks feel there is opportunity to serve FDPs in refugee settlements through already established businesses or financial institutions operating within the settlements. For most banks BFA interviewed, settlements remain uncharted territory. They have no way to understand or reach out to these potential clients.

"We have the technology and our strategy is aligned to financial inclusion. We just do not have the necessary information." — Bank

In addition, apart from one provider, all of the providers BFA spoke with do not track FDP data separately from other customer data. As a result, providers cannot generate useful insights related to serving this group. They acknowledge that it would be possible to extract FDP-related data as FDPs' transactions are recorded against their refugee IDs. They have never attempted to do so, however, and some anticipate that they would need help to undertake such analysis effectively.

"We do not track who is a refugee, but it is recorded. We would actually welcome any support to analyze." — Bank

So far, the main financial service interventions that actively target FDPs involve closed-loop offerings focused on reducing challenges organizations experience in remitting humanitarian cash transfers. Financial service providers recognize value in facilitating long-term humanitarian cash transfers such as those administered by UNHCR and WFP. Humanitarian cash transfers are considered viable as they are large in value and frequency. Providers benefit from holding the e-float for these transfers and charging transaction fees to the development agency concerned. Many financial provider initiatives, it should be noted, end up creating solutions that mostly serve the needs of development agencies instead of FDP needs. Although the end could arguably justify the means (such customized financial services do ultimately serve FDPs), these solutions end up being closed-loop offerings that may inhibit adoption of services that extend beyond the functions conditioned by the development agents (such as accounting for transfers). For example, an FDP could be said to have an account with a financial service provider, but that account's functionality actually might be very limited. Furthermore, if each NGO or humanitarian cash assistance provider creates a closed loop and independently identifies a service provider, the number of FDPs who require services are unlikely to reach a scale required for an FSP (financial service provider) to consider them profitable.

"Refugees are given special codes to identify the specific accounts and scheme. This is done for tracking and reporting to the development agency. The associated prepaid cards are restricted to point of sale (POS) devices that have biometric [ID] only. They cannot be used at regular POS. . . . They do not want the cash transfer services to be mixed with other services" — Bank

"Banks came in to solve donor problems, not refugee problems." — Bank

"No financial institution has the appetite to deal with refugees directly." — Money transfer operator

3.3.4 Other barriers

Lack of product knowledge and language were cited as other barriers. According to UAE Exchange and MTN, people generally lack knowledge that international remittances can be received via mobile money. Also, qualitative interviews confirm that apart from remittances sent within the East African region, in very few instances do recipients receive remittances from senders outside the region directly to their mobile wallets. For example, very few respondents confirm having received remittances through WorldRemit and Wave. There do seem to be many instances, however, of senders using MTOs to send remittances to intermediaries, who then send money to final recipients via mobile money. This indicates that there could be demand for receiving remittances directly into mobile money wallets.

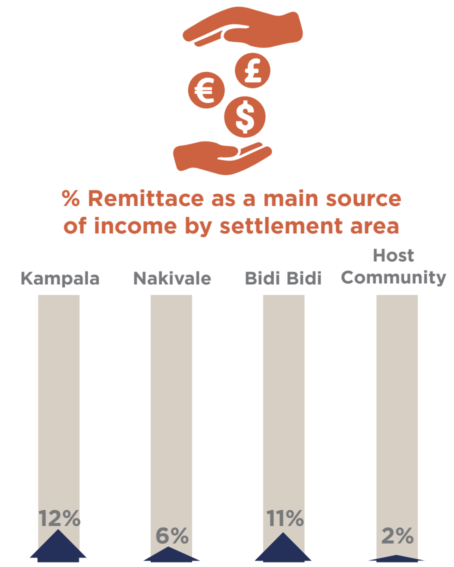
Many financial service providers report that a language barrier prevents some FDPs from easily accessing remittances. UGAFODE mentions having a translator at one of its branches to assist Kiswahili-speaking FDPs.

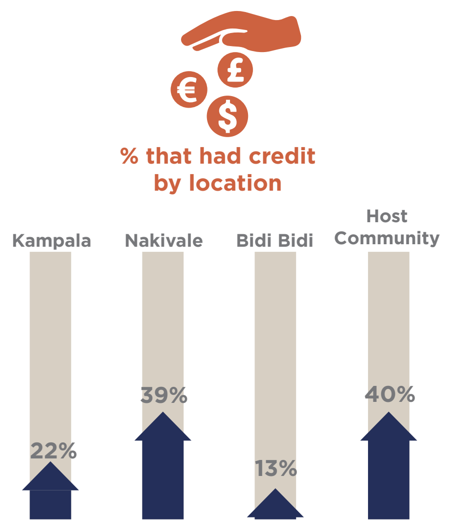
3.4 Opportunities

Despite the limitations outlined above, the picture is not grim. Significant developments toward serving FDPs and their host communities are under way.

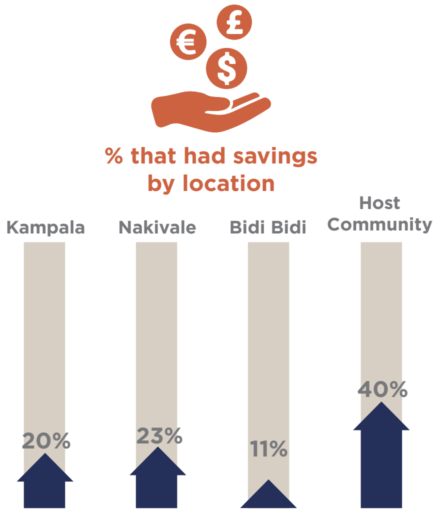
Evidence demonstrates that providing remittance services to FDPs can generate worthy gains. According to Equity Bank, its Adjumani branch — located near numerous refugee settlements in the West Nile region — has been the best performing in terms of income generated from money transfers. In fact, 20% of the Adjumani Equity branch's clientele are FDPs, who make up the majority (95%) of the branch's remittance-services clients. In 2017, the branch turned over UGX 7 billion (USD 1.91 million) for Western Union and UGX 4 billion (USD 1.09 million) for MoneyGram, earning commissions of almost UGX 100 million (USD 27,314.94) in total. (Similarly, in Kenya, Equity Bank branches near Kakuma Refugee Camp and Kalobeyei Integrated Settlement (with a population of 185,449 in January 2018) make about 700 remittance transactions per day, while more distant branches make about 16 transactions daily.) As a result, Equity is embarking on a drive to bank FDP populations and has obtained internal approval to recognize the refugee ID as a sufficient KYC document for account opening in Uganda.

Some providers recognize opportunity in providing other inancial services to FDPs. UAE Exchange applied for a credit license to provide microloans in Uganda. Credit scoring for these loans will be based on the remittances individuals receive or send. Vision Fund is considering providing asset financing (e.g., for solar lamps, farming equipment and basic household





items) based on the aid cash transfers received per family. Currently, the fund provides credit to FDPs through group methodology[15], mobilizing savings groups made up of host community members and FDPs to mitigate risk. In addition, Vision Fund gets the most vulnerable groups of FDPs to enroll in its village savings-and-loan programs. In six months, 300 active groups maintained a total of UGX 1 million (USD 273.15) accumulated savings in their cashboxes. Moban SACCO in Nakivale has 1,559 registered members: 400 from the host community and 1,159 FDPs. Moban reports savings of UGX 250 million (USD 68,287.35) per month and cumulative savings of UGX 1.8 billion (USD 491,668.94). This SACCO also provides credit through group methodology.



UGAFODE reports having made loans to a group of FDP business people. Since the trial was surprisingly very successful, UGAFODE is considering how to lend to more FDPs by collaborating with the OPM and donor agencies to serve as guarantors, since they are likely to know when FDPs will leave the country.

To assess the business case, providers may find value in the data insights from the UNCDF field research and UNHCR socioeconomic assessment offered in "Annex 1: Remittance and financial indicators for assessing FDP business case".

Humanitarian and development agencies are shifting to delivering aid through FSPs. Since January 2017, the value of cash-based interventions to FDPs in Uganda totaled UGX 43 billion (about USD 11.75 million). In fact, FDPs received 90% of food assistance in cash. About 850,000 FDPs received these transfers implemented by 14 NGOs and 4 UN agencies. This shift is due to three trends: First, aid agencies are shifting from in-kind distribution (food, clothing) to cash distribution. Cash offers more flexibility for recipients and greater efficiency for the aid agency. Second, cash increasingly is being distributed through digital means. Third, "going digital" has motivated aid agencies to begin changing their last mile operations. Agencies are moving from distributions made by in-house teams to distributions made via financial service providers such as PostBank and Airtel. Delivering aid via FSPs allows for their easier entry into the FDP market and can lead to opportunities to cross-sell other financial products.

Separate work done by Financial Sector Deepening Africa (FSDA) and implemented by BFA in Rwanda reveals that humanitarian cash transfers alone may not yield a sustainable business case. Cross-selling other financial products is necessary if FSPs are to generate higher returns (FSDA, 2018). For example, Airtel did not recoup its costs when facilitating humanitarian cash transfers to vulnerable FDPs in Bidi Bidi. Airtel qualifies that it took the opportunity as a corporate social responsibility initiative, hoping to realize a profitable business case in the long run (GSMA, 2017).

15 Extending credit to savings group members who are held liable for each other's credit.

Source: http://www.unhcr.org/news/videos/2018/3/5a996b474/uganda-starts-biometric-refugee-verification.html
Credits: Mary Theru, producer / Walter Kigali, camera-editor | 02 March 2018

Some infrastructure to serve remote FDPs is in place, with further plans to improve it. Some banks with a mission to serve base-of-the-pyramid markets are already situated in remote areas, and some even have a presence near refugee settlements. For instance, Centenary has a wide network of branches, and FDPs near Nakivale Refugee Settlement actively use these to receive remittances. IFAD is funding PostBank to ride on the rails of the already extensive post office network in order to expand remittance and other financial services. One of the objectives of the PostBank project, which started in the last quarter of 2017, is to financially include at least 20,000 new remittance-receiving FDPs (who should each hold an account by the project's end) and provide regular financial literacy education training in order to empower these new account-holding FDPs to plan their finances (IFAD, 2017).

Telcos also continue to make improvements. To promote connectivity, MTN and Africell have set up permanent towers in Yumbe District, the location of the Bidi Bidi settlement. Airtel has commissioned more than three new sites in Bidi Bidi and Imvepi and has plans to extend to Omugo and Rhino Settlement. MTN also reports working on decentralizing agents' access float in order to promote penetration of agents beyond urban areas. According to UNCDF, both Airtel and MTN will be upgrading several FDP sites from 2G to 3G and some urban town sites from 3G to 4G in 2018. These networks are more dependable for digital payments on mobile money and bank solutions. The business case for enhancing coverage in refugee settlements remains negative, however, since it cannot be proven that there will be considerable 3G-enabled phone penetration, SIM card penetration and a significant level of transaction activity to offset the infrastructure investment required. In 2018, UNCDF will continue to support derisking MNO investments in deep rural areas to increase coverage and efficiencies in distribution of MNO products and services.

With agency banking regulations in place, banks might serve FDPs more sustainably. Most banks interviewed share this sentiment. Some have already started working on strategies to develop their agent networks. By the time of the interviews, Centenary already had piloted more than 400 bank agents and hoped to have 1,000 agents by the end of 2018. Equity had rolled out more than 200 agents with support from UNCDF. Equity aims to offer all services available at the branch through its agents including money transfer services such as Western Union and MoneyGram. Equity hopes to be able to remit Western Union transfers directly into client accounts in a few months time so that clients do not always have to cash out immediately. An FDP SACCO from Bidi Bidi has approached KCB to provide agency services within the settlement.

New partnerships are making remittances more accessible. Providers report that innovation is driving a shift from more traditional remittance channels to mobile wallets. This is in line with the notion that mobile money and agent banking solutions are best suited for providing financial services to remote FDPs as they are less capital intensive. FSP partnerships with mobile money providers make this possible: KCB has partnered with Airtel, Dahabshiil with both MTN and Airtel, WorldRemit with MTN and Ecobank with Western Union to provide remittances via ATMs, but this service did not take off. Mobile money interoperability within East Africa, however, allows FDPs to transfer money to and from mobile wallets within the region at a low cost (although for now this does not include the major countries where FDPs originate).

Some financial service providers aim to make it easier for FDPs and other customers to fulfill KYC requirements. Once DTB and La-Cedri verify a customer's documents for the first time, they store them in their system so that documents do not have to be produced repeatedly. They compare details provided in remittance forms to the details (including the customer's image) that they have stored before completing the transaction. DTB sometimes recognizes the asylum seekers certificate for new arrivals who do not yet have a government-issued refugee ID, enabling them to access remittances of less than USD 250.

4. DEMAND-SIDE FINDINGS AND BARRIERS

4.1 FDPs' socioeconomic lives and experiences

4.1.1 FDP journeys

FDPs of various nationalities give several reasons why they came to Uganda and facilitated their journeys differently. While the majority seek refuge from war in their home countries, some relocate to Uganda due to personal persecution. Stories of their journeys to Uganda vary. Many FDPs state that they chose Uganda because of the country's accommodative policies.

Some FDPs have lived in Uganda for more than 10 years, but length of stay varies according to settlement and nationality. For example, in Nakivale, both Congolese men and women had been in the refuge settlement for 2 to 8 years. Most Burundian men had been there for 2 years, while Burundian women have been there for 2 to 3 years. In Kampala, BFA interviewed FDPs who had lived in Uganda for more than 10 years but acquired refugee status about 5 years back. Congolese FDPs, especially, have been in Kampala for a long time. South Sudanese mostly had been in the capital for 3 to 5 years. FDPs in Bidi Bidi had been in the refugee settlement for 18 months or less.

Source: http://www.unhcr.org/news/videos/2018/3/5a996b474/uganda-starts-biometric-refugee-verification.html
Credits: Mary Theru, producer / Walter Kigali, camera-editor | 02 March 2018

A set procedure must be followed by asylum seekers to gain refugee recognition in Uganda, as shown in “Figure 7: Uganda’s FDP registration and documentation process” **below.**

Figure 7: Uganda’s FDP registration and documentation process

Newly arrived asylum seekers

Many urban asylum seekers are people already in the country on different permits or illegally, who would now like to apply for refugee status

Initial reporting

- Refugee Eligibility Committee (REC) office at the Office of the Prime Minister (OPM)
- Note to go for criminal screening at the crime intelligence office

Initial registration

- Settlement commandants/ OPM camp
- Asylum seekers card (small, made of cardboard) bearing individual’s name and registration reference number
- Protection within the country, humanitarian support, but does not allow access to any other public or private services
- Almost immediate

Criminal screening and initial registration

- Crime Intelligence Office at Old Kampala Police Station
- Asylum seekers card (small, made of cardboard) bearing individual’s name and registration reference number
- Protection within the country, humanitarian support, but does not allow access to any other public or private services
- Should be done within 30 days of arrival. Those who pass screening proceed to biometric registration

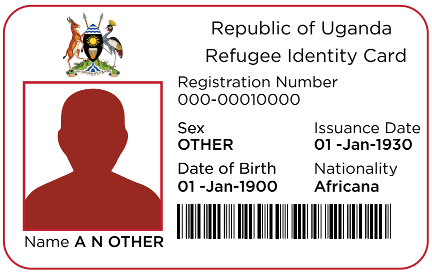
Biometric registration

- Settlement commandants/OPM camp/ office
- Attestation letter (A4 paper) is issued. Contains the pictures and the identification details of the entire family present
- Eligible to be settled in one of the refugee settlement areas
- Almost immediate

Refugee status determination interview

- Interview with inter-ministerial REC that visits the OPM camp in settlement areas/OPM office in Kampala
- Outcome: refugee status decision is communicated by OPM
- Right to appeal to Refugee Appeals Board within thirty days of receiving notice of decision
- Hearing in one or two weeks. It can take up to three months to get an interview

Issuance of refugee identification document



- OPM camp/OPM office
- Plastic identification card (refugee ID) issued to applicants age 16 and above with approved refugee status
- Freedom of movement, work and other freedoms outlined in the refugee regulations outlined in “ANNEX 5: UGANDA’S REFUGEE LEGAL FRAMEWORK”
- Two weeks after passing REC interview. However , some FDPs in the settlement camps reported waiting for over a year to obtain a refugee ID

Source: Based on BFA interviews with John Bosco a senior settlement commandant at the Office of the Prime Minister, December 2017

4.1.2 FDP livelihoods

Being an FDP is not synonymous with being poor and helpless. Many myths and misconceptions may come into play when people talk about FDPs. Many FDPs with whom BFA spoke in the interviews run small businesses and some contribute to and borrow money to grow their businesses from the financial self-help groups they have formed.

"At our Mbuto [informal saving and loans group], we do different businesses. We meet on the fifth day of the week to contribute UGX 2,000 (USD 0.55). We have UGX 1,033,000 (USD 282.16) that we have saved in Moban Sacco, where we have a group account. We refer to it as the blue box. We deposit the UGX 2,000 (USD 0.55) into the green box, which is later transferred to the blue box. There are times we take a loan from the blue box to [give] ... members for their businesses, charging an interest of 4% per month while Moban Sacco (blue box) is given a 2% interest per month."
— Male Congolese FDP, Nakivale

FDPs are not a homogeneous group of people. They tend to be economically diverse across nationalities and within households. We learned that, for most of them, the ways they earn a living now are guided or determined by what they did back in their home countries. For instance, if an FDP operates a small restaurant in the refugee settlement, it is likely that he/she once operated a small restaurant in the home country. We also observed that women are more economically active than men.

Social programs do not address all needs, but they continue to play a pivotal role as FDPs get on their feet. In Nakivale refugee settlement, interviewees reported that WFP (World Food Programme) used to provide food rations to FDPs, but by the time of this study, the rations had stopped (WFP's assistance is usually phased out over the course of five years). Despite the supply of food rations, buying food is one of FDP households' main uses of remittances they receive.

In Bidi Bidi, Danish Church Aid (DCA) has supported vulnerable FDPs and host communities through humanitarian cash transfers (both unconditional and conditioned on work). These are distributed via mobile money. The initiative has assisted vulnerable FDPs in obtaining registered Ugandan SIM cards (as of October 2016). DCA also sold cheap phones (UGX 9,500- about USD 2.59) to vulnerable FDPs. As a result, the program contributed to SIM and mobile phone penetration among DCA's targeted beneficiaries, making it easier for them to receive remittances from relatives via mobile money[16]. The above initiatives by DCA were facilitated through UNCDF technical assistance and a grant.

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16 Airtel Money

4.1.3 FDPs' general financial access

BFA set out to learn which financial service providers are available and which products and services FDPs and host community members use (see "Table 6: FDP Financial Access"). Our researchers were interested in both formal and informal providers and their services. BFA found that both formal and informal providers serve the refugee settlements. FDPs tend to use informal channels for savings and credit, and mainly use formal channels for remittances. Informal providers are more accessible to FDPs as they are found within the refugee settlements, while most formal providers are located in the nearest town. FDPs in Kampala use informal and formal channels similarly. Many urban FDPs save in informal savings groups but access remittances mainly through formal providers.

For more details regarding access to finance as shown in "Table 6: FDP Financial Access" (below), please see "Annex 3: More on FDP general financial access".

Table 6: FDP Financial Access

	Providers FDPs engage with most often	Financial services that FDPs access [17]	Cash out (local currency)	Cash out (international currency)	Available receivable method
Banks	- Centenary (Nakivale & Arua) - DTB (Kampala) - Stanbic (Kampala & Arua) - Centenary (Arua)	Remittances Savings [18]	Yes	No	Cash
Money transfer operators (MTO)	- Western Union - MoneyGram - Dahabshiil - Juba Express - WorldRemit - Wave - UAE Exchange - Lloyds - Gai Exchange	Remittances Forex	Yes	Yes	Cash
Microfinance institutions (MFI)	- UGAFODE	Savings Credit Remittances	Yes	No	Cash
Mobile money Operators (MMOs)	- Airtel - MTN - MTN Sudan - Safaricom M-Pesa - Airtel Congo [19]	Cashing out	Yes	No	Mobile money account

17 The financial services listed are those that FDPs report accessing. These institutions may offer a broader range of services than those reported.
18 A few FDPs report that they still maintain the bank accounts they had opened back home. A majority are able to access them through Ugandan subsidiaries of the same banks (e.g., KCB).
19 While FDPs report use of foreign mobile money agents (MTN Sudan, Safaricom M-Pesa and Airtel Congo), these operators are not regulated in Uganda and may present considerable risk.

SACCOs	- Moban Sacco	Savings Credit	n/a	n/a	n/a
Hawala	- Traders (Nakivale & Bidi Bidi)	Remittances	Yes	Yes	Other
ASCAs/ ROSCAs/ Merry-go-rounds	- Kampala, Bidi Bidi & Nakivale - Food merry-go-round in Bidi Bidi - Congolese ASCAs (mbutos) - Burundian ROSCAs (nirimba)	Savings Credit Social welfare funds	n/a	n/a	n/a

4.2 Remittance trends among FDPs

Remittances to FDPs mostly come from family and friends in Europe, US and home countries. Women mostly depend on relatives, while men are more likely to receive from friends. It is common to receive money repeatedly from the same relatives, but the friends who remit vary.

The value and frequency of remittances sent from home countries versus remittances sent from other countries are almost the same. Typically, the FDPs interviewed report receiving relatively low-value remittances (between USD 20 and USD 100). Those FDPs who receive remittances do so four to six times per year. Based on the qualitative interviews, it seems very likely that remittances received are to be shared among household and family members, so the amounts reported may not accrue to only one person.

Remittances are a main source of income for new arrivals, but this may not be the case for FDPs who have been in the settlements longer. For example, young Burundians report receiving remittances from their families back home, but not as regularly as when they first came to the refugee settlement. There is a popular perception that, once in the settlements for a while, an FDP must devise new ways of getting an income. It is not guaranteed that relatives abroad will always send money.

Not all remittances received are for consumption needs; many FDPs receive money for business purposes. Although most receive money for upkeep, a significant number also receive money for business or trade purposes. For example, BFA established that some Congolese who receive remittances from their home countries conduct business as money changers.

Respondents reported that they do not make the decision about which remittance channel to use. This decision rests mainly with the sender, not the receiver. Respondents mentioned that senders prefer to use a service provider with a convenient location; this may not be the most conveniently located service provider for the receiver.

"No, the sender in most cases makes the decision. I only make the decision if it is urgent like paying the hospital bill or paying something. In most cases the sender decides how to send it."— Male from host community, Kampala

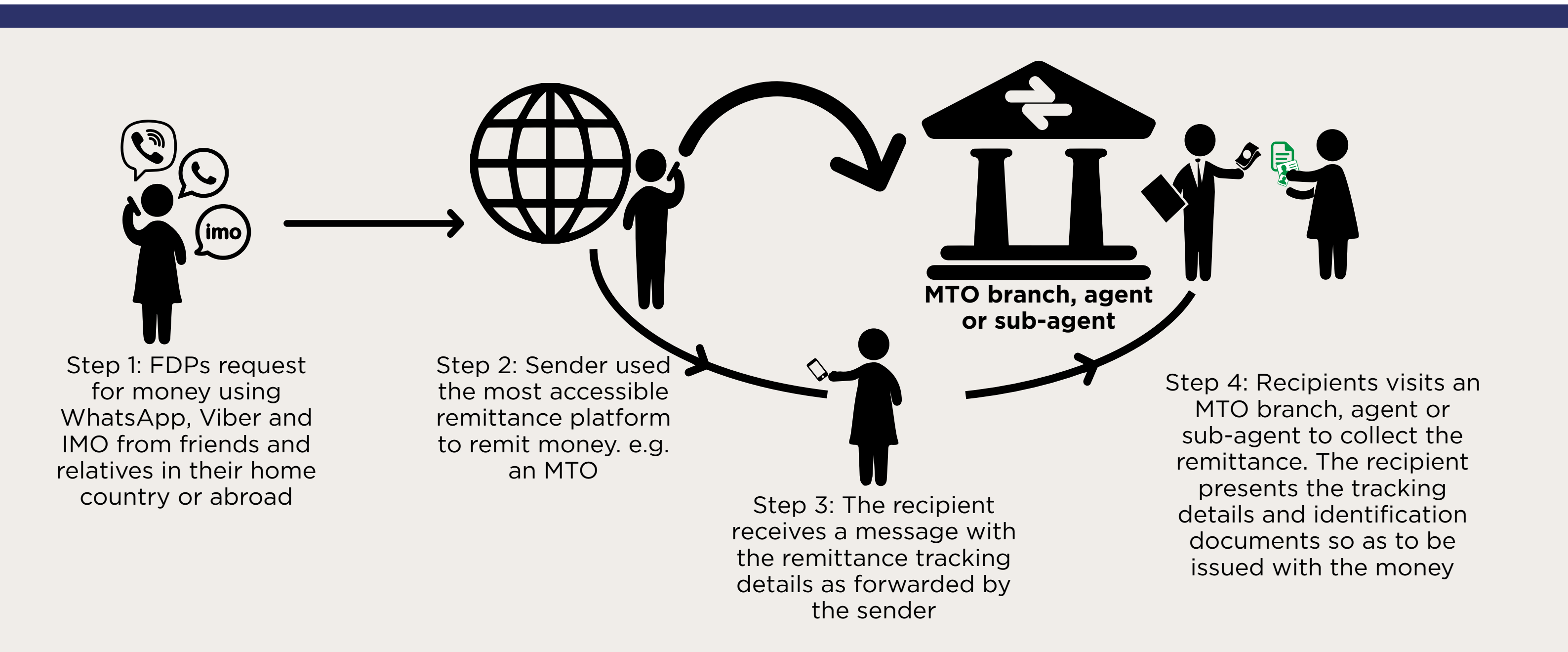
Many FDPs use formal remittance services to receive money, but a significant proportion continue to use informal agents to receive remittances. FDPs in Nakivale mostly access remittances via banks located 20 km away. Those in Bidi Bidi access remittances via mobile money and have to travel more than 10 km to access mobile money agents. FDPs in Kampala mostly use MTOs (money transfer operators).

Receivers often incur additional costs to access the remittances. For example, refugees often pay as much as $10 each way to travel to providers, which are usually over 20 kilometers away, or must pay (or tip) middlemen to facilitate access. The amount FDPs pay middlemen depends on the amount of money being facilitated and the relationship with the middle man. See "Table 7: FDP remittance data" below for more information,

4.2.2 FDP access to remittances

This section examines remittance-related behaviors, remittance channels available to FDPs and the challenges they face when accessing remittances. Below is a demonstration of how the remittance process works from the point of making the request to the sender to the point of cashing out at a MTO's agent or sub-agent, the most used channel by FDPs. Please note that although the "Figure 9: The FDP remittance process" illustrates a typical process, the processes may vary.

Figure 9: The FDP remittance process



Source: Based on BFA interviews with FDPs between November 2017 and December 2017

As previously explained, collecting remittance-related data from FDPs can be challenging. FDPs are more likely to withhold reporting of the remittances they receive because they are afraid that they will appear well off, leading to a cut in their aid or re-settlement assistance. The remittance amounts reported in "Table 7: FDP remittance data" (below) therefore may be understated.

Table 7: FDP remittance data

Refugee settlements	Country of origin	Remittance corridors	Remittance range	Remittance cost to receiver (if applicable)	Remittance channels
Nakivale	DRC	UK, Denmark, US, Finland, Sweden, Kenya, Tanzania, Dubai, Rwanda, DRC	USD 20 to USD 170	- All incur transport costs of USD 10 round trip to access the bank. - A few pay informal agents USD 2 - Some report bribing bank and mobile agents USD 1 to USD 3	- Most receive via Western Union and cash out at Centenary Bank - A few receive money in mobile wallets via WorldRemit and Wave
	Somalia	US, Australia, Canada, Kenya	The single Somali respondent reported receiving USD 100		- Receive cash from hawala
	Burundi	US, Australia, Canada, Kenya, UK, Belgium, Tanzania, Rwanda, Burundi	USD 20 to USD 100	- All incur transport costs of USD 10	- Most receive via Western Union and cash out at Centenary Bank - Use informal agents - Use mobile money agents

Bidi Bidi	South Sudan	South Sudan, Canada, Sweden, Somalia, Sudan, Kenya, DRC	USD 5 to USD 30	- Most incur transport costs of USD 1 to 5 to access mobile money agents closest to the settlements - One respondent spoke of an additional USD 11 charge to withdraw at some mobile money agents (unscrupulous fees)	- Majority access remittances directly via mobile money wallets - Hawalas are the second most popular channels. Some forward remittances to recipients' mobile money wallets. - A few access remittances via Western Union at Centenary Bank (45 km away)
Kampala	DRC	UK, US, Denmark, Finland, Sweden, Kenya, Tanzania, Dubai, Qatar, Rwanda, DRC	USD 50 to USD 200	- All incur transport costs of USD 5 to access banks and forex bureaus	- Most receive via Western Union and a few via MoneyGram. They cash out at banks, forex bureaus and a microfinance institution - Many also receive money via Dahabshiil, Juba Express branches - Also commonly use mobile money wallets
	South Sudan	UK, Australia, Canada, US, Kenya, Tanzania, Sudan	USD 20 to USD 100		- Most receive via Western Union. - Use forex bureaus - Use mobile money agents

Source: Based on BFA interviews with FDPs between November 2017 and December 2017

4.2.2.1 Use of formal remittance services

The places FDPs access remittances depend on distance to the available access point, whether the access point accepts the identification documents they hold and how they feel they get treated, in that order.

FDPs report using different channels based on the area where they live. In Nakivale, only one service provider (Centenary Bank) offers cash-out service for remittances sent via Western Union[20]. Although FDPs spend USD 10 for a round trip from the refugee settlement to the bank, they have limited choice, since this is the only cash-out point within one hour's travel from the refugee settlement.

Mobile money agents are spread throughout the Nakivale refugee settlement. Some FDPs in Nakivale receive money into an MTN mobile money wallet by using WorldRemit, an internet-based money transfer service. One FDP said that he receives money via Wave directly into his MTN mobile money wallet.

Mobile money is one of the common ways of receiving remittances in Bidi Bidi. A majority of FDPs report receiving remittances directly into their Uganda mobile money wallets. They prefer this method despite very expensive cash out fees. This is because the alternative involves travelling long distances to access MTO agents which would cost them a lot of time and money. For example, FDPs in Bidi Bidi Zone 1, the closest to the trading center, have to either walk for one hour (about 5 km) or incur a cost of UGX 4,000 (USD 1.09) to travel to and from the agent on a boda boda (motorbike taxi). Those in Zone 2, 25 km from an agent, have to incur UGX 20,000 (USD 5.46) to make the same trip.

Comparatively, a few of the host country respondents in the recently established Bidi Bidi refugee settlement use Western Union, which they cash out from Centenary or Stanbic bank in Arua (a two-hour drive that costs UGX 20,000 to 30,000, about USD 5.46 to 8.19) or Koboko (a 45 km drive).

BFA did not interview anyone in Zones 3, 4 and 5, but it is believed that FDPs in these zones travel even longer distances to reach an agent (UNCDF & DCA, 2018). FDPs in Bidi Bidi did not report having to provide an ID to cash out from mobile money agents.

In Kampala, urban FDPs mainly receive remittances through local money transfer operators and forex bureaus such as Western Union, MoneyGram, WorldRemit, Dahabshiil and Juba Express. Dahabshiil is said to have the least cumbersome processes and requirements and also offers FDPs a choice of USD or UGX when cashing out. Urban FDPs of Congolese origin prefer Juba Express, especially when sending money back to DRC for business purposes. FDPs highlighted Juba Express's cheaper conversion rates. Foreign exchange service outlets such as those of UAE Exchange, Lloyds and Gai Exchange Bureau are also used for remittance transactions, and many FDPs spoke of going to King Fahd Plaza in Kampala, a complex comprised mostly of money remittance and forex businesses.

Several urban FDPs interviewed also access remittance services from certain banks, since not all Ugandan banks accept the government-issued refugee ID. For example, many respondents mentioned DTB, a bank they say is more considerate of their identification documents and provides better customer service compared to others.

Many of the FDPs of both Congolese and South Sudanese descent also reported that they prefer to access remittance services from one of the microfinance institutions such as UGAFODE. UGAFODE, like Western Union, MoneyGram, Xpress Money, WorldRemit and mobile money operators, offers various remittance services. Urban FDPs that BFA interviewed like microfinance institutions such as UGAFODE because the staff treats them well.

20 BFA tried to up a meeting with the bank branch manager but could not get authorization from the head office during the data collection period.

> "It isn't the only financial institution that can provide the service around, but I think it is because of the customer care. We are fast when serving them. When they come, we make them feel at home and they are Ugandans to us." — UGAFODE regional manager, Kampala

Of the urban-based FDPs we spoke to, those who receive remittances from their relatives and friends in other East African countries or in their home country receive mostly via mobile money. In focus group discussions in Kampala, almost all of the FDPs had a Safaricom line from Kenya. They reported that a Safaricom line for receiving money via M-Pesa is cheaper than using MTN, the main service provider in Uganda. Many mobile money agents offer M-Pesa services in Uganda, despite not being officially authorized. Urban Congolese FDPs said that they had kept their Airtel SIM cards from their home country, making it easiest for them to receive remittances via Airtel. Many mobile money agents offer Airtel Congo services too. A few FDPs mentioned receiving remittances directly into their mobile money wallets through WorldRemit. They consider WorldRemit money transfer service convenient because it is fast and they can withdraw their money from their usual mobile money agent.

4.2.2.2 Use of informal remittance services

FDPs also use informal remittance providers such as hawalas[21] that operate from mobile money shops, grocery shops, etc. and are usually unregistered, relatively anonymous, fast and inexpensive. Some FDPs in Nakivale use these informal services to access remittances sent via formal remittance providers located only in Kampala. It was said that the formal service provider has mutual arrangements with hawalas or sub-agents to assist with remittance cash out within the settlements. Some of the FDPs, however, complained that hawala services are unreliable. At times the hawala agents do not have cash on hand. In some cases, recipients have had to wait for up to three days to receive the full amount of the remittance. Still, they like that hawalas often also serve as informal money changers, making it possible to receive in foreign currency.

In Bidi Bidi, respondents reported that the South Sudanese also use hawalas in Arua (Mitinos). They spoke of a shop that provides cash transfers between South Sudan and Uganda. It was noted, though, that use of this method has diminished greatly since the war because trade between Uganda and South Sudan has also diminished. Only one person interviewed had used this method in the past year, although most had used it before the war.

Others receive their remittance funds through friends, family or a trusted agent. In Kampala, one person from the host community narrated how he constantly receives money on behalf of South Sudanese FDPs because the senders trust him to deliver the money to their kin. Remittances are sent to him via a remittance service provider in one batch. He accesses the bulk remittance through a bank, subdivides the funds and delivers the remittances to the beneficiaries as instructed by the senders. He told BFA that he does not charge for his services, but the senders always provide a tip. A lot of Congolese receiving money from Congo also mentioned receiving it via LCB Trading Company, a tour and travel company. One FDP in Bidi Bidi also spoke of receiving remittances from relatives in Kampala via a bus but explained that this method is considered to have many risks such as accidents and theft.

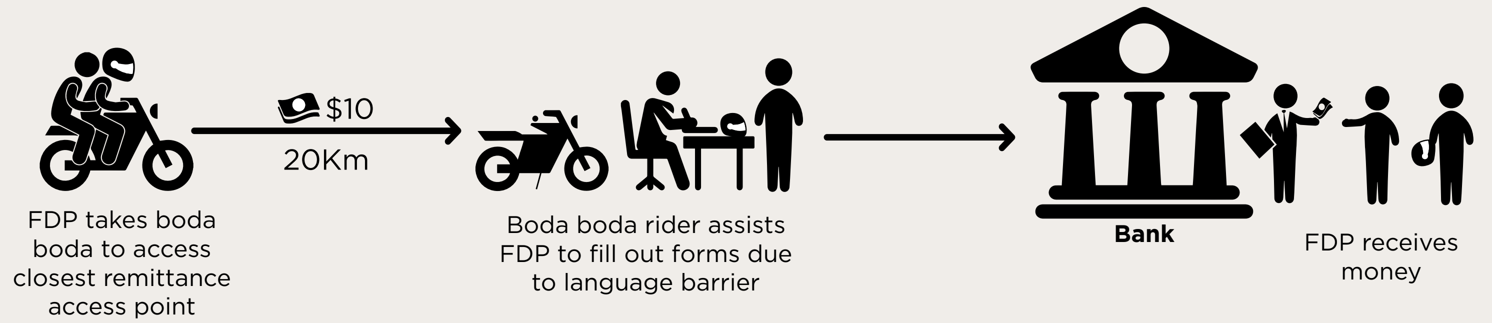
21 "Hawala" is a commonly used term in East Africa, the Middle East and Asia for moneylenders or transfer agents who operate on a system of trust between the sender and receiver. Funds are not physically sent; rather, hawalas use a network of trusted agents, a very common solution in countries where formal banking is too expensive, heavily regulated or simply absent.

4.2.3 FDP remittance access journeys

Collecting a remittance almost always means a journey of one kind or another for FDPs. Sometimes the journey may involve a boda boda, minibus or a long walk. At other times, the journey is a figurative one. Many involve informal agents stepping in to provide an essential service FDPs can't access from banks and other formal FSPs. Others journeys may mean accessing the black market to circumvent ID restrictions or leaning heavily on untested new acquaintances in the settlements for favors involving their refugee IDs. Often the journey starts in the sending country, where relatives and friends apply their creativity to reduce expenses and ensure their loved ones receive the cash they need. This can involve bulk remittances or a hawala network, both methods that sidestep formal remittance providers' ID requirements and reduce charges to a more comfortable level for FDPs. The illustrations in "Figure 10: Formal and informal remittance processes" below show how varied these journeys can be and some of the frustrations, pitfalls and extra expense FDPs experience to collect a remittance. They represent some of the experiences FDPs described when accessing remittances.

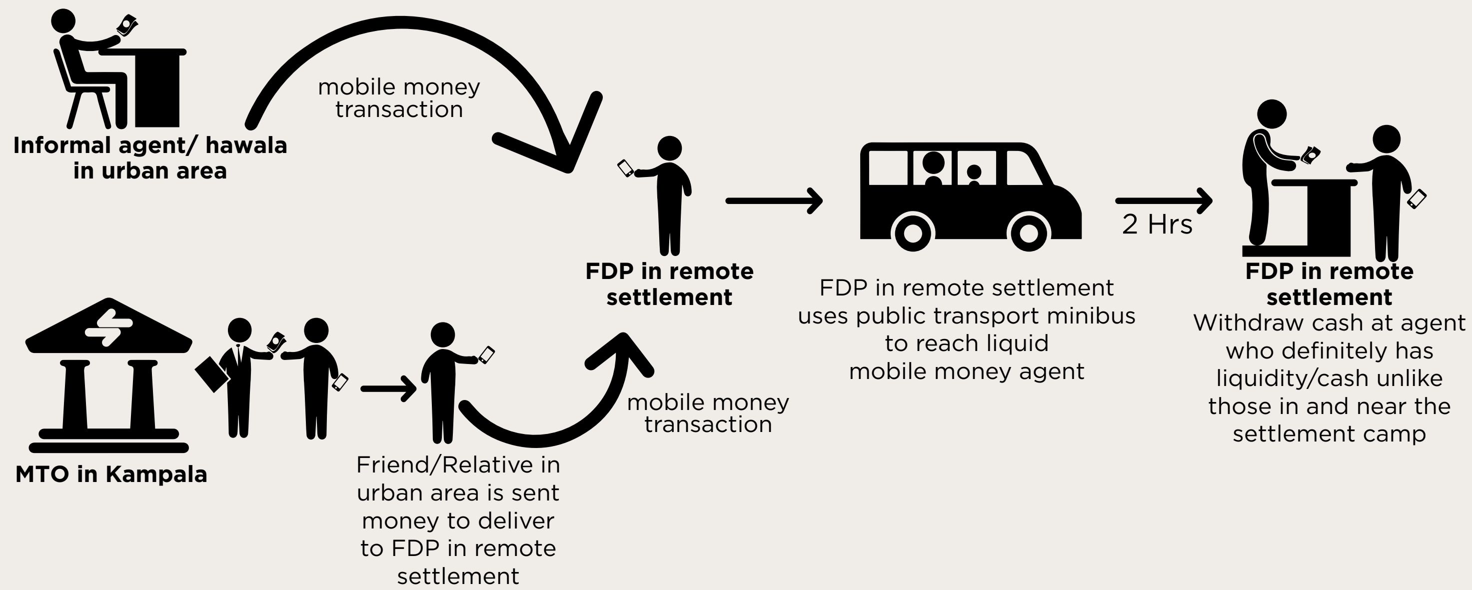
Figure 10: Formal and informal remittance processes

> FDPs often have to undertake costly travel far to access remittances and obtain assistance to complete the process

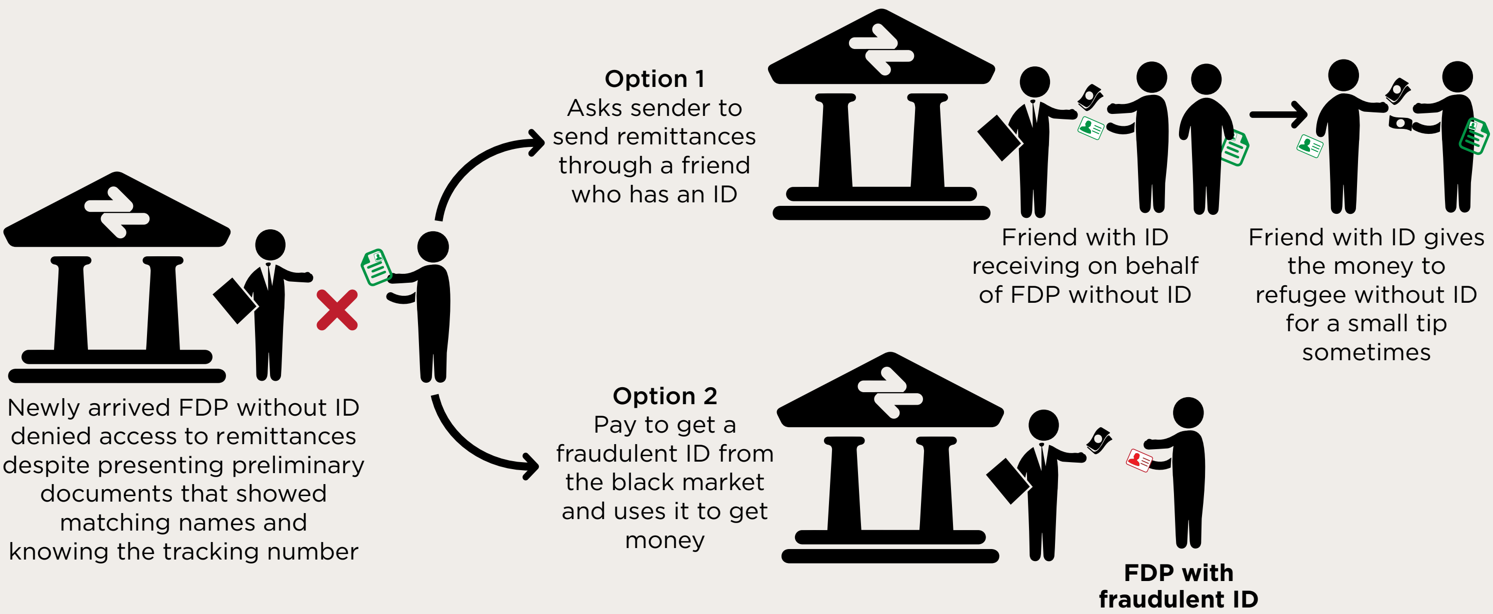


> FDPs sometimes have to rely on informal providers to intermediate the distance between them and formal remittance providers

> Mobile money is often used to reach last mile receivers but agent liquidity is a major encumbrance at the last mile

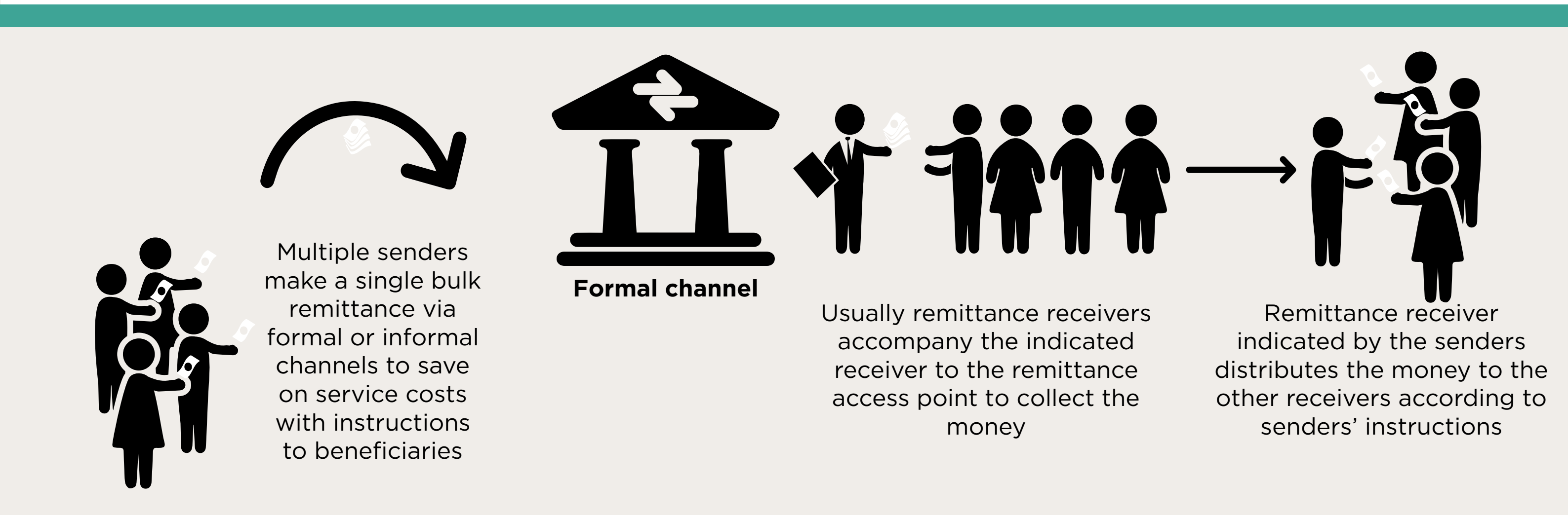


> FDPs without a refugee ID often have to device risky ways to obtain remittances

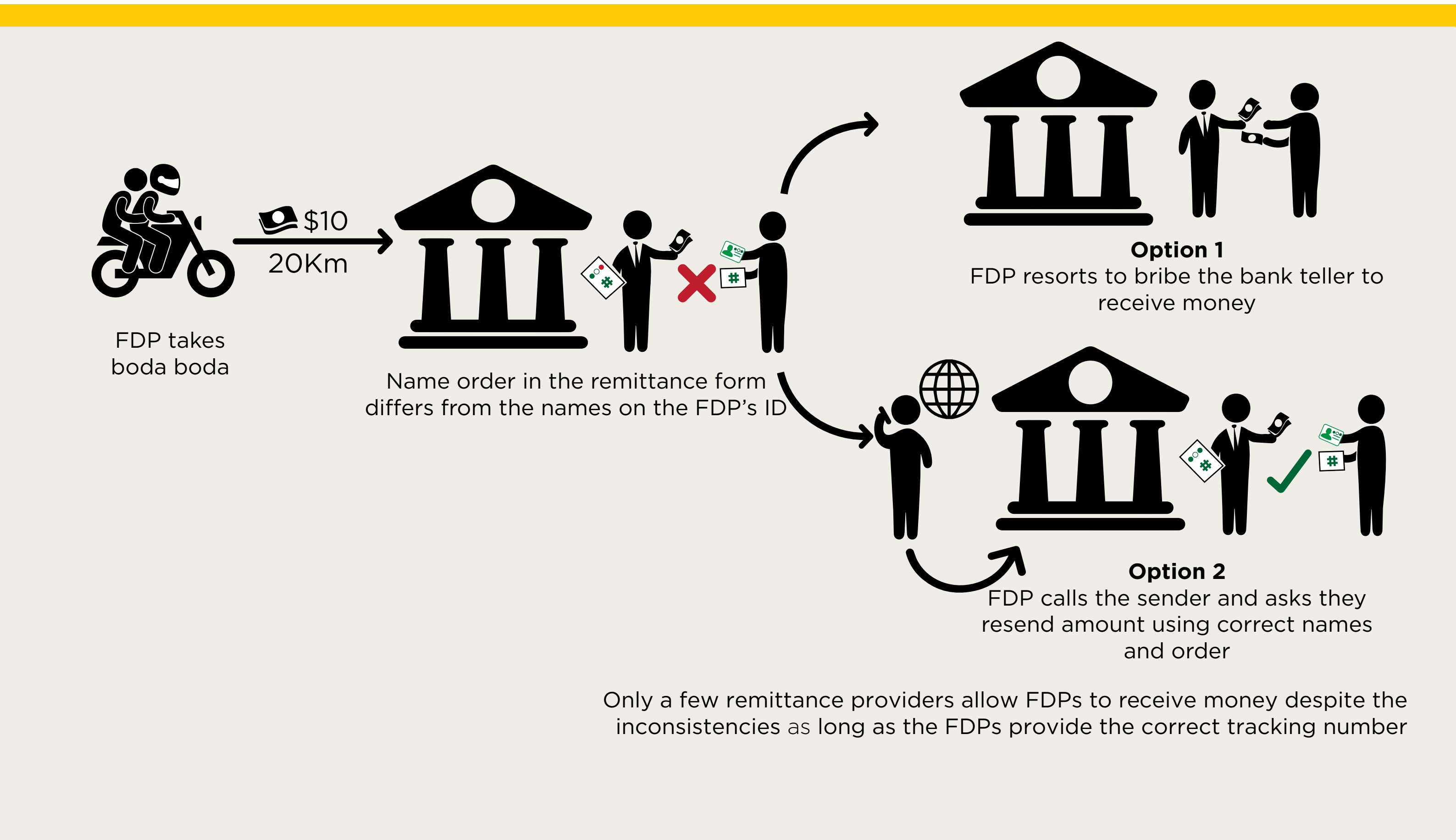


Sometimes the refugee ID alone is not sufficient. Many times FDPs have to present additional documents such as the attestation letter to ascertain the legitimacy of the refugee ID

> Senders sometimes come together to send remittances in order to save on transaction costs by sending to one receiver who receives on behalf of others



> Name inconsistencies such as name order or misspelling often delays FDPs form accessing remittances sent



4.3 Remittance access barriers FDPs face

Based on interviews with FDPs, the following were identified as demand-side barriers affecting access to remittances (See "Table 8: Summary of demand-side barriers to FDP remittance service"). Respondents rated these barriers from 1 to 5: 1 means that the indicator listed is either not an issue whatsoever or is working well, 2 means that the indicator listed is working well enough, 3 means that the indicator listed is a mild inconvenience, 4 means that the indicator listed is a serious inconvenience and 5 means that the indicator listed is a roadblock. Barriers rated 5 came across strongly from most of the FDPs across all of the refugee settlements where BFA conducted interviews.

Table 8: Summary of demand-side barriers to FDP remittance service

Identified demand-side barriers	Severity (1 - 5)
Identity and KYC - Long lead time to obtain ID delays access to remittance services - Refugee ID not accepted as sufficient or acceptable identification - Different name conventions present challenge to providers	4
Accessibility - Remote location of settlements makes access to financial services, especially remittances, challenging	5
Agent liquidity - Most mobile money transactions within settlements involve cash out. This creates liquidity problems for agents, who travel long distances to rebalance floats	5
Network availability & power	4
Other barriers - Bribery: required for IDs & service at financial access points - Transparency of charges: internet access increases transparency - USD vs. UGX: Some FDPs prefer foreign currency - Costs of informal agents to facilitate the last mile - Power outages	3

4.3.1 Identity and KYC

FDPs in all study areas reported that accessing remittances through regulated (formal) channels is difficult due to delayed processing of refugee IDs. It is difficult for newly arrived FDPs, especially, to access financial services. In most cases they need a government-issued refugee ID for financial access. Many FDPs report that the Government of Uganda takes a long time to issue the refugee ID. In some cases, FDPs may wait more than a year for the final verification required to receive a government-issued refugee ID.

"I came here two years ago. I was lucky I had some money to bribe so that I could get an ID. I paid UGX 50,000 (USD 13.66) to get my ID. Some people have been here for five years, and they haven't received their ID." — Male Burundian FGD, Nakivale

"The first time I went to receive money from Western Union, the only identification I had was 'asylum-seeker', and Western Union said they will not give me money because I did not have an ID card. I came back and waited. I had about three days to do an interview and was given a 'family attestation' [attestation letter] [and so] I went with it again. [I eventually got the money,] but it was not easy. The sender had misspelled my name. The teller told me to go back. I called the sender to change the name. I left the place in the evening, although I had gone there in the morning." — Male Congolese, FGD Nakivale

Due to the lengthy process to acquire the government-issued refugee ID, many newly arrived FDPs have to devise other alternatives to cash out their remittance payments. Some resort to using informal agents. Others borrow a government-issued refugee ID from a friend or relative and impersonate the real owner in order to receive the remittance payment or obtain forged documents. Some may share a friend's ID details with a sender so the friend can receive on their behalf. The experience, related below, of one FDP who paid a friend with a valid refugee ID for assistance with her remittance, was not very pleasant:

"When I went there [Centenary Bank in Kabingo], they did not allow me to receive remittances because I did not have the ID. So I had to use [the name of] my friend … who had a government-issued refugee ID. I had to pay this friend and also pay for my and [her] transport to the bank. One time, I didn't go with the friend and she withdrew my money and consumed without giving it to me and there is nothing I could do. I faced such a challenge because I didn't have a government-issued refugee ID then and got [it] only three years after arriving at the camp [refugee settlement]." — Female Congolese, Nakivale

FDPs are turned away by some remittance providers, who may reject their government-issued refugee IDs as an insufficient or unacceptable form of identification. Our respondents reported that some financial service providers, especially in Kampala, do not honor the government-issued refugee ID alone. They ask for further supporting documents. Generally, FDPs wonder why financial service providers question the legitimacy of their official refugee IDs. They do not understand why government-issued IDs are not considered sufficient.

"With Western Union, one has to produce their … national ID, and the Ugandans do not understand that there are refugees, especially in Kampala. We are given government-issued refugee IDs, and most of the times they are not accepted. They refuse to use our refugee IDs, even if they are authentic and have been signed by the government. When you get there they tell you, "Refugee, bring your ID," and you give them the card. They say, "No, bring the family attestation [attestation letter]." Other times when you go with both documents they tell you, "No, bring papers from the local council." You find yourself wasting time and getting very frustrated." — Male Congolese, FGD Kampala

"As a refugee here, we don't have access to remittances in every bank. And you are told that you have to bring your passport or national ID. I tell them I am not a Ugandan but a refugee and that the refugee card was produced here in Uganda and the government approves everything. They refuse to serve you, yet you need the money at that time. One is forced to look for another bank. You can go to even five banks, but when you get there they chase you away They ignore you with pride." — Male Congolese FDP, Kampala

"I went to receive the money with my ID, and the teller asked for passport or national ID. I said, "This is the refugee ID which replaced my original passport." Then I said, "Okay, can I see your boss?" The teller did not listen. I then called a friend of mine who is a Ugandan national, and he spoke with the teller. After their conversation, the teller told me to give her my government-issued refugee ID and she cashed out my money. Later, she told me not to go with the refugee ID the next time. I started questioning myself. I don't have any other document, and this person is warning me. It appears this refugee ID is not even valid because the banks and these institutions are not using it. I went again to the OPM's office, and I said these documents seem not to be valid. They just laughed at me and said, "How?" I explained my experiences. They responded [that] there are many cases of that kind. Since then I no longer receive money through the Western Union. There was money sent to me through Dahabshiil. I presented the refugee ID, and there was no problem. So, I would not recommend anybody to send me money through Western Union. I would rather recommend they send me money through Dahabshiil because it is easy, and I have seen many people transact." — Male South Sudanese FDP, Kampala.

Different name conventions present a challenge to providers, making it difficult for FDPs to access remittances. "Why are we being denied our payments because of the way the sender has written our names?" a female FDP lamented. This was one of the main questions asked when we discussed barriers to receiving remittances. Many Congolese interviewees are not happy with the way they have been treated because of how their names are written in French and the way those names translate into English. (In French, it is common to start with the family name, in contrast to English, where the given name comes first.) Some also could not access payments because their names had either been misspelled or were missing one letter. Below are some of the respondents' grievances:

"In Congo we are in the system of French. The way we start a name here in Uganda is not the same way we start a name in Congo. We start Basik Ericka Prince but here it starts with Prince Ericka Basik. When you are sent the money and you produce the ID, they say No. You are told to call the sender to change the names, but when you call the network is down, so you sleep that night without the money. When you go back the following day at two, you are told the money has been reversed back. Just as my colleagues have said, you go through that and you feel so bad about it. Those are some of the challenges we are facing." — Male Congolese FDP, Kampala

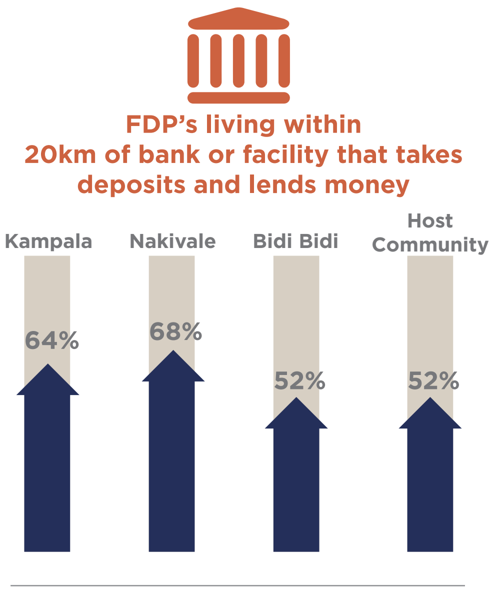
"Recently I was sent money through Western Union. You can see the way my name is written by the person who sent the money. They wrote exactly that one name and it was written well and just one letter in the other name wasn't written well. I struggled a lot to receive that money." — Male South Sudanese FDP, Kampala

"They should be people who listen to their customers and who agree about what they see on the IDs. One can even forget to write one letter. They must understand, but they are very difficult. They don't want to listen. Even if you beg them, they don't like to listen. One of them told me that I have to call that person who sent [the money] to change the mistake, which meant transacting the following day. Yet I needed the money for work. The code pin is okay, the first name is okay, only the second name had a mistake of only one letter."— Male Congolese FDP, Kampala

4.3.2 Accessibility

Accessibility is a challenge in Nakivale. All respondents feel they are underserved by the remittance and financial service providers there. Only Centenary Bank, about 20 km from the settlement, provides remittance services to the entire population. It is an arduous trip on foot, so most FDPs use motorcycles to travel, paying about USD 10 per round trip. They prefer to use motorcycles rather than buses. The motorcycle driver will wait for them and, at times, even assist them in completing forms at the remittance office.

As previously mentioned, accessibility is even more dire in Bidi Bidi. FDPs spend UGX 4,000 (USD 1.09) to UGX, 20,000 (USD 5.46) to travel to and from mobile money agents. Those who do not have money have to walk for no less than an hour.



4.3.3 Agent Liquidity

In both settlements, mobile money agents have challenges in replenishing their cash with e-float[22]. Most FDPs in the settlements cash out and do not deposit. The agents then quickly exhaust their cash reserves. Agents in Nakivale have to travel 45 km to Mbarara town and incur a bank fee for liquidating their e-floats.

In Bidi Bidi, FDPs reported that the liquidity of mobile money agents is a challenge. Sometimes they have to wait for two or three days before the agent has enough cash so that they can withdraw all of their money. Members of the host community prefer to travel to Arua town, two hours away, when they need to withdraw money because they are sure agents there will have enough cash.

Humanitarian cash assistance through mobile money is also a challenge due to the same agent-liquidity issues. For example, when making humanitarian cash transfers to FDPs and host community program beneficiaries, DCA must bring a master agent into the settlement to increase the e-float held by the local agents. Most agents receive service via the master agent Nilecom. Although its distributors deliver cash once a day, even this is not enough since withdrawals in the refugee settlements outnumber deposits by far.

22 Mobile money systems rely on customers paying in with actual currency. Customers then obtain digital value, or e-float. E-float may be transferred to other mobile money users and exchanged by the holder for cash by visiting a mobile money agent. See more: https://www.economist.com/node/16319635

One agent reported processing an average of 50 withdrawals each day but only about 35 deposits each week. This means he frequently runs out of money.

"Most of the refugees here at the camp [refugee settlement] cash out money, and they do not deposit. I find myself with a lot of e-float on my phone. For the mobile money agent business to work well, there has to be a balance between customers who are cashing out [making withdrawals] and depositing so as to balance the e-float and cash at hand. I go to Mbarara to replenish my float so that I can continue operating the business. In Mbarara I have to pay a little price to buy the cash. Can we have a bank branch near the camp [refugee settlement] to assist Mobile money agents like us to replenish the e-float?" — Female Burundian FDP mobile money agent, Nakivale

"You will find I have an e-float of about 20 million shillings. For this, I have to go to Mbarara, which means I will have wasted time. Customers will come and not find me. They call me and ask where I am. The customers miss the financial service they need at that time. I would recommend we have banks nearby so that we get [here] the services that we currently travel to Mbarara for.....Also, at Mbarara I have to buy UGX 1 million (USD 273.15) for UGX 2,000 (USD 0.55)." — Male Congolese FDP mobile money agent, Nakivale

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4.3.4 Network availability

FDPs highlighted network instability at the cash point as a major challenge that affects most residents of Nakivale and Bidi Bidi refugee settlements. All respondents reported facing such a challenge. Sometimes they have to wait an entire day for a good connection. They had many questions about why the network fails so regularly. We probed further and learned that network stability is not always a genuine issue but can be an excuse for bank staff to ask for a bribe:

"There was a time when there was no network from 10 a.m. when I arrived until 2 p.m. I did not have charcoal and flour at home. I was told that in Mbarara the network never fails. So, I went with the motorbike operator [to Mbarara]. I paid him UGX 35,000 (USD 9.56). I was able to withdraw the money in Mbarara but at a loss because I used so much money on transport. UGX 35,000 (USD 9.56) is a lot of money. I received about USD 20 which is about...70,000UGX."— Male Congolese, Nakivale

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4.3.5 Other barriers

FDPs in Nakivale complained about having to bribe bank officials whenever the network supposedly is down, when their names are misspelled and if they do not want to receive remittances in coins or small bills. Bribing ensures that they get the service they require. FDPs also complained about lack of transparency when it comes to fees. They claimed that when relatives tell them they have sent, say, USD 100, they receive much less in UGX, and it is not clear why. Also, some FDPs in Bidi Bidi complained that some mobile money agents charge additional fees to withdraw, hence they prefer going to urban agents who display fee charts. (Access to the internet via smartphones has made it easier to be aware of the true fees.) Moreover, some FDPs complained that they hate being forced to receive remittances in UGX bills. They prefer USD bills so they can then save their money and convert it slowly when real need arises or when conversion rates are favorable. Also, a few receivers who rely on informal agents reported incurring a "convenience fee" for the remittance service in addition to the fee the sender pays. Finally, power outages in Bidi Bidi also drew comment. For more detail on these other barriers, please see "Annex 4: More barriers to FDP remittance access".

5. POLICY FINDINGS AND BARRIERS

Based on interviews with various stakeholders, the following were identified as the policy barriers affecting access to remittances (See "Table 9: Summary of policy barriers to remittance access for FDPs"). Respondents rated these barriers from 1 to 5: 1 means that the indicator listed is either not an issue whatsoever or is working well, 2 means that the indicator listed is working well enough, 3 means that the indicator listed is a mild inconvenience, 4 means that the indicator listed is a serious inconvenience and 5 means that the indicator listed is a roadblock. Barriers rated 5 came across strongly from almost all of the stakeholders BFA interviewed, across the different stakeholder categories.

Table 9: Summary of policy barriers to remittance access for FDPs

Identified policy-side barriers	Severity (1 - 5)
No explicit onboarding requirements for FDPs within KYC laws and regulations creates both a barrier and confusion	4
Lead times to obtain a refugee ID are increasing, despite its key role in access to financial and other services	5
With little official guidance, remittance service providers (RSPs) have limited ability to adopt a tiered, risk-based approach to serving FDPs	5

5.1 Agent license, capital requirements and compliance

Current regulatory policies in Uganda appear favorable for the growth of money-remitting businesses, despite uncertainties:

Licensing requirements appear very permissive. The requirements to obtain a license to conduct a money-remitting business already have facilitated growth in the number of providers. For example, processing a license that needs to be renewed every year at a cost of UGX 1 million (USD 273.15) takes about three months. Minimum paid-up share capital of UGX 50 million (USD13,657.47) is also required to obtain the license. As of October 2017, the number of money remitters in Uganda stood at 112[23] (BOU, 2017). Please see "Annex 6: Foreign exchange and money remittance license classes and requirements" for more information on foreign exchange and money remittance license classes and requirements.

The capital requirement for obtaining a remittance service license may be bolstered soon but is likely to remain conducive. To keep pace with innovation and emerging remittance services on mobile money platforms, BoU recently finalized proposed amendments to the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006. These were submitted to the Ministry of Finance, Planning and Economic Development, which has submitted a bill to the Cabinet for consideration[24].

23 This number includes branches of the licensed money remitters with operations in multiple locations. It does not, however, include banks that provide in-house remittance services (such as Ecobank Rapidtransfer) and act as agents of international MTOs.

24 Conversation with Mr. Lawrence Kasenge, Senior Economist, Financial Services Department at the Uganda Ministry of Finance, Planning and Economic Development.

The draft amendments were not made available to BFA, but the proposed amendments will likely increase capital requirements to UGX 100 million (USD 27,314.94) and enhance due diligence for entities applying for a remittance service license[25]. The proposed increase in the capital requirement is still relatively low compared to other countries[26] and does not appear to be prohibitive for many entities interested in providing remittance services in Uganda. Additional requirements such as tax clearance, a certified copy of company registration and other documentation to support due diligence processes, however, are likely to weed out entities that lack proper documentation.

Regulations appear to foster innovation and competition. As articulated in the Bank of Uganda Annual Supervision Report, 2015 (p. 7), "By December 2015 the Bank of Uganda finalized the proposed amendment of the Foreign Exchange Act, 2004 and the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006, to reflect the emerging innovative remittance services leveraging mobile money platforms."

Mobile money providers are authorized to offer outward and/or inward remittance services on a case-by-case basis. While the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006 do not explicitly state whether transmission of money remittances into beneficiaries' mobile phones/mobile wallets is authorized, cross-border mobile money transfer services between Uganda and Kenya or Uganda and Rwanda are operational. Currently, in the absence of regulations for licensing remittance products leveraging mobile money platforms, mobile money service providers obtain authorization to offer outward and inward remittance services on a case-by-case basis (BoU, 2015b). For instance, in 2016 MTN Uganda launched an outbound mobile money transfer service to Kenya to complement its inbound money transfer service from Kenya, which was launched in 2015 (Digited, 2016 and Standard Media, 2015). In addition, mobile money service providers are able to accept remittances from traditional money transfer operators such as Western Union (Butcher, n.d.)[27] and mobile money switches such as TerraPay (TerraPay, 2017). At the moment, of the seven mobile money service providers operating in Uganda, only MTN and Airtel can facilitate cross-border transactions.

Regulations on whether bank agents and/or mobile money agents can facilitate cross-border remittances are unclear. Uganda's Mobile Money Guidelines contain no specific reference to bank and mobile money agents' ability to facilitate outbound and inbound cross-border remittances. The Agent Banking Regulations permit agents to provide "money transfers" but prohibit agents from conducting "foreign exchange transactions." It appears that the Agent Banking Regulations would prevent bank or mobile money agents from providing cross-border remittance services but not from transferring money once received in Uganda.

BoU has no position on the currency that should be issued by MTOs. This is the case despite most banks and MTOs reporting that it is a regulatory requirement to issue remittances in local currency.

25 Conversation with Mr. Charles Owiny Okello, Director of Non-Bank Supervision Department, BoU.

26 In Kenya, for instance, the initial capital requirement to obtain a remittance service license is four times higher than in Uganda. An applicant needs to have minimum core capital of at least KES 10 million (approximately USD 97,890). See: https://www.centralbank.go.ke/images/docs/Licensing%20Procedures/LICENSINGMONEYREMITTANCE.pdf)

27 As of February 2018, this service had been discontinued.

5.2 Barriers related to identity and KYC

The laws and regulations concerning KYC requirements (see "Annex 7: Laws and regulations on customer identification requirements"**) do not explicitly specify requirements for onboarding FDPs, creating both a barrier and confusion among FDPs and those who might serve them**. Conversations with the Payments Department and the Non-Bank Supervision Department at the Bank of Uganda (BoU) confirmed this. In practice, some banks and mobile money service providers accept the refugee ID as sufficient proof of identity. Some providers, though, require an attestation letter from UNHCR/OPM in addition to a refugee ID before an FDP can open a bank account or access remittance services. The decision to accept a refugee ID alone, or a refugee ID with an attestation letter, is at the provider's discretion and depends upon business strategy as well as risk appetite. Only a few formal providers reported accepting other forms of identification in place of the refugee ID. Inconsistent documentation requirements create both a barrier and confusion among FDPs about which identification documents are acceptable to different providers.

As per "Table 10: ID requirements for opening bank & mobile money accounts for citizens/ legal residents vs. provider requirements for FDPs", in general, providers require Uganda citizens and legal residents to provide a single ID to open a bank or mobile money account.

Table 10: ID requirements for opening bank & mobile money accounts for citizens/legal residents vs. provider requirements for FDPs

Legally mandated identity documentation (Ugandans & legal residents)	Requested identity documentation (FDPs)	Provider
National ID card, alien ID card or passport as appropriate	Refugee ID or passport of original country	- KCB - Centenary Bank - Stanbic Bank
	Refugee ID plus a referral letter[28] from OPM	DFCU
	Refugee ID plus an attestation letter or passport of original country	Ecobank
	Refugee ID plus an attestation letter	La-Cedri
	Refugee ID or attestation letter plus name on list of FDPs from the OPM[29]	PostBank
	Refugee ID plus attestation letter	MTN
	Refugee ID or attestation letter	Dahabshiil
	Refugee ID	Equity Bank
	Refugee ID plus mandate slip but may accept refugee ID alone	DTB

28 A proof of registration and residence usually issued by the refuge settlement manager.
29 This refers to accounts opened for FDPs in the WFP project. WFP was to furnish PostBank with an official list of covered FDPs from the OPM.

See “Annex 7: Laws and regulations on customer identification requirements” on the laws and regulations touching on customer identification requirements to be used within the financial sector.

Obtaining a refugee ID, despite its key role in unlocking access to financial and other services in Uganda, is taking increasingly longer. The refugee ID is the key legal document that allows FDPs to access various public and private services, including SIM card registration, opening a bank account or a mobile money account and completing transactions with various financial providers. (See “Table 10: ID requirements for opening bank & mobile money accounts for citizens/legal residents vs. provider requirements for FDPs” above.) According to the OPM, once an asylum seeker is issued an attestation letter, it could take about three months to get a refugee status hearing. Once he/ she is granted refugee status following the hearing, it should take about two weeks to receive a refugee ID but it may take longer during an emergency such as the current influx of South Sudanese FDPs. Some FDPs reported waiting for over a year to obtain a refugee ID (see “Table 7: FDP remittance data”)[30].

FDPs without a refugee ID faced a situation even more dire when the government strengthened requirements for obtaining a SIM card. In March 2017, the Uganda Communications Commission (UCC) issued a directive stating that, as of March 29, 2017, only a national ID or valid passport can be used for SIM card registration (Monitor, 2017). While the UCC extended the deadline for verification and validation of existing SIMs until August 30, 2017 (Kampala Post, 2017), FDPs must now produce an official refugee ID from the OPM before they may buy or register a SIM card (UCC, 2017). This requirement acts as a barrier to accessing mobile money services, as FDPs must wait for months or sometimes years to obtain a refugee ID.

Remittance service providers (FSPs) have limited ability to adopt a tiered, risk-based approach to serving FDPs. Currently, FSPs are unable to develop effective, risk-based approaches to serving FDPs (or other clients) due to lack of sufficient guidance. Because of this, certain providers avoid serving FDPs, particularly those from countries with a higher money-laundering and/or terrorist-financing risk. Uganda has conducted a national AML/CFT risk assessment and recently shared the report with key stakeholders, including the BoU and licensed banks. However, no published sector-specific AML/CFT risk-assessment guidance informs the mobile telecommunications and banking sectors. In addition, as previously mentioned, laws are unclear regarding KYC requirements for FDPs (Grossman, 2017).

30 Conversation with an officer from OPM.

RECOMMENDATIONS AND CONCLUSIONS

6. RECOMMENDATIONS AND CONCLUSIONS

6.1 Recommendations

"Table 11: Summary of supply-side recommended actions and timeframes" **to** "Table 13: Summary of policy-side recommended actions and timeframes" summarizes the different demand side, supply-side and policy-side barriers identified through the assessment, their severity rating as explained in previous sections, the suggested recommendations to overcome the barriers and the timeframe it would take to implement the recommendations.

Table 11: Summary of supply-side recommended actions and timeframes

	Supply-side barriers	Severity rating	Ease of addressing	Recommendations
Identity & KYC	- Use of fraudulent ID documents - Providers unable to verify ID document authenticity	5	Medium to longer term	- Electronic access to RIMS at OPM to verify FDPs' identity - Incorporate better security features (already used for passports, national IDs, alien IDs) in refugee ID, making it easy to verify & hard to forge
	- FDPs from sanctioned countries may present AML/ CFT risk	4	Medium to longer term	- Providers should develop KYC identity verification procedures tailored to the risk profiles of potential FDP clients - Ugandan regulators could consider emulating other countries & provide guidelines regarding risk-based KYC approaches for FDPs.
	- Providers perceive FDPs as difficult to track since they are likely to be resettled in other countries	4	Medium to longer term	- Humanitarian & development agencies could consider specific ways to make banks more comfortable serving FDPs. Bankers' suggestions include: a) Notify banks of FDP resettlement in Uganda or in a third country b) Provide credit enhancements such as guarantees

Accessibility	- Expensive services and access due to remote settlement locations	5	Medium to longer term	- Consider guarantees or subsidies for setup, operational &/or transaction costs to create a more enticing business case for providers
No clear business case	- FDPs viewed as too poor to be viable: have little to no income, can't afford transaction charges	5	Medium to longer term	- Bolster operations of entities (such as SACCOs) already serving FDPs within settlements
	- Banks lack necessary business case information for FDP market	4	Medium to longer term	- Development agencies can emulate FSDA and Access to Finance Rwanda & convene financial service providers to explore the value proposition of the FDP market in Uganda - Improve market size & segmentation data available on FDP use of remittance services
	- Main financial service interventions actively targeting FDPs are closed-loop offerings focused on challenge reduction for organizations handling social transfer remittances.	4	Potential quick wins	- Humanitarian & development agencies should extend any existing financial service subsidies to the full range of services FDPs use - Development agencies should provide FSPs information on amounts, frequencies & target areas for planned humanitarian cash transfers. Such information could inform FSPs' channel distribution/ expansion. Could be implemented through the Uganda Cash Working Group
Other barriers	- FDPs and supporters unaware international remittances can be received via mobile money - Language barrier	3		- To reduce the expense of cashing out UNCDF and UNHCR should consider awareness creation in sender countries about most convenient channels for FDPs receiving remittances in Uganda

Table 12: Summary of demand-side recommended actions and timeframes

	Demand-side barriers	Severity rating	Ease of addressing	Recommendations
Identity & KYC	- Long lead time to obtain refugee ID needed to access financial services - Refugee ID not viewed as acceptable ID	4	Potential quick wins	- Speed up (via OPM) refugee ID card processing - Work with BoU to confirm that refugee ID, attestation letter, and asylum seeker card are acceptable sole KYC ID for low-value transactions
	- Different name conventions complicate providers' verification of FDP identities	3		
Accessibility	- Remote settlement locations limit access to financial services, especially remittances	5	Potential quick wins	- Support BoU to negotiate during periodic meetings with major MTOs such issues as allowing receipt of remittances via mobile money - Support MNOs to meet project-planning & associated costs to enable integration with international MTOs - Intervene with MNOs to speed authorization of mobile money agents in FDP settlements, especially Bidi Bidi
Agent liquidity within FDP settlements	- The predominance of cash out transactions in settlements results in agent liquidity problems. Agents have to travel long distances to rebalance their e-floats	5	Medium to longer term	- Increase number of agents & improve their ability to distribute cash. Solutions need to take into account remote locations, cash out transaction dominance & security of agents traveling long distances with cash. - First step: humanitarian & development agencies can work with BoU to prioritize authorization of new bank agents near settlements
Network availability & electricity	- Network availability and power failures	4	Outside scope of recommen-dations	

Others	- Bribery: to get ID acceptance and service at financial access points - Transparency of charges (Internet has eased problem)	4	Potential quick wins	- Create UNHCR ombudsman to help FDPs engage existing BoU complaint & dispute resolution mechanisms
	- USD vs. UGX: Some FDPs prefer foreign currency - Costs of informal agents to facilitate the last mile - Power outages	3		

Table 13: Summary of policy-side recommended actions and timeframes

	Policy-side Barriers		Ease of addressing	Recommendations
Policy-side barriers	- Laws & regulations for KYC practices do not explicitly state requirements for onboarding FDPs, creating both a barrier & confusion among FDPs & providers	5	Potential quick wins	- Speed up (via OPM) refugee ID card processing - Work with BoU to confirm refugee ID, attestation letter, and asylum-seeker card are acceptable sole KYC ID for low-value transactions.
	- Obtaining a refugee ID takes increasingly longer, despite its key role in unlocking access to financial & other services	4		- Speed up (via OPM refugee ID card processing - Work with BoU to confirm refugee ID, attestation letter & asylum seeker card are all acceptable sole KYC ID for low-value transactions

	- Remittance service providers (FSPs) lack sufficient guidance & have limited ability to adopt tiered, risk-based approach to serving FDPs	4	Medium to longer term	- Providers should develop risk-based KYC approaches tailored to potential FDP clients' risk profiles - Ugandan regulators could consider emulating other countries & provide guidelines regarding risk-based KYC approaches for FDPs

6.1.1 Potential quick wins

Some areas where humanitarian and development agencies could intervene to make existing systems work better and faster:

- Speed up (via OPM) refugee ID card processing so that FDPs are not forced to wait for long periods without sufficient identification. In addition, work with BoU to ensure that other forms of identification (refugee ID, attestation letter, asylum seekers card) are confirmed as sufficient and acceptable sole KYC identification for low-value transactions. This alone is not a full solution since financial service providers currently do not have a convenient way to verify the authenticity of these documents. According to the Financial Action Task Force[31], however, other countries already are using these forms of identification to promote financial inclusion of FDPs. In some cases, accessible services are limited to mitigate risk (FATF, 2017).
- Support BoU to intervene during their periodic meetings with the major MTOs to negotiate issues such as (1) allowing major transfer companies such as Western Union and MoneyGram to receive remittances as mobile money (WorldRemit already does in Uganda; Western Union and MoneyGram allow transfers to M-PESA in Kenya) and (2) identifying problems arising from the money transfer companies' KYC policies and/or systems[32]. For example, MTN explained that they must meet Western Union's very stringent compliance requirements. Although most parts of Africa do not have a mandatory requirement to provide a physical address, Western Union enforces this requirement as part of its KYC approach.
- Support MNOs to meet integration and project-planning costs related to integration with international MTOs.
- Intervene with MNOs to speed up authorization of mobile money agents in the FDP settlements, especially over Bidi Bidi's widespread geographic locations.
- UNHCR, in collaboration with BoU, can create an ombudsman to help FDPs resolve disputes with BoU since, compared with citizens, they have limited information and few avenues for addressing their complaints.

6.1.2 Medium- to longer-term recommendations

Over the medium and longer term, humanitarian and development agencies need to tackle policy, organizational and infrastructure issues. The priority recommendations are:

31 A watchdog group responsible for promoting adoption of practices to combat money laundering and terrorist financing.

32 MTN previously had a partnership with Western Union. Available at http://beta.mtn.co.ug/MTN-Services/Mobile-Banking/MTN-Western-Union.aspx In February 2018, MTN confirmed that the arrangement no longer exists and that the company is in fresh talks with Western Union, MoneyGram and other MTOs to roll out remittance products.

6.1.2.1 Resolve KYC and identification challenges

To address identification and verification challenges, some providers indicated a need for electronic access to RIMS at the OPM to verify refugees' identity. The National Information Technology Authority (NITA) is already taking the initiative to facilitate electronic verification of identity through development of an electronic payments gateway. In addition to enabling providers to access information about Uganda citizens in the National Identification and Registration Authority (NIRA) database for KYC purposes, the gateway also could provide access to the OPM's RIMS[33]. This could lower providers' cost of conducting customer due diligence and likely encourage some to provide services to FDPs.

Nonetheless, some FDPs will not be willing to have their identity included in the database for fear of being identified by governments or people who wish them harm. This may cause some highly vulnerable people to reject the refugee ID and thus miss out not only on financial services, but also on other benefits of the FDP system. A possibility is to allow a change of name when the refugee ID has been approved but has not yet been issued[34].

In addition, providers should develop a risk-based KYC approach tailored to the profiles of potential FDP clients. The AML Act, 2013 (as amended by the AML (Amendment) Act, 2017) and the AML Regulations, 2015 state that banks, mobile money service providers and other accountable persons should adopt a risk-based approach to customer due diligence. If a provider determines that a customer or business relationship presents a low risk, it may apply simplified due diligence to that customer. Conversely, if a customer or business relationship is determined to be of higher risk, enhanced due diligence measures should be applied (Grossman, 2017).

To conduct effective sectoral risk assessments, providers must await the results of the national AML/CFT risk assessment. Uganda conducted a national AML/CFT risk assessment between late 2016 and April 2017. The Cabinet approved the risk assessment report on August 4, 2017, and recently shared the findings with key stakeholders, including BoU and licensed banks. Now that the national AML/CFT risk assessment has been completed, the Financial Intelligence Authority (FIA) expects that the Uganda Communications Commission (UCC) and BoU will coordinate sector-specific risk assessments on behalf of the mobile telecommunications and banking sectors in the coming months. This should enable providers of mobile money services and agent banking services to (a) develop risk-based AML/CFT approaches grounded in the results of the national and sector-specific assessments and (b) develop products and services tailored to the needs and risk profiles of FDPs from different countries.

Ugandan regulators could consider emulating other countries and provide guidelines for developing risk-based approaches to FDP KYC approaches. For instance, the Central Bank of Iraq has granted an exception that allows FDPs to open mobile money accounts through a tiered KYC system (GSMA, 2017). FDPs in Iraq who have been fully registered on UNHCR's biometric database and possess a UNHCR registration certificate can open a mobile money account with specified transfer limits.

Meanwhile, most providers mentioned that the refugee ID should be produced with better security features already in use that will make it less susceptible to forgery and easily verifiable like a passport or national ID. Inclusion of such features would, in turn, make financial service providers less anxious about accepting the refugee ID without additional methods of verification.

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33 It can be based on Barcelona principles of data privacy

34 According to the OPM, an FDP can choose to register under any name desired, especially if documents contradicting the name change are not available. From the point of this choice, all documents would then be processed using the newly registered name. It is not clear whether this happens on the ground.

6.1.2.2 Increase agents and manage liquidity in FDP settlements

The number of mobile money agents, and their ability to distribute cash, needs to be increased. This is not a simple proposition, considering the remoteness of settlement locations, the preponderance of cash out transactions (with few cash ins to balance floats locally), and the security risks to agents if they travel for long distances with cash. Bank agents, of course, face similar problems in serving FDP populations, although the range of financial services and products they offer in addition to remittance payments may reduce the need for cash transport.

As a first step, humanitarian and development agencies can work with BoU to create some flexibility in prerequisites for those wishing to establish an agency business within the FDP settlements. Another possibility is to consider creating cash transfer programs to cover some of the costs that lead FDPs to fully cash out their remittances. This would incentivize FDPs to leave more money in their mobile money accounts and reassure agents about the number of transactions they can expect in remote settlements. Yet another possibility may be to subsidize the cost of and/or security for money transfers to FDP settlements.

Operations of entities such as Moban SACCO that already serve FDPs within the settlements should be bolstered. In some cases, settlements already have SACCOs, but they are unable to fully provide for the needs of members. SACCOs report not having enough capital to meet the regulatory and liquidity requirements to accept Western Union or become mobile money agents. Development agencies can work through existing financial service support programs to provide additional capital and know-how, or they can create specific programs to support community finance in FDP settlements. When working through existing programs and institutions, agencies should take care to ensure that institutions have sound governance structures.

6.1.2.3 Engage banks and other financial service providers to serve FDPs

Development agencies can convene financial service providers to educate them about the value proposition of the FDP market in Uganda, following the design sprint approach that FSDA and Access to Finance Rwanda used in that country[35]. Stakeholder interviews did indicate a level of potential interest from Equity, KCB, PostBank and Centenary Banks, as well as MFIs such as UGAFODE and VisionFund. Locally, some SACCOs may be interested in a particular region or settlement.

Any educational workshops should aim to acquaint providers with the reality of FDP lives, livelihoods and financial trajectories. Providers need to consider the overall opportunity, not only remittances, since these alone are unlikely to justify the cost and effort of creating a banking infrastructure — although remittances probably would support a higher density of mobile money agents.

Humanitarian and development agencies could also consider some specific ways to make banks more comfortable serving FDPs. Suggestions raised by the banks include

- Notifying financial service providers of FDP resettlement, whether within Uganda or to a third country
- Providing credit enhancements such as guarantees.

35 In November 2017, FSDA organized a field visit to Gihembe Refugee Settlement in Rwanda for financial service providers. The FSP representatives got to observe the ecosystems in place at the settlement and also took part in a design sprint to come up with innovative products suited to the needs of the community. The design sprint involved rapid learning, ideation, prototyping and testing of proposed new products. See http://www.fsdafrica.org/fdpfinance/

6.1.2.4 Improve information available on FDP use of remittances

As a first step, development agencies could provide data analysis support to providers already serving and recording FDP data. None of the providers BFA interviewed even had segmented data about the general population to analyze, despite its availability. Some providers suggested that, even if they wanted to analyze this data, they do not have capacity to do so.

Additionally, periodic studies of various types take place in the FDP settlements, administered by NGOs. Humanitarian and development agencies should liaise with these organizations and insert survey questions on remittance and other financial service usage so that, over time, a more precise picture of the business opportunities in response to FDP needs can evolve. Such surveys should include information on the financial habits of FDPs in their home countries since this will inform how likely they are to take up financial services in the short term in Uganda. (Indeed, in some cases they may be able to directly transfer their own bank balances from the home country to Uganda).

Source: http://www.unhcr.org/news/videos/2018/3/5a996b474/uganda-starts-biometric-refugee-verification.html
Credits: Mary Theru, producer / Walter Kigali, camera-editor | 02 March 2018

6.1.2.5 Engage with sender countries, where possible

This study only considered the situation for FDPs and providers in Uganda. Sender countries, however, are also important. At the end of the day, senders usually choose which channel to use for remittances. Receivers do not always have a say about the channel selected — yet the choice of provider is the reason why many FDPs travel for miles to cash out. UNCDF and UNHCR therefore should work to create awareness among senders about the most convenient and least expensive channels for FDPs in various locations in Uganda. Creating more awareness in sender countries about the availability and ease of direct deposits to mobile money wallets for both senders and receivers is very possible. For instance, WorldRemit and FSDA are collaborating with UNHCR in Rwanda to hire FDPs in the refugee settlements to market the WorldRemit product in order to increase the uptake of digital channels. The premise of the campaign is that receivers can influence their senders to use digital channels and save on travel expenses without incurring any opportunity cost.

6.1.3 Role of humanitarian and development partners

Humanitarian and development agencies can use a variety of tools to implement the priority recommendations in this report and accelerate the improvement of remittance services available to FDPs. These tools include:

6.1.3.1 Additional research and data

Providers, policymakers and development partners are all keen to understand in more depth and detail the exact dimensions of the potential business opportunity in serving FDPs with remittance services. More information is needed about how often and along which corridors FDPs transact, as well as the amounts involved. With the types of qualitative interviews undertaken for this study, only vague business estimates are possible. Thus adding a few questions about remittances to any larger-scale quantitative study of FDP populations (e.g., the Refugee Livelihoods Socio-Economic Assessment Survey) would be helpful. Nonetheless, researchers would need to be aware of caveats around the type of information that FDPs are willing to confide as well as the ways that remittance patterns change, especially in the early years of FDPs' settlement in a new country.

6.1.3.2 Capacity-building with regulators and policymakers

The main regulation and policy issue this study has identified is the problem of timely acquisition of the refugee ID and its lack of acceptance by financial service providers. Complex legal and policy issues, along with some funding gaps, have led to this situation. Development partners should provide capacity-building support for regulators and policymakers to develop an appropriate KYC regime for FDPs.

FDPs would have much less trouble obtaining financial services if their refugee IDs could be issued more quickly and with better security features — and if service providers could query the refugee ID via RIMS in the OPM. These may all require additional funding to achieve.

6.1.3.3 Facilitate increased access to payment and financial infrastructure

After KYC issues, physical access to financial service outlets is the largest problem FDPs face. Serving the remote rural areas where FDPs are located is expensive, and transporting cash over long distances to rebalance e-floats is risky. Humanitarian and development agencies should consider subsidizing aspects of financial services agents' operations in the refugee settlements, specifically allowing their existing subsidies to support a wider range of financial transactions than those that pertain to their own programs. This will enable financial service providers to operate with a more positive business case.

Development partners can support financial service providers to maintain outlets in refugee settlements in a variety of ways that could include:

- Increasing the number of total transactions by encouraging FDPs not to cash out their full remittance immediately. Without closed-loop systems, the types of transactions would diversify and usage would increase.
- Subsidizing some of the transaction costs for FDPs. Concerns about the business model are legitimate and can be less distorting if partners target FDPs who meet certain criteria for subsidies (e.g., those who have been in the refugee settlements for less than a year).
- Subsidizing or organizing the transport of cash, so that agents can maintain liquidity and serve customers reliably.

Caveat: Subsidies and Sustainability

- In this report we have suggested that humanitarian and development agencies consider subsidizing aspects of the operations of financial services agents in the refugee settlements, and especially to allow their existing subsidies to support a wider range of financial transactions than those pertaining only to their own programs. This will enable the financial service providers to attain a more positive business case.
- Considering the challenges of cost and distance that are facing providers, it is not guaranteed that when the subsidies end, the business case will continue to exist. However, we are optimistic that trends within the wider Ugandan economy are favorable to the long-run success of financial agents in the refugee settlements. These trends include the recent approval of agency banking; and the long-running trend of increasing digitization of the Ugandan economy including the uptake of mobile money.

6.1.3.4 Technical and financial assistance to providers and customers

In the short term, development agencies can appeal to providers to serve FDP populations through a directed information-sharing effort such as a design sprint. Thereafter, as providers make their first steps toward serving FDPs, development partners can help reduce risk by giving technical and financial support for product design and pilot testing. Financial support can be extended through a range of instruments such as performance-based grants, concessional lending and guarantees. One potentially valuable intervention could be to support the development of a responsible customer-awareness content and information campaign, updating FDPs (and their senders) on the most affordable and accessible remittance products. Consumer education is also important. Advanced digital services can present a fraud risk from which FDPs must be protected. Development agencies can collaborate in a concerted effort to provide consumer education to remittance recipients.

6.2 Conclusions

Overall, Uganda has generous policies toward FDPs. This includes its financial services regulatory environment. Nonetheless, most FDPs face substantial obstacles in receiving remittances. These obstacles are largely practical, and humanitarian and development partners could address many of them.

On the provider side, lack of understanding of the FDP population, as well as the prohibitive costs of serving remote locations have dampened enthusiasm for serving this market. Financial service providers' disinterest is compounded by the difficulty of obtaining valuable information on the volume and value of FDP remittances, since the majority of providers don't have financial products tailored to FDPs, nor do they track this population as a separate customer segment. Using surveys and market research to understand FDP remittance demand is challenging because this group fears that if they confess to receiving funds, they may be struck off social benefit rolls.

Nonetheless, some providers, especially mobile money agents, already see a business case for serving FDPs. Additionally, all stakeholders, especially those institutions with a mandate to serve a low-income market (e.g., Centenary Bank, Equity Bank, MFIs and SACCOs), recognize that there is an FDP market that needs to be serviced. Such providers are expected to have to have a longer-term horizon and provide a diverse set of services in addition to remittances.

ANNEXES

Annex 1: Remittance and financial indicators for assessing FDP business case

Below in "Annex Table 1: Business case general data" to "Annex Table 6: Business case data on median monthly income of savers and borrowers" are some indicative data providers can use to formulate a business case. It is important to remember that all numbers are estimates, and more precise data about remittances is hard to obtain from FDPs.

Annex Table 1: Business case general data

	Nakivale	Bibi Bidi	Kampala
Total number of people	287,500	250,000	98,745
FDP particulars based on qualitative interviews			
How far are they from the nearest bank branch?	20 km	30 km	1 km
Are there already mobile money agents?	Yes, 30 to 50 agents	Yes, < 10 agents & >10 km away	Yes, many
Are there already money transfer companies?	No	No	Yes, many
Length of time in a refugee settlement	10 years	2 years	2 to 10 years
Status of refugee ID	Most respondents had IDs but some waited for over a year	Some new arrivals did not have IDs	Most urban respondents had IDs
Do they have a SIM?	Yes, most interviewed had	Yes, most interviewed had	Yes, all interviewed had
Do they have a personal device?	Yes, many had	Yes, a few had	Yes, all interviewed had
How long have they been there?	>10 years	<2 years	2-10 years
Did they have a bank account in their home country?	Yes, many interviewed had	None of those interviewed had	Yes, many interviewed still had active accounts
Do they have a mobile money account in their home country?	Yes, many still operated the accounts while in Uganda	None of those interviewed	Yes, many still operated the accounts while in Uganda

Source: Government of Uganda and UNHCR, 2017;and UNCDF/BFA Field Research in 2017 for Uganda country assessment on affordable and accessible remittances for forcibly displaced and host communities.

Annex Table 2: Business case income data

Community	n	Median monthly income (UGX)			
		0 - 20k (USD 5.46)	20k - 40k (USD 10.92)	40k - 80k	> 80k
Bidi Bidi FDPs	199	23%	19%	28%	30%
Nakivale FDPs	365	33%	19%	23%	25%
Kampala FDPs	346	14%	14%	30%	42%
All FDPs	2,383	27%	21%	25%	27%
Host	1,002	15%	15%	25%	45%

Source: UNHCR, 2018. Refugee Livelihoods Socio-Economic Assessment Data [Yet to be published]

Annex Table 3: Business case remittance data

	Nakivale	Bibi Bidi	Kampala
Remittance estimates based on qualitative interviews			
Share of FDP population getting remittances (note: extremely vague estimates)	70%	60%	80%
Average USD value of remittance transfer transaction (note: extremely vague estimates)	USD 50	USD 20	USD 100
Average remittance transactions per year	4	3	4
Average USD costs of receiving remittance (includes transport, convenience fee, extra charges to receiver)	USD 10 USD 2 convenience fees	USD 1 to USD 5 for transport USD 11 unscrupulous fees	USD 2 for transport
Remittance estimates based on UNHCR livelihoods 2018 data			
Remittance as main source of FDP Income	6%	11%	12%
Remittance as main source of host community income	4%	1%	14%
Remittance as main source of income (comments) (UNHCR, 2108)	15% of FDPs reported remittance as their main source of income. This compares to 2% of the host community		
Beyond remittances, what other services might FDPs need?	Savings and credit. FDPs indicated that they can only save where they can also get credit		

Source: UNHCR, 2018. Refugee Livelihoods Socio-Economic Assessment Data [Yet to be published] and UNCDF/BFA Field Research in 2017 for Uganda country assessment on affordable and accessible remittances for forcibly displaced and host communities.

Annex Table 4: Business case data on FDP and host community savings behavior

Community	Main form of savings						
	n	% with savings	Bank	Home	Social groups	Mobile money	Other (e.g., livestock & grain)
Bidi Bidi FDPs	199	11%	43%	22%	22%	0%	13%
Nakivale FDPs	365	23%	21%	32%	24%	8%	15%
Kampala FDPs	346	20%	23%	29%	42%	6%	0%
All FDPs	2,383	18%	13%	28%	48%	3%	8%
Host community	1,002	40%	18%	23%	44%	4%	11%

Source: UNHCR, 2018. Refugee Livelihoods Socio-Economic Assessment Data [Yet to be published]

Annex Table 5: Business case data on FDP and host community credit

	n	% who took loans	Bank	Family/ Friends	Savings Group	SACCOs	Informal channels
Bidi Bidi FDPs	199	13%	0%	78%	18%	4%	0%
Nakivale FDPs	365	39%	11%	67%	9%	7%	6%
Kampala FDPs	346	22%	8%	55%	16%	11%	10%
All FDPs	2,383	28%	7%	51%	18%	20%	4%
Host community	1,002	50%	19%	35%	25%	19%	2%

Source: UNHCR, 2018. Refugee Livelihoods Socio-Economic Assessment Data [Yet to be published}

Annex Table 6: Business case data on median monthly income of savers and borrowers

	Median monthly income (UGX)			
	Savers	Non-savers	Borrowers	Non-borrowers
FDPs	50,000	41,667	41,667	41,667
Host community	83,333	50,000	60,000	75,000

Source: UNHCR, 2018. Refugee Livelihoods Socio-Economic Assessment Data [Yet to be published]

Annex 2: Field interview approach and experience

When recruiting researchers, BFA determined that it would be best to work with people who are familiar with the FDP settlements, well known within the settlements and able to serve as interpreters during the interviews, if needed. In Kampala, BFA worked with staff of InterAid, a UNHCR implementing partner. Without InterAid, identifying foreigners who are actually FDPs would have been a challenge. Urban FDPs are integrated with the local community, not confined to specific areas, and thus are not easily identifiable as FDPs. In Bidi Bidi, BFA worked with staff from DCA, another UNHCR implementing partner. Recruitment in Nakivale was slightly different. BFA worked with an FDP businessman who had lived in the settlement for two years. He helped to mobilize and oversee recruiters/interpreters of different nationalities.

BFA also recruited members of different nationalities and placed them in focus groups to create a more conducive discussion environment. Respondents were more likely to have open discussion if other people in the group shared their national identity.

Recruitment for the in-depth interviews involved choosing respondents who came across as informative, experienced in the areas being researched and forthcoming. BFA also conducted in-depth interviews with key informants who were community opinion leaders, elders, and representatives of formal or informal financial and remittance providers living near or within the refugee settlements.

The planned focus group discussions (FGDs), fact finding groups (FFGs), individual in-depth interviews (IDIs) and key informant interviews (KIIs) versus what the team achieved at each site is shown in "Annex Table 7: Interview plan for Nakivale refugee settlement" to "Annex Table 9: Interview plan for Kampala Urban FDPs" below. The reasons why researchers did not complete all of the planned interviews is explained at the bottom of each table.

Annex Table 7: Interview plan for Nakivale refugee settlement

FDP settlement	Planned	Actual
Nakivale	• 2 FGDs: Congolese male and female • 2 FGDs: Burundian male and female • 2 FGDs: Somali male and female • 4 IDIs (selected from FGDs) • 3 KIIs (mobile money agents, financial service providers [e.g., Sacco or MFI], remittance service providers — at the settlement or in close proximity)	• 1 FGD: Burundian female • 1 FGD[36]: Congolese male • 1 FGDs: Burundian male • 1 FGDs: Congolese female • 1 FGD: 5 host community males • 4 IDIs: o Somali male o Host community female o Burundian female o Congolese male • 3 KII: o Moban SACCO o mobile money agent o Informal financial service provider (mobile agent, money changer, money guard) • Informal interview with FDP settlement manager

36 Fact-finding groups (FFGs): Similar to focus groups with the same setup, but the "what, when and where" questions are less open-ended. This approach allows researchers to gather more information on people's lives or preferences. BFA attempted to conduct FGDs in Nakivale, but they did not yield much insight compared to focus group discussions (FGDs).

The researchers faced these challenges:

- Finding enough remittance receivers in rural areas to meet the required focus group numbers (6 to 12 participants) was difficult.
- Somali women and some host community women were not allowed to come for interviews, even after they sought permission from their husbands.
- Gaining trust from the Somali community was difficult. Members felt that if they spoke to us about the money they received, they would be excluded from humanitarian aid. Because the community is very close-knit, not getting buy-in from a powerful few resulted in no buy-in from the rest. The community also had fear of being repatriated and did not want that to happen by appearing well off.

Annex Table 8: Interview plan for Bidi Bidi refugee settlement

FDP settlement	Planned	Actual
Bidi Bidi	• 2 FGDs: South Sudanese male and female • 2 FGDs: host community male and female • 2 IDIs (selected from FGDs) • 3 KIIs	• 2 FGDs: South Sudanese male and female (Zone 1 of the settlement) • 2 FGDs: host community male and female (Zone 1) • 2 FGDs: host community male and female (Zone 2) • 2 KIIs: o mobile money agent in settlement o mobile money agent closer to Yumbe (town closest to settlement) • Informal interview with refugee settlement manager

Bidi Bidi is very expansive, with seven different zones located geographically far apart (30 minutes' drive on a rough road). Initially, researchers thought the demographics of the host communities around each zone would be different. Researchers therefore set up focus groups in two zones, but the groups ended up with similar demographics. Due to this, and the fact that all of the Bidi Bidi FDPs were recent arrivals (Bidi Bidi was established in July 2016), researchers concluded that the FDPs were not very different across the zones and there was no need for additional FGDs with FDPs across the different geographic zones.

Annex Table 9: Interview plan for Kampala Urban FDPs

FDP settlement	Planned	Actual
Kampala	• 2 FGDs: South Sudanese male and female • 2 FGDs: Congolese male and female • 4 IDIs (host community) • 4 IDIs (selected from FGDs and possibility of someone from another community that was not interviewed) • 3 KIIs	• 2 FGDs: South Sudanese male and female • 2 FGDs: Congolese male and female • 4 IDIs (host community) • 3 KIIs o Juba Express o UGAFODE microfinance o mobile money agent

The major challenge researchers encountered in Kampala was a delay in receiving the necessary letter from the OPM granting permission to conduct interviews with FDPs.

Annex 3: More on FDP general financial access

Financial access in Nakivale

In and around Nakivale refugee settlement, which has existed for decades, researchers found a mix of formal and informal financial providers. Two banks (Centenary and DFCU) and one microfinance institution (Pride microfinance) in Kabingo town, 20 km away, serve the area. Centenary Bank is the only formal financial service provider offering remittance services to FDPs. Although some host community members had accounts with the banks and MFI, none of the FDPs had such accounts. Of all the FDPs interviewed in Nakivale, only one woman reported having an active bank account. She had opened the account when she was still in Burundi.

The Nakivale refugee settlement has a SACCO, established in 2013 and fully registered by the Ministry of Trade and Commerce as Moban SACCO. It has 1,559 registered members: 400 from the host community and 1,159 FDPs. Moban reports mobilizing savings of UGX 250 million per month and cumulative savings of UGX 1.8 billion (491,668.94). Moban SACCO offers individual and group savings, and its staff even go to customers' homes to collect money for depositing. The SACCO also offers loans to both FDPs and the host community.

FDPs in Nakivale also belong to informal groups such as ROSCAs (rotating savings and credit associations) and ASCAs (accumulating savings and credit associations). For example, the Congolese have ASCAs known as mbutos and Burundians have ROSCAs known as nirimba. These groups are used mostly to save, access loans and offer social welfare funds in case of death or health-related issues, weddings and other ceremonies. These informal groups also play a major role for new arrivals. They conduct inductions for new arrivals to inform them of what happens in the settlement, creating a sense of belonging for recent FDPs.

Within the refugee settlement, mobile money providers have established a wide agent distribution network. However, it was reported that most have insufficient cash. They have to travel 45 km to the nearest big town, Mbarara, to get cash for their customers. The resulting delays cause inconvenience for those trying to cash out.

Typically, the FDPs BFA spoke to do not store money in their mobile money wallets. They do not want to incur multiple withdrawal charges. When they receive remittances, they usually withdraw the whole amount and prefer to keep the money in secret places including under the mattress or with a money guard. FDPs who said they were storing money on their mobile wallets are mainly business people who use mobile money to pay suppliers. The first example below illustrates how an FDP uses his mobile money wallet to pay suppliers and the second is from a mobile money agent who also functions as a money guard and money changer:

"I use my [bank] account to save money for future use. When I want to buy more stock for my business, I send money to my supplier via mobile money, and he sends the goods to my business location using a motorbike. I also use my account to pay my child's school fees via mobile money. I send it directly to her school's account."
— Male Burundian FDP, Nakivale

> "If they come to me that shows that they trust me, meaning that if they have their money and it is with, me, Jeff, they feel it is safe. So, what I tell them is if they keep their money with me they should not send anybody else to fetch it. You should come in person to collect your money. You sign to show that you have taken a certain amount of your money.... I record especially the ones [transactions] for dollars. Others come and exchange one hundred dollars. Maybe she brings one hundred and leaves a balance of fifty and maybe I don't have the fifty and I cannot get change at that time so I record such and tell them you have a balance of this and they sign and when they collect it, I tick to show you have collected your money so that later you don't come to claim that you were not given."
>
> — Male Congolese FDP mobile money agent/money guard, Nakivale

Financial access in Bidi Bidi

Among those interviewed from FDP and host communities, only a few (hosts only) have a bank account. FDPs explained that the banks are too far away, that they do not have money to keep in a bank and, besides, money kept at a bank loses value due to transaction charges. The banks, Centenary or Stanbic bank, are in Arua (a two-hour drive that costs UGX 20,000 to 30,000, about USD 5.46 to 8.19) or Koboko (a 45 km drive).

ASCAs and ROSCAs are used by both the FDP and host communities. Some ASCAs also offer credit at a compound interest of 10%, while others are members of a social fund and contribute UGX 500 (USD 0.14) at the weekly meetings. Members who face family emergencies can borrow from the social fund and repay within 2 to 5 days. Many of the FDPs and host community members BFA interviewed have accessed these types of loans.

The men in the host community appear to prefer ASCAs, through which they save money for a year and then share it out at the end of the year. They do not like merry-go-rounds, which they say cause more disagreement than such memberships are worth. Some of the women BFA spoke with are members of ASCAs and food merry-go-rounds. In the latter, all members contribute a portion of their WFP food ration, giving each round to one individual who either uses it for home consumption or sells it for money.

There are many mobile money agents within the different zones of Bidi Bidi refugee settlement. However, none of the FDPs BFA spoke with reported keeping money in their mobile wallets. Even those receiving a monthly UGX 39,000 (USD 10.65) distribution from DCA reported that they withdraw it all. They prefer to keep any money they get as cash.

Members of the host community also do not keep money in their mobile wallets. Women said they had no (or not enough) money to keep. Men said that they would not keep their money on a mobile phone that they could lose at any time. Two respondents narrated how they had lost their phones; for one, this had happened two days before his interview. Even after visiting the Yumbe mobile service center, about 25 km away, his SIM card had not been activated more than 24 hours later. All host community members reported that they did not know that they can send money directly through their mobile accounts.

Financial access picture of Kampala (urban FDPs)

Some of the urban FDPs have bank savings accounts, still in use, that they had opened back in their home countries. A group of Congolese men in Kampala have active accounts at UGAFODE microfinance. The MFI had advanced them a joint liability loan, which they are currently repaying.

Urban FDPs of South Sudanese and Congolese descent are members of informal groups: ROSCAs (rotating savings and credit associations) and ASCAs (accumulating savings and credit associations). For example, almost all Congolese are members of an ASCA. The ASCAs are formed mainly so the men can help each other in times of need. For example, in cases of hospitalization or death, they use the contributions.

There is high usage of mobile money to receive remittances among FDPs in Kampala. None of the FDPs that BFA interviewed use mobile money as a savings platform, nor has any yet obtained a mobile money loan.

Annex 4: More barriers to FDP remittance access

Bribery: Reasons, occasions

Payment of bribes is another challenge reported by most FDPs living in Nakivale. This issue was discussed at length by all of the respondents. They feel that they are taken advantage of by financial institutions because of their FDP status. BFA heard of scenarios at the Centenary Bank cash point in Kabingo, where the bank's staff ask FDPs for bribes regularly. One FDP said that if your name has been misspelled or differs from the name on your refugee ID, the bank staff will not honor the request. If they see that an FDP is desperate, staff members ask how much the FDP might give so that they can "help." This is frustrating because the FDPs receive only small amounts of money.

FDPs with misspelled or incorrect names on refugee IDs or remittance notices have better experiences in Mbarara and Kampala. In such cases, the money transfer providers that they visit check the MTCN[37] number (Western Union tracking number) in the bank's system against the MTCN number the FDP has filled in on the withdrawal slip. If the two numbers match, providers pay out the remittance despite misspelled or incorrect names.

Bank tellers also harass FDPs by paying out in coins. To get banknotes, the FDP has to offer a bribe. One respondent said he was once given coins for UGX 300,000 (USD 81.94). He couldn't carry the large number of coins, so he pleaded with the tellers to give him notes. He was told that he would only receive notes if he paid a bribe of UGX 10,000 (USD 2.73).

Another FDP suggested that bank staff fake the issue of network downtime. Once a teller told him the network was down, but if he gave UGX 20,000 (USD 5.46) he could receive his remittance. The staff falls back on a truism: This is Uganda — where nothing is for free. FDPs already feel vulnerable. When the teller harasses them, they feel worse. Most women said they end up crying.

Transparency of charges (posted fees, exchange rates)

Generally, young FDPs have access to smartphones. They can surf the internet to learn the exact charges that they are required to pay for financial services, especially when cashing out at the mobile money agent. In Nakivale, UNHCR Uganda supports the settlement's CTAs (Community Technology Access hubs). CTAs allow FDPs to access the internet, daily attracting a large crowd who spend hours avidly using Facebook, Twitter, Skype and Google to communicate with family members and friends abroad. FDPs also read the news and surf anything they wish to know about. When BFA spoke with mobile agents at Nakivale, they told us that before the FDPs had internet access, they inflated their rates. Now they cannot get away with that, so they just charge the rates set by the mobile money providers. In Kampala, however, urban FDPs believe that, depending on where a remittance comes from, Western Union still overcharges them. Respondents reported that Western Union does not have a tariff guide, or at least does not make one accessible. Respondents therefore have no way of knowing what a fair rate might be.

37 Money Transfer Control Number, a unique tracking number generated for every Western Union transfer.

"They charge a lot of money when money is sent through Western Union, more than in other countries. If the money is sent from Congo and you receive it through Western Union, you will cry. One hundred dollars [as informed by the sender] today is at thirty-six [the exchange rate], but here they will give at thirty-four, thirty-three, so you lose ten dollars or fifteen. But, because you have no option, you just take it."

— Male Congolese FDP, Kampala

In Bidi Bidi, respondents complained of mobile money agents charging higher withdrawal fees than recommended. One respondent narrated how she was charged UGX 50,000 (USD 13.66) to withdraw UGX 500,000 (USD 136.57)— more than seven times the recommended fees[38]. Bidi Bidi's FDPs therefore prefer traveling to Yumbe town (UGX 20,000 (USD 5.46) to UGX 30,000 (USD 8.19) by boda boda [motorcycle taxi] from Zones 1 and 2 respectively), where withdrawal charges are clearly displayed in the agents' shops.

USD versus UGX

All FDPs who receive remittances, especially from Europe and the US, prefer to receive their remittances in USD and dislike receiving funds in UGX. Unfortunately, FDPs in Nakivale don't have the luxury of receiving in USD, since Western Union only pays out remittances in Ugandan currency. Their counterparts in Kampala are considered lucky, especially those who cash out at forex bureaus, where they can choose the currency they prefer. In probing why FDPs prefer cashing out in USD, BFA learned that it is easier for them to save a remittance payment received in USD. If received in UGX, FDPs ended up misusing their remittance money through impulse shopping instead of saving. Also, they can get more from their remittances by converting USD at a later date when the exchange rate is favorable.

In Kampala, urban FDPs are mainly business people who prefer USD. Because they transact with clients from different countries, it is easier for them to use USD as opposed to UGX. Most Congolese said that in their home country they used USD, and because of this history, they feel at ease transacting with USD. At times, because of issues surrounding conversion rates, they think that they are being conned when using UGX.

"When doing business here, we do it in dollars. When they are sending you money, and the money is sent in dollars, the bank insists that you receive the money in shillings. So, you say you want dollars, but they force you to receive it in shillings. The shillings exchange at a very poor rate, for example, when the rate is at two thousand sixty-three or sixty-four, they give you at three thousand two. It is very low, and the difference is very big. You even see that you are going at a loss of eighty dollars. You see that is a lot of money in business. Secondly, when you come with dollars that is the biggest challenge.... You want to send dollars outside. Maybe you want to import fabric from out[side], like the original fabrics [that] come from Congo. So, you come with one thousand dollars to the Western Union counter in the bank. They tell you to exchange the dollars into shillings and then later you send the money in shillings. So, when you come to the one thousand dollars they refer you to a forex bureau that is in

38 Withdrawing UGX 500,000 (USD 136.57) from an agent costs UGX 7,000 (USD 1.91) on both the MTN Money and Airtel Money platforms. Available at: https://www.mtn.co.ug/en/mobile-money/how-to-use/Pages/mobile-money-tariffs.aspx and http://www.africa.airtel.com/wps/wcm/connect/AfricaRevamp/uganda/Airtel_Money/Home/Personal/airtel_money_transaction_fees

the bank. You change, for example, thirty-six two hundred UGX so they receive your money and tell you one dollar will be thirty-six eight UGX. You will have exchanged at a lower rate and will buy at a higher rate so in a thousand you lose even one hundred.

— Male Congolese FDP, Kampala

"You know … in DRC the dollar currency is what people use, so it circulates a lot in people's hands when they are transacting and the currency is rarely banked. But instances where an individual wants to deposit the dollar currency in the bank, the bank … say[s] that the dollar bills are dirty [physically dirty] and they will deduct a certain amount from the actual bill. For example, if you have deposited USD100 which is dirty, the bank will actually deposit USD 90 in your account and charge the rest as a cost of the bill being dirty. Also, a hundred-dollar bill and a twenty-dollar bill are not exchanged at same rate. [Small denomination bills are exchanged at a lower rate than larger bills.] I don't know [why]. As a person in business, someone can send you those small bills, which means you will incur a loss when changing, unlike if you were to change a big bill.

— Male CongoleseFDP, Kampala

Cost of informal agents

FDPs who receive remittances from informal remittance providers do not seem to know the price their senders pay. However, some receivers reported that they also incur a "convenience fee" for the remittance service. Sub-agents who work with formal service providers such as Dahabshiil charge receivers a convenience fee of 5% of the amount received. This is in addition to the fee the sender pays to Dahabshiil.

A female Burundian in the Nakivale settlement reported how the informal system's agents work. She said that there are some agents in the refugee settlements who have business partners in Burundi. If relatives or friends in Burundi want to send a remittance, they go to the Burundi agent and pay the money, along with a fee (in Burundi francs, or FBu) that they wish to send someone who is in Nakivale settlement. The agent in Burundi asks the sender for the full names and contacts of the recipient. Thereafter, the agent in Burundi contacts the agent in Nakivale and gives the recipient's details and the remittance amount. The Nakivale agent either sends a text or calls the recipient, informing the FDP to collect the money. Most informal money transfer agents are money changers too[39], so they ask the recipient whether they want the remittance in UGX or a foreign currency. The only disadvantage of this method reported was that the Nakivale agent might delay payment for up to three days, adding to the FDP's inconvenience.

39 A money changer is an individual who conducts a currency exchange business.

Annex 5: Uganda's refugee legal framework

Uganda's legal framework governing FDPs is one of the most comprehensive and progressive in the world. The Refugees Act 2006, which repealed and replaced the 1960 Control of Alien Refugees Act, was passed in 2006 and entered into force in 2008. To operationalize the Refugees Act, the government established the Refugees Regulations in 2010. Below is a summary of some of the issues addressed in the Refugees Act and Refugees Regulations:

- **Property rights and access to land**: The Refugees Act grants FDPs rights, much like those of resident aliens, to own and dispose of movable property and to lease and sublease immovable property such as land. The Refugees Act also grants FDPs the right to dispose of assets and personal belongings, wherever acquired, including while the FDP is in Uganda. Rights to property and land ownership are further elaborated in the Refugees Regulations, which states, "Refugees residing in refugee settlements are granted access to land for cultivation or pasturing." In this case, FDPs have no right to sell or lease the land allocated to them; such leaseholds are strictly for the FDP's individual or family utilization. Nonetheless, FDPs residing outside the designated refugee settlements may legally lease land, just like any other resident aliens.
- **Access to employment**: The Refugees Act provides FDPs with the right to:
  - i. Engage in agriculture, industry, handicrafts, and commerce and establish commercial and industrial companies by the applicable laws and regulations in force in Uganda;
  - ii. Practice their profession, provided they are adequately qualified with recognized certificates; and
  - iii. Access employment opportunities and engage in gainful employment (both formal and informal).

Moreover, to facilitate FDPs' integration into the local community, the Refugees Regulations go a step further and stipulate that FDPs have the right of access to employment on similar grounds as East African citizens, and that they should be exempt from any requirement to pay charges or fees for obtaining work permits. Other provisions include:

- **Access to social and other services**: The Refugees Act provides FDPs with access to elementary education on par with nationals; the right to the same protection of intellectual property as is accorded to nationals; the right to obtain a travel document for travel outside Uganda; and the right to have free access to courts of law, including legal assistance under applicable laws of Uganda.
- **Freedom of movement**: FDPs in Uganda are granted freedom of movement, which can be lawfully subject to reasonable restrictions on the grounds of national security, public order, public health and public morals, or the protection of the rights and freedoms of others. This right is mainly exercised by FDPs who have been issued refugee identity cards. Findings from the interviews indicate that FDPs residing in refugee settlements usually are required to obtain movement permits to leave and return to their settlements.
- **Registration and identity documentation**: The Refugees Regulations detail provisions regarding the registration of FDPs and issuance of their identification and travel documents. The Office of the Prime Minister (OPM) is the public body responsible for FDPs. OPM directly issues refugee IDs and manages the Refugees

Information Management System (RIMS), which captures and stores data on every FDP received in Uganda. FDPs request identity and travel documents from the OPM, which then liaises with the Ministry of Internal Affairs to issue refugee IDs. Also, OPM advises and works in liaison with the UNHCR and other organizations to implement FDP programs.

- **Prima facie asylum for certain groups of FDPs:** The Refugee Regulations allow for group recognition of asylum seekers from a particular nationality in situations where there is a mass influx. This has allowed vulnerable applicants such as asylum seekers from South Sudan to be accorded refugee status on a prima facie basis, enabling them to access basic services while waiting for their refugee IDs.

Annex 6: Foreign exchange and money remittance license classes and requirements

Annex Table 10: Foreign exchange and money remittance license classes and requirements

Class A: International Money Transfer Agency License	Class B: Forex Bureau and Money Remittance License	Class C: Direct Entrants License	Class D: Sub-Agency License
(i) clear license to operate in the home country where an international money transfer company is licensed; (ii)good track record of conducting money remittance business; (iii) recommendation from the regulatory authority in the home country where an international money transfer company is licensed; (iv) minimum paid-up share capital of two thousand & five hundred currency points UGX 50 million (USD 13,657.47); (v) ability to comply with all applicable anti-money laundering & combating of financing of terrorism standards & measures; (vi) acceptable agency agreements; (vii) well spelled out mode of money remittance that is formal, reliable & transparent; &	(i) proven track record of licensed forex bureau operations for two years; (ii) minimum paid-up share capital of two thousand & five hundred currency points UGX 50 million (USD 13,657.47); (iii) shareholders, directors & officers who are fit & proper persons for purposes of money remittances; (iv) ability to comply with all applicable anti-money laundering & combating of financing of terrorism standards & measures; (v) separate counters & staff dedicated to the money remittance business; & (vi) acceptable operational (v) evidence that the public interest will be served by granting of the license.	(i) financial condition & history of the applicant; (ii) whether the applicant has a minimum paid-up share capital of two thousand & five hundred currency points UGX 50 million (USD 13,657.47); (iii) nature of the business of the applicant; (iv) competence & integrity of the applicant & management; (v) adequate business & financial plans & earning prospects for the applicant; (vi) shareholders, directors & officers of the applicant are fit & proper persons for purposes of transacting money remittance business; (vii) geographical locations & branch distribution network of the proposed business; (viii) ability to comply with all applicable anti-money laundering & combating of the financing of terrorism standards & measures; &	(i) financial condition & history of the applicant; (ii) applicant has a minimum paid-up share capital of two thousand & five hundred currency points UGX 50 million (USD 13,657.47); (iii) nature of the business of the applicant & its management; (iv) competence & integrity of the applicant & its management; (v) adequate business & financial plans & earning prospects for the applicant; (vi) shareholders, directors, & officers of the applicant are fit & proper persons for purposes of transacting remittance business; (vii) geographical locations & branch distribution network of the proposed business; (viii) applicant's ability to comply with all applicable anti-money laundering & combating of the financing of terrorism standards & measures;

Class A: International Money Transfer Agency License	Class B: Forex Bureau and Money Remittance License	Class C: Direct Entrants License	Class D: Sub-Agency License
(viii) acceptable operational manual.		(ix) evidence that the public interest will be served by granting of the license.	(ix) evidence of acceptable agency agreements with its principal; & (x) evidence that the public interest will be served by granting of the license.

Annex 7: Laws and regulations on customer identification requirements

According to a study commissioned by the UNCDF[40], several laws and regulations address KYC (know-your-customer) requirements for opening digital financial service (DFS) accounts in Uganda:

- Financial Institutions Act, 2004: This law passed by the Parliament regulates financial institutions. It includes a general requirement that regulated financial institutions identify their customers and report any suspected money laundering activity[41]. It also empowers the Bank of Uganda (BoU) to issue "rules and regulations against the use of financial institutions for money laundering purposes[42]."
- Financial Institutions (Anti-Money Laundering) Regulations, 2010: In 2010, BoU issued regulations under the Financial Institutions Act, 2004 aimed at combating money laundering using licensed financial institutions. The Regulations include a requirement for financial institutions to verify their customers' identity when opening accounts or engaging in certain types of transactions[43]. The regulations also specify minimum requirements for verification of customer identity, with specific requirements for individuals, corporate entities, clubs, societies, charities, unincorporated businesses, shell companies, applicants acting on behalf of another person, accounts opened by post, occasional customers that are not account holders, holders of safety deposit boxes, and correspondent banks[44].
- Mobile Money Guidelines, 2013: In 2013, BoU issued guidelines governing the provision of mobile money services. Among other requirements, the guidelines stipulate that mobile money service providers must verify customer identity when opening accounts using an acceptable identity document[45] and carry out proper due diligence on prospective agents[46].
- Anti-Money Laundering Act, 2013: In 2013, the Parliament passed a law governing anti-money laundering (AML). This law expanded the applicability of AML law and regulation beyond licensed financial institutions to any "accountable person." The Act defined "accountable person" broadly to encompass a wide variety of actors, including both licensed financial institutions and other people engaged in "the transfer of money or value," whether in the formal or informal sector[47]. Therefore, the Act applies to mobile money service providers as well as banks and other licensed financial institutions. Among other provisions, the Act requires accountable persons to verify their clients' identity "using reliable, independent source documents, data or information[48]." The Act also empowers the Minister of Finance to issue regulations to help implement the Act[49].
- Anti-Money Laundering Regulations, 2015: In 2015, the Ministry of Finance issued regulations under the Anti-Money Laundering Act, 2013. These regulations provide

40 Jeremiah Grossman (2017). Study on Know-Your-Customer Requirements for Digital Financial Services in Uganda. Following is an excerpt from this study
41 Art. 129–130.
42 Art. 131(1)(g).
43 Art.7(2).
44 Schedule 1.
45 Art. 11.
46 Schedule 2.
47 Art. 6(3) (as amended by the Anti-Money Laundering (Amendment) Act, 2017).
48 Art. 141.
49 Art. 18–27.

greater detail regarding the requirement for accountable persons to verify their clients' identity. Specific requirements are included for verification of the identity of different types of clients, including natural persons who are citizens or legal residents, foreign nationals, "local entities and other bodies," "foreign entities or bodies," partnerships, trustees, beneficiaries of a legal person or legal arrangement other than a trust, beneficiaries of a life insurance or other investment-related insurance business, and individuals acting on behalf of another natural or legal person.

- Registration of Persons Act, 2015: This Act of Parliament provides detailed requirements regarding registration and includes requirements around the use of official national identification and alien identification documents for financial services.
- Anti-Money Laundering (Amendment) Act, 2017: This Act of Parliament amends the Anti-Money Laundering Act, 2013. Key amendments relevant to this report include revisions to KYC requirements (Section 6) and the inclusion of new language regarding money laundering and terrorist financing risk assessment (Section 6A).

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Recommended reading

DFID: https://www.gov.uk/government/groups/action-group-on-cross-border-remittances#uk-somali-safer-corridor (UK-Somali Safe Corridor)

DMA: http://www.developingmarkets.com/reports

G20 GPFI: http://www.gpfi.org/publications/gpfi-policy-paper-financial-inclusion-forcibly-displaced-persons-priorities-g20-action

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