

INTRODUCTION

Under the Uganda Refugee Response Plan (RRP) 2018-2021, both international partners and local government place a strong emphasis on shifting the response paradigm “from care and maintenance to inclusion and self-reliance.”¹ In pursuit of this, cash-based interventions are marked as a priority modality with partners committing to encourage the transition from in-kind assistance to cash-based assistance where possible.

Financial Service Providers (FSPs) play an important role in the implementation of most cash and voucher-based assistance (CVA) by facilitating the transfer of payments. Cash can be delivered in-person at the FSP location or a designated distribution site, or delivered electronically through banking or mobile money services. The choice of FSP and delivery mechanism are central to the success of any CVA programme. Considerations such as beneficiary preferences, inclusion of all vulnerable target groups, feasibility, cost, and speed of delivery should be streamlined along with the specific programmes' objectives to inform this decision. Two assessments can therefore provide partners in the refugee response with the information needed to design a successful CVA programme. The first looks at the FSP landscape and supported delivery mechanisms while the second aims to understand user experiences and preferences with humanitarian financial assistance mechanisms and commercial financial services.

While previous FSP assessments undertaken

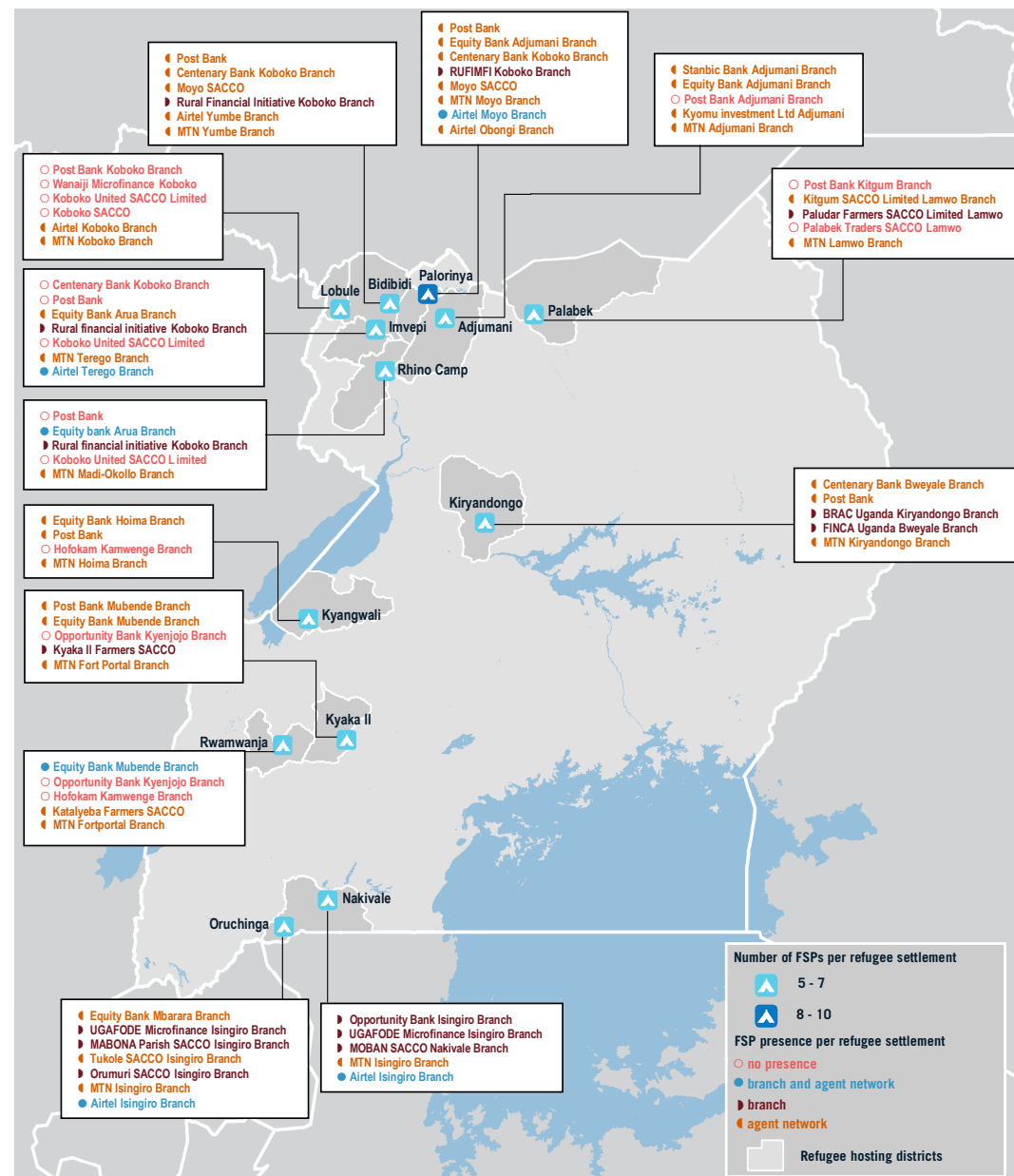
by partners in Uganda were often conducted internally, focusing on one specific location or the feasibility of one particular delivery mechanism, this assessment takes a more comprehensive approach. USAID's Bureau for Humanitarian Assistance (BHA) funded REACH to conduct an assessment of FSPs in Uganda, and further contributed to the U-Learn² assessment on user experiences and preferences around digital financial mechanisms. Both assessments aimed to bridge information gaps expressed by the partners in the Uganda Cash Working Group (CWG). The qualitative and quantitative data collected during both assessments aims to provide partners with a comprehensive overview of the capacity and experience of FSPs, updated information on beneficiary preferences surrounding FSPs and delivery mechanisms, as well as the risks, challenges, and potential barriers to inclusion associated with each. Please see page 4 for more details on the methodology.

FSP MAPPING

Map 1 shows the interviewed FSPs with a reported capacity to support CVA in the settlement nearest to their location. However, the operational presence FSPs have inside the settlements varies. A hollow circle in front of the FSP name means it reported to have no physical presence. A filled circle means it reported to have a branch location and an agent network present inside the settlement. The right-half of a semi-circle means only a branch location. The left-half of a semi-circle means only an agent network was reported.

Network. It is a consortium consisting of IRC, RIL and IMPACT and funded by FCDO. Access the U-Learn website [here](https://www.ugandalearningevidence.org/). IMPACT is a U-Learn consortium partner. REACH is an initiative of IMPACT.

Map 1: Assessed FSPs with reported capacity to provide services in nearest settlement

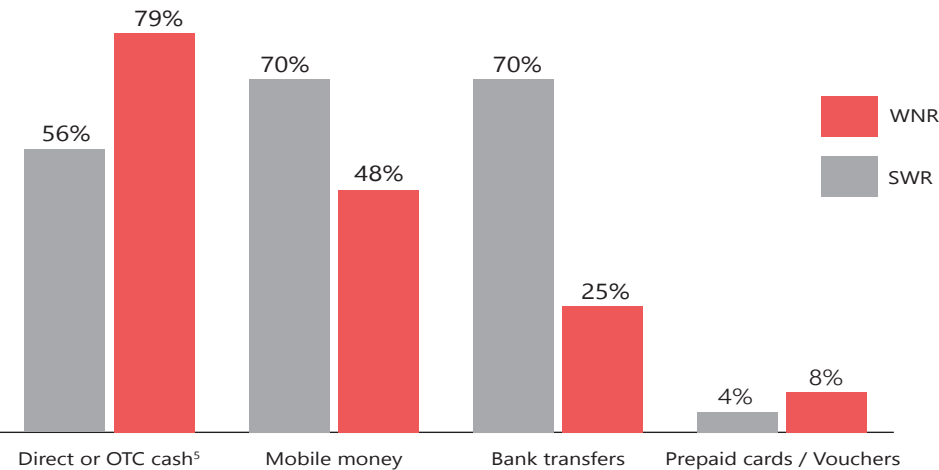


1. Inter-Agency Revised Uganda Country Refugee Response Plan, August 2020: p. 45.
2. U-Learn is the Uganda Learning, Evidence, Accountability and Research

FSP CAPACITY AND EXPERIENCE

- Inside every refugee settlement, the assessment was able to identify multiple FSPs that reported having an operational presence. The proportion of FSPs reporting to have no operational presence inside the settlements was higher in the west Nile region (WNR)³ (25%) than in the south-west region (SWR)⁴ (15%).
- Mobile Network Operator (MNO) agent networks are reportedly on average larger in the WNR (45 agents) than in the SWR (30 agents). For banks, this was the opposite (24 agents in the SWR versus 4 in the WNR).
- In the WNR, FSPs most often reported non-digital cash delivery as the most suitable means for delivering cash inside the settlements, while in the SWR digital methods such as mobile money and bank accounts were reported as most suitable by 70% of interviewed FSPs (see graph 1 below).
- Fifty-nine percent of FSPs reported their institution had partnered at least once with a humanitarian agency to deliver CVA in their location in the past two years.
- The total cash transfer value of CVA programmes supported by FSPs varied according to region and type of FSP. CVA programmes in the SWR had a larger median cash transfer value compared to the WNR indicating that CVA as a modality is more established there. Banks and micro-finance institutions (MFIs) reported being involved in larger cash programmes compared to MNOs.

Graph 1: Proportion of FSPs reporting the most suitable way of delivering CVA inside refugee settlements from point of view of the distributor

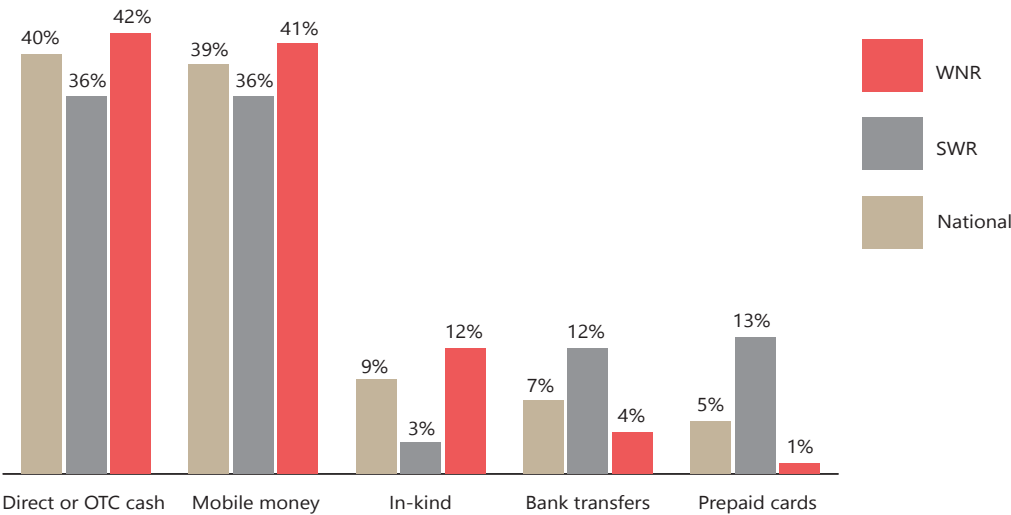


3.WNR is the acronym for the West Nile region of Uganda which is home to eight refugee settlements (Adjumani, Bidibidi, Palabek, Palorinya, Lobule, Rhino Camp, Imvepi, and Kiyandongo).

BENEFICIARY PREFERENCES

Data from refugee representatives and from refugees themselves illustrates that they are more likely to prefer CVA compared to in-kind assistance. The most frequently reported reasons for preferring CVA are increased freedom of choice, flexibility to cover expenses not included by in-kind assistance, and the ability to enjoy a more balanced diet.

Graph 2: Proportions of refugees by preferred assistance mechanism and region



Amongst financial assistance mechanisms, mobile money and direct cash are the most frequently preferred mechanisms through which refugee respondents reported wanting to receive humanitarian assistance. This roughly aligns with the mechanisms identified by FSPs as the most suitable avenues for delivering financial assistance (see graph 1 on the left). Regional differences become clear when disaggregating this data (see graph 2 above). Although mobile money and direct cash remain the two most-frequently reported preferred assistance mechanisms, refugees in the SWR are more likely to report a preference for bank transfers and prepaid and smart cards as compared to their counterparts in the WNR. This may in part be due to the influence of ongoing humanitarian assistance programmes using these mechanisms (see case study on the Nakivale refugee settlement on page 3).

BARRIERS TO ACCESSING FINANCIAL ASSISTANCE

From the user perspective, reasons behind a preference for mobile money reportedly include ease of access and low transport costs, both connected to larger FSP agent networks, as well as the element of confidentiality which increases a sense of safety. Conversely, direct cash is often distributed in public spaces which increases security issues. However, this mechanism is also considered low-cost, due to low or inexistent transport and withdrawal costs, and easy to access, particularly for (digitally) illiterate persons. This factor is particularly important

4.SWR is the acronym for the south-west region which is home to five refugee settlements (Kyaka II, Kyangwali, Rwamwanja, Nakivale, and Oruchinga).
5. OTC stands for over-the-counter

when considering the low levels of basic and digital literacy amongst refugees and host community members. In addition, this mechanism is also associated with easy-to-access feedback and complaints mechanisms. This was clearly explained by one interviewee in Kyangwali:

“(...) cash is better because it allows all categories of people (...) to access assistance easily. It assures the beneficiary the exact amount unlike the rest of the mechanisms where sometimes less [money than promised] can be received and it becomes too late to complain.”

Bank accounts and prepaid cards or e-vouchers were not often reported as preferred by users because they are considered to be costlier. In the case of banks this is linked to account maintenance costs as well as long distances to service points, requiring users to factor in expenses for long journeys. In the case of cards, this was often linked to the prohibitively high costs for replacing lost cards. In addition, both of these mechanisms require a level of (digital) literacy that users may not be confident of.

CHALLENGES AND OBSTACLES TO PROVIDING FINANCIAL ASSISTANCE

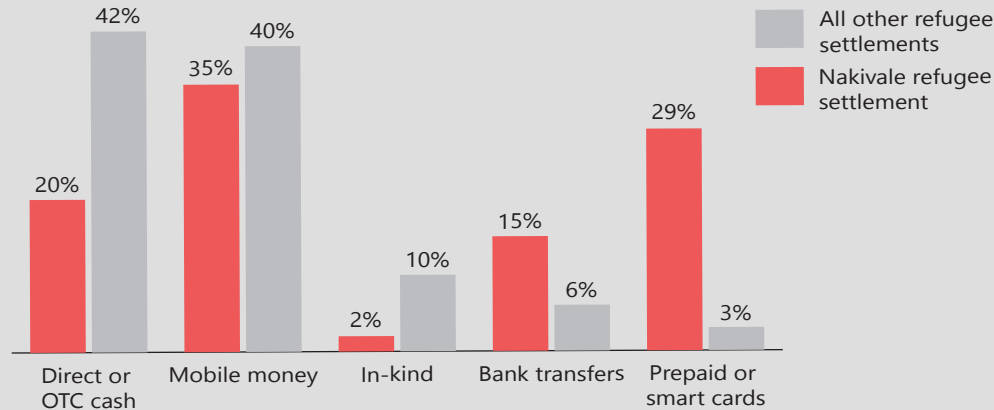
According to humanitarian key informants, FSPs most often use non-digital mechanisms (e.g. direct cash) to deliver financial assistance in the WNR. Reportedly, the main reasons for this are beneficiary preference and the lack of existing financial infrastructure in the area.

However, FSPs also report challenges in delivering financial assistance using direct or OTC cash. Most prominently, and echoing the concerns over safety amongst users, petty crime, mostly theft, is reported to be an issue when delivering direct or OTC cash (see graph 4). In addition, this mechanism

Case Study of User Preferences in Nakivale Refugee Settlement

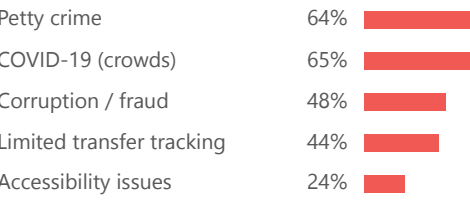
Data collected during the assessment of user experiences and preferences regarding financial assistance mechanisms indicates that ongoing humanitarian responses can influence user preferences up to a point. It is useful to discuss this in relation to the Nakivale refugee settlement where the World Food Programme (WFP) piloted the Agent Banking model in mid-2019. This means that WFP and its partners started delivering general food assistance in the form of cash through bank accounts and prepaid cards in this settlement, making Nakivale the location where beneficiaries have utilized those mechanisms for the longest period of time.

Graph 3: Proportions of refugees by preferred assistance mechanism

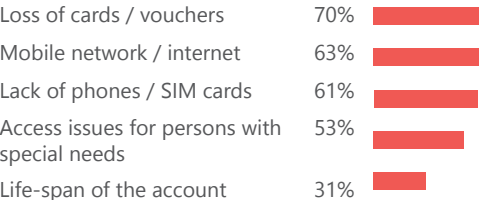


Graph 3 shows that in Nakivale, refugees are more likely to report a preference for prepaid or smart cards and/or bank accounts than those living in other settlements. This data indicates that increased experience with cards and banks may to some extent have a positive influence on refugee preferences for these mechanisms. Nevertheless, the data indicates that the increases for cards and banks are mostly won at the expense of direct cash, not mobile money. Given that users who have robust experiences with mobile money and the agency banking approach, continue to prefer using mobile money, the data suggests that there is an unknown but definite limit to how much programming can influence preferences.

Graph 4: Top five reported challenges with delivering non-digital financial assistance as reported by FSPs:



Graph 5: Top five reported challenges with delivering digital financial assistance as reported by FSPs:



is not always COVID-19 safe as it requires beneficiaries to assemble in one place to pick up their allotment. Further concerns when delivering direct or OTC cash are corruption, which was also mentioned by beneficiaries, limited ability to track transfers and accessibility issues, which are of a physical nature for this type of financial mechanism.

On the other hand, FSPs report that digital mechanisms, particularly bank transfers and mobile money are the most suitable in the SWR because they offer efficiency, lower costs, speed and protection from COVID-19 while sometimes also being preferred by users (see graphs 1 and 2 on page 2).

However, digital financial assistance and service mechanisms also present challenges to FSPs. Graph 5 illustrates that loss of physical cards and vouchers can impact accessibility to financial services for users. In addition, as mentioned previously, the replacement of smart cards or e-vouchers can sometimes be prohibitively expensive for users. In addition, a lack of mobile network or internet coverage further impacts service delivery and is reportedly especially relevant during bad weather. The third most frequently named challenge to delivering digital financial assistance was the lack of phones and SIM cards amongst users. This was echoed by the users themselves who often either do not have enough money to buy these items and, in the case of SIM cards, may be lacking the necessary ID documents. Finally, FSPs also reported access issues, often related to literacy, for persons with special needs and stated that beneficiaries often do not turn into users, i.e., they stop using the accounts once the humanitarian activity is concluded.

CONCLUSION

The assessment of FSPs in Uganda as well as that of user experiences with and preferences of financial services have contributed to a more solid evidence base surrounding the supply of and demand for (digital) financial services in the Ugandan refugee response. The data shows that providers are currently most often using prepaid cards and bank transfers particularly in the SWR, and perhaps because these mechanisms are considered to be most feasible as well as low-cost and fast (see table 1 below). In contrast, direct cash is reportedly more common in the WNR due to a lack of financial infrastructure impacting the feasibility of delivering CVA using digital financial service mechanisms in this region. In this context, direct cash offers higher rates of inclusion and also scores high on beneficiary preference. In both regions, the most frequently reported preferences among users were mobile money and direct or OTC cash. Finally, there are some indications that ongoing humanitarian responses may influence preferences, but only up to a point. More research is needed to understand how important this influence is and what factors limit or reinforce it.

Table 1:⁶ Strengths and weaknesses by delivery mechanism as perceived by FSPs

	Feasibility	Cost & speed	Beneficiary preference	Inclusion
Direct cash	++	-	+	+
Paper vouchers	+	-	+/-	+
Mobile money	+/-	+	++	+/-
e-vouchers / prepaid cards	+	+	+/-	+
Bank transfers	+/-	+	--	-

CHALLENGES AND LIMITATIONS

- Due to the purposive sampling methods, the sample of FSPs is not representative with a known level of precision, meaning findings are indicative of, rather than generalizable to, their experiences with CVA in assessed locations.
- When asked about certain indicators such as pricing, services, and liquidity management, some KIs from FSPs were unable or unwilling to disclose this information.
- Reported information on FSP capacity is self-reported and researchers were not always able to verify responses from FSP KIs.
- Respondents in the demand-side assessment were not always fully able to distinguish between some of the financial service mechanisms, which might have led to duplicate reporting on mechanism used.

6. This scale in this table can be read as a Likert scale; highly favourable on one end and unfavourable on the other in the defined aspect; feasibility, inclusion etc. However, cost & speed of delivery is also relative to the other dimensions. The other dimensions, inclusion feasibility and preference are not.
7. Country managers of companies that support digital financial transfers by aggregating volume and providing services as a conduit between clients and one or multiple FSPs.

METHODOLOGY

The information in this product was drawn from two corresponding assessments; one looking at FSPs catering to refugees living in Uganda and another exploring user experiences with and preferences of (digital) financial service mechanisms in refugee settlements and refugee-hosting districts. The former was conducted by REACH staff and funded by USAID while the latter was conducted by REACH staff working in the U-Learn consortium which is funded primarily by FCDO.

The assessment looking at FSP capacities used a mixed-methods approach. Four types of questionnaires were developed, one of which was quantitative and three were qualitative. A structured (quantitative) survey was conducted with branch-level managers of FSPs with an operational presence inside or near to one of the 13 refugee settlements. Qualitative, semi-structured interviews were conducted with humanitarian agencies currently implementing CVA programmes, as well as with agents providing financial services and beneficiary representatives from the Refugee Welfare Council (RWC).

Due to COVID-19 restrictions, data collection for this assessment took place remotely between 16 June to 30 August 2021. A total of 180 key informants in five distinct categories (see table below) were interviewed using a purposive sampling technique. Due to this sampling technique as well as other limiting logistical factors, findings from the FSP assessment are indicative only.


	FSPs	Aggregators ⁷	Agents (FSP)	Humanitarian partners	Beneficiary representatives	Total
WNR	52	2	16	16	27	113
SWR	27	2	10	10	18	67
Total	79	4	26	26	45	180

The U-Learn assessment also used a mixed methods approach. A quantitative individual-level survey was used to collect data from 2920 refugees and 496 host community members. In addition, 51 key informant interviews (KIIs) with community leaders, 17 focus group discussions with community members of mixed ages and 17 in-depth interviews with older persons were conducted.

Due to COVID-19 restrictions, KIIs for the assessment of user perspectives were conducted remotely between the 6th of June and 27th of July 2021. All other qualitative and quantitative data for this assessment were collected in-person between the 23rd of August and 8th of October 2021 under strict adherence to COVID-19 preventative measures. A random sampling methodology was used for the identification of interviewees for the quantitative survey. Therefore, findings from this assessment are representative of the refugee population at the settlement level and of the host community population at the regional level with a 95% confidence level and a 7% margin of error.

Qualitative data from both assessments was analyzed using MAXQDA. Quantitative data collected during the U-Learn assessment was analyzed using R. All data underwent validation at IMPACT HQ, was anonymized and is available on the IMPACT repository. For further details, please access the ToR for both assessments [here](#).

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