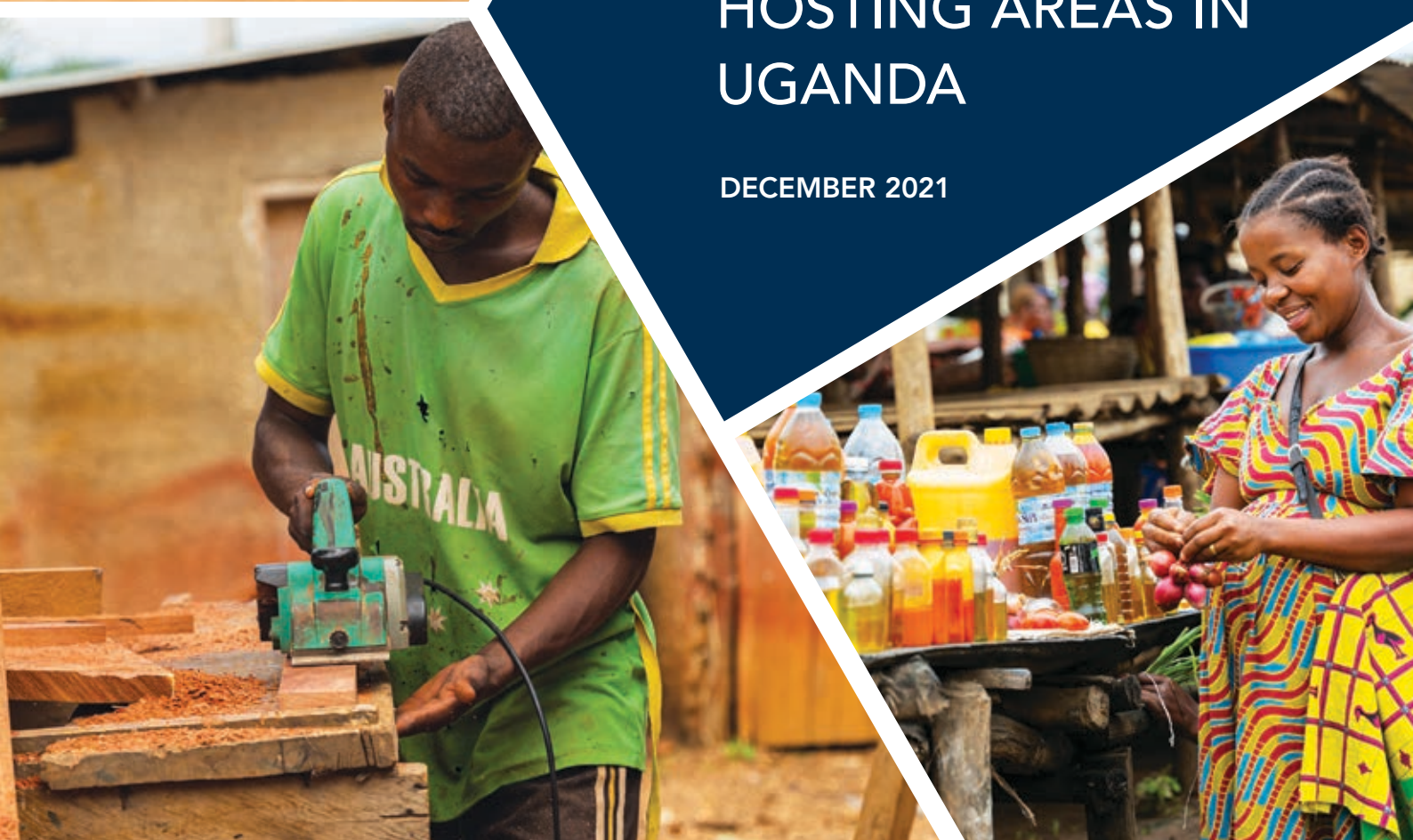




CONSUMER AND MARKET STUDY IN SOUTHWEST AND WEST NILE REFUGEE- HOSTING AREAS IN UGANDA

DECEMBER 2021



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ACRONYMS

BTVET	business, technical, vocational education and training
CRRF	Comprehensive Refugee Response Framework
DRC	Democratic Republic of the Congo
FGD	focus group discussion
IFC	International Finance Corporation
NGO	nongovernmental organization
NRC	Norwegian Refugee Council
OPM	Office of the Prime Minister
SACCO	savings and credit cooperative organization
UBOS	Uganda Bureau of Statistics
UGAFODE	Uganda Agency for Development Limited
UN	United Nations
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
US	United States
VSLA	village savings and loan association
WFP	World Food Programme
YIDA	Youth Initiative for Development in Africa

GLOSSARY

Camps and settlements

Base camp	A refugee settlement’s administrative center, hosting the Office of the Prime Minister, United Nations (UN) agencies, and nongovernmental organizations (NGOs).
Refugee camp	A temporary facility built to provide immediate protection for refugees.
Refugee settlement	A designated area in Uganda where refugees live. Unlike refugee camps, which are built to provide immediate protection, Ugandan refugee settlements resemble towns or villages with a high degree of integration with the surrounding host communities.

Economic activities, places, and products

Aggregators	Individuals who travel between towns to buy agricultural produce from rural assemblers. Aggregators are mainly based in towns and travel to trading centers for produce, while rural assemblers are based in trading centers and travel to villages to source produce.
Home and personal care products	Items used in a household such as brooms or utensils, and personal hygiene items such as toothpaste or body lotion.
Housewife	A woman whose main occupation is caring for her family, managing household affairs, and doing unpaid housework. She may depend on income from a husband or partner.
Kitenge	African printed fabric often worn by women.
Local production	Business lines or jobs that involve making items—for example, manufacturing, artisanry, carpentry, metal fabrication, and mechanical and auto works.
Outside of the labor force	Not employed and not looking for work.
Trading center	A center where economic activities such as shops, markets, and restaurants are concentrated.

Education levels (in ascending order)

Incomplete primary education	Student attended primary school but did not complete the seven academic years.
Incomplete O-level	Student attended secondary school but did not complete the four academic years of O-level education.
O-level	Ordinary level: Lower secondary education covers the first four academic years of high school.

	A-level	Advanced level: Upper secondary education covers the final two years of high school.
	Business, technical, vocational education and training (BTVET)	Training that provides practical knowledge and skills necessary for employment in a skilled craft or trade. It is usually offered by a high school, technical institute, or college, leading to the award of a certificate.
Finances and savings	Merry-go-round	A rotating savings and credit association collects money from members at each meeting and gives the total to one member on a rotating basis.
	Savings and credit cooperative organization (SACCO)	A savings group owned, governed, and managed by its members, who may share an employer, church, labor union, or social fraternity, or live/work in the same community.
	Village savings and loan association (VSLA)	A group of people who meet regularly to save together and take small loans from those savings.
Mobile phone types	Basic phone	A basic phone, or button phone, has no Internet access; it has limited functions such as texts and calls.
	Feature phone	A feature phone can access the Internet, take photos, and store and play music, but lacks the advanced functionality of a smartphone; it may have a small display and an alphanumeric or QWERTY keypad.
	Smartphone	A phone with advanced functions, such as an updatable operating system, a touch screen, and the ability to install and run downloaded apps to send emails, browse the web, edit photos, and so on.
Solar products	Solar home system (solar panels)	A small system designed with one or more solar panels to absorb the sun's rays as a source of energy for generating electricity or heating, usually for one home.
	Solar lantern	A portable lamp that provides lighting and is recharged using solar energy.

About the Report

The International Finance Corporation (IFC) commissioned a Consumer and Market Study to explore economic activities, employment trends, consumption levels, and consumer preferences of refugees and host communities in Uganda's largest refugee-hosting areas in the Southwest and West Nile regions.

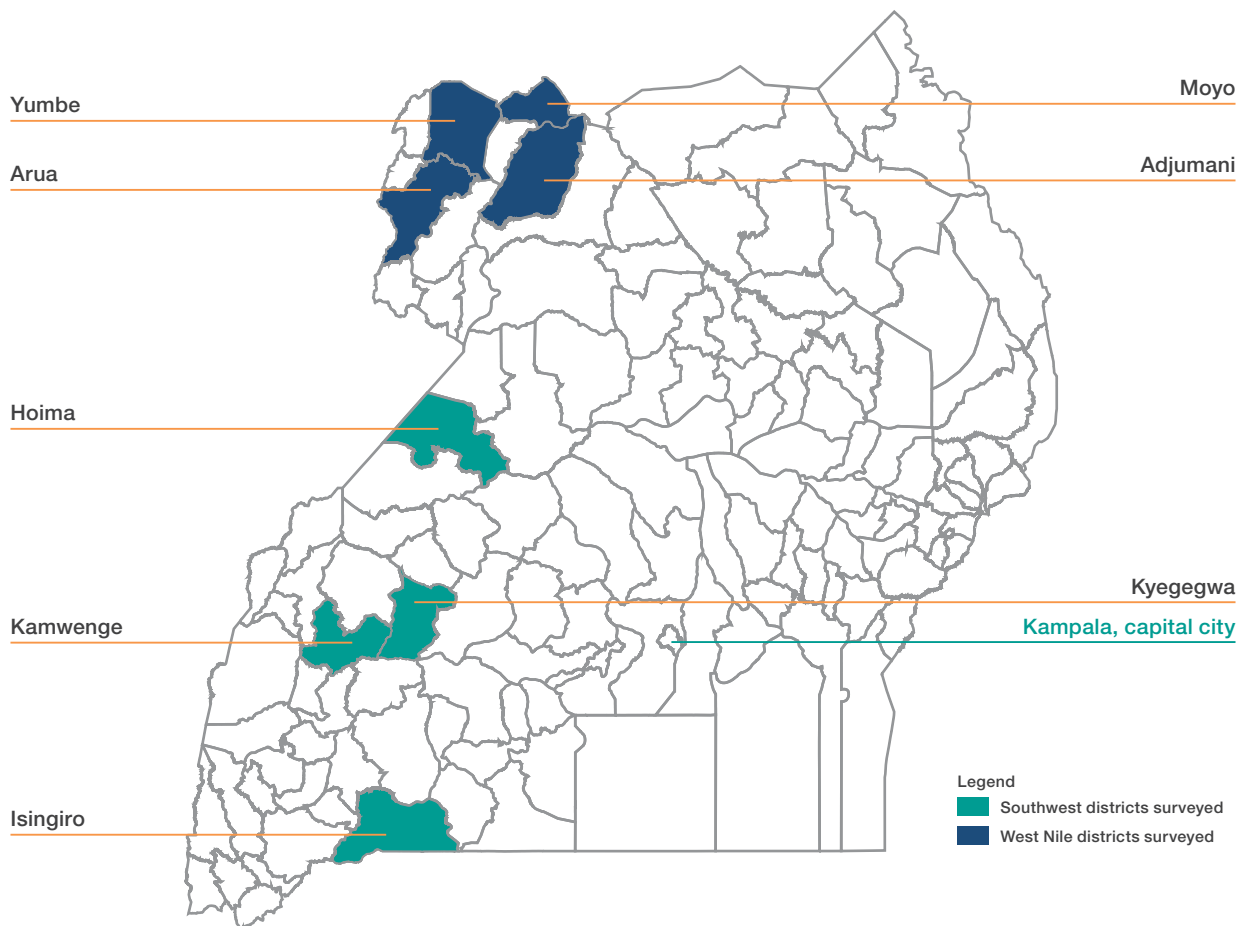
The study covers a gap in existing research on the economic situations of forced displacement, which is often conducted from a humanitarian perspective and rarely offers the private sector view. The study's primary target audience is private companies looking to enter this substantial, yet mostly untapped, market. Commercial and financial data is necessary for private sector engagement, but there is seldom information available on refugees outside of academic, development, and humanitarian studies. The study presents the refugees' economic activities in their distinct roles as consumers, producers, suppliers, and salaried workers from the view of a private sector firm entering the market. It builds on earlier research conducted by the Uganda Investment Authority, in partnership with the United Nations Development Programme (UNDP), which produced investment profiles for refugee-hosting districts.

The study is financed by the Dutch Partnership on Inclusive Jobs and Education for Host Communities, Refugees and Other Forcibly Displaced Persons (PROSPECTS). This Partnership is a multi-year program that brings together five agencies: IFC, the World Bank Group, the United Nations High Commissioner for Refugees (UNHCR), the International Labour Organization (ILO), and the United Nations Children's Fund (UNICEF). The Partnership aims to transform

the way in which governments and other stakeholders, including the private sector, respond to forced displacement crises. In particular, it aims to (i) enhance the enabling environment for the socioeconomic inclusion of forcibly displaced persons; (ii) enhance access to education and protection services for forcibly displaced persons and host communities; and (iii) strengthen the resilience of host communities through inclusive socioeconomic development that also benefits forcibly displaced persons.

The report is divided into eight chapters. Chapter 1 introduces the study. Chapter 2 outlines the study methodology. Chapter 3 provides socioeconomic baseline data, such as educational attainment, employment, and income, comparable by region and population group (refugees versus host communities). Chapter 4 explores access to telecommunication and financial services. Chapter 5 analyzes household consumption expenditure, the volume of economic activity, consumer preferences, and access to finance and telecommunication services. Chapter 6 discusses findings from the business survey. Chapter 7 briefly looks at agricultural value chains in the Southwest and West Nile. Chapter 8 presents investment opportunities in the refugee-hosting districts for the private sector.

Figure O.1: Southwest and West Nile districts surveyed





UNHCR
The UN Refugee Agency

UNHCR / OPM



**KYAKA REFUGEE
SETTLEMENT**



OXFAM
CONGOL
ESE REFUGEES AN
KYAKA
SETTLEMENT



Executive Summary

Introduction

Uganda hosts the world's fourth-largest refugee population and has implemented one of the most progressive refugee management policies, which hinges on refugees' self-reliance. Uganda allows refugees to exercise fundamental rights such as being employed, having freedom of movement, owning property, and establishing a business. Refugees are included alongside their host communities in government policies on health, education, and livelihood development.

The Consumer and Market Study explores the economic activities, employment trends, and consumer preferences of refugees and host communities in eight refugee-hosting districts in the Southwest and West Nile¹ regions, offering potential private-sector entry points in the two regions.

Methodology

The study is based on mixed-methods research, using quantitative and qualitative primary data collection (via household and business surveys, key informant interviews, and focus group discussions) and secondary sources. The household survey sampled 2,522 household heads or household members who regularly make purchasing decisions.

Household demographics

The refugee-hosting areas in both regions have a high prevalence of female-headed households, a large average household size, and a young

population. On average there are 6.5 people per household. West Nile households are larger, with an average of eight people in refugee settlements and seven people in host community areas. The majority of household heads in the sample are female (68 percent among refugees and 54 percent among host communities). In refugee settlements, 18–34-year-olds make up 54 percent of the sample, while in host communities they constitute 45 percent of the sample. The majority of refugees in the Southwest are from the Democratic Republic of the Congo (DRC), while most refugees in West Nile are from South Sudan.

The household survey shows low levels of education overall—26 percent of household decision-makers have had no schooling at all, and only 34 percent completed primary school. Overall, refugees are more likely to have no schooling than members of the host community. There is a significant gender gap in educational attainment. Overall, 33 percent of women have no schooling, compared to 11 percent of men, and this gap is slightly larger in refugee settlements.

Host community members are significantly more likely to be employed than refugees, and Southwest residents are more likely to be employed than those living in West Nile. In host communities, the employment rate (including employees, business owners, and farmers) among respondents is at 80 percent in the Southwest and 60 percent in West Nile. In refugee settlements, the employment rate among the respondents is much lower, at 51 percent in the Southwest and 22 percent in West Nile.

¹ For the purposes of this study, the Southwest comprises the districts of Hoima, Isingiro, Kamwenge, and Kyegegwa. The West Nile region comprises the districts of Adjumani, Arua, Moyo, and Yumbe. The study considered old district boundaries because of lack of data on the newly formed districts that was necessary for household survey sampling.

Agricultural work is the most common occupation in the Southwest, while owning a business is a prevalent occupation in West Nile. The overall distribution of employment type is similar between refugees and host communities, but there are significant regional differences. In West Nile, business owners make up more than a third of those employed, compared to 8 percent in the Southwest. The Southwest has a much larger share of agricultural workers (45 percent) than West Nile (11 percent) because the quality of land is more suitable for cultivation there. Fewer opportunities in agriculture in West Nile also explain the lower employment rate in the region.

Host community households earn twice as much as refugee households do. Besides employment, remittances contribute significantly to the household incomes of both refugees and hosts, while humanitarian aid is an important income source for refugees. The survey found the highest household earnings among West Nile host community households (\$64) and the lowest among West Nile refugees (\$31). Compared to income levels before COVID-19, the average income decreased by 15 percent in both regions in the period immediately following the lockdown. In the Southwest, refugees receive humanitarian cash transfers from NGOs and UN agencies. A much smaller share of West Nile refugees receive humanitarian cash transfers, so they tend to resell the food (and other) rations that they receive to gain some extra income. Remittances from within and outside of Uganda represent an income source for both refugees and host communities. Eighteen percent of Southwest refugees and 10 percent of West Nile refugees receive remittances. Remittances are also an income source for 22 percent of host community households in West Nile.

Access to telecommunication and financial services

Mobile phone ownership is high in the two regions; however, most owners have basic (button) phones. Sixty percent of Southwest refugees and 70 percent of West Nile refugees declared owning a phone, compared to 70 percent of the Southwest host community and 52 percent in West Nile. Refugees can register a SIM card on par with Ugandan citizens, as long as they can produce a refugee identification card or attestation letter from the Office of the Prime Minister. The widespread ownership of non-

Internet-enabled phones (by more than two-thirds of respondents) prevents a significant portion of refugees and hosts from accessing the Internet. Among mobile network operators, MTN has the largest market share in both regions.

Mobile money drives the adoption of formal financial services, especially in the Southwest host community and among West Nile refugees. Sixty-four percent of Southwest host community respondents use mobile money services (compared to 30 percent of refugees), as do 55 percent of West Nile refugees (compared to 46 percent of the host community). About a quarter of respondents in the two regions have bank accounts, with a higher percentage among Southwest refugees (65 percent) because of cash transfers. For refugees, increased adoption of financial services is driven by mobile money services, and by humanitarian cash transfers from NGOs and UN agencies, facilitated by Equity Bank and PostBank (in the Southwest).

Refugees and host community members tend to borrow and save informally. Both communities primarily borrow from village savings and loan associations (VSLAs are the most common community savings group in rural Uganda, allowing members to receive interest on savings and access microloans); they also borrow from friends and family, and buy goods on credit from shopkeepers. Borrowing from banks or from a mobile money service is uncommon across all surveyed population groups. VSLAs are also the most common means of saving (along with keeping cash at home), while saving with financial institutions is very uncommon. VSLAs tend to store money in cash rather than in a bank or mobile money account.

Household consumption expenditure

The market size—measured as total household consumption expenditure—of the refugee-hosting districts of the two regions (1.1 million households) is estimated at \$485 million annually. The West Nile region accounts for \$246 million (51 percent), which is largely driven by the host community's spending, at \$201 million. The Southwest region contributes \$239 million (49 percent) to the total. The market size is slightly larger in West Nile than in the Southwest because of the larger population size in the former (588,000 versus 514,000 households). However, per-household monthly expenditure is higher

Figure O.2: Market sizes of the Southwest and West Nile

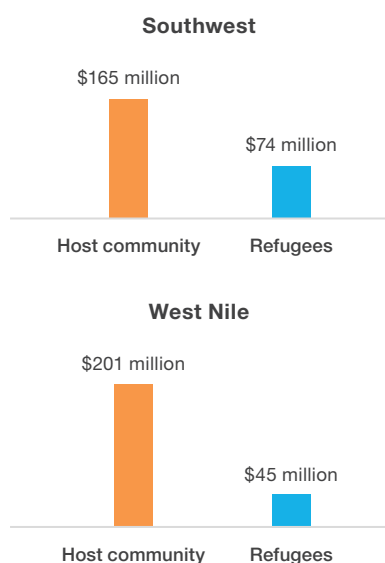
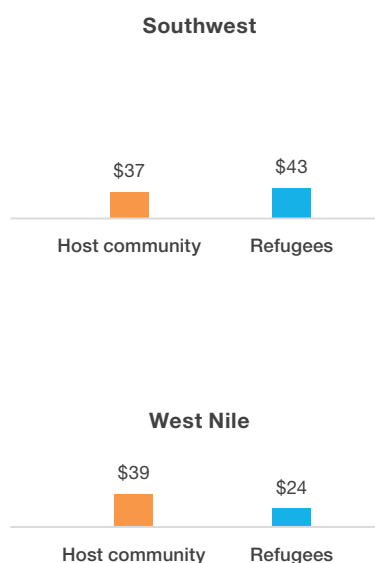


Figure O.3: Average monthly household expenditure



in the Southwest at \$39, compared to \$35 in West Nile, a contrast which is even more evident for refugee households (\$43 in the Southwest versus \$24 in West Nile—possibly because many West Nile refugees receive food rations). Overall, refugee households’ expenditure accounts for 25 percent of the total annual expenditure. The Kyegegwa and Isingiro districts are the largest markets in the Southwest, whereas Arua and Yumbe are the largest markets in West Nile.

Consumer goods dominate household spending in both regions, representing 59 percent of the total expenditure (\$286 million). Within consumer goods, food and beverages account for 45 percent of the total expenditure, home and personal care for 6 percent, clothing for 5 percent, alcoholic drinks for 2 percent, and lighting for 1 percent. Cooking oil, fruits and vegetables, rice, and meat are in the top five purchased items in both regions. Average monthly household expenditure on services decreased by 30 percent (from \$21 before the lockdown to \$15 after the lockdown). This was largely driven by a reduction in education expenditure due to schools being closed during the data collection period.

Refugees and host community members purchase consumed items in the same places. They mostly buy from open markets, followed by independent sellers and grocery stores.

In the Southwest, refugees are more likely to shop from independent sellers/stalls, while grocery stores are more popular with the host community. Host communities mostly buy from fellow Ugandans, although 11 percent also buy from refugees. Three-quarters of refugees buy from refugee vendors, while there are regional differences in buying from Ugandan vendors—82 percent of refugees in West Nile shop at Ugandan businesses, but only a third do so in the Southwest. The majority of refugees and host communities are able to access most of the foods and beverages they need.

Solar home systems are the main source of lighting in the Southwest, as are battery-operated torches in West Nile. National grid connection in the surveyed areas is mostly available in major towns and settlement base camps. In West Nile, access to the grid is particularly low in the host community (6 percent) and non-existent among refugee households. Willingness to pay for better access to energy for lighting is high among both refugees and host communities. Host communities in both regions (59 percent) are more likely than refugees (45 percent) to be willing to pay for improved energy. Furthermore, more than half of respondents are willing to pay more for solar home systems. West Nile refugees are especially interested in acquiring solar lanterns (with about two-thirds being willing to pay).

Semi-permanent housing structures made of mud or unburnt bricks are prevalent in both regions. A typical Southwest house is made of mud, while in West Nile it is made of unburnt bricks. In the Southwest, 38 percent of refugees and 65 percent of the host community are willing to pay for improved housing, mainly using burnt bricks. In West Nile, 40 percent of refugees and 46 percent of the host community are willing to do so. As most of the sample use a covered traditional pit latrine without a concrete floor slab, willingness to pay for improved toilet facilities is significant; it is higher in the Southwest than West Nile, and higher among host communities than refugees. In the Southwest, there is more willingness to pay for ventilated improved pit latrines whereas in West Nile the willingness to pay is mainly for covered traditional pit latrines with concrete floor slabs.

Profile of businesses

Businesses operating in both regions tend to be small retail businesses and service providers.

Refugee and host community members tend to own the same types of businesses. They are mostly *duukas*—small shops selling basic, readily available consumer products, followed by barbershops, food stalls, and drug stores. In West Nile refugee settlements, the business survey also revealed a presence of host community-owned businesses, mainly *duukas*, drug stores, and mobile money kiosks. The average refugee business has monthly sales of \$220, while host businesses generate monthly sales of \$388 on average. Furthermore, businesses in the Southwest generate on average more revenue (\$407) than those in West Nile (\$253). Half of the surveyed business owners do not employ other people, and most others have only one to two employees. Refugee-owned businesses that have employees often employ Ugandans, while it is also common for Ugandan businesses to employ refugees. Only a third of the surveyed businesses are fully registered with the Ugandan authorities; however, most report paying fees to local authorities to maintain their businesses.



Agricultural value chains

The most prevalent agricultural value chains in both regions are cassava, maize, and beans. Bananas (*matoke*) are also widely grown, especially in the Southwest. Other major crops grown in the Southwest are tea and coffee. Sweet potatoes are a major food crop in West Nile, as well as sorghum, finger millet, and sesame. West Nile farmers grow tobacco as a cash crop, and there are also sunflower value chains.

Farmers often face challenges in accessing good-quality agricultural inputs. NGOs sometimes supply seeds for free, but commercially traded seeds are expensive, especially for refugees. Farmers often use leftover seeds from previous seasons, which results in poor yields. Another challenge is that often there are no outlets selling inputs near to refugee farmers, forcing them to travel to base camps or towns, which increases the cost of obtaining the inputs. Farmers in the Southwest also reported limited knowledge about agricultural inputs, including improved seeds, fertilizers, and agrochemicals.

Beyond small-scale milling in the Southwest, there is minimal value addition once agricultural produce has gone through the post-harvest handling stage. Produce is generally traded immediately after the harvest. There is a lack of post-harvest storage facilities in both refugee and host communities. Farmers, especially refugees, are dependent on prices set by middlemen and generally have low negotiating power, often because they lack information about the market prices and alternative markets that can be accessed.

A solar-powered drip irrigation system that uses no power and less water should be explored to grow vegetables throughout the year.

Investment opportunities

Agribusiness

1. Maize aggregation and processing

Supporting maize aggregation: Currently, only small-scale mills exist in the Southwest. Setting up slightly larger mills within and close to the settlements could enable the emergence of refugee aggregation businesses. Given the high production volumes in the refugee-hosting areas, opportunities could be explored for large-scale aggregators and post-harvest warehouse businesses to establish or extend their operations in refugee-hosting districts.

2. Cassava processing

Opportunities include:

- ▶ **Setting up cassava chipping points** (in refugee settlements and host community areas). Chipping machines convert raw cassava to cassava chips, which are then dried. There is a market for cassava chips in Kampala and the neighboring countries of South Sudan and the DRC. Cassava chips could be further converted to cassava flour.
- ▶ **Setting up cassava mills** for converting freshly harvested raw cassava to cassava flour, which could be sold locally and outside the refugee-hosting areas. Mobile cassava mills could be considered to increase the area for sourcing raw material.

3. Vegetable production

Supporting the production of vegetables that traditionally form part of refugee and host communities' diets will increase the availability of nutritious food. A solar-powered drip irrigation system that uses no power and less water (compared to traditional irrigation methods) should be explored to grow vegetables throughout the year. A producer supplying larger cities with vegetables and requiring additional production could be engaged to connect hosts and refugees to additional markets. A solar-powered cool chain from the field to market, if developed, would increase the products' shelf life and reduce post-harvest losses.

4. Poultry production

Poultry is an inexpensive source of animal protein that can be consumed locally. Setting up a poultry farm in refugee-hosting areas could be explored. This should ideally be done by an existing larger poultry producer that can supervise the farm. Crops could be grown locally to supply a simple feed mill that would produce feed for the poultry farm.

5. Fertilizer supply

Crop yields could be boosted with a supply of fertilizers to smallholder farmers in refugee settlements and host communities. Farmers need to be supported with access to credit to afford fertilizers and with practical training and mentoring on improved agricultural practices. Setting up a fertilizer blending plant could also be explored, potentially in the Hoima district where an industrial park is located.

6. Fish-cage farming

A small-scale opportunity could support the transition from wild capture to commercial cage or pond farming in the Hoima and Arua districts. A larger-scale opportunity could also be explored at Lake Albert (Hoima district), with core activities including cage and pond fish farming and processing, potentially supplemented with fish feed and fingerling production.

Housing and lighting

Investment opportunities exist to sell solar home systems and solar lanterns in both refugee settlements and host communities. In addition, a growing market for housing made using burnt bricks means there is an opportunity to involve the private sector in providing building materials.

Financial sector opportunities

Banks could create links to VSLAs. They could market financial products targeted at VSLAs, focusing on messages such as increased safety of savings when stored in a bank account, opportunities to earn interest and access loans, and availability of branches or agents in the vicinity to resolve problems. Banks would need to reach out to community groups and NGOs working with VSLAs in addition to advertising through traditional media.

Microfinance institutions could improve access to formal borrowing in a context where collateral requirements prevent many from accessing bank loans. Financial products targeted at farmers could support the development of local agribusinesses.

There are opportunities to extend the presence of commercial banks through the agent banking model.

Plastic recycling

There is a large and vibrant retail market in the Southwest and West Nile, with most businesses selling items such as cooking oil, soft drinks, and other consumables. These food and beverage items are mainly packaged in plastic. Opportunities could be explored to collect and grade the plastic that is produced and discarded, before delivering it to recycling facilities in Uganda, thereby reducing adverse environmental impacts in the refugee-hosting areas.

Retail trade

Despite the market's vibrancy, retail business activity has yet to reach its full potential because it is largely cut off from mainstream distribution channels. Thus, opportunities could be explored for food and personal care brands that offer inexpensive products to develop retailer networks in refugee-hosting areas.

Crafts production and marketing

Refugees, especially those from the DRC, tend to be highly skilled at crafts (such as making bags, sandals, wristbands, and *kitenge*) and sell their products locally on a small scale. Therefore, an opportunity exists to connect refugees to markets where they can sell their products.

1. Introduction

1.1 Background

Uganda hosts the world's fourth-largest refugee population (1.5 million as of September 2021), and the largest refugee population in Africa.² The country is implementing one of the world's most progressive refugee protection policies, which emphasizes the self-reliance of refugees and recognizes the important role that refugees play in the economies of their hosting districts. Uganda adopts an integrated approach toward the planning and delivery of services in refugee and host community areas to avoid duplication and maximize the impact of the available government and donor resources.

In alignment with the Comprehensive Refugee Response Framework (CRRF)/Global Compact for Refugees,³ Uganda pursues a non-encampment approach to refugee management. The Refugee Act (2006) guarantees refugees' fundamental rights, including the right to participate in gainful employment; freedom of movement; the right to property; the right to establish businesses; and the right to freedom of association, such as joining trade unions. In addition, refugee families receive plots of land for housing and cultivation in designated refugee settlements. In the settlements, refugees receive monthly food rations and non-food items (essential household items), and they can access social services provided by humanitarian agencies. The Office of the Prime Minister (OPM) is the government entity responsible for coordinating and managing the refugee response in Uganda and is supported by various line ministries and several development and humanitarian partners. Uganda also has a multistakeholder CRRF Secretariat, led by the OPM, that serves as a platform for strategic discussions to support the framework's implementation.

In the lead-up to the formal launch of the CRRF in March 2017, Uganda developed two key

refugee policies—the Settlement Transformative Agenda and the Refugee and Host Population Empowerment Strategic Framework—both of which support refugee self-reliance and co-existence with host communities. The incorporation of the Settlement Transformative Agenda into the 2015/16–2019/20 National Development Plan (NDP II) has allowed for transformative investments in health, education, infrastructure, livelihoods, and environmental protection. These provisions have become part of integrated response plans, such as the Health Sector Integrated Refugee Response Plan 2019–2024, the Education Response Plan for Refugees and Host Communities in Uganda 2018, the Water and Environment Sector Response Plan 2019–2022, the Jobs and Livelihoods Integrated Response Plan for Refugees and Host Communities 2020/21–2024/25, and the Sustainable Energy Response Plan, which is under development. Furthermore, the 2021–2025 CRRF Strategic Directions and the 2021–2022 CRRF Nation Plan of Action emphasize mainstreaming the CRRF into national planning to address the long-term impact of hosting refugees, the implementation of sector response plans, and district-level coordination, among other issues.

A Private Sector Strategy for Uganda's Refugee Response Plan was developed by the Ugandan government in cooperation with Uganda's CRRF Secretariat in 2020.⁴ The strategy highlights the need for an enabling legal and policy environment, designing development interventions through a private sector lens, greater focus on technology and innovation, minimizing the risk of market distortion due to humanitarian and development assistance, and improved collaboration and knowledge between the government, development partners, and the private sector.

² Uganda—UNHCR data portal, <https://data2.unhcr.org/en/country/uga>

³ CRRF was born out of the New York Declaration for Refugees and Migrants, adopted by all United Nations member states in 2016. It calls for easing pressure on refugee-hosting countries; building self-reliance of refugees, thereby lessening their dependence on humanitarian aid; expanding access to third-country resettlement; and fostering conditions for voluntary returns. It urges UNHCR to collaborate with a diverse set of partners in addition to NGOs, including the private sector. Subsequently, the UN General Assembly adopted the Global Compact for Refugees in 2018, which aims to strengthen the international response to large refugee movements and protracted refugee situations, including by promoting the self-reliance of refugees. States and other stakeholders subsequently made pledges to implement the Global Compact at the 2019 Global Refugee Forum.

⁴ Palladium, Private Sector Engagement for Uganda's Refugee Response Summary Strategy, January 2020.

2. Methodology

The study is based on a literature review and primary data collection through quantitative and qualitative research methods.

2.1 Geographical scope

The districts that form part of the Southwest and West Nile regions for the purposes of this study are shown in Table 2.1a. The study attempted to have a balance between older settlements where refugees live in protracted situations and relatively newer ones. In addition, the selected districts were deemed economically promising

when the study was designed in 2019. The geographic boundaries of the refugee-hosting districts considered in this study are in line with the old district boundaries (before the districts' boundaries were re-demarcated in 2018–2020). As there was insufficient data on the newly formed districts to guide the research methodology, in this study the Hoima district includes the newly formed district Kikuube; the Arua district includes new districts Madi-Okollo, Maracha, and Terego; and the Moyo district includes the new district Obongi.

Table 2.1a: Refugee-hosting districts surveyed

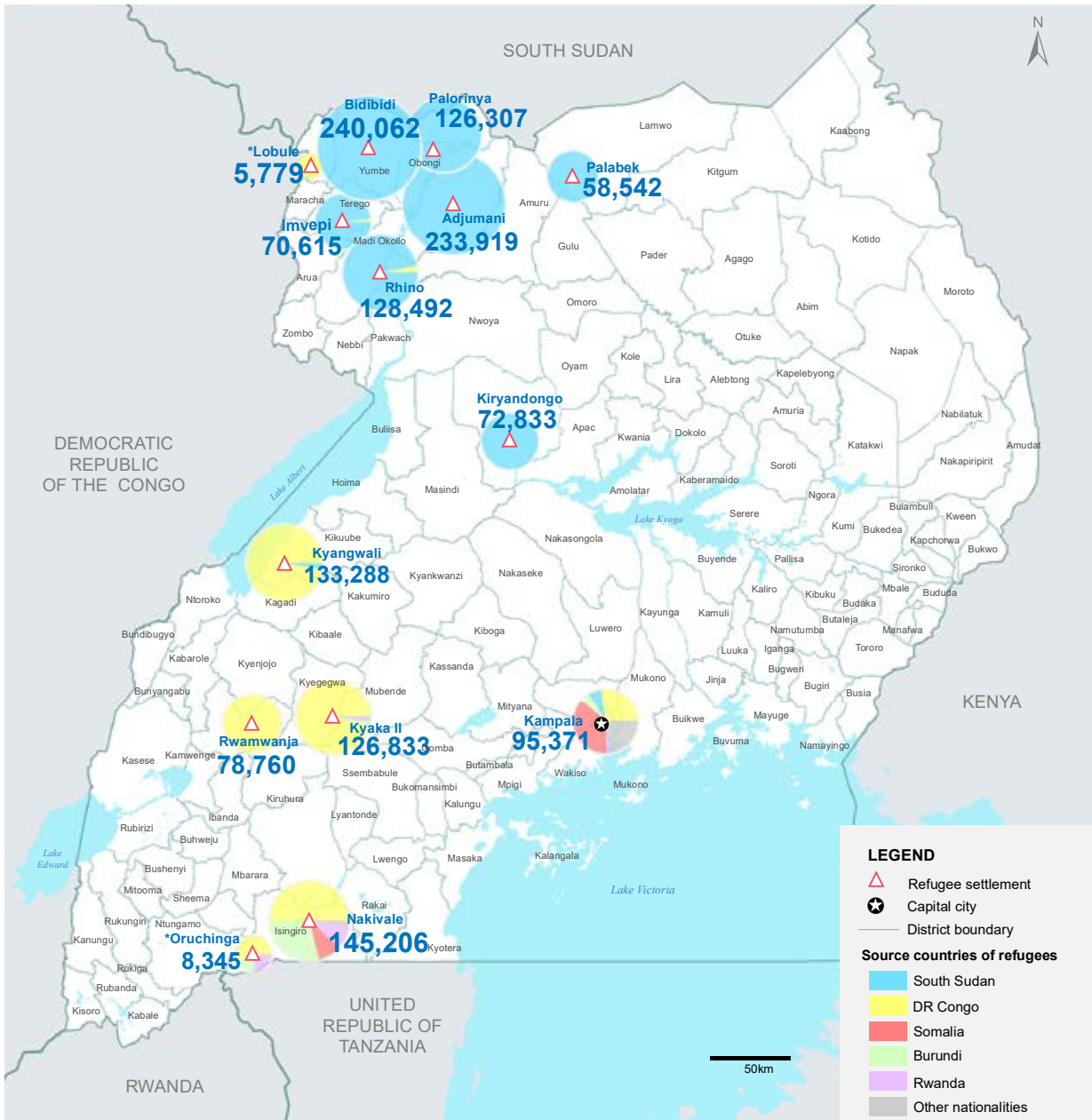
Regions	Districts			
Southwest	Hoima	Isingiro	Kamwenge	Kyegegwa
West Nile	Adjumani	Arua	Moyo	Yumbe

The household survey was conducted in the following refugee settlements.

Table 2.1b: Refugee settlements surveyed

Settlements in the Southwest	Settlements in West Nile
<ul style="list-style-type: none"> • Nakivale, Isingiro district • Kyangwali, Hoima district • Rwamwanja, Kamwenge district • Kyaka II, Kyegegwa district 	<ul style="list-style-type: none"> • Rhino Camp, Arua district • Bidibidi, Yumbe district • Palorinya, Moyo district • Ayilo I and II, Nyumanzi, and Olua, Adjumani district

Figure 2.1: Map showing refugee settlements in Uganda



The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

*Oruchinga and Lobule symbols not to scale

Population data: proGres (OPM) Author: UNHCR Representation in Uganda Feedback: ugakaimug@unhcr.org For more info, please visit: www.ugandarefugees.org

Source: UNHCR, September 2021

2.2 Household survey

A total of 2,522 households were interviewed for the study. Given the differences in characteristics of the target populations in the two regions, the study adopted a two-stage stratified cluster sampling design, with the two regions forming the strata. The first stage of sampling involved the random selection of enumeration areas using the probability-proportionate-to-size method (also called the PPS method), whereas the second stage involved selecting households within each enumeration area using a sampling interval.

The household survey relied on two sampling frames. The survey of the host communities benefited from the master sample of enumeration areas covering the whole territory of refugee-hosting districts, obtained from the Uganda Bureau of Statistics (UBOS), while enumeration areas for the refugee survey were created with the aid of geospatial data provided by UNHCR.

Only respondents aged 16 and above were considered eligible for an interview. Enumerators targeted household heads or household members in charge of household purchasing decisions. In this context, the head of a household was defined as the person who manages the income earned and expenses incurred by the household, and who is the most knowledgeable about other members and the general affairs of the household.

To ensure representation of the countries of origin in the sample, four enumeration areas with minority nationalities (defined as those making up less than 1 percent of the total refugee population) were included in the final

sample. These nationalities are Eritrea, Ethiopia, and Rwanda for the Southwest, and Sudan for West Nile.

To collect the data, 35 enumerators were recruited by ASIGMA, all with knowledge of the local context, experience collecting data, and the ability to communicate in at least three host and refugee languages in addition to English. In each region, enumerators were supervised by two field supervisors. The quality of the data was monitored daily using a dashboard tracking each enumerator’s performance across a set of indicators checking for interview validity, duration, and skip patterns, and detecting potential inconsistencies. Randomly selected audio recordings of a subset of questions were also monitored to guarantee the data being recorded on the tablets was consistent with the responses provided by households.

2.3 Business survey

The business survey sampled owners with and without dedicated business premises. Given the absence of a sampling frame inclusive of informal businesses, the business respondent sampling was done in the field. Thus, the findings are indicative rather than representative of the business environment. The data collection teams identified businesses at trading centers⁵ in refugee settlements and host communities, or adopted a snowballing approach based on recommendations by key informants, while attempting to spread the sample across different business types and geographic locations. The survey teams interviewed 404 business owners or people with in-depth knowledge about the business, as shown in Table 2.3.

Table 2.2: Household sample size targets and achievements

Region	Population group	Target sample size	Sample size achieved
Southwest	Host community	756	777
	Refugees	462	469
West Nile	Host community	777	824
	Refugees	441	452
Total		2,436	2,522

⁵ A trading center is an area where economic activity is concentrated. It usually features business outlets clustered next to each other. In Ugandan refugee-hosting areas, most *boda-boda* (motorbike) taxis and larger businesses operate from within trading centers.

Table 2.3: Business sample size targets and achievements

Region	Geographic area	Target sample size	Sample size achieved
Southwest	Host community areas	90	101
	Refugee settlements	90	100
West Nile	Host community areas	90	120
	Refugee settlements	90	83
Total		360	404

Table 2.4: Number of focus group discussions

Region	Population group	Farmer FGDs	Village savings and loan associations FGDs	Youth FGDs
Southwest	Host community	2	2	2
	Refugees	2	2	2
West Nile	Host community	2	2	2
	Refugees	2	2	2

2.4 Qualitative data collection

The team conducted 37 key informant interviews with development partners, local government representatives, and other stakeholders. The team also conducted 24 focus group discussions with farmers, youths, and village savings and loan associations (VSLAs), to explore economic activities, youth employment, and financial literacy and saving tendencies. The distribution of the conducted focus groups is shown in Table 2.4.

2.5 Data weighting, statistical significance, and data visualization

To correct for refugee minorities' oversampling (see section 2.2), sampling weights were computed by considering the minority nationalities (described in section 2.2) as one group. The sampling weight for the minority nationalities was computed by dividing the known proportion of minorities in the refugee population (from UNHCR data) by the proportion of minorities achieved in the sample.

Population estimates reported for the household survey are statistically significant at a 95 percent level, with a margin of error of +/-4 percent at the regional level.

All graphs in the report show weighted data, excluding “Don’t know” and “Refuse to answer” option choices. Sample sizes are indicated in each graph.

2.6 Methodology to estimate household consumption expenditure

Chapter 5 presents estimates of the total annual household consumption expenditure for refugee-hosting areas within the Southwest and West Nile regions, which were derived using the average monthly household expenditures (pre-COVID-19 and after the lockdown was lifted), as reported by household survey respondents. A country-wide lockdown was imposed on March 31, 2020, and lasted until July 31, 2020.

To estimate the total annual consumption expenditure for each refugee settlement and the corresponding host community in the two regions, the following steps were taken:

1. Average monthly household expenditure figures for both pre- and post-COVID-19 lockdown were collected through the survey and cleaned to remove outliers. Weights were applied to account for the oversampling of minority nationalities.

2. The total number of households for each refugee settlement was obtained from UNHCR's Settlement Refugee Statistics Update, February 2021.
3. The total number of households in each refugee-hosting district was obtained from the UBOS National Population and Housing Census 2014. All non-refugee households were considered part of the host community.
4. As the data was collected in Ugandan shillings, the exchange rate to the US dollar was consistently applied at \$1 = 3,750 Ugandan shillings.
5. The total monthly expenditure for a settlement and the host community was then derived as the product of the average monthly household expenditure and the corresponding total number of refugee and host community households.

In the two target regions, there were refugee settlements that were not surveyed: the Imvepi settlement in the Arua district and the Oruchinga settlement in Isingiro.

For the non-surveyed settlements, it was assumed that the expenditure figures collected through the household survey are representative by region and by nationality. Hence, the following additional steps were taken:

6. The average monthly household expenditure by nationality in each region was calculated.
7. To obtain the total expenditure in non-surveyed settlements, for each nationality, these calculated averages were multiplied by the total number of households of that nationality in each non-surveyed refugee settlement (with data obtained from UNHCR's Settlement Refugee Statistics Update, February 2021), and then added together.
8. The total monthly expenditure in non-surveyed settlements was added to the total expenditure for surveyed refugee areas and host communities derived earlier.
9. The figure was multiplied by 12 to obtain the total annual household consumption expenditure.

Energy for cooking was not included in the computation of the market size, as it was not part of the survey.

Unless otherwise stated, all estimated annual expenditure figures were calculated based on the household expenditure after the lockdown was lifted (on July 31, 2020).

2.7 Study limitations

The study was conducted during the COVID-19 pandemic. The fieldwork took place from November 2020 to January 2021. When the country-wide lockdown was lifted on July 31, 2020, a curfew was still in place, starting from 7 pm every day. Although the study solicited information on pre-COVID-19 and post-lockdown employment, income, and expenditure, there is no conclusive evidence of the long-term implications of the pandemic on these key indicators based on the data collected by this survey. Market sizes have been conservatively estimated based on the post-lockdown figures.

Given that the household survey mainly interviewed household heads (81 percent of the sampled respondents are household heads), findings can be considered representative when the household is the unit of analysis. In cases where the data refers to respondents (such as education level, employment, and mobile phone ownership), findings are more representative of household heads than of the general population.

Given the absence of a sampling frame to allow for random sampling of business respondents, the findings from the business survey are not intended to be representative of the whole business community in the two regions. Nonetheless, the team mitigated this challenge by spreading the sample geographically and including different types of businesses, to enable the survey to capture a more accurate picture of the local business community.

Multilingualism posed a challenge to data collection. The team mitigated this issue by hiring local enumerators who were fluent in the most prevalent refugee and host community languages. In addition, enumerators were trained to clarify the key questionnaire terms in the languages the respondents could understand.



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3. Socioeconomic Characteristics of the Southwest and West Nile

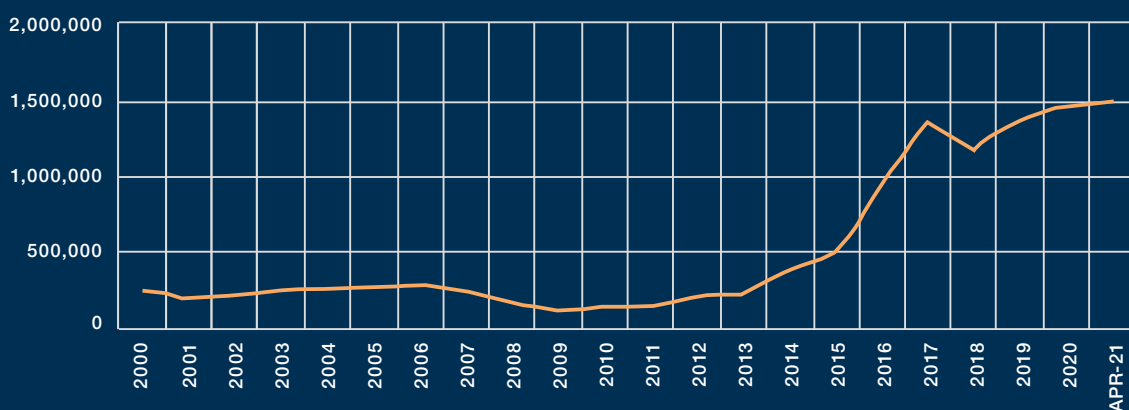
3.1 Overview of the refugee situation in Uganda

Refugees in Uganda live in protracted and in emergency settings. UNHCR defines a protracted refugee situation as one in which 25,000 or more refugees from the same nationality have been in exile for five or more years in their asylum country. In contrast, an emergency situation is one where the immediate focus is on lifesaving protection and assistance.⁶

Figure 3.1 shows the refugee population trajectory from 2000 to April 2021. A slight reduction in numbers occurred in 2018 because UNHCR and the Ugandan government carried out biometric verification of all refugees in the country.⁷

According to UNHCR data, as of September 2021, the majority of refugees are from South Sudan (61.2 percent) and the Democratic Republic of the Congo (DRC) (29 percent). Other

Figure 3.1: Uganda's refugee population, 2000 to April 2021



Source: UNHCR Uganda Refugee Portal 2020–2021; Macrotrends data, Uganda Refugee Statistics 2000–2019

⁶ <https://www.unrefugees.org/news/protracted-refugee-situations-explained/#What%20is%20a%20protracted%20refugee%20situation?>

⁷ UNHCR 2018, <https://www.unhcr.org/afr/news/press/2018/10/5bd72aad4/opm-and-unhcr-complete-countrywide-biometric-refugee-verification-exercise.html#:~:text=KAMPALA%3A%20The%20Office%20of%20the,seekers%20and%20refugees%20in%20Uganda.&text=This%20represents%2075%25%20of%20the,start%20date%20in%20March%202018>

refugees hosted are from Burundi (3.4 percent), Somalia (3.2 percent), Rwanda (1.4 percent), Eritrea (1.2 percent), Sudan (0.2 percent), and Ethiopia (0.2 percent). West Nile mostly hosts South Sudanese refugees; Uganda experienced a sharp increase in the refugee population from 2013 as a result of a civil war in South Sudan that broke out after the country gained independence.⁸ The Southwest mostly hosts refugees from the DRC who flee from ethnic violence and general insecurity in their country of origin.⁹

Refugees mainly live in designated settlements, although there is a sizeable population of urban refugees in Kampala. Of the districts covered in this study, Adjumani and Yumbe in West Nile host the highest numbers of refugees. Generally, host community members outnumber refugees at the district level. However, in Adjumani, half of the population are refugees. The district has the highest number of refugee settlements in Uganda (18 settlements), both older ones (dating back to the 1980s) and ones created more recently to host South Sudanese refugees. The Yumbe district hosts the world's second-largest refugee settlement, Bidibidi, which was opened in 2016

to accommodate refugees fleeing South Sudan in large numbers. Refugees make up a large majority (71 percent) in the newly created district of Obongi (formerly Moyo), where the Palorinya refugee settlement is located. The districts that host refugees are shown in Table 3.1.

Typically, refugees will settle or be settled with refugees of the same country of origin, leading to the informal renaming of trading centers according to the largest refugee population (such as New Congo and Little Mogadishu in Nakivale). The host community and refugees generally live in harmony, with community-based initiatives such as savings groups attracting membership from both hosts and refugees.¹⁰ Previously conducted studies on the refugee situation in Uganda have also found that the relationship between refugees and the host community is generally amicable, which is further encouraged by marriages between Ugandans and refugees. However, COVID-19-related shocks have placed pressure on both refugees and host communities, which, coupled with reducing refugees' food rations, may present future challenges.

Table 3.1: Population of refugee-hosting districts in Uganda

District (bold districts were surveyed)	Host population	Refugee population	Refugee population as a percentage of the total district population
Adjumani	237,400	233,919	50%
Isingiro	616,700	153,551	20%
Kampala	1,709,900	95,371	5%
Kamwenge	475,600	78,760	14%
Kikuube (formerly Hoima)	376,600	133,288	26%
Kiryandongo	322,300	72,833	18%
Kyegegwa	475,600	126,833	21%
Koboko	267,700	5,779	2%
Lamwo	145,400	58,542	29%
Madi-Okollo and Terego (formerly Arua)	770,600	199,107	21%
Obongi (formerly Moyo)	50,300	126,307	72%
Yumbe	699,300	240,062	26%

⁸ Council on Foreign Relations, <https://www.cfr.org/global-conflict-tracker/conflict/civil-war-south-sudan>

⁹ World Bank, Informing the Refugee Policy Response in Uganda: Results from the Uganda Refugees and Host Communities 2018 Household Survey, 2019, p.13.

¹⁰ UNHCR and World Bank, An Assessment of Uganda's Progressive Approach to Refugee Management, 2016, p.28. Available at: <https://openknowledge.worldbank.org/bitstream/handle/10986/24736/An0assessment00o0refugee0management.pdf?sequence=1&isAllowed=y>



Traveling to and within a refugee settlement

Refugee settlements normally have a base camp, which is the settlement administrative center, hosting the OPM office, UN agencies, and NGOs. Trading centers with economic activities such as shops, markets, and restaurants also tend to be concentrated at base camps. The OPM and UNHCR jointly administer the settlements. The settlement commandant is the highest government official in refugee settlements, reporting to the OPM. Outside visitors to a settlement, such as individuals from private firms, need to obtain a letter from the settlement commandant authorizing entry to the settlement.

The road network connecting major towns to refugee settlements is generally poorly maintained, with roads being dusty in the dry season and under water in the rainy season. Air transportation is limited; only the Rhino Camp in Arua (West Nile region) is close to an airfield. The ongoing construction of the Hoima International Airport in Kabaale and roads to oil wells in the Albertine Graben region will connect Kyangwali settlement in the Southwest to major towns. The World Bank-supported Koboko-Yumbe-Moyo road corridor project (West Nile region) is also expected to improve road connectivity in the three districts.¹¹

For travel within refugee settlements, motorcycle taxis (locally known as *boda-bodas*) are the most commonly used means of transport. People typically use these to visit family and friends, and to go to markets, hospitals, and other locations that are too far to be accessed on foot. Most *boda-bodas* are clustered in trading centers and other places with economic activity. Settlements in the Southwest have minivan taxis that transport people to host district towns and to Kampala. The most vibrant taxi network is in Nakivale, followed by Rwamwanja, Kyaka II, and Kyangwali.

¹¹ The project was approved in September 2020 and will be completed in December 2025.

3.2 Demographic characteristics of refugees and the host community

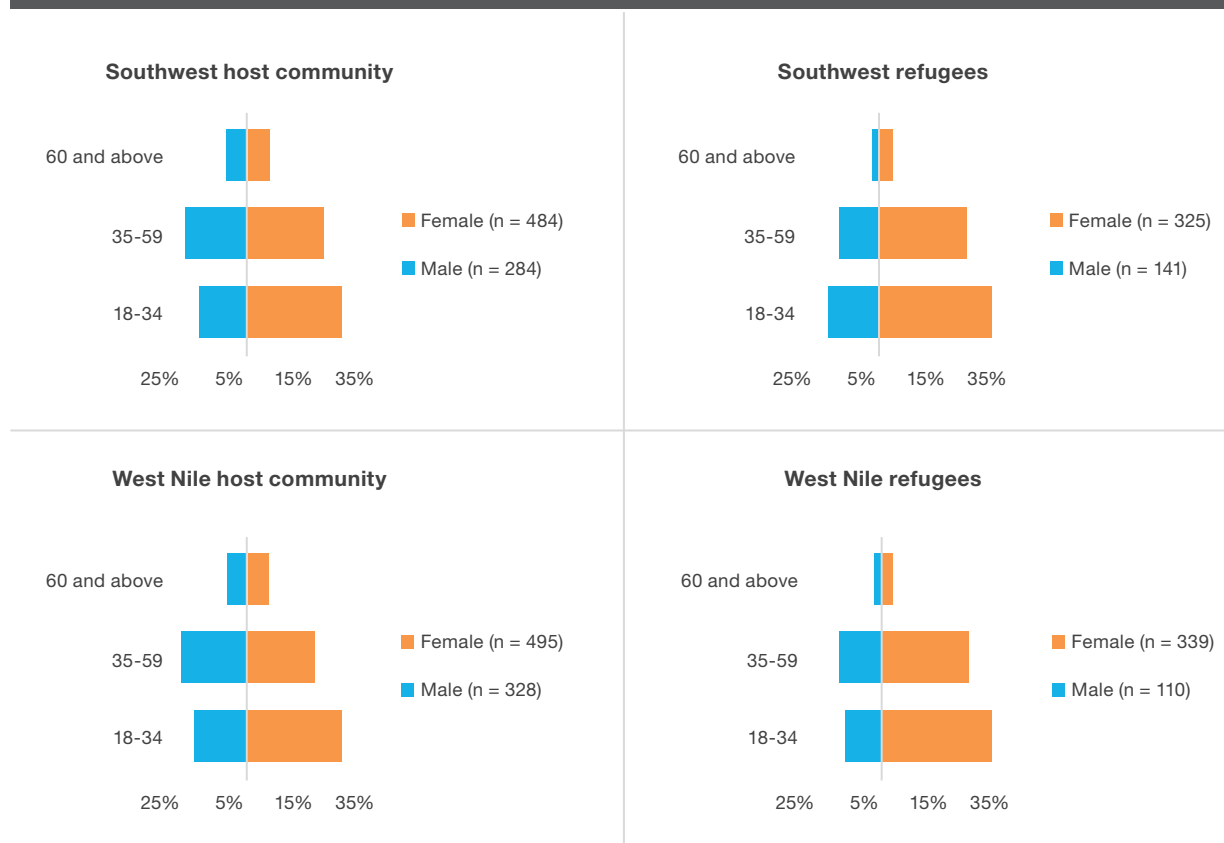
3.2.1 Household composition

A large majority of the study sample is composed of female respondents. In both the Southwest and West Nile, the share of female respondents reaches 65 percent. The trend is observed in both refugee settlements and host communities. Three potential reasons for the over-representation of females in the sample are: (i) only female members of the household were home at the time of the interview; (ii) female members were more eligible to answer the questionnaire based on their knowledge of the household's general expenditure; and (iii) female-headed households are more prevalent in the refugee settlements. Fifty-nine percent of household heads in the sample are female (68 percent among refugees and 54 percent in the host community).

On average, there are 6.5 people per household. West Nile households are larger, comprising eight people on average in refugee settlements and seven people in host community areas. The Southwest averages 5.5 individuals in each household in both refugee settlements and host communities.

The youth make up a large share of the population. In refugee settlements, 18–34-year-olds make up 54 percent of the sample (representative of household decision-makers), while in host communities they make up 45 percent of the sample. The overall average age is 38, spanning from 35 in West Nile refugee settlements to 40 in Southwest host communities. However, respondents were selected based on their knowledge of the household's general expenditure and consumption habits; as such, the average age is not representative of the general population. Figure 3.2 shows the sampled respondents' age distributions by region and population group.¹²

Figure 3.2: Age distribution of respondents
How old are you?



¹² Only respondents aged 16 and above were interviewed. The percentage of 16–18-year-olds is negligible and is not shown in the chart.

3.2.2 Countries of origin

In West Nile, most surveyed refugees (98 percent) come from South Sudan, whereas the majority of the surveyed refugees (79 percent) in the Southwest are from the DRC. The refugee settlements in the West Nile region also host Sudanese (from the Republic of Sudan) populations (making up 1.3 percent of the surveyed refugees) and smaller minorities from Burundi. In the Southwest, minorities include Somalis (13 percent), Burundians (3.8 percent), Rwandans (1.2 percent), as well as smaller proportions of Ethiopians, South Sudanese, and Eritreans. A small percentage of Ugandans also live inside refugee settlements' boundaries, as shown in Figure 3.3.

3.2.3 Ethnicity and languages spoken

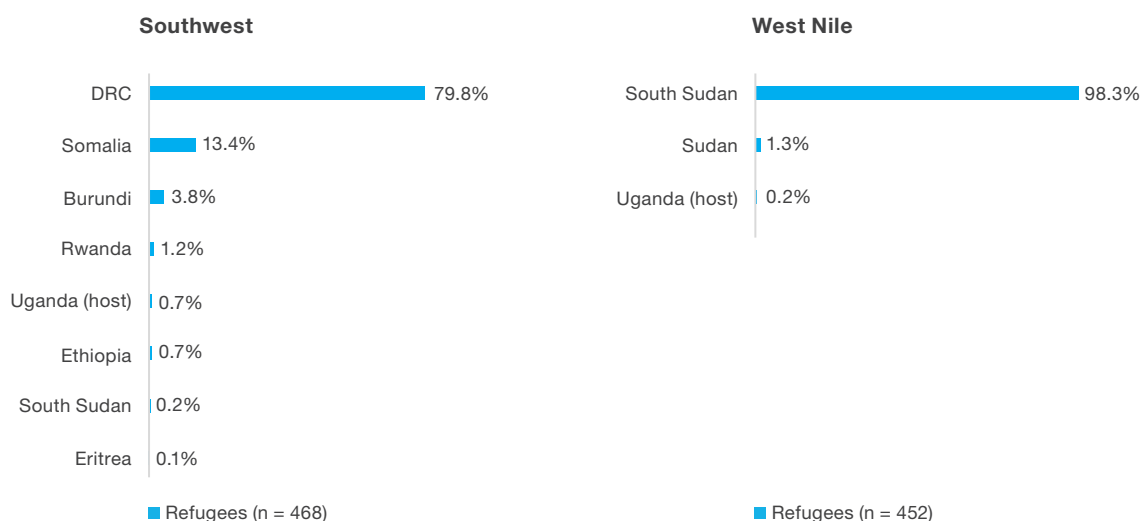
Both refugee settlements and host community areas are ethnically and linguistically diverse. The host community in West Nile is mainly composed of the Lugbara (47 percent), the Aringa (24 percent), and the Madi (22 percent), while the host community in the Southwest mostly comprises the Banyankore/Bakiga (55 percent) and the Banyoro/Batooro (28 percent). In West Nile refugee settlements, the Dinka (28 percent), the Luo (22 percent), and the Kakwa (12 percent) are the most prevalent ethnicities (all from South

Sudan). In the Southwest, the Banyabwisha (28 percent), the Kongo (13 percent), the Somali (10 percent), the Hutu (11 percent), and the Bagegere (8 percent) are the most prevalent ethnicities among sampled refugees.¹³

Host community members speak a variety of languages, mirroring the distribution of ethnicities. Lugbara is spoken by a majority (58 percent) in West Nile, while Runyankore/Rukiga has the largest percentage of speakers (66 percent) in the Southwest. Just under a third of host community members are able to speak English, whereas 11 percent speak Swahili—Uganda's official languages (with more speakers of either of the two in West Nile than in the Southwest).

Juba Arabic and Swahili are the most spoken languages in West Nile and Southwest refugee settlements respectively. In West Nile, refugees (who are mostly from South Sudan) speak Juba Arabic (62 percent), followed by Kakwa (47 percent), English (27 percent), and Koku (19 percent). In the Southwest, 74 percent speak Swahili—the language mostly spoken by refugees from the DRC and Burundi—followed by Kinyarwanda (14 percent). Only 3 percent of refugees speak English in the Southwest.

Figure 3.3: Country of origin of respondents from refugee settlements
What is your country of origin?



¹³ The breakdown by ethnicity is based on self-identification by refugees. As such, it may not correspond to existing classifications.

3.3 Education

The household survey shows low levels of education overall—26 percent of household decision-makers have had no schooling at all, and only 34 percent completed primary school. Overall, refugees are more likely to have no schooling than members of the host community. In the Southwest, 44 percent of refugees have no education, compared to 20 percent of the host community. In West Nile, 34 percent of refugees have no schooling, compared to 18 percent of the host community, as shown in Table 3.2. A large majority of the population has incomplete primary education. In the Southwest, only 8 percent of refugees and 14 percent of the host community completed primary education. In West Nile, 10 percent of refugees and 12 percent of the host community completed primary education.

There is a significant gender gap in educational attainment. Overall, 33 percent of women have no schooling, compared to 11 percent of men. Only a quarter of women completed primary school, in strong contrast to 51 percent of men. The gender gap is considerably wider in West Nile, where the share of uneducated women is

five times higher than that of uneducated males, while in the Southwest, it is 2.2 times higher. These gender differences are slightly larger in refugee settlements than in host communities.

The data also reveals notable differences in education levels between nationalities and ethnicities of refugees. Forty-four percent of DRC refugees and 34 percent of South Sudanese refugees have no schooling. Among minorities, 52 percent of Somalis and 27 percent of Burundians have no education. There are differences between South Sudanese ethnicities: the Dinka have the lowest educational attainment, with 67 percent without schooling, compared to 14 percent of the Luo.

3.4 Employment

Host community members are significantly more likely to be employed than refugees, and Southwest residents are more likely to be employed than those living in West Nile. In host communities, the employment rate (including employees, business owners, and farmers) is at 80 percent in the Southwest and 60 percent in West Nile. In refugee settlements, the employ-

Table 3.2: Respondents' levels of education

Education level	Southwest total	Southwest host community (n = 820)	Southwest refugees (n = 408)	West Nile total	West Nile host community (n = 834)	West Nile refugees (n = 440)
No schooling	28%	20%	44%	23%	18%	34%
Some primary school	37%	41%	29%	44%	47%	38%
Primary school completed	12%	14%	8%	12%	12%	10%
Some secondary education (incomplete O-level)	8%	9%	6%	10%	10%	10%
Completed O-level	8%	10%	4%	6%	7%	6%
Secondary school completed (with A-levels)	3%	3%	3%	1%	1%	1%
University degree completed	1%	1%	2%	1%	2%	1%
Vocational/technical training	3%	4%	1%	2%	3%	1%

ment rate is much lower, at 51 percent in the Southwest and 22 percent in West Nile. Overall, in the Southwest, 70 percent of respondents are employed, compared to only 47 percent in West Nile.¹⁴ A large portion of the population is outside of the labor force (not employed and not looking for work), especially in West Nile, although most of this number are women doing unpaid housework.

Among the economically active population, agricultural work is the most common occupation in the Southwest, while owning a business is a prevalent occupation in West Nile. The distribution of employment type between refugees and host communities is similar overall, although the portion of agricultural workers (mostly farmers) is higher in host communities (33 percent) than in refugee settlements (24 percent). There are, however, significant regional differences: in West Nile, business owners constitute more than a third of those who are employed, compared to 8 percent in the Southwest. The Southwest has a much larger share of agricultural workers (45 percent) than West Nile (11 percent).¹⁵ Better farming opportunities in the Southwest seem to explain the higher employment rate in that region compared to West Nile. Non-agricultural occupations mainly include teaching (mostly among host communities), and to a much lesser extent, working as company/NGO employees, *boda-boda* (motorbike taxi) drivers, construction workers, waiters, translators, *duuka* employees, and others.

The gender gap observed in educational attainment is reflected in the labor market. The unemployment rate for females reaches 50 percent, against 25 percent for males. The gender difference is higher in refugee settlements than in host communities and is higher in West Nile than in the Southwest. More women in refugee settlements identify themselves as housewives (48 percent) than those in the host communities (31 percent). They engage in everyday household tasks such as cooking, taking children to school, and fetching water. For women with access to land, activities may also include cultivating crops

and tending the garden. However, the rates of business ownership (of non-agricultural enterprises) are about the same for males and females (13 percent and 14 percent respectively in the host community and 6 percent and 8 percent respectively among refugees).

The unemployment rate of the youth (18–34-year-olds) among the respondents is much higher in refugee settlements (65 percent) than in host communities (34 percent). There are also regional differences: in the Southwest, less than a third of the youth is unemployed, compared to 59 percent in West Nile. According to focus group discussions with young people in the Kyangwali (Southwest) and Bidibidi (West Nile) refugee settlements, the reasons for unemployment are low levels of education and skills, limited networks, and low demand for certain services they have the skills for, such as welding and construction.

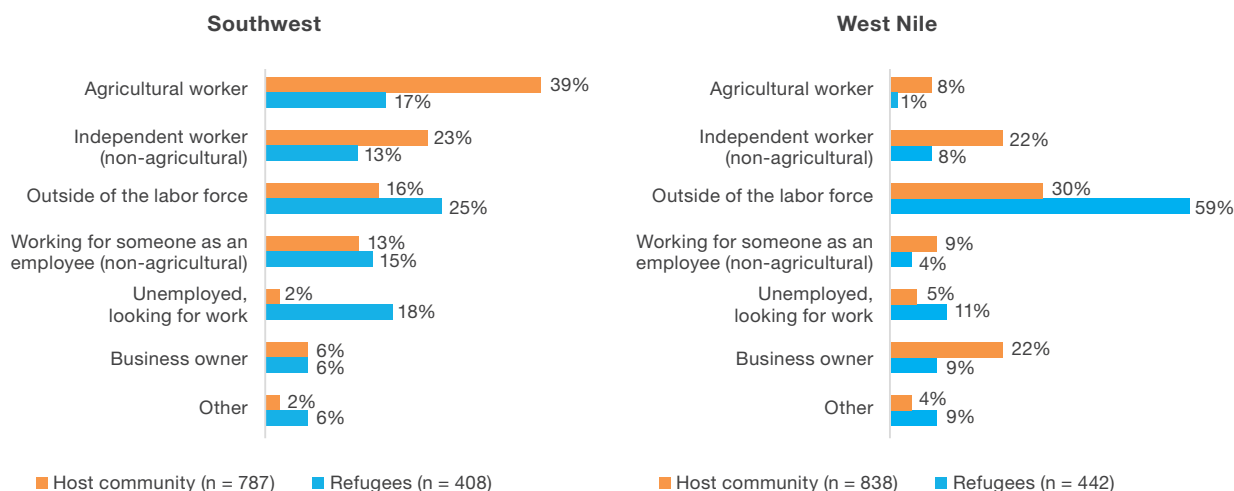
Refugees from the DRC and Burundi are more likely to be employed than Somalis and South Sudanese, differences that can be partly attributed to opportunities available in the respective regions. Fifty-six percent of refugees from the DRC are employed, as are 56 percent of Burundians, compared to just 27 percent of Somalis and 23 percent of South Sudanese. However, the same differences can be observed between the two regions hosting the respective populations, which means that the differences in employment are likely to depend on the opportunities available (especially in agriculture) rather than on nationality alone. The rate of business ownership among South Sudanese and DRC refugees is similar, at 9 percent and 7 percent respectively, but is slightly lower than in the host communities, where business owners make up 13 percent of respondents in both regions. The percentage of women engaged in unpaid housework is particularly high among the South Sudanese, at 49 percent, compared to 17 percent among DRC refugees. Finally, the prevalence of agricultural workers is notable among DRC and Burundian refugees, but less so among South Sudanese or Somalis.¹⁶

¹⁴ The seasonality of informal agricultural work may affect employment figures, especially for West Nile.

¹⁵ Likewise, the percentage of people engaged in agriculture is likely to oscillate because agricultural work is seasonal.

¹⁶ Low engagement in agricultural activities among these two nationalities is likely because the Dinka (who make up the majority of South Sudanese refugees in the sample) and Somalis traditionally engage in pastoralism instead of agriculture in their countries of origin. Regional differences can also help explain this phenomenon—agriculture is more prominent in the Southwest than in West Nile.

Figure 3.4: Respondents' employment status
What is your employment status?



Three-quarters of respondents who work for someone as an employee would rather work for themselves if they could. The most common activities that respondents would be willing to undertake were opening a *duuka* (45 percent) and working as a farmer (30 percent). Over 90 percent of respondents to this question mentioned lack of capital as an issue preventing them from starting their own business, while a significantly smaller percentage also mentioned lack of technical skills and lack of an available space to rent.

Refugees are more likely to engage in subsistence than commercial farming because of the small plot sizes allocated to them. Refugees living in settlements generally have access to land (which is usually the land surrounding their shelters), but it is often insufficient to feed a household.¹⁷ The plot size varies depending on the settlement. In West Nile, where access to land is more challenging than in the Southwest, the average refugee plot size is less than half an acre per household, while hosts have on average two acres per household.¹⁸ Access to land has become more difficult since 2016 because of an influx of new arrivals. Some refugees gain access

to additional land by renting it from the host community.¹⁹ A larger percentage of people are engaged in agriculture in the Southwest as land tends to be more fertile there relative to West Nile. Moreover, Southwest land around refugee settlements is government-owned in contrast to more complex communal land titles in West Nile. Less than half of refugees rear livestock for their own consumption—an activity that tends to be more land intensive.²⁰

3.5 Income

3.5.1 Income levels and sources

In both regions, host community members earn significantly more than refugees. Average household earnings in the host communities have been twice as high as those of refugee households (\$61 versus \$32) since the lockdown was lifted at the end of July 2020. Household earnings have been significantly affected by the ongoing pandemic, although they have also been recovering since the lockdown was lifted. Compared to the period before the COVID-19 outbreak, average earnings reduced by 15 percent in both regions in the period immediately following the lockdown.

¹⁷ Norwegian Refugee Council (NRC), Owned Spaces and REACH, Owned Spaces and Shared Places: Refugee Access to Livelihoods and Housing, Land and Property in Uganda, September 2019, p.25.

¹⁸ Food and Agriculture Organization of the United Nations, Food Security, Resilience and Well-Being Analysis of Refugees and Host Communities in Northern Uganda, 2018, p.13-14.

¹⁹ A study by NRC and REACH in Adjumani found that few refugees who rent land possess formal rental agreements. NRC and REACH, Refugee Access to Livelihoods, and Housing, Land and Property in Uganda, May 2019.

²⁰ NRC and REACH, Refugee Access to Livelihoods, and Housing, Land and Property in Uganda, May 2019, p.75.

Before the pandemic, monthly household earnings were higher on average in West Nile (\$70) compared to the Southwest (\$58). The survey found the highest post-lockdown earnings among host community households in West Nile (\$64) and the lowest among West Nile refugees (\$31).

Besides employment, humanitarian aid and remittances contribute to household incomes. Humanitarian aid to refugees in the Southwest has largely transitioned to cash-based assistance. As such, 96 percent of refugee respondents in the region declared receiving income from cash transfers. Conversely, a much smaller share of West Nile refugees mentioned cash transfers as their income source (29 percent) due to the use of food-based rations. On the other hand, more than half of refugees in West Nile (54 percent) resell their rations to gain additional income. Remittances from within and outside of Uganda represent an income source for both refugees and host communities. Eighteen percent of refugees in the Southwest and 10 percent in West Nile receive remittances. A sizeable portion of the host community in West Nile also receives remittances, with 22 percent mentioning them as an income source, compared to only 5 percent of host communities in the Southwest. On average, cash transfers and remittances add \$33 to a

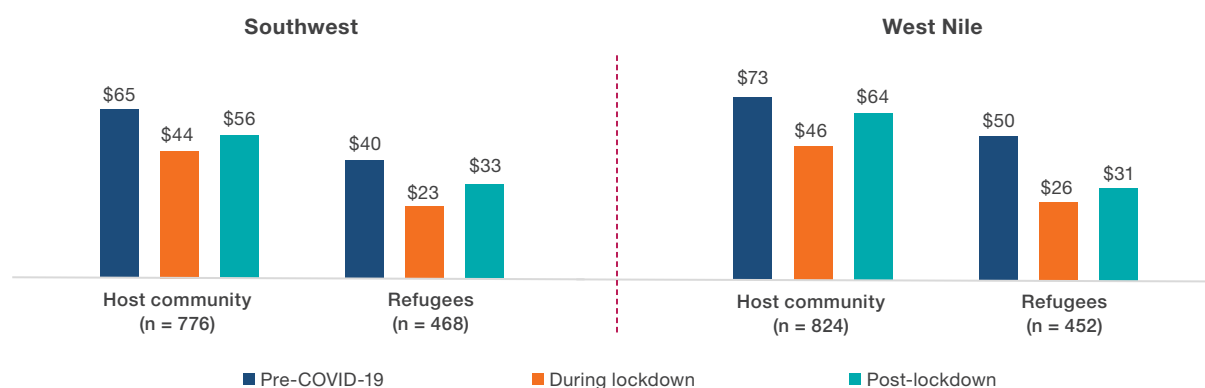
household’s monthly income. The extra income is usually received monthly (for 44 percent of households), every two months (25 percent), or weekly (10 percent).²¹

3.5.2 Influence of demographics on individual earnings

Level of education: Overall, educational attainment appears to have a statistically significant influence on individual earnings. On average, individuals with no schooling earn \$22 per month, against \$27 for those with primary education. Both categories were similarly affected by the pandemic (with reductions of 33 percent in individual earnings). The sample of those with higher levels of education is too small to draw conclusions.

Nationality: Disparities in income are more prevalent in the Southwest, where refugees from Burundi and Somalia earn a higher income on average than other nationalities.²² In the case of Somalis, this may be attributed to community-based revolving funds and a high level of remittances, which can be used as a source of financial capital.²³

Figure 3.5: Impact of COVID-19 on monthly household earnings²⁴
How much did you earn per month on average before the COVID-19 outbreak, during lockdown, and after lockdown?



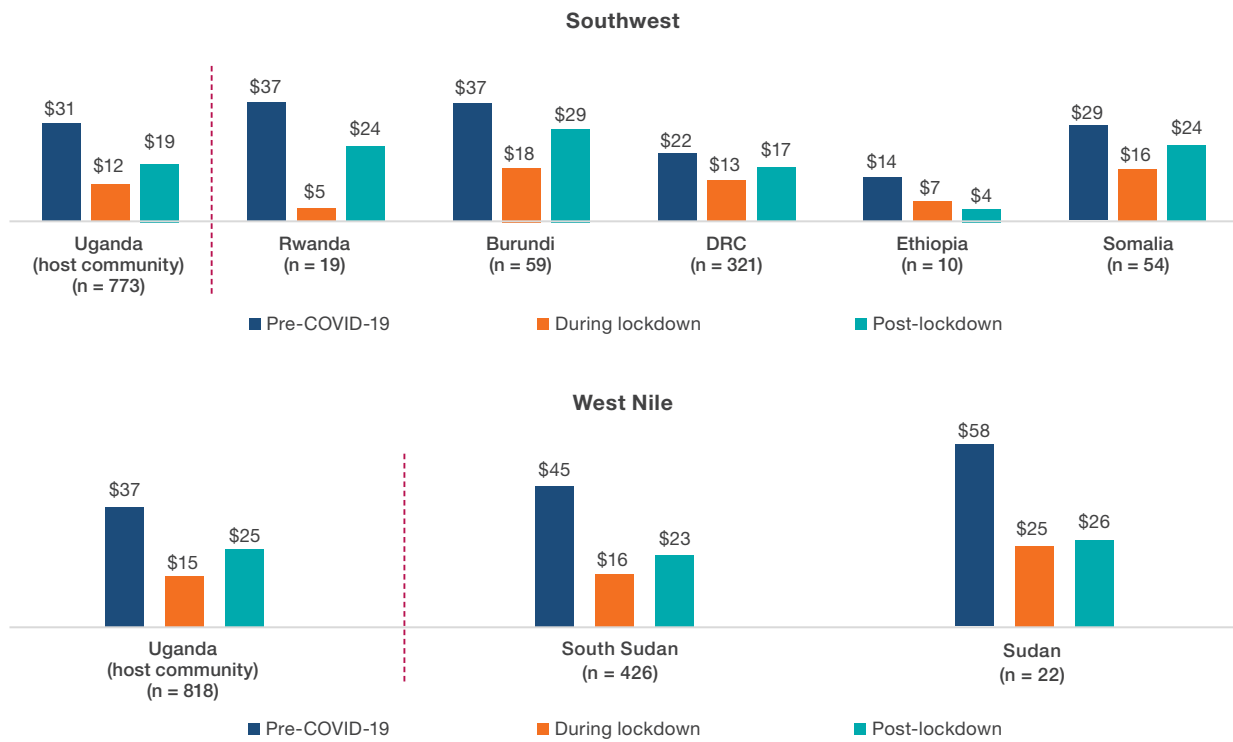
²¹ Amounts received and frequencies are not significantly different between regions and type of additional income, and between refugees and host communities.

²² The sample of Rwandan, Ethiopian, and Sudanese refugees is quite limited, making it difficult to draw conclusions.

²³ Although the sample of Somali refugees is limited, they made up the largest share of remittance recipients in the sample.

²⁴ Household earnings were derived from asking questions about the individual earnings of each household member. The questions were formulated as follows: "How much did you earn per month on average before the COVID-19 outbreak, during lockdown, and after lockdown?" and "How much on average did he/she [household member] earn per month before the COVID-19 outbreak, during lockdown, and after lockdown?"

Figure 3.6: Impact of COVID-19 on individual earnings
 What were your average monthly earnings before COVID-19, during lockdown, and after lockdown?



4. Access to Telecommunication and Financial Services

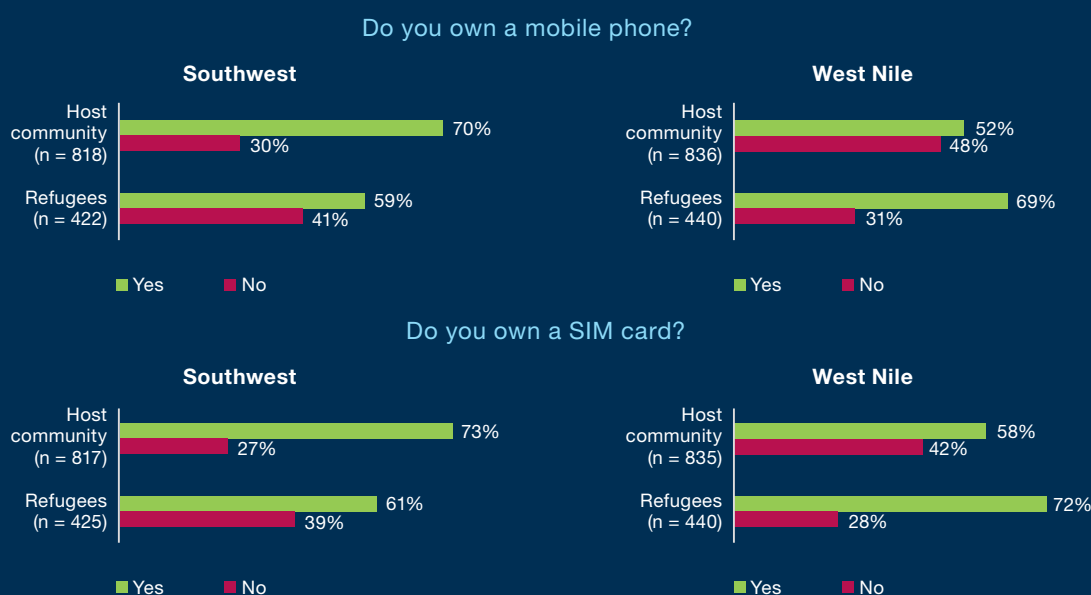


4.1 Telecommunication services

Ownership of mobile phones and SIM cards is high in the two regions. In the Southwest, mobile phone owners make up 66 percent of the overall population (which is higher than the national average of 59 percent),²⁵ whereas in West Nile they make up 52 percent. About 60 percent of refugees in the Southwest and about 70 percent of refugees in West Nile own a mobile phone, whereas in the host community, 70 percent in the Southwest and 52 percent in

West Nile have mobiles.²⁶ These figures may be higher than the mobile phone penetration rates in the general population, given that the survey interviewed household decision-makers. Refugees can register a SIM card on par with Ugandan citizens, as long as they can produce a refugee identification card or attestation letter from the OPM.²⁷ A slightly higher percentage of SIM-card owners relative to phone owners indicates that some mobile phone users may be borrowing a phone from others.

Figure 4.1: Ownership of mobile phones and SIM cards



²⁵ Data Portal, 2020, Digital 2020: Uganda. Available at: <https://dataportal.com/reports/digital-2020-uganda#:~:text=There%20were%2026.83%20million%20mobile,60%25%20of%20the%20total%20population>

²⁶ The analysis did not find any statistically significant differences in phone ownership by gender.

²⁷ Uganda Communications Commission, Telecoms Operations Guidelines on SIM Card Registration 2020. Available at: <https://www.ucc.co.ug/wp-content/uploads/2020/12/All-Telecoms-Operational-Guidelines-on-simcard-registration.pdf>

Owning basic (button) phones may prevent Internet access for a significant proportion of refugees and hosts.²⁸ Among mobile phone owners, over two-thirds of the population use basic phones, instead of phones that are Internet-enabled (smartphones and most feature phones). Consequently, mobile Internet use is low, and so is overall Internet use. (Of respondents who use the Internet, 96 percent reported accessing it on their phones.) In West Nile, only 4 percent of refugees and 9 percent of the host community use the Internet (8 percent overall), with the use rate comparatively higher in the Southwest—13 percent among refugees and 9 percent among members of the host community (11 percent overall). The cost of mobile data bundles is also a likely barrier.

MTN, Airtel, and Africell²⁹ are the three major mobile network operators in the refugee-hosting areas. In both the Southwest and West Nile, most mobile phone users use the MTN network, which also has the highest country-wide penetration. Among West Nile SIM-card owners, 97 percent of the host community and 98 percent of refugees have MTN SIM cards. In the Southwest, 84 percent of host SIM owners and 67 percent of refugee SIM owners have MTN SIM cards. Airtel also has a significant number of customers, as shown in Figure 4.3.³⁰ MTN has made it easier for refugees to register a SIM card, having established tents in some settlements and sent agents to others. Africell (which is withdrawing from Uganda) has been popular in the Congolese community, who find the network most convenient for communicating with relatives in the DRC, where Africell also operates.

Figure 4.2: Phone types owned by respondents
What kind of phone do you have?

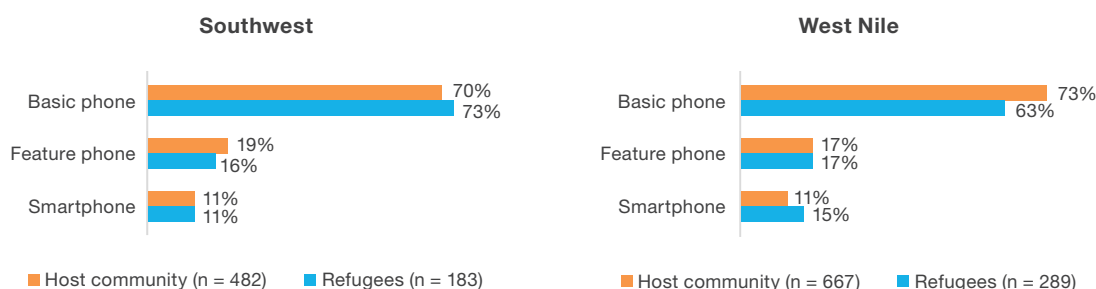
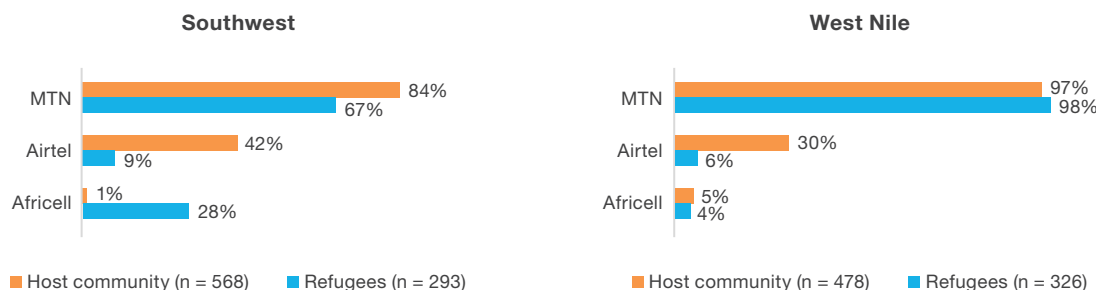


Figure 4.3: Mobile network operators' penetration



²⁸ A smartphone has advanced functions similar to a personal computer, such as an updatable operating system, a touch screen, and the ability to install and run downloaded apps to send emails, browse the web, edit photos, and so on. A feature phone can access the Internet, take photos, and store and play music, but lacks the advanced functionality of a smartphone; it may have a small display and an alphanumeric or QWERTY keypad. A basic (or button) phone has no Internet access; it has limited functions such as texts and calls.

²⁹ Africell has announced that it is withdrawing from Uganda in October 2021 (see http://www.news.cn/english/africa/2021-09/08/c_1310174074.htm).

³⁰ Some respondents subscribe to more than one network provider, which explains why the sum is higher than 100 percent for most categories.

4.2 Financial services

4.2.1 Bank and mobile money account ownership

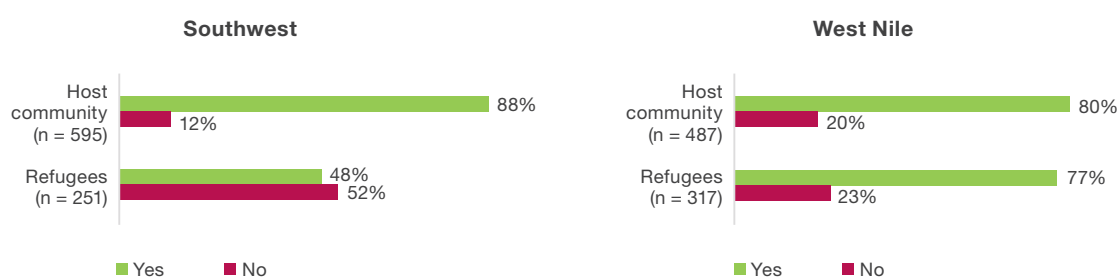
Humanitarian cash transfers to refugee settlements have helped broaden refugees' financial inclusion and attract private actors to settlements.³¹ NGOs and UN agencies, which have implemented cash transfer programs, primarily collaborate with MTN and Airtel to disburse bulk payments (for example, Mercy Corps and International Rescue Committee in Bidibidi), whereas the World Food Programme (WFP) collaborates with two banks. Beneficiaries can cash out their transfers from a mobile money agent in the settlement. The WFP partners with Equity Bank and PostBank. The former has implemented agent banking in settlements to enable beneficiaries to cash out,³² whereas PostBank uses a security company to deliver physical cash to designated distribution points, with beneficiaries cashing out from their prepaid cards.³³ Some refugee-led organizations, such as the Moral Brotherhood and Neighbourhood (MOBAN) SACCO in Nakivale and the Youth Initiative for Development in Africa (YIDA) in Kyaka II, are working with banks as agents to facilitate deposits and withdrawals of cash transfers.

Among financial services, mobile money has the highest coverage, especially in the Southwest host community (64 percent) and among West Nile refugees (55 percent). In West Nile, the use of mobile money services is high among mobile phone owners (77 percent of refugee

mobile owners and 80 percent of host community mobile owners use their phones for mobile money transfers. In the Southwest, 88 percent of host community mobile owners use mobile money; however, only 48 percent of refugees who own a mobile phone also use mobile money. This puts the overall mobile money penetration rate in the Southwest at 30 percent among refugees and 64 percent among host communities, and in West Nile, 55 percent among refugees and 46 percent among host communities. There are only minor gender differences in mobile money use: 71 percent of female mobile phone owners and 81 percent of male mobile phone owners in the Southwest use mobile money, and 76 percent and 80 percent respectively do so in West Nile.

About a quarter of respondents in the two regions own a bank account, with a higher percentage among refugees in the Southwest. Two-thirds of refugees in the Southwest own a bank account, which is a consequence of bank-facilitated humanitarian cash transfers by the WFP. In contrast, bank account ownership by refugees in West Nile is low, at only 12 percent. For the host community, the data on bank account ownership is comparable between the two regions, at 18 percent in the Southwest and 20 percent in West Nile. Most host community respondents have a bank account with Centenary Bank (55 percent of account owners), while most refugees have their accounts with Equity Bank (42 percent) or PostBank (50 percent). Six percent of refugee account owners, mainly in West Nile, also have a Centenary Bank account.

Figure 4.4: Usage of phone/SIM card for mobile money transfers
Do you use your phone/SIM for mobile banking or mobile transfer?



³¹ <https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2017/11/Humanitarian-Payment-Digitisation.pdf>

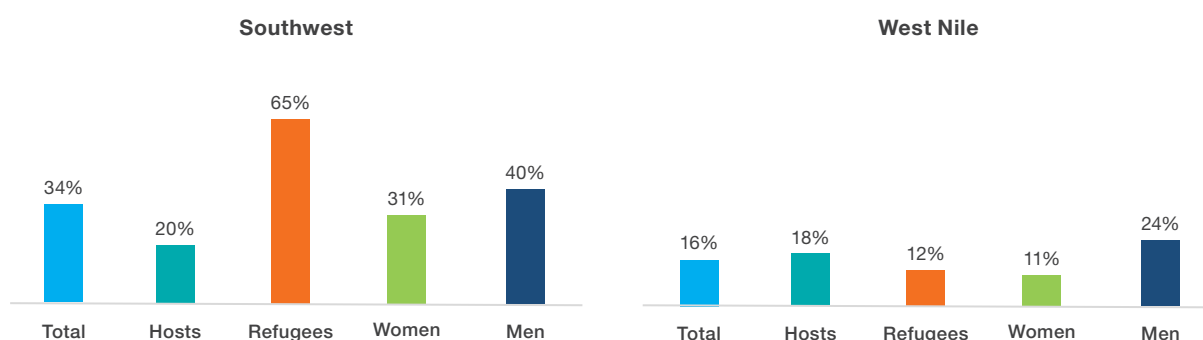
³² The WFP is the largest disburser of cash to refugees.

³³ GSMA, 2020. Available at: https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2020/01/Uganda_Mobile_Money_CVA_Case_Study_Web_Spreads.pdf

Men are more likely to own a bank account than women, and this discrepancy is greater in West Nile than the Southwest. In West Nile, men are twice as likely to own a bank account than women. On the other hand, in the Southwest, 31 percent of women own a bank account compared to 40 percent of men. Bank-facilitated cash transfers may explain this regional difference. Women are often targeted by humanitarian organizations as recipients of cash transfers, while female-headed households are prevalent in refugee settlements. Thus, more women in the Southwest have bank accounts than in West Nile, likely due to the higher percentage of bank account ownership among female refugees.

A significant percentage of those who do not yet possess a bank account reported willingness to open one.

Figure 4.5: Bank account ownership
Do you own a bank account?



Sample size: Southwest total n = 1,117; West Nile total n = 930

Other financial institutions have also recently entered the refugee market. Notable actors are the Uganda Agency for Development Limited (UGAFODE) and Opportunity Bank, both of which have set up a branch in the Nakivale refugee settlement in the Southwest. Another actor is Kiva, an international NGO, which partners with banks to finance refugee loans (group, individual, and small enterprise loan products) to help de-risk the loan portfolio of the bank.

A significant percentage of those who do not yet possess a bank account reported willingness to open one. In the Southwest, both refugee (41 percent) and host community respondents (39 percent) are willing to open bank accounts. In West Nile, 36 percent of host community respondents are willing to open a bank account; however, fewer refugee respondents (18 percent) are willing to do so. Of those who would like to open a bank account, the majority of both hosts

and refugees prefer Centenary Bank (57 percent), followed by PostBank (12 percent), and then Equity Bank (8 percent). Respondents mostly cited Centenary Bank’s accessibility and popularity in the area, as well as low account charges and low credit interest rates.

4.2.2 Access to credit

Borrowing is mostly informal among both refugees and hosts. Host communities and refugees mainly rely on VSLAs—community savings groups that allow members to receive interest on savings and access microloans. Just over a third of respondents in both regions claim to have borrowed from this source in the previous 12 months. A third of respondents also borrowed from family and friends. Borrowing from shopkeepers, such as buying goods on credit, is also common in both regions. Borrowing from banks or mobile money services

is very uncommon, as seen in Figure 4.6. Only 2 percent of respondents had borrowed from a bank in the previous 12 months. Once registered for a mobile money service, refugees and host communities can access digital loan products, such as Airtel Wewole and MTN MoKash. With the latter, users can borrow from 3,000 to 1 million Ugandan shillings (\$1 to \$267) at a facilitation fee of 9 percent.³⁴ However, the use of this service appears very low, possibly due to lack of awareness or preference for informal borrowing (see Figure 4.6).

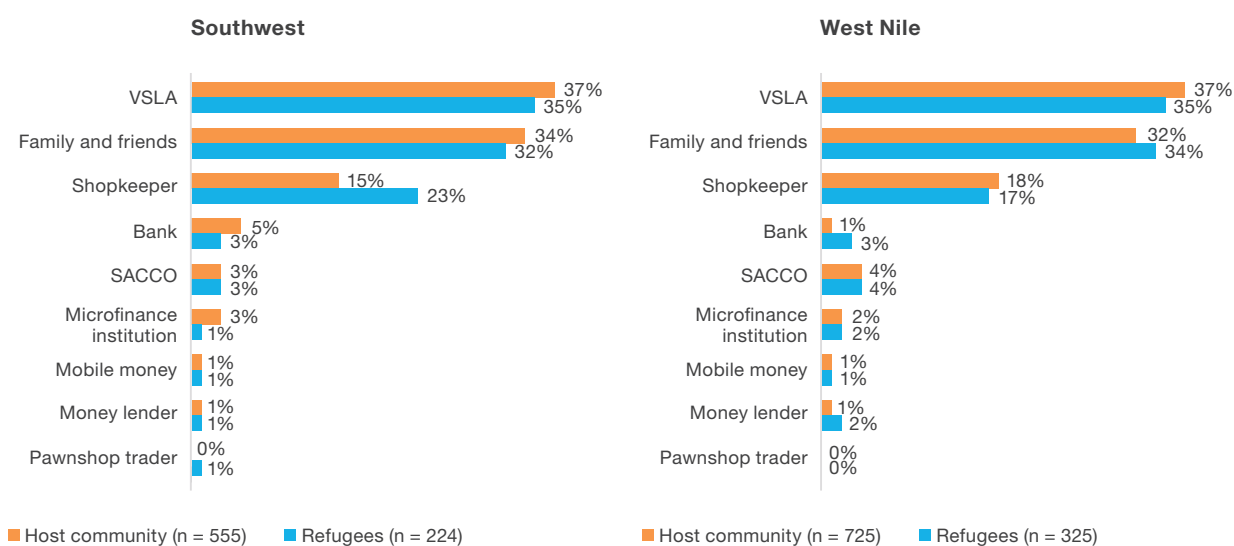
Loan collateral requirements influence the choice of financial service mechanisms. Lending prerequisites are cumbersome at commercial banks and microfinance institutions, according to an interview with YIDA, a refugee-led microfinance organization in the Kyaka II refugee settlement. Formal financial institutions (such as banks, SACCOs, and microfinance institutions) typically require collateral. As most of the land in refugee settlements is owned by OPM, the valuation of collateral is that of the buildings (refugee shelters) on the OPM-provided land rather than that of the land and the buildings. Valuation of semi-permanent housing structures only allows refugees to borrow smaller amounts of credit. Other prerequisites for borrowing include finan-

cial cards³⁵ from the Bank of Uganda at a cost of \$9.50 (35,000 Ugandan shillings), costs associated with opening a bank account: \$2.70 (10,000 Ugandan shillings), and an initial deposit of \$27 (100,000 Ugandan shillings) before qualifying for a loan.³⁶

4.2.3 Saving mechanisms

Host communities and refugees use traditional methods of saving—most use VSLAs or save cash at home. VSLAs are the most common way to save and are especially popular with women. People join VSLAs to save for establishing or expanding business ventures, have coverage for emergencies, and take out microloans. Saving with financial institutions is uncommon. In West Nile, only 4 percent do so (1 percent of refugees and 5 percent of the host community). In the Southwest, 6 percent do so (2 percent of refugees and 7 percent of the host community), despite higher ownership of bank accounts there. According to focus group discussions with saving groups, VSLAs themselves do not normally deposit their funds with financial institutions; instead, they often store money in boxes, protected by padlocks. While mobile money services are widely used in both regions, transfer charges and occasional unavailability of agents

Figure 4.6: Sources of loans in the past 12 months
Which of the following sources have you borrowed from in the last 12 months?

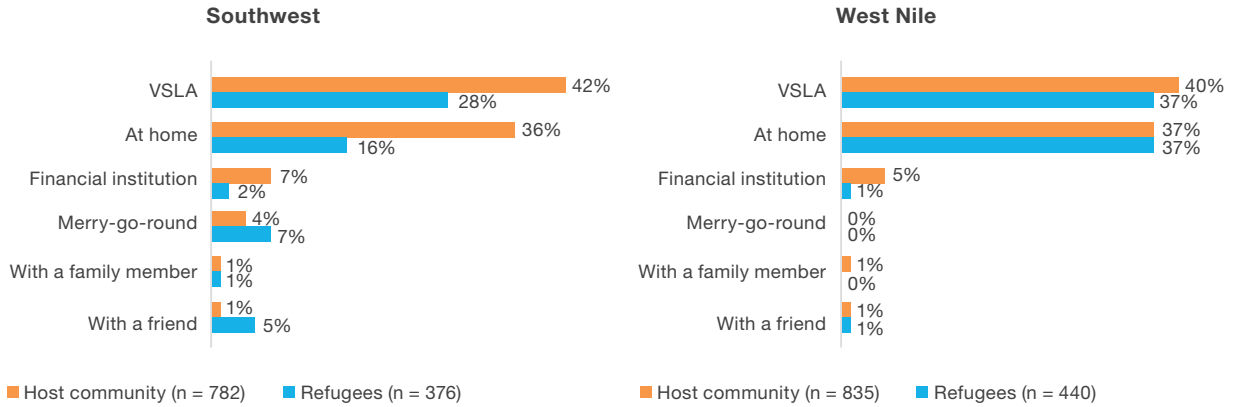


³⁴ Source: MTN Uganda website.

³⁵ In Uganda, all borrowers need to register and obtain a financial card.

³⁶ Source: Key informant interviews with Opportunity Bank and UGAFODE in the Nakivale refugee settlement.

Figure 4.7: Saving mechanisms used
Over the past 12 months, which of the following have you used to store or save money for more than one day?

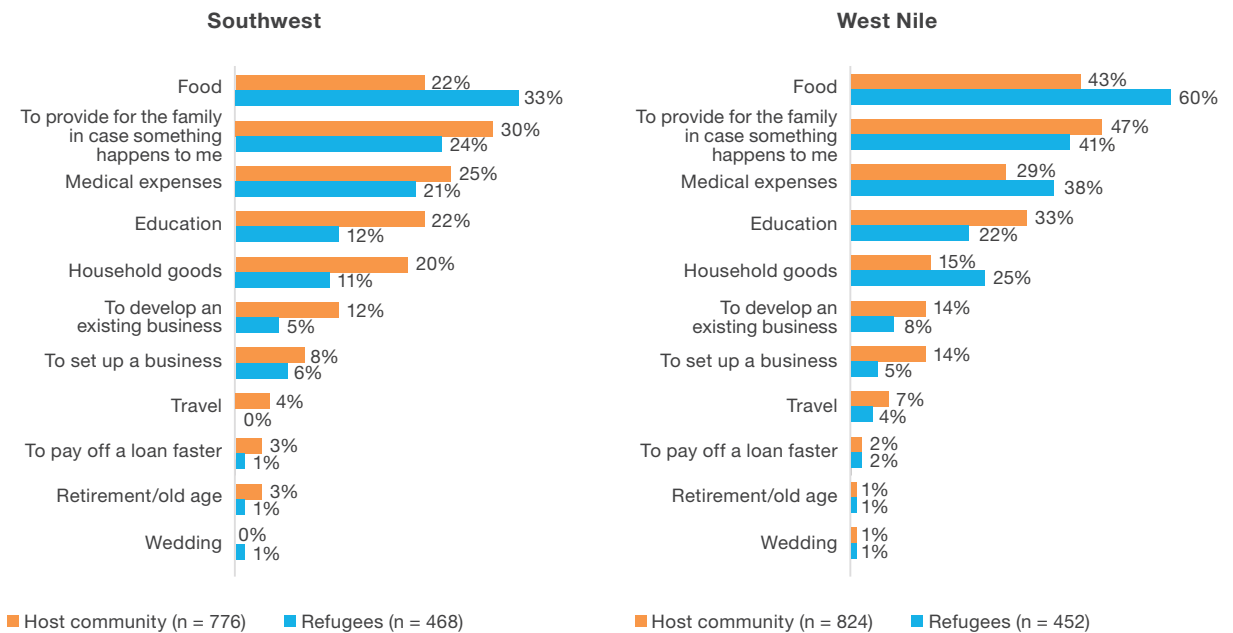


in refugee settlements have been mentioned in focus group discussions as reasons for not using mobile money for group savings. Finally, merry-go-rounds are also used in the Southwest. These are community savings groups, primarily aimed at entrepreneurs, that collect money from members and give the total amount to one member on a rotational basis.

goods, emergencies, medical expenses, and education. Refugees are more likely to save for food than host communities are—a third of refugees in the Southwest (22 percent of host communities) and 60 percent of refugees in West Nile (43 percent of host communities) do so. Host communities are more likely than refugees to be saving for longer-term needs, such as education, setting up a new business, or expanding an existing one (see Figure 4.8).

Refugees and host communities save for the same main needs: buying food or household

Figure 4.8: Reasons for saving
Over the last 12 months, what have you been saving for?

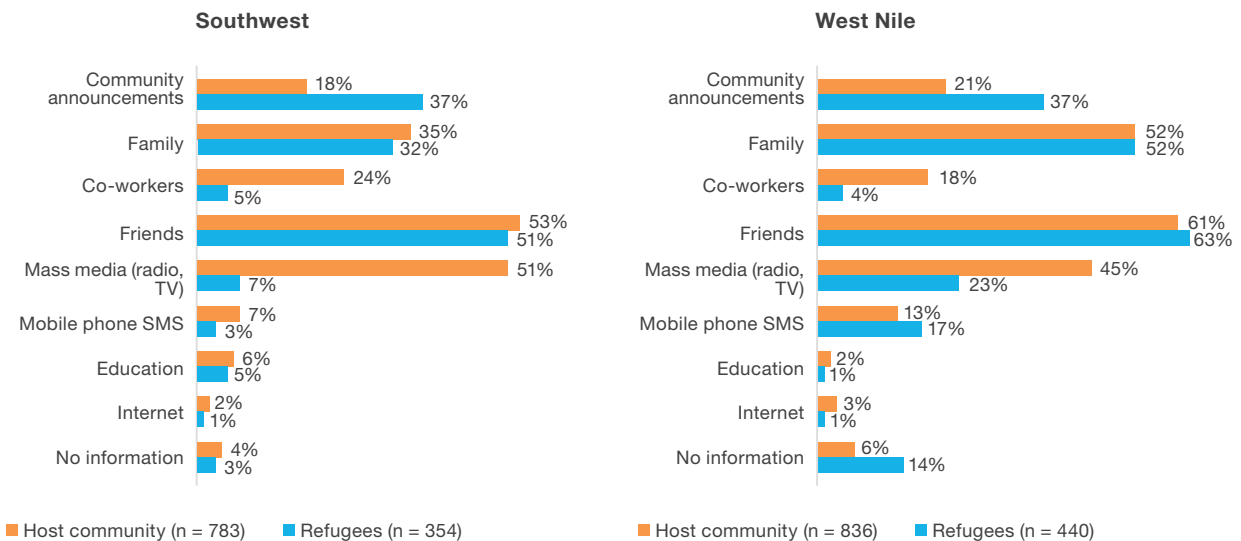


4.2.4 Sources of information on financial matters

Refugees and host community members mainly learn about financial matters from their family or friends and community announcements. Refugees and hosts use similar sources for information on financial matters, mainly based on communication with their peers or community announcements. A large share of host community members—51 percent in the Southwest and 45 percent in West Nile—also learn about financial matters from mass media (radio and television). By contrast, refugees use the mass media much less, especially in the Southwest—7 percent report doing so in that region, against 23 percent in West Nile. Mobile-based communication on financial matters appears to be more prevalent in West Nile (see Figure 4.9). Given that both communities seem to receive information primarily from their peers, financial institutions could reach new customers by engaging with community groups (especially savings groups) to market their services.

Refugees and host community members mainly learn about financial matters from their family or friends and community announcements. Refugees and hosts use similar sources for information on financial matters, mainly based on communication with their peers or community announcements.

Figure 4.9: Sources of information on financial matters
What are your sources of information on financial matters?





5. Household Consumption Expenditure in the Southwest and West Nile

5.1 Household consumption expenditure overview

The expected market size—measured as total annual household consumption expenditure—of the two regions is estimated at \$485 million (1.1 million households). The refugee-hosting districts in West Nile account for \$246 million (51 percent), which is largely driven by the host community’s spending, at \$201 million annually. The refugee-hosting districts in the Southwest contribute \$239 million annually (49 percent) to the total.³⁷ The market size is slightly larger in West Nile than in the Southwest because of the larger population size in the refugee-hosting districts of the former (588,000 versus 514,000 households).

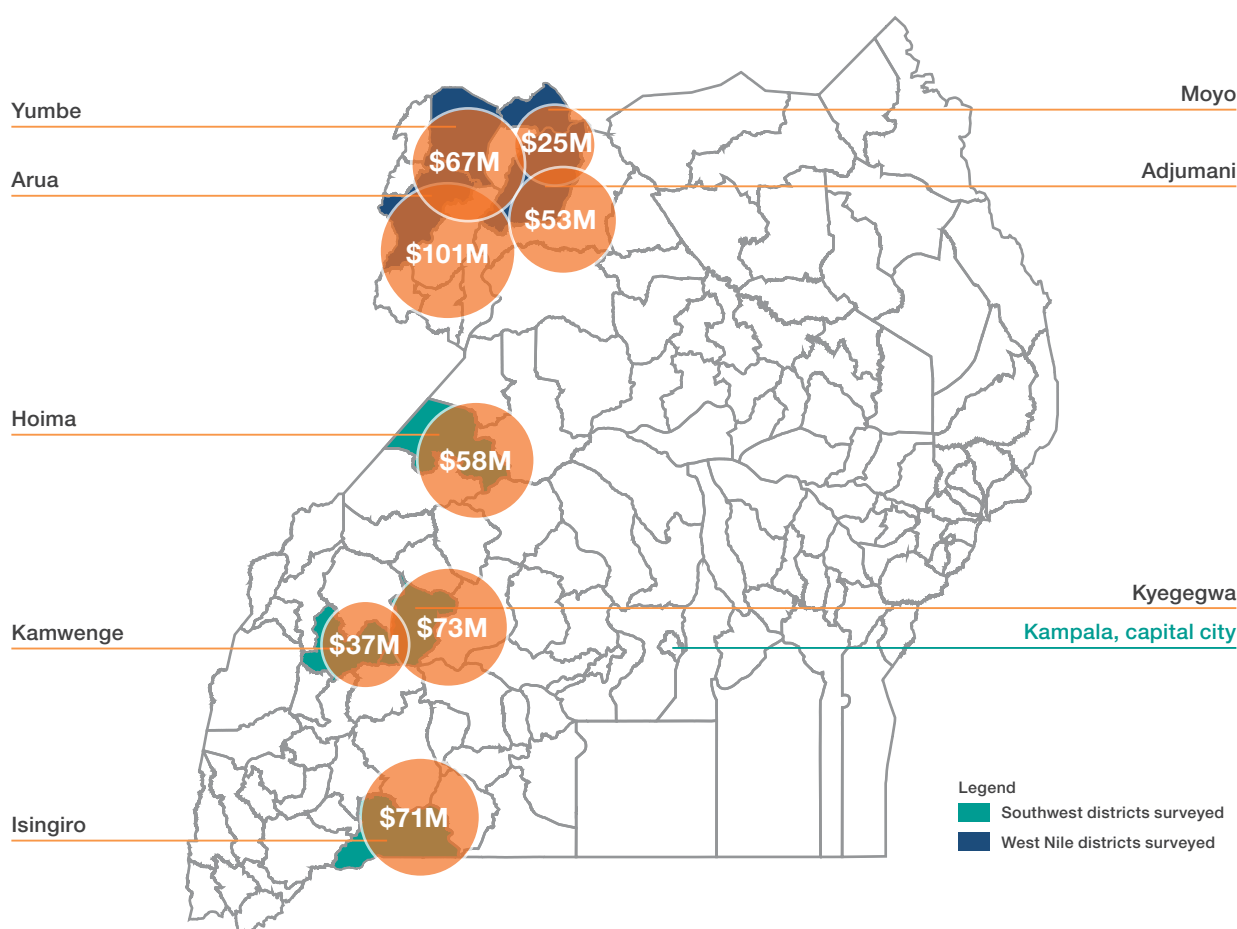
The market size of the host community is larger than that of refugees because of the larger population size and higher average monthly household expenditure (\$38 versus \$33). In the Southwest, the market size of the host community is twice that of refugees (\$165 million versus \$74 million). The market size of the West Nile host community, on the other hand, is more than four times that of refugees in

the same region (\$201 million versus \$45 million), as shown in Figure 5.5. The Southwest also has a higher monthly household expenditure overall than West Nile (\$39 versus \$35). The contrast between refugee households in the two regions is evident: in the Southwest, their average monthly household expenditure reaches \$43, compared to \$24 in West Nile (possibly because many West Nile refugees receive food rations as opposed to cash transfers).

The Kyegegwa and Isingiro districts are the largest markets in the Southwest, whereas Arua and Yumbe are the largest ones in West Nile. Arua (253,630 households) and Yumbe (190,206 households) have the largest populations in West Nile, and total annual household consumption expenditure is estimated at \$101 million and \$67 million respectively. However, Adjumani (West Nile) has the largest expenditure per household: \$54 monthly, versus just \$33 in Arua and \$29 in Yumbe. In the Southwest, total annual household expenditure is highest in Kyegegwa (\$73 million), as is average monthly household expenditure (\$44), followed by Hoima (\$58 million in total and \$41 average monthly figure).

³⁷ Estimates for consumption expenditure in the Southwest and West Nile refer to the surveyed refugee-hosting districts only (see Methodology section for more details).

Figure 5.1: Market sizes of the surveyed districts



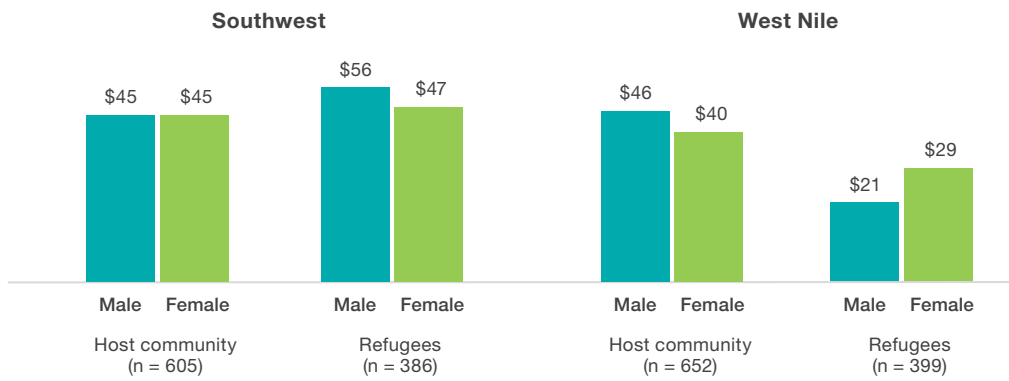
A few socio-demographic characteristics appear to affect consumption patterns. While there are no significant differences with respect to gender in the host communities, female-headed households in Southwest refugee settlements spend less than male-headed households (\$47 versus \$56) whereas West Nile male-headed households spend less than female-headed ones (\$21 versus \$29).³⁸ Differences can also be observed between nationalities: Somali refugees spend relatively more monthly than refugees from other countries (\$68), while South Sudanese spend the least (\$27), with the host community spending an average of \$44 monthly (see Figures 5.2 and 5.3).

The pandemic had a more pronounced impact on consumption expenditure in the Southwest (with a drop of 16 percent) than in West Nile (with a drop of 10 percent). In the Southwest, household expenditure dropped by 17 percent since the beginning of the pandemic in refugee settlements and by 15 percent in host communities. In West Nile, host communities saw their consumption expenditure decrease by 12 percent with the pandemic.³⁹ However, West Nile refugee households did not experience a decline in spending, as theirs was already significantly low prior to the pandemic. At the district level, the pandemic had a stronger impact in Kamwenge (27 percent drop), Isingiro (22 percent drop), and Arua (19 percent drop).

³⁸ Statistical significance tests were conducted for gender-related differences.

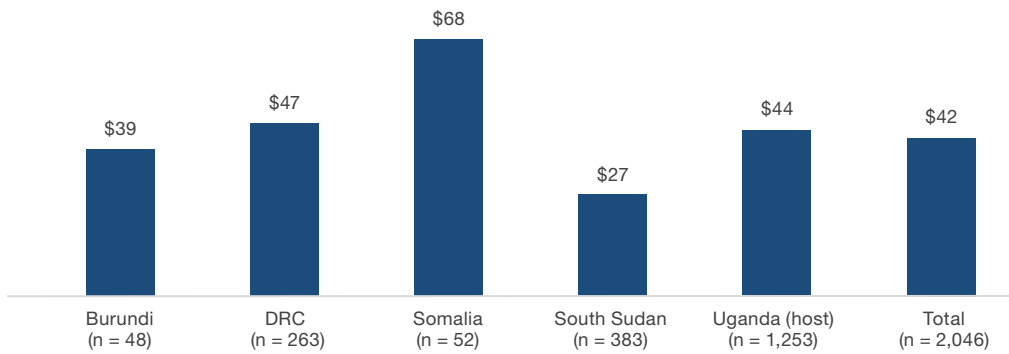
³⁹ The percentage decrease was calculated based on the following questions: "How much did your household spend per month on average before the pandemic?" and "How much did your household spend last month?"

Figure 5.2: Average monthly household expenditure by gender⁴⁰



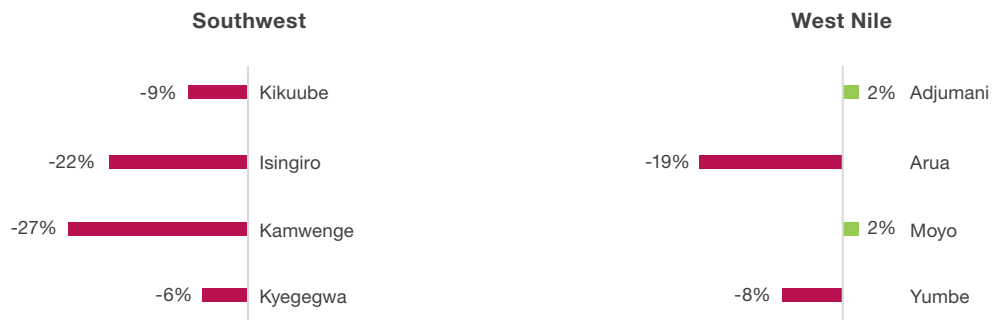
Gender: There is little difference in spending between female- and male-headed households in the host communities, while refugee households present regional differences.

Figure 5.3: Average monthly household expenditure by nationality



Nationality spending: Somali refugees spend the most, while South Sudanese spend the least.⁴¹

Figure 5.4: Impact of COVID-19 on expenditure



⁴⁰ The gender and nationality spending analysis was conducted on a subsample of household heads making up 81 percent of the sample.

⁴¹ The sample of Ethiopians, Rwandans, and Sudanese is too limited to draw conclusions.

Total annual household consumption expenditure in selected refugee-hosting areas



Total annual household expenditure pre-COVID-19

\$557 MILLION



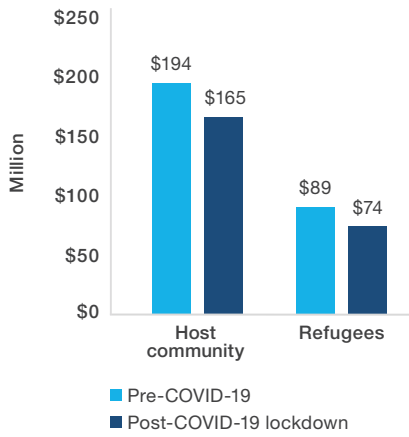
Total annual household expenditure post-COVID-19 lockdown

\$485 MILLION

Figure 5.5a: Annual household expenditure in the Southwest

Southwest

TOTAL ANNUAL HOUSEHOLD EXPENDITURE



DISTRICT CONTRIBUTION TO TOTAL ANNUAL HOUSEHOLD EXPENDITURE

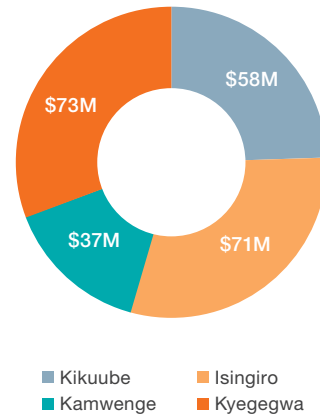
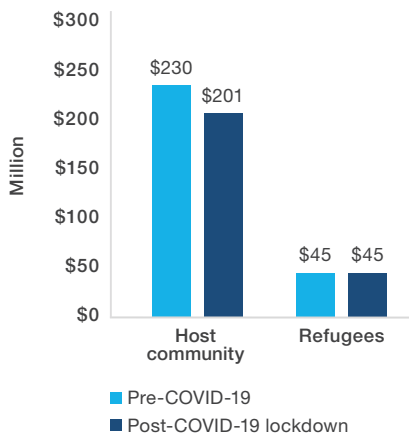


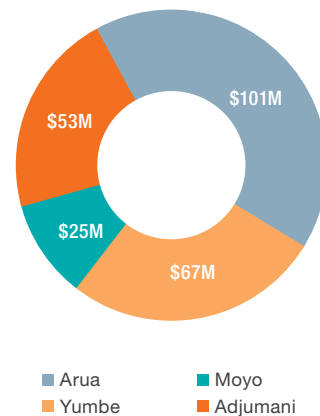
Figure 5.5b: Annual household expenditure in West Nile

West Nile

TOTAL ANNUAL HOUSEHOLD EXPENDITURE



DISTRICT CONTRIBUTION TO TOTAL ANNUAL HOUSEHOLD EXPENDITURE



5.2 Breakdown of household consumption expenditure

Consumer goods dominate household spending in both regions, representing 59 percent of the total expenditure (\$286 million). Within consumer goods, food and beverages account for 45 percent of the total expenditure, home and personal care for 6 percent, clothing for 5 percent, alcoholic drinks for 2 percent, and lighting for 1 percent. Non-consumer goods represent a market of \$199 million and include, as shares of total expenditure, education (12 percent), transportation (5 percent), airtime/Internet (4 percent), housing (1 percent), and entertainment (0.2 percent).

The pandemic had a more pronounced impact on the consumption of services than on expenditure on consumer goods. Average monthly household expenditure on non-consumer goods (housing and services) decreased by 30 percent, from \$21 before the lockdown to \$15 after the lockdown. This was largely driven by a reduction in education expenditure due to schools' closure during the data collection period. Monthly expenditure on consumer goods increased by 17 percent, from \$18 to \$21, in West Nile because of an increase in prices of essential consumer goods during the lockdown period. The average monthly household consumption expenditure on consumer and non-consumer goods is indicated in Figure 5.6.

When measured as a percentage of the population, refugees and host communities regularly spend money on home and personal care items, health, airtime, transportation, and education. Ninety-three percent of all households buy food and non-alcoholic beverages every month. Among non-food expense categories, 64 percent of households regularly buy home and personal care items (with a higher percentage in host communities); 64 percent also regularly spend money on health (with a higher percentage among refugees) and airtime (particularly hosts). About a quarter of households regularly spend money on education and transportation. It is relatively rare to spend money on rent, as most refugees and hosts live in their own houses. Spending money on alcoholic drinks and entertainment is particularly uncommon among refugees.

When measured as a percentage of the population, refugees and host communities regularly spend money on home and personal care items, health, airtime, transportation, and education.

Figure 5.6: Expenditure on consumer goods and other categories
On average, how much did your household spend per month before the COVID-19 outbreak?
How much did your household spend last month?

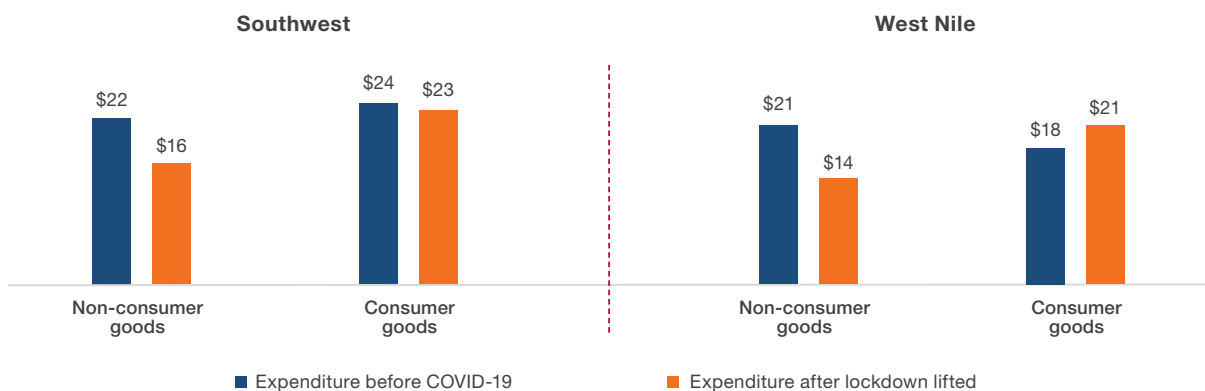
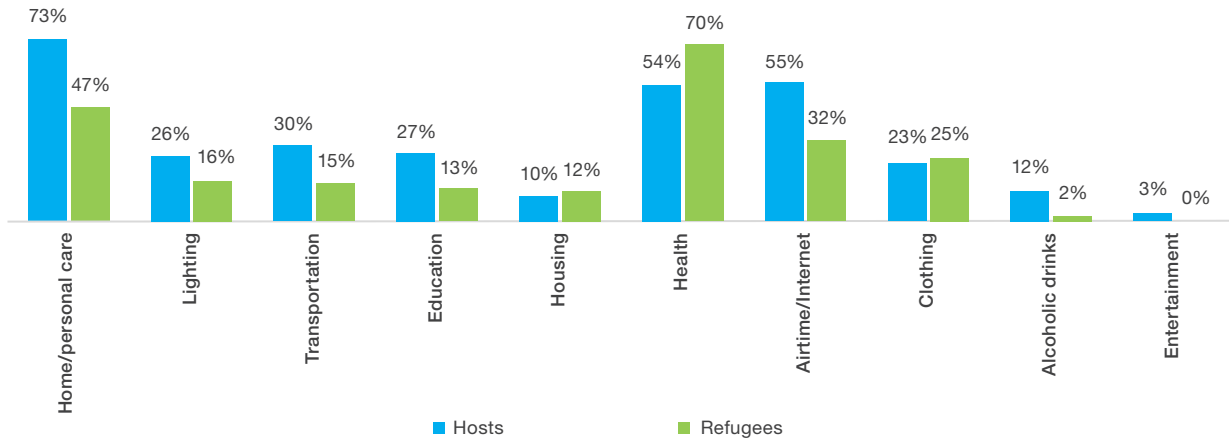


Figure 5.7: Percentage of population that spends on a particular category
Which of the following categories does your household spend on monthly?



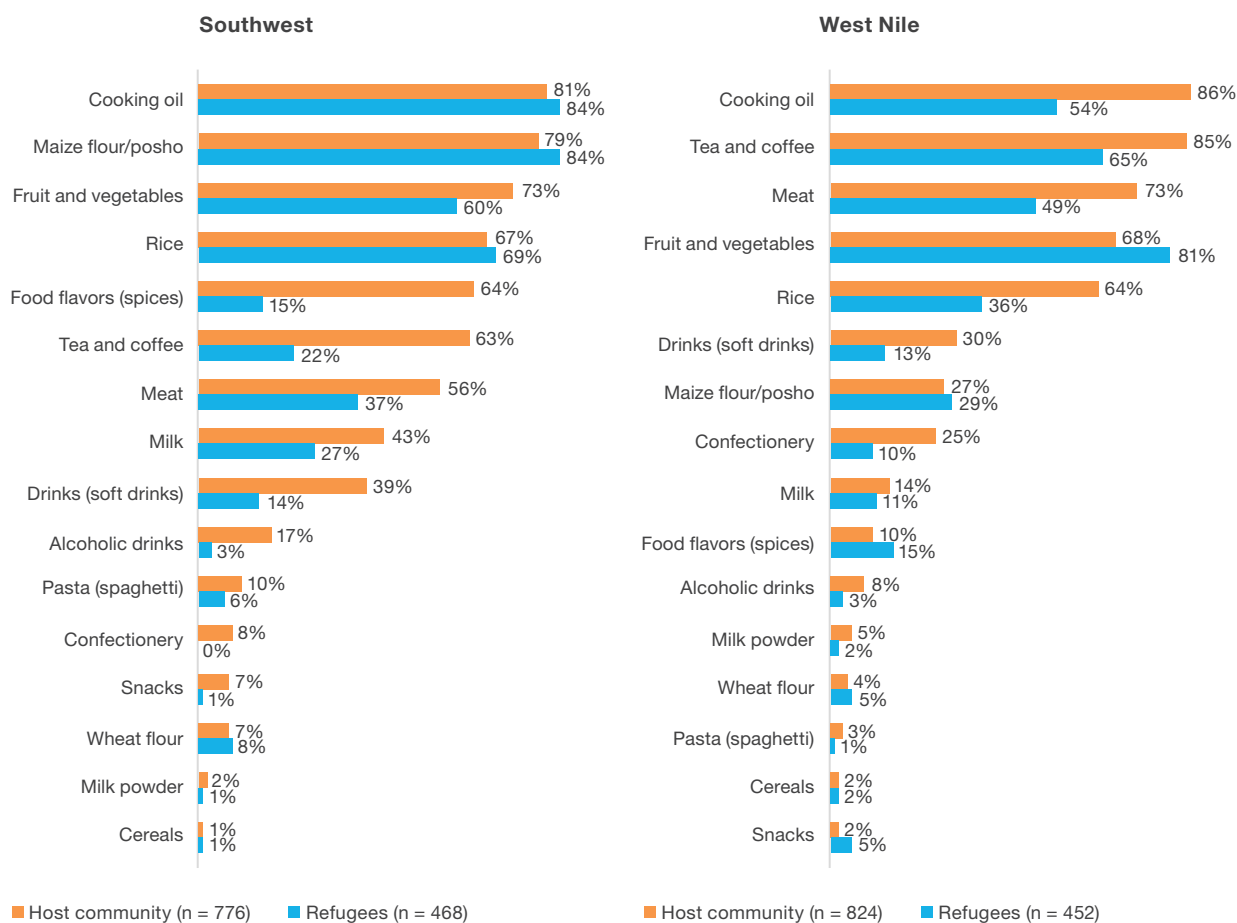
5.3 Food and beverages

5.3.1 Most purchased foods and beverages

Cooking oil, fruits and vegetables, rice, and meat are in the top five purchased items in both regions. In the Southwest, there are no significant differences in the consumption of foods and beverages between refugees and the host community for the top three purchased items (cooking oil, maize flour, and rice), but host communities are more likely to consume meat, spices, tea or coffee, and milk than refugees. In West Nile, host communities are more likely than refugees to buy tea and coffee (85 percent versus 65 percent), cooking oil (86 percent versus 54 percent), meat (73 percent versus 49 percent), and rice (64 percent versus 36 percent).

While overall consumption patterns are similar across both regions, two items stand out among the top purchases: maize flour/posho in the Southwest, and tea and coffee in West Nile. Evidence from focus group discussions indicates that Southwest refugees have mostly transitioned to cash aid, which they use to buy food (mainly maize), while those living in West Nile still receive food, and maize grain is one of the items distributed by the WFP. In addition, rice may be less popular among refugees in West Nile because the South Sudanese majority relies on other grains, such as maize from the WFP. The relatively large share of people buying tea and coffee in West Nile could be related to the South Sudanese culture of drinking tea.

Figure 5.8: Most popular food and beverage categories
Which of the following categories does your household use or buy?



5.3.2 Retail brands' presence in refugee-hosting districts

The most popular cooking oils are Ugandan products. Fortune Butto, a palm oil product of BIDCO, enjoys the highest popularity among refugees and host communities in both regions. This affordable brand is sold in various sachet sizes ranging from 50 ml to 1 liter. In addition, BIDCO has distribution networks from Kampala and district capitals that reach refugee settlements. For example, there is a depot in the Mbarara district from where the product is distributed to the Nakivale refugee settlement. Similarly, Mukwano, Roki, and Sunseed vegetable cooking oils (all Mukwano Industries

products) are popular because Mukwano, like BIDCO, has a distribution network that reaches refugee settlements.

The most bought tea brands are household names in Uganda. Rwenzori Tea is a product of Mukwano, Garden Tea is a product of Eagle Investments, and IGARA Tea is a product of Igara. From focus group discussions in the Kyangwali settlement in the Southwest and Bidibidi in West Nile, refugees' strong knowledge of local brands is attributed to robust distribution networks that bring the tea products from Kampala and district capitals to the refugee settlements and host communities.

Figure 5.9: Most popular cooking oil brands
Which of the following cooking oil brands have you bought in the past four weeks?

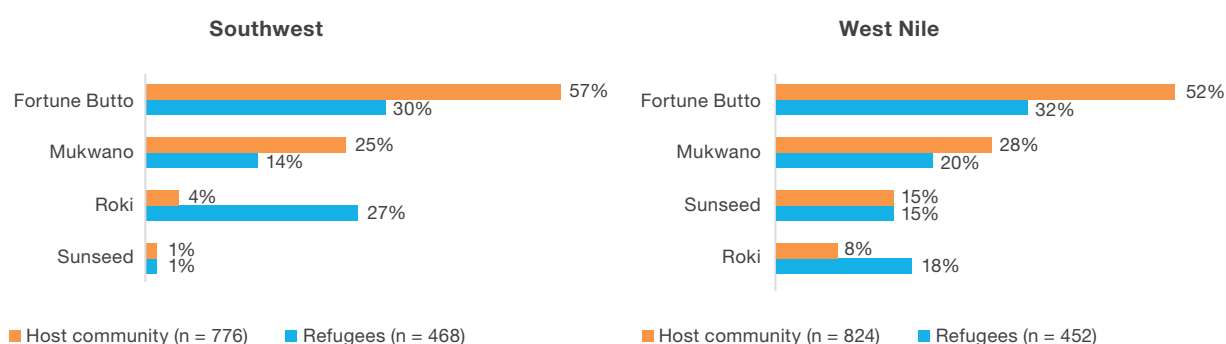


Figure 5.10: Most popular tea brands
Which of the following tea brands have you bought in the past four weeks?

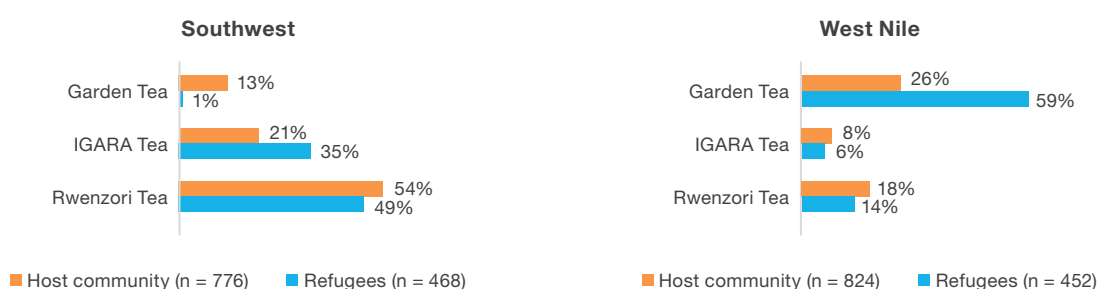


Figure 5.11: Most popular rice brands
Which of the following rice brands have you bought in the past four weeks?

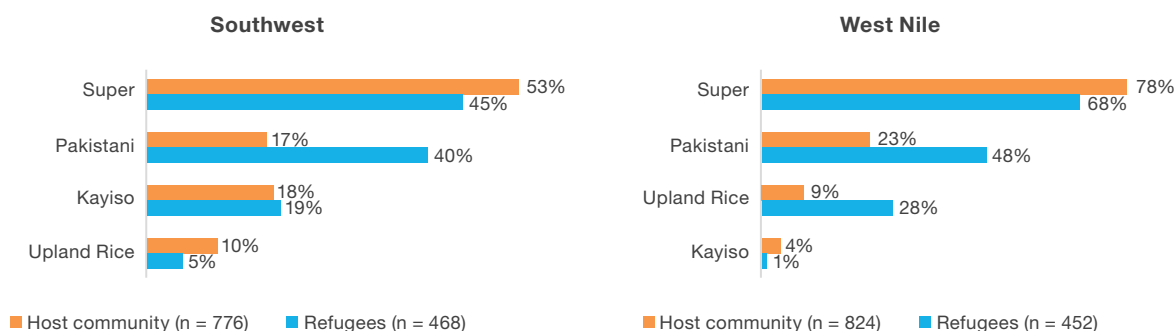
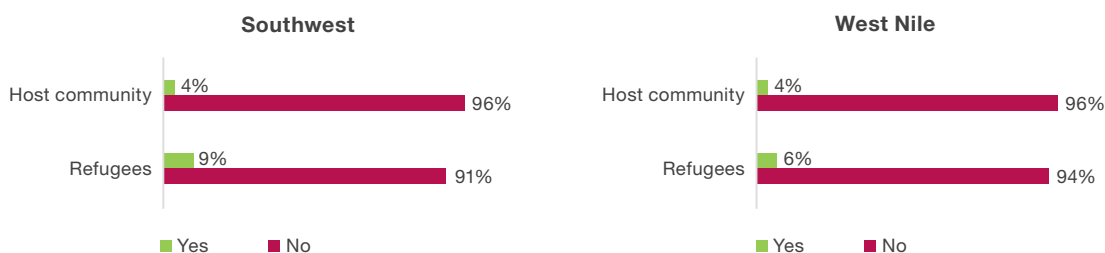


Figure 5.12: Access to foods and beverages
Are there any food and beverage items not available in the settlement/district that you would like to buy?



The most popular rice brands in refugee-hosting areas are also household names in Uganda. In both regions, Super and Pakistani are the most popular rice brands, followed by Kayiso in the Southwest and Upland Rice in West Nile. Focus group discussions also highlighted the robustness of rice brands’ distribution networks from Kampala and district towns to refugee settlements.

5.3.3 Availability of foods and beverages

The majority of refugees (94 percent in the Southwest and 92 percent in West Nile) and host communities (96 percent in the Southwest and 96 percent in West Nile) said that they can access most of the foods and beverages they need, as shown in Figure 5.12. Some items reported as not available in some settlements or

host community areas include certain fruits and vegetables (apples, avocados, watermelons, and carrots), Irish potatoes, fish, and milk.

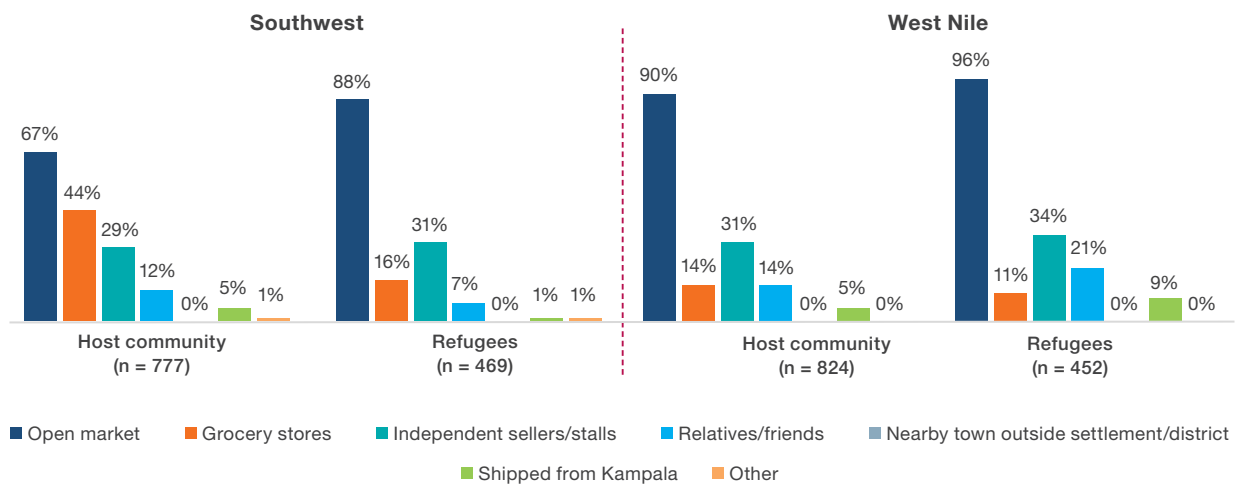
5.3.4 Channels through which households purchase food items

Refugees and the host community mainly buy the food items that they consume from open markets, followed by independent sellers and grocery stores,⁴² as shown in Figure 5.13. Overall, refugees and host community members purchase consumed items in the same places, although refugees in the Southwest are more likely to shop from independent sellers/stalls (31 percent) than at grocery stores (16 percent), while the host community prefers grocery stores (44 percent) to independent sellers/stalls (29 percent).

⁴² Open markets are held weekly and attract traders from the host community and beyond. A grocery store is a typical small shop with permanent structures selling general merchandise and non-perishables. An independent seller/stall is a makeshift structure that mostly sells perishable and small-value items.



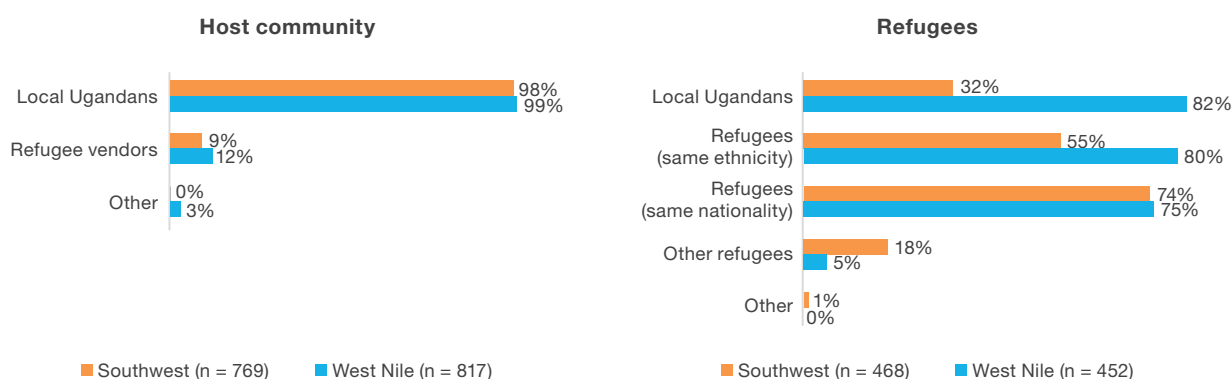
Figure 5.13: Popular venues for buying food items
Where do you most often shop for food?



Host community members mostly purchase consumer goods from fellow local sellers; however, some purchase from refugee vendors too. While almost all host community respondents buy from Ugandan businesses, a relatively sizeable portion of the host community (9 percent in the Southwest and 12 percent in West Nile) also purchase from refugee vendors. Three-quarters of refugees buy from refugee vendors, while there are regional differences with regards to buying

from Ugandan vendors—82 percent of refugees in West Nile shop at Ugandan businesses, but only a third do so in the Southwest. In refugee settlements, respondents are more likely to buy food items from refugees with whom they share a nationality, as shown in Figure 5.14. West Nile refugees likely do not purchase goods from vendors of a different nationality because of the homogeneous setup of their settlements, which mainly host South Sudanese.

Figure 5.14: Nationality of vendors of food items
Who are your typical vendors?



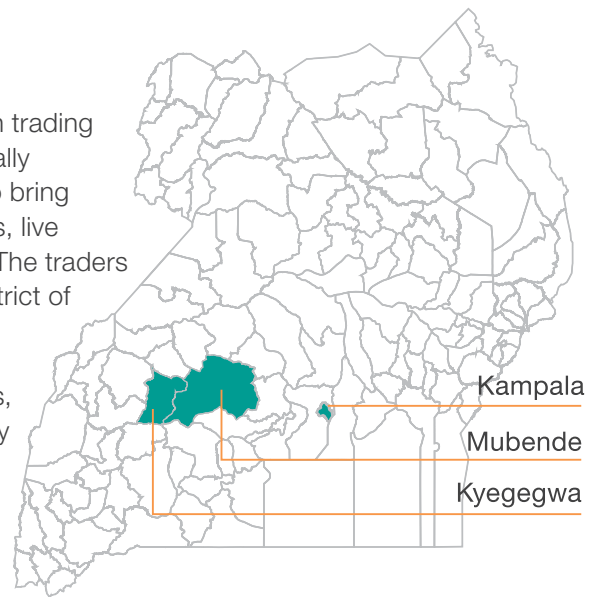
Case Study: Bukere Market, Kyaka II Refugee Settlement

The household survey showed that open markets are the most common venue for refugees and host communities to obtain food, beverages, and home and personal care items. The purpose of this case study is to give insight into market activity by looking at one of the weekly open markets. The case study is based on key informant interviews with the Youth Initiative for Development in Africa (YIDA) in the Kyaka II refugee settlement in the Kyegegwa district in the Southwest, as well as anecdotal insights from households. It focuses on people that participate in the markets and the nature of commodities traded.

Traders come from outside the refugee settlement

The open market takes place in Bukere, the main trading center in the Kyaka II refugee settlement. It typically attracts traders from outside the settlement, who bring items such as electronics, textiles, solar products, live animals, hardware, mattresses, and food items. The traders come from the Kyegegwa district, the nearby district of Mubende, and Kampala.

Live animals brought in include cows, goats, pigs, chickens, and ducks. Goats and cows are usually purchased for slaughter, while chickens, ducks, and pigs are usually purchased for rearing. Frozen fish (transported in cold storage trucks) are brought in by traders from Mubende.



Wholesale distributors

On a market day, up to four large trucks can be observed offloading items at large wholesaler outlets. Some of the items that these distributors bring include soft drinks, alcoholic drinks (particularly beer), salt, cooking oil, soap, and flour.

Participation by women

Women traders are also active at the market, especially in fish trading. Fish traders usually travel outside the settlement to buy smoked fish in bulk for sale at the market.

Other items that women sell include vegetables such as tomatoes, onions, and white cabbages. These are typically sourced from backyard gardens in the settlement and host community.



5.4 Non-food items

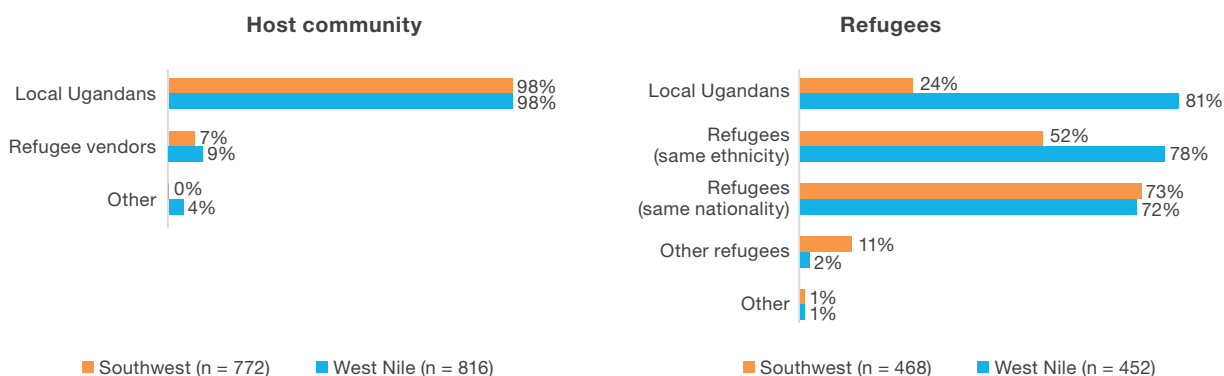
5.4.1 Popular home and personal care brands

The most popular brand among home and personal care items in both the Southwest and West Nile is Radiant (with about half of refugee and host respondents buying it in the four weeks before the survey), by Ugandan company Movit Products, which manufactures and distributes body and hair care products (such as soaps, lotions, creams, and jellies). Toothpaste brands (Colgate in the Southwest and Fresh-up in West Nile) and sanitary pads (Always) come next.

5.4.2 Channels through which households purchase home and personal care items

As with food items, respondents mostly buy non-food items from open markets and independent stalls/stores. Refugees in the Southwest are more likely to purchase home and personal care items from refugees of their nationality (73 percent) than from local Ugandans (24 percent). However, in West Nile, most refugees buy these items from local Ugandans (81 percent), followed by refugees of their ethnicity (78 percent). Almost all refugees and host community members in both regions have access to the home and personal care items that they need (as mentioned by 98 percent of respondents).

Figure 5.15: Typical vendors of home and personal care items
Who are your typical vendors?



5.5 Energy expenditure

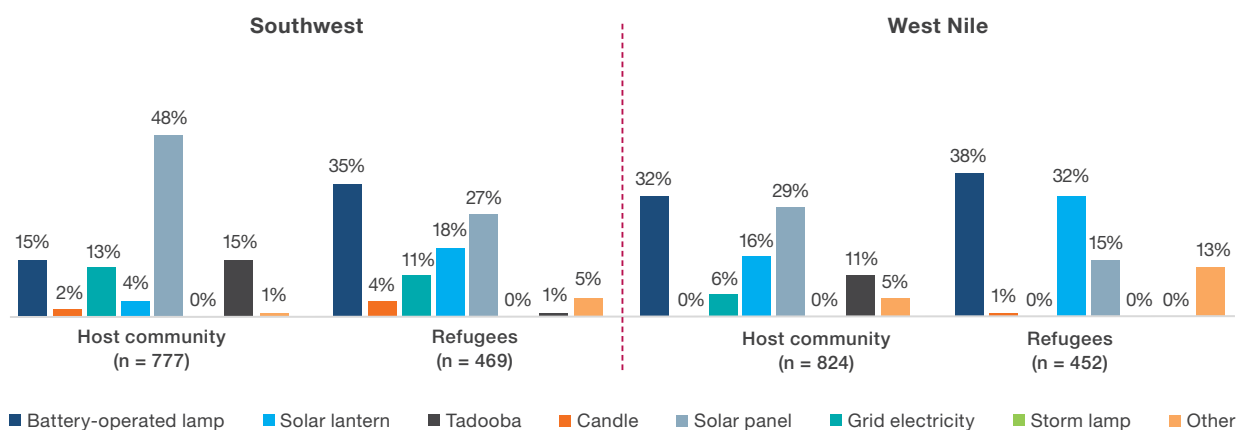
Solar home systems and battery-operated torches are the main sources of lighting in the Southwest and West Nile respectively. National grid connection is mostly present in major towns in host community areas and settlement base camps. In West Nile, access to the grid is particularly low—at 6 percent in the host community and non-existent among refugee households. The limited access to electricity⁴³ is driving the adoption of off-grid solutions, mostly solar home systems, solar lanterns, and dry cell battery-operated lamps. Refugees are significantly more likely to own a solar lantern than the host community, while the reverse is true with respect to solar home systems. The high prevalence of solar lanterns among refugees can be explained by the free distribution of these products by UNHCR and partners. Better penetration of solar home systems in the Southwest could be an indicator of better availability of this product and higher household purchasing power. Open wick lamps (*tadooba*) are mainly used in the host community.

In refugee-hosting areas in Uganda, firewood and charcoal are the main energy sources for cooking among both refugees and host communities. Another IFC-commissioned study focusing on energy access in rural Ugandan refugee-hosting areas (excluding Kampala) found that firewood is used by 80 percent of host households and 67 percent of refugee households, who primarily collect it on their own.

A third of refugee households and 18 percent of host community households also use charcoal. It is more common for households to buy charcoal than to produce it, and refugees are more likely to buy charcoal because of restricted access to forests for firewood collection. Less than 1 percent of households in rural refugee-hosting areas use liquefied petroleum gas.⁴⁴

Willingness to pay for better access to energy for lighting is high among refugees and host communities. Host communities (overall, 59 percent) are more willing than refugees (45 percent) to pay for improved energy. Furthermore, more than half of prospective consumers are willing to pay more for costly solar home systems compared to solar lanterns, as solar home systems generally provide better value for money due to better durability and capacity. Besides providing lighting, solar home systems can power multiple electronic devices at the same time. In West Nile, refugees are especially interested in acquiring solar lanterns (with about two-thirds reporting their willingness to pay), which may be based on their experience or awareness of this product (a third of refugees in West Nile possess a solar lantern, as seen earlier). Similarly, willingness to pay for access to grid-quality electricity seems low among refugees in West Nile, where there is no access to this source, compared to the Southwest—9 percent were willing to do so in West Nile against 52 percent in the Southwest. Willingness to pay for different lighting products by region and population group is shown in Figure 5.17, and by product type in Figure 5.18.

Figure 5.16: Sources of energy for lighting
What is your main source of energy for lighting?



⁴³ Electricity is defined as power distributed through the national grid or a private mini-grid.

⁴⁴ Energy for cooking was not surveyed for this study. The information in this paragraph comes from another report commissioned by IFC: EED Advisory and Centre for Research in Energy and Energy Conservation, Final Report: *Opportunities for Private Sector Engagements in the Refugee-Hosting Areas of Uganda under the Partnership for Improving Prospects*, 2021.

Figure 5.17: Willingness to pay for better access to energy
Would you be willing to pay for improved energy services?

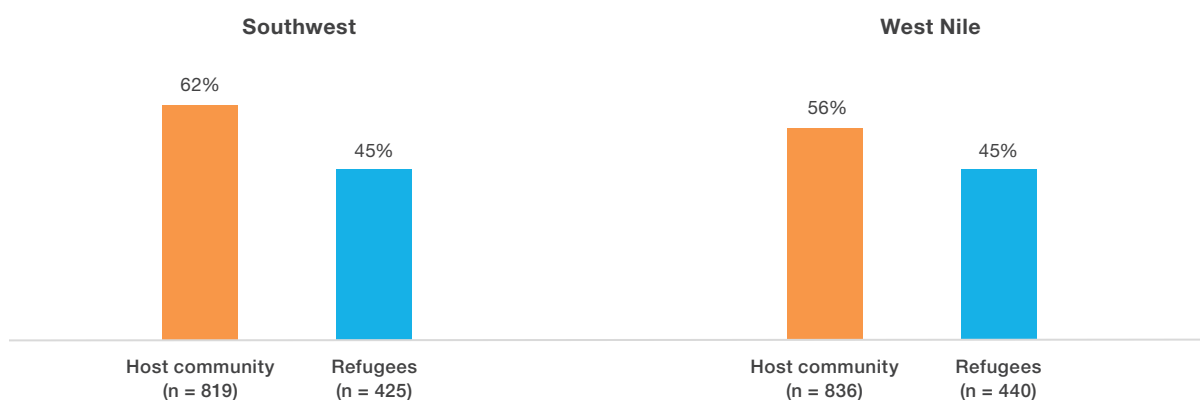
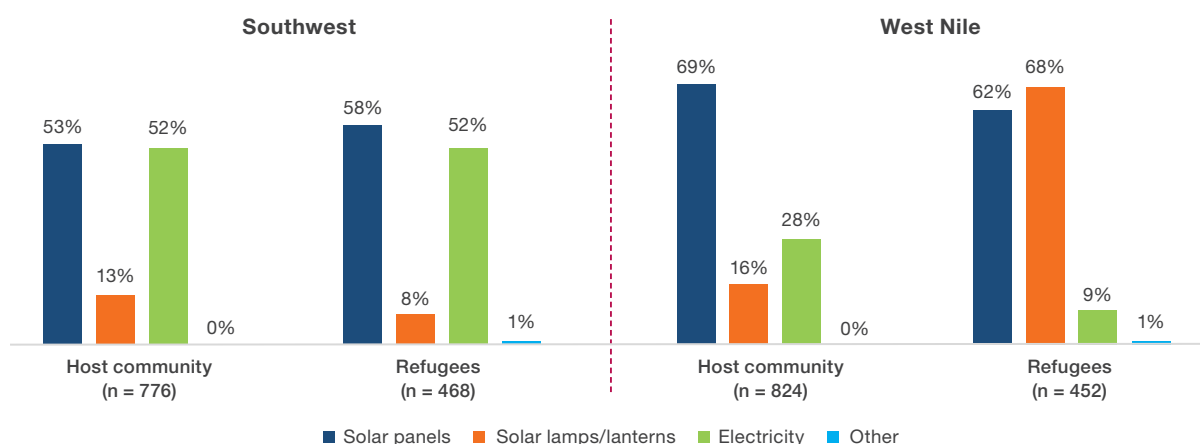


Figure 5.18: Willingness to pay more for specific lighting products
For which products would you be willing to pay more?



5.6 Housing and sanitation

The survey revealed the prevalence of semi-permanent structures, made of substandard materials, which are not long-lasting. Most people in the two regions live in houses that they own. For refugees, housing is often an expense at the time of arrival, when they receive land from the OPM and construct their shelters. In the Southwest, most refugees (74 percent) and many host community households (52 percent) live in houses made of mud and wattle. In West Nile, most houses are made of unburnt bricks (66 percent of refugees and 52 percent of host communities live in such a house).⁴⁵ Just under half of host community households live in improved

housing (made of burnt bricks or cement blocks), compared to only 3 percent of refugees, which can be explained by policies against permanent housing construction in refugee settlements. According to a study conducted by NRC and REACH in refugee settlements across Uganda, refugee shelters tend to be prone to damage and leakage, and some refugees reported that they were not allowed by the OPM/UNHCR to build permanent structures using burnt bricks.⁴⁶

There is a growing market for commercial and residential real estate in refugee-hosting areas, specifically for houses made from burnt bricks.⁴⁷ While most of the refugees and host

⁴⁵ Housing styles in Uganda vary from one region to another for reasons such as availability of materials, income levels, culture, lifestyle, or weather conditions.

⁴⁶ NRC and REACH, *Owned Spaces and Shared Places, Refugee Access to Livelihoods, Housing and Property in Uganda*, September 2019.

⁴⁷ Source: A focus group discussion with savings groups in Kyaka II.

communities live in houses that they own, a market for commercial and residential real estate is emerging, especially close to trading centers. The preference for improved housing is backed by the data on willingness to pay, especially for burnt brick housing. In the Southwest, 38 percent of refugees and 65 percent of the host community are willing to pay for improved housing; in West Nile, 40 percent of refugees and 46 percent of the host community indicated willingness to pay. The vast majority of respondents would like to pay for housing made of burnt bricks, as shown in Figure 5.20.

There is a growing market for commercial and residential real estate in refugee-hosting areas, specifically for houses made from burnt bricks.

Figure 5.19: Quality of housing facilities in refugee-hosting areas
What are the walls of the residence made of?

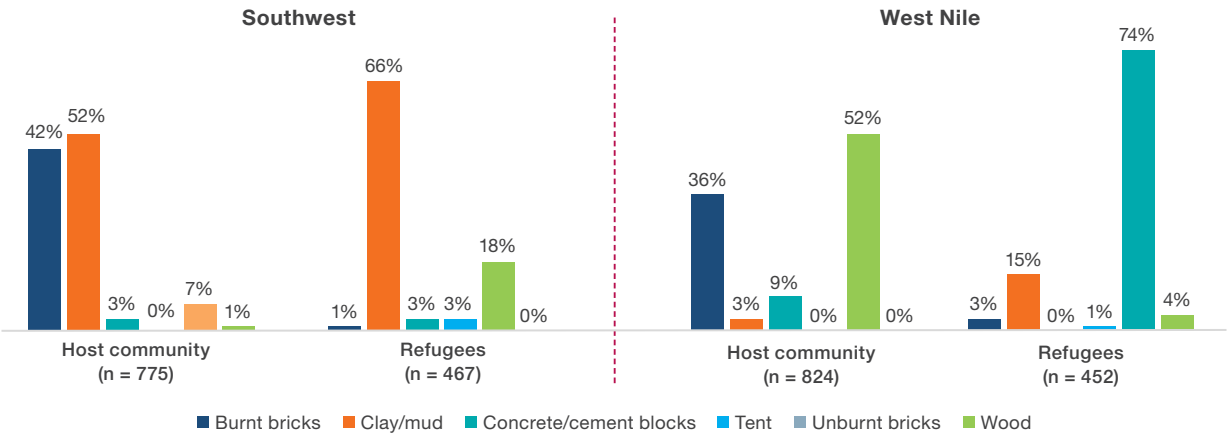
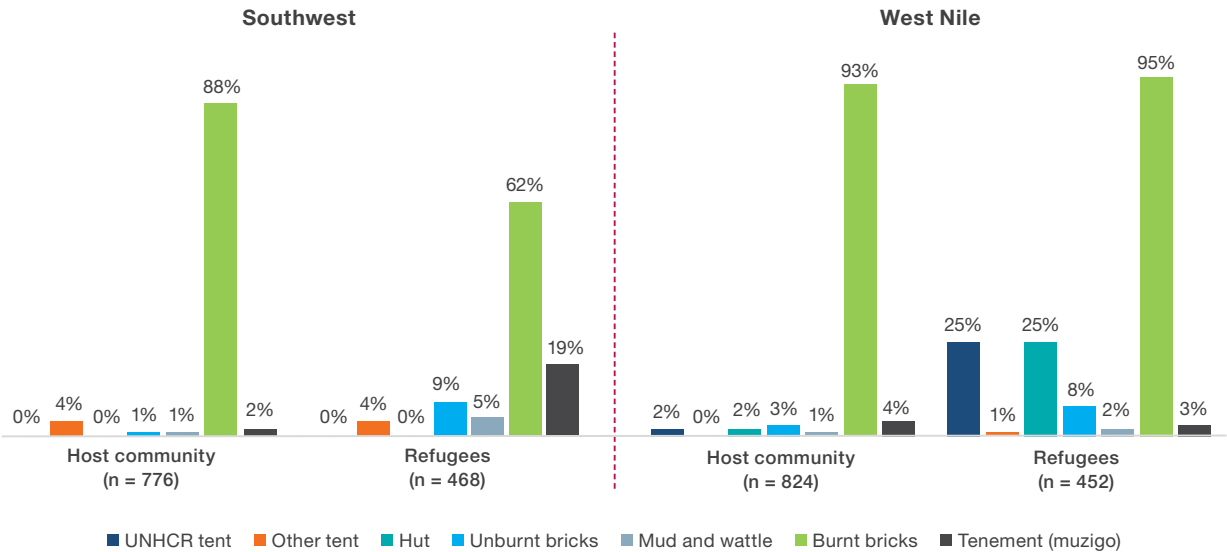


Figure 5.20: Willingness to pay for improved housing types
Which housing improvements are you willing to pay for?



Covered traditional pit latrines without a concrete slab are the most common type of toilet arrangement. The most common latrine has walls made of bricks, wood, or tarpaulin, but without a concrete floor slab, as used by 60 percent of Southwest and 64 percent of West Nile households. The use of water-based toilet systems is limited to just 5 percent of Southwest and 3 percent of West Nile households. A few households with no access to toilet facilities practice open defecation in the bush (8 percent of refugee households and 4 percent of host community households).

Willingness to pay for improved toilet facilities is significant, and is higher in the Southwest than West Nile, and among host communities than refugees. Fifty-six percent of respondents in the Southwest are willing to pay for better toilet facilities. In West Nile, the figure is lower, but still significant, at 39 percent. The Southwest host community has higher willingness (66 percent) than refugees (37 percent), possibly because UNHCR and its partners provide latrines to refugees at no cost. In West Nile, willingness to pay is similar among host and refugee households (40 percent and 37 percent respectively). In the Southwest, there is more willingness to pay for ventilated improved pit latrines, whereas in West Nile the willingness to pay is predominantly for covered traditional pit latrines with a concrete floor slab (see Figure 5.22).

Figure 5.21: Toilet arrangements used by households
What toilet arrangements does your household use?

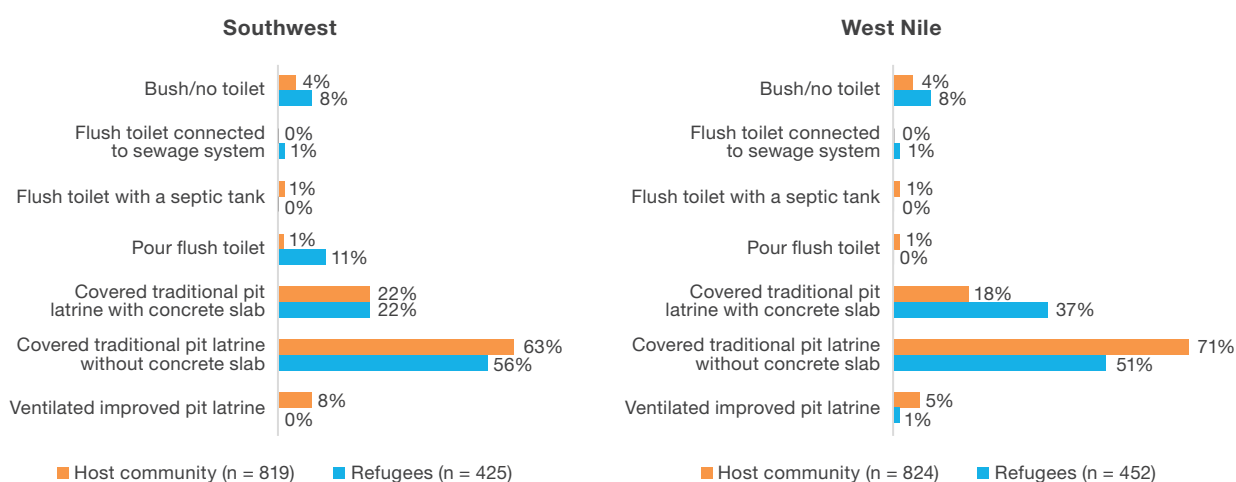
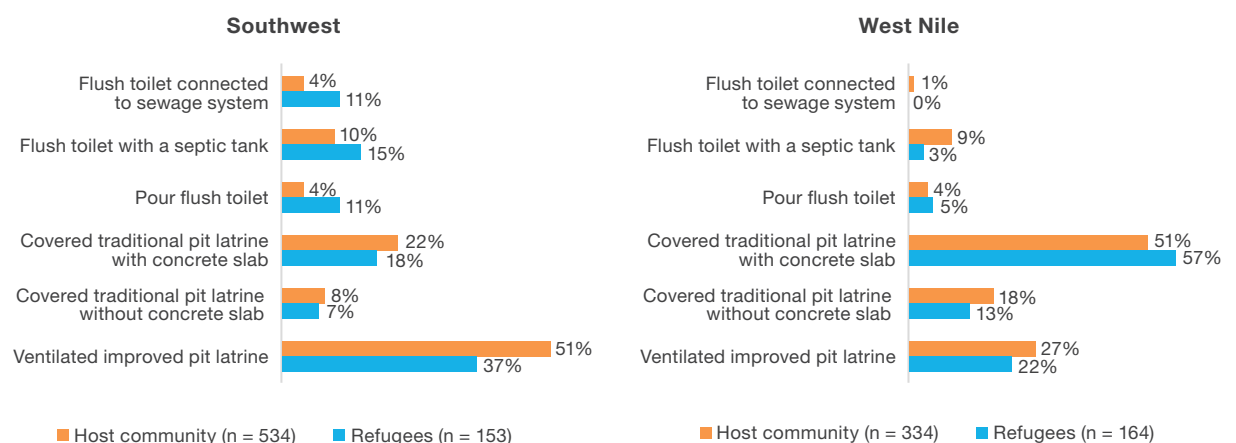


Figure 5.22: Better toilet arrangements that respondents are willing to pay for
What would be better toilet arrangements for you?





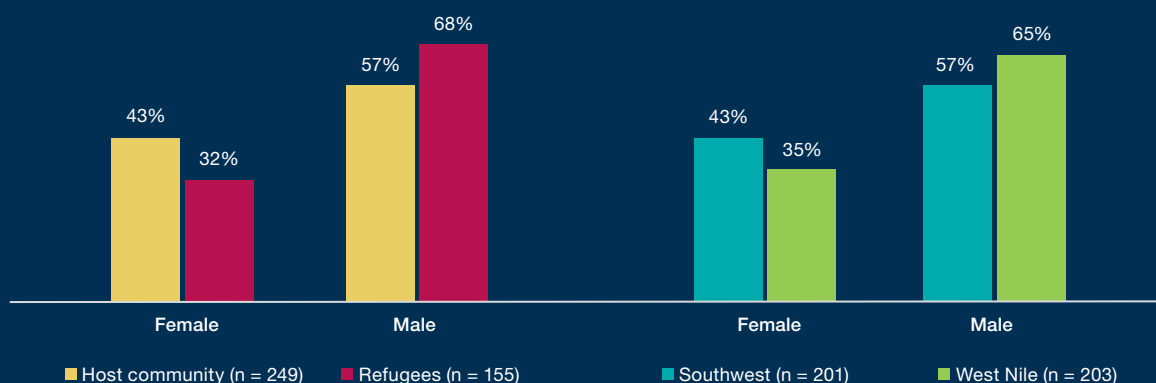
6. Profile of Businesses in the Southwest and West Nile

This chapter presents findings from the business survey and secondary sources review. It starts with demographic characteristics of business owners, followed by business registration procedures, average monthly sales, and access to finance.

6.1 Business owners' demographic characteristics

Most businesses in the sample (61 percent) are male-owned. Overall, two-thirds of refugee business owners are male across both regions. Among the surveyed host community-owned businesses, the prevalence of female-owned businesses is higher. In the Southwest, host community-owned businesses are more likely to be female-owned (at 53 percent) than in West Nile (at 37 percent).

Figure 6.1: Gender of business owners



The business survey identified a significant number of Ugandan businesses operating in West Nile refugee settlements. In line with the West Nile nationality make-up, most entrepreneurs in the refugee settlements are South Sudanese. There is also a notable presence of Ugandan businesses (36 percent of the sample). In Southwest refugee settlements, 64 percent of the business owners interviewed are from the DRC and 15 percent are from Burundi, while the remaining 21 percent includes Ethiopians, Eritreans, Rwandans, Sudanese, South Sudanese, and Somalis. In host communities, a large majority of surveyed businesses are Ugandan (96 percent in West Nile and 97 percent in the Southwest).

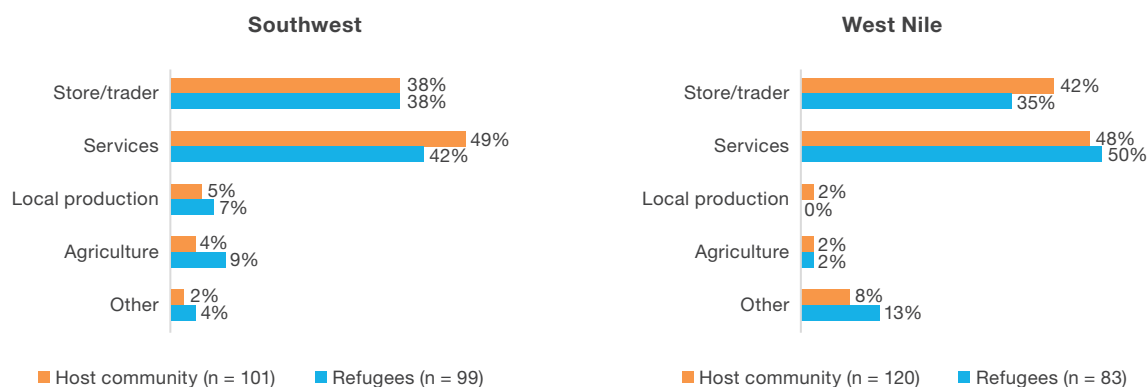
In West Nile, most business respondents speak English, while in the Southwest, they mainly communicate in three languages—English, Swahili, and Luganda. In West Nile, 83 percent of business owners in the sample speak English. Arabic is the most spoken language among West Nile refugees (with 83 percent speaking it). It is also spoken by a significant number of Ugandan business owners (22 percent). In the Southwest, Swahili is the most prevalent language, with mostly refugees speaking it. A quarter of refugee business respondents speak English, and so do a third of the surveyed Ugandan entrepreneurs. Half of Ugandan business respondents in the Southwest also speak Luganda, another major language often used for business communication in Uganda.

The business survey shows no direct relationship between the educational level of respondents and business ownership. In both Southwest and West Nile refugee settlements, most business owners have no formal education or only attended primary school. Refugee and host community business owners have similar levels of formal education. Twenty-nine percent of refugees have not completed primary education, compared to 23 percent of host business owners. Business owners in the West Nile host community have somewhat higher levels of formal education, with 81 percent of business owners having some formal education versus 70 percent in the Southwest.

6.2 Types of businesses and their characteristics

Most surveyed businesses are small-scale retail traders or services providers, which have been in operation for 3.5 years on average. Refugee and host community members tend to run the same types of businesses. Stores mostly include *duukas*—small shops selling multiple products (the most prevalent type of business), food stalls selling fresh food, and drug stores, as well as larger stores selling groceries or hardware materials. Service businesses include barbers, motorbike taxis, medical clinics, restaurants, mobile money kiosks, tailors, and others. Ugandans running businesses in West Nile refugee settlements operate *duukas*, drug stores, mobile money kiosks, and food stalls or restaurants.

Figure 6.2: Surveyed businesses by sector and geographic area
What line of business are you in?



Many of the food items sold in *duukas* are basic, readily available consumer products. They match the food items consumed at the household level, as seen in Chapter 5. The top six food items sold by these shops in both regions are cooking salt, cooking oil, maize flour, confectionery snacks, beans, and alcohol. The typical basket of non-food items includes non-drug medical items, soap, and sanitary pads.

Half of the surveyed businesses are sole proprietorships with no employees, while a quarter have only one employee. A relative majority of businesses in both regions do not employ other people. Most (83 percent) of the respondents who do not employ staff said that this is because they operate on a small scale. Others have one to two employees, often working as shop attendants and part-time casual laborers who help with loading and offloading merchandise.

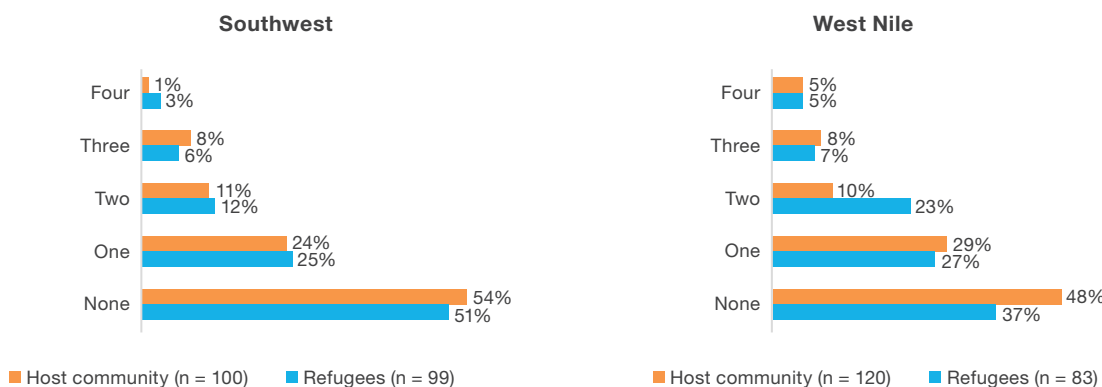
Refugee-owned businesses with employees often employ Ugandans; it is also common for Ugandan businesses to employ refugees. Seventy-two percent of refugee-owned businesses with employees employ Ugandans, followed by refugees of the same ethnicity (34 percent) and refugees of different ethnicity (16 percent). On the other hand, a third of Ugandan businesses with employees employ refugees. Women constitute, on average, 39 percent of employees in the businesses surveyed. The share of women employed is the same between businesses owned by refugees and host community members.

6.3 Registering a business

Most of the surveyed businesses are not registered with the Ugandan administration. Sixty-two percent of all businesses are unregistered, with the registration rate similar among refugee and Ugandan businesses: 42 percent of refugee business owners and 35 percent of host-owned businesses are registered. Although business entities often pay fees to their immediate administration units (such as local councils and refugee welfare committees⁴⁸) to operate, a business is only officially recognized as registered if it was issued a license by a mandated district authority, usually at the sub-county level. While only a third of businesses are registered, a higher percentage (61 percent) of business owners pay fees to maintain their businesses. A large majority of those who pay such fees reported paying formal fees to the district sub-county office, refugee welfare committee, or another relevant authority (such as the National Drug Authority for those owning a drug store). Only a small minority of businesses (less than 8 percent) declared paying informal fees to the village chairperson.

The vast majority (85 percent) of those registered with the Ugandan authorities declared registering a business under their business entity name, with the findings being consistent for refugees and host communities. For half of the sample, it took less than three weeks to register their business. In both regions, refugee-owned businesses faced shorter registering processes than the businesses in host communities. In the Southwest, the median

Figure 6.3: Number of employees hired by surveyed businesses
How many employees does this business have?



⁴⁸ A refugee welfare committee is an elected refugee administrative structure governing a particular block or zone within a settlement.



duration is six weeks in the host community, compared to three weeks in the refugee settlements. In West Nile, the median duration is three weeks for host community business owners and two weeks for refugee entrepreneurs. A small number of businesses indicated that they faced a very long process to register (almost two years for some, up to three years for one business).

- ▶ Certificate of incorporation registration forms—issued by the sub-county authority.
- ▶ Business registration forms—issued by refugee welfare committees in some settlements (for those applying to operate in a refugee settlement) and local village authorities.

Table 6.1: Time it takes to register a business

Median time it takes to register a business (in weeks)	
Southwest	
Host community	6
Refugees	3
West Nile	
Host community	3
Refugees	2

The process typically involves the applicant visiting relevant authorities (such as a sub-county office, a refugee welfare committee, or local village authorities) to submit the following forms:

- ▶ Trading license registration form—issued by the sub-county authority.
- ▶ Registration form for certificate of registration—issued by the sub-county authority.

6.4 Average monthly sales of the surveyed businesses

Refugee-owned businesses on average generate less revenue than those owned by members of the host community. Refugee business respondents make average monthly sales of \$220, while host community business respondents generate average monthly sales of \$388. Furthermore, the average business in the Southwest generates more revenue (\$407) than one operating in West Nile (\$253). In the Southwest, refugee-owned businesses make \$247 per month, more than half as much as host community businesses (\$544) in the same region. In West Nile, refugee-owned businesses generate, on average, \$182 per month, while average monthly sales of host community businesses reach \$282. However, host community-owned businesses appear to have been more affected by the COVID-19 crisis in terms of decreased sales revenue. The average sales of refugee-owned businesses declined from \$228 to \$220 (-4 percent), while those owned by host community members saw their average sales decrease from \$444 to \$388 (-13 percent).

Figure 6.4: Businesses' bank account ownership
Do you own a bank account?

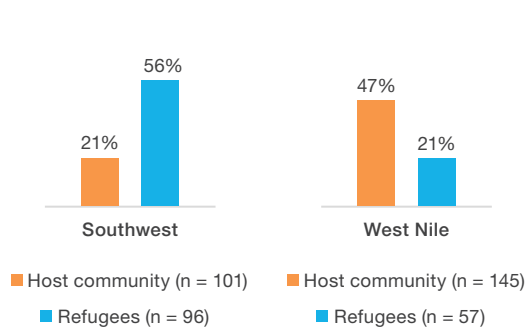
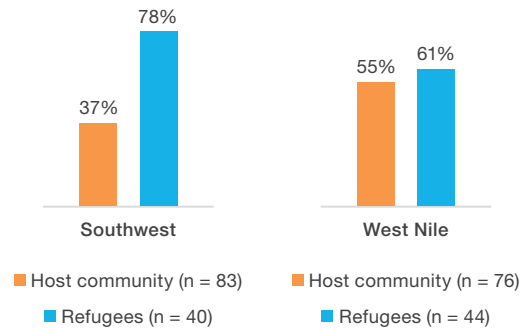


Figure 6.5: Businesses' willingness to open a bank account
Would you be willing to open a bank account?



6.5 Businesses' access to finance

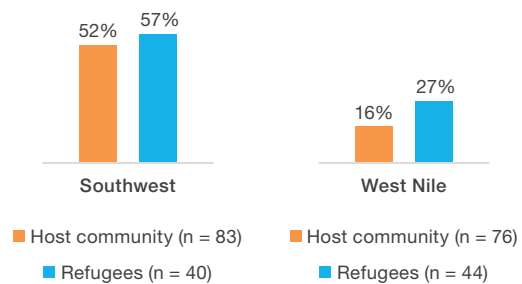
Refugee business owners in the Southwest and host community entrepreneurs in West Nile reported the highest bank account ownership. In the Southwest, the rate of bank account ownership is high among refugee business owners (56 percent) and low among host community business owners (21 percent). The inverse is true in West Nile, as seen in Figure 6.4.

Most of the surveyed business owners who do not yet possess a bank account are willing to open one. Willingness to open an account is particularly high among refugee owners in the Southwest (see Figure 6.5). Business respondents would like to open an account with banks that are already present near them, such as Equity Bank and PostBank, which facilitate cash transfers to refugees, and Centenary Bank, which has extended its operations to most areas.

Fifty-five percent of respondents in the Southwest borrowed money in the past 12 months to support their business operations, compared to only 18 percent in West Nile. Businesses take out loans to expand their business operations, replenish inventory, and cover unforeseen business expenses. In the Southwest, 57 percent of refugee-owned businesses and 52 percent of host community-owned ones said they take out loans. The percentage of business owners who

borrow money in West Nile appears much lower, at only 27 percent of refugees and 16 percent of host community owners. A majority of those who did not borrow in the past 12 months said they did not need a loan (64 percent), while the rest mainly cited high interest rates or lack of collateral, followed by unavailability of credit. VSLAs were the most frequently mentioned source from which respondents obtained a loan.

Figure 6.6: Percentage of respondents who obtained a loan in the previous 12 months
Did you obtain a loan in the past 12 months?



7. Agricultural Value Chains in the Southwest and West Nile

The prevalent value chains in both regions are cassava, maize, and beans. Bananas (*matoke*) are also widely grown, especially in the Southwest, and primarily by the host communities.⁴⁹ Other major crops grown in the Southwest are tea and coffee. McLeod Russel, the largest tea producer in the country, has two tea estates in Hoima. Sweet potatoes are a major food crop in West Nile, as are sorghum, finger millet, and sesame. West Nile farmers also grow tobacco as a cash crop⁵⁰ (see Table 7.1).

According to focus group discussions with farmers in West Nile, another crop grown commercially is sunflowers. There have been efforts to involve the region's refugees in sunflower production. Mukwano Industries, a leading Ugandan cooking oil producer, engaged refugees in Bidibidi in sunflower cultivation through a joint project with Danish Church Aid.⁵¹

Table 7.1: Agricultural value-chain mapping in refugee-hosting districts⁵²

	Maize	Cassava	Beans	Banana	Ground-nuts	Sesame	Tea	Rice	Finger millet	Sweet potato	Sorghum	Tobacco	Fruit	Coffee	Cotton
Southwest															
Hoima	✓	✓	✓	✓			✓	✓		✓					
Kyegegwa	✓	✓	✓	✓	✓				✓	✓			✓	✓	
Kamwenge	✓	✓	✓	✓	✓		✓		✓	✓	✓			✓	✓
Isingiro			✓	✓											
West Nile															
Yumbe	✓	✓	✓		✓	✓			✓		✓	✓			✓
Adjumani	✓	✓	✓	✓		✓			✓	✓	✓	✓	✓	✓	
Moyo	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓				
Arua	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓			

⁴⁹ Host community members grow bananas, whereas refugees are not allowed to grow perennial crops, as mentioned in World Bank and Kilimo Trust, *Markets and Value Chains Assessment Kyegegwa*, 2020. This is also in line with findings from focus group discussions conducted with farmers for this study showing that members of the host community own banana plantations, while refugees sometimes provide labor on those plantations.

⁵⁰ The 2020 study by the World Bank and Kilimo Trust identified sesame as a crop grown by the host community in Adjumani, with few refugees involved in sesame cultivation. Refugees tend to grow okra, which is an important element in the diet of South Sudanese refugees. World Bank and Kilimo Trust, *Markets and Value Chains Assessment Adjumani*, 2020.

⁵¹ UNDP, *Understanding Land Dynamics and Livelihoods in Refugee-Hosting Districts in Northern Uganda*, 2018, p.5

⁵² This information is drawn from UNDP and Uganda Investment Authority, *Uganda Refugee Hosting Districts—Investment Profiles*, 2017.

Focus on the tea value chain in the Southwest

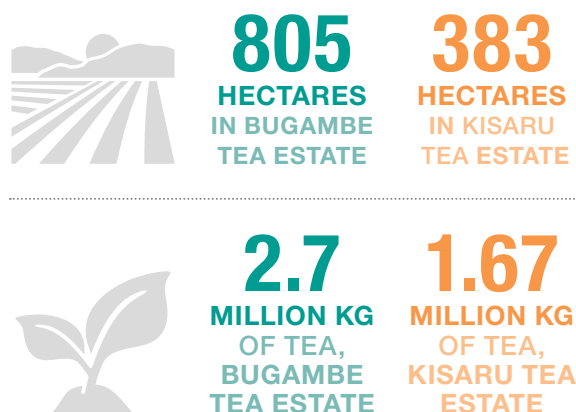
McLeod Russel Uganda Limited is the country's largest tea producer and exporter. The company has six tea estates in the country, two of which are in Hoima, which hosts the Kyangwali refugee settlement.

The company uses a plantation-based tea factory model, meaning that its supply chain largely relies on tea estates that it owns. A small portion of the tea supply chain is made up of a network of outgrowers in Hoima. Refugees work as pluckers on these tea plantations. They usually do short-term work with the goal of saving a targeted amount of money before they move on.

Source: McLeod Russel

Agricultural inputs reach producers through two main routes—the development partner route and the commercial route; refugee farmers often struggle to afford the inputs. The development partner route comprises actors like UNHCR and NGOs, such as Action Against Hunger and the Lutheran World Federation, supplying improved seeds for free to associations and community-based groups. The groups and associations then distribute the seeds to their members. Figure 7.1 shows agricultural value chains in refugee-hosting areas in the Southwest.⁵³ The main inputs that flow through the commercial route are herbicides, pesticides, agrochemicals, farm equipment, and low-grade seeds (often coming from Container Village in Kampala—a trading hub for agricultural inputs). Farmers who participated in focus group discussions in both regions reported that they find the seeds expensive; they often use leftover seeds from previous seasons, which results in poor yields. Another challenge for refugee farmers who want to access seeds is that often there are no nearby outlets, so they must travel to base camps and nearby hosting district towns, which increases the cost of obtaining inputs. Farmers in the Southwest also reported limited knowledge about agricultural inputs, including improved seeds, fertilizers, and agrochemicals.

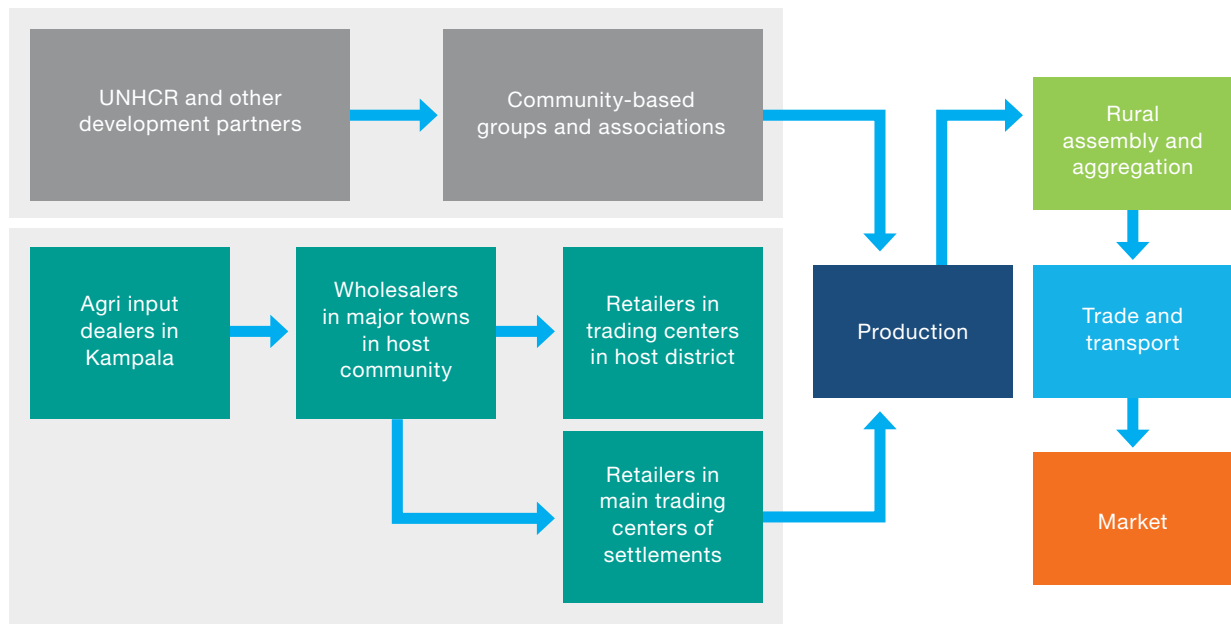
Area under tea cultivation:



Beyond small-scale milling in the Southwest, there is minimal value addition once agricultural produce has gone through the post-harvest handling stage, as focus group discussions with farmers revealed. Produce is generally traded immediately after the harvest. There is a lack of post-harvest storage facilities in both refugee and host communities, combined with sub-optimal post-harvest handling techniques (such as drying grain on bare ground). Farmers, especially refugees, are dependent on prices set by middlemen and generally have low negotiating power, often because they lack access to information about the market prices and alternative markets for their produce. In focus group discussions conducted in West Nile, host community farmers mentioned that they understand the value of bulking, but often cannot afford to hold on to the produce for long, because it is their only source of income. Focus group discussions also revealed that young people in the Southwest and West Nile refugee settlements are actively involved in bulking, aggregation, and trade in most agricultural value chains. They move from house to house collecting beans, sorghum, and cassava from smallholder farmers. Village collectors often lack bicycles and have to transport the produce to the bulking centers on foot.

⁵³ The illustration was drawn from insights derived from focus group discussions in the Nakivale and Kyangwali refugee settlements and the host communities of the mentioned settlements.

Figure 7.1: Basic illustration of agricultural value chains in refugee-hosting areas in the Southwest



8. Investment Opportunities

This chapter outlines investment opportunities based on the findings presented in this report. These opportunities span a range of sectors, including agribusiness, lighting, and the financial sector.

A distinction has been made to indicate whether each opportunity is within the settlement and the immediate host community (in-settlement), or including an area outside of the settlement but still within a refugee-hosting district (ex-settlement). “Immediate host community” refers to the district sub-county in which a refugee settlement is located. Opportunities beyond the settlement and the immediate host community have been explored because the former are likely to be small in scale and thus cannot solve the unemployment problem. In addition, the recommended *ex-settlement* opportunities have significant potential to create jobs and develop small businesses owned by refugees and host communities.

8.1 Agricultural and fishing value chains

The survey identified a high prevalence of agricultural workers, particularly in the Southwest, with many engaging in subsistence agriculture. The host community has better access to land than refugees, as do Southwest households compared to those living in West Nile. Previously, refugees received arable land for agriculture in addition to residential plots. However, the amount of arable land available to allocate has significantly reduced in recent years owing to the influx of refugees. Complex community land titles pose additional challenges in West Nile.

The agribusiness investments in the refugee-hosting districts should focus on production systems designed around smallholder farmers with secure land tenure and prioritize selling agricultural produce in local markets, with a portion of produce set aside for other markets in Uganda and for export. Opportunities in solar-powered drip irrigation should be explored to improve yields, particularly in smaller refugee-owned plots, and ensure year-round crop production. Farmers also need access to finance, as well as training in improved agricultural practices.



8.1.1 Maize value chain opportunities

Maize is one of the most common crops grown by farmers in both regions. It is one of the nine priority crops in Uganda's National Development Plan III, with several ongoing projects contributing toward boosting the maize value chain. Investment opportunities include:

- ▶ **Maize mills** (in-settlement and ex-settlement opportunities): Maize prices are volatile, yet local livelihoods often depend on maize sales. Setting up smaller-sized mills that absorb maize produced by refugees and the host community would contribute to stabilizing prices. Maize mills would produce maize flour as a key output and maize bran as a by-product. Maize flour has a ready local market—about half of respondents in the household survey reported buying maize flour in the four weeks prior to the survey. Opportunities to set up slightly larger mills within and close to the settlements could also be explored given the lack of such mills in the refugee-hosting districts. This could potentially lead to the emergence of refugee aggregation businesses.
- ▶ **National maize aggregation businesses** (ex-settlement opportunities): Given the high production volumes in refugee-hosting areas, opportunities could be explored for large-scale aggregators and post-harvest warehouse businesses (such as Aponye, Supreme Millers, Tru-Trade, and Equator Seed) to establish or expand their operations in these areas.
- ▶ **Feed mills** (ex-settlement opportunities): Maize is an important ingredient in the formulation of animal feed, especially for poultry. Opportunities can be explored to set up feed mills for poultry feed production. This would require a significant market from poultry producers in the two regions, which is an area for further research.

8.1.2 Cassava processing

Cassava is widely consumed by refugees as it is a staple food in the DRC, the country of origin of most refugees in the Southwest. Focus group discussions with refugee farmer groups in West Nile revealed that some refugees grow cassava despite having small plot sizes. Cassava does not require storage, although it must be processed within 48 hours of harvesting. Cassava is also one of the crops discussed in Uganda's National Development Plan III, which promotes several ongoing support programs intended to boost the cassava value chain. Opportunities in the cassava value chain include:

- ▶ **Setting up cassava chipping points** (in-settlement and ex-settlement opportunities): Cassava chipping machines are used to convert raw cassava to cassava chips, which are then dried. There is a market for cassava chips in Kampala as well as the neighboring countries of South Sudan and the DRC. Cassava chips could be further converted to cassava flour.
- ▶ **Setting up cassava mills** for converting freshly harvested raw cassava into cassava flour, which could be sold locally and outside the refugee-hosting areas. Mobile cassava mills could be considered to increase the area for sourcing raw material.

8.1.3 Vegetable production

Supporting the production of vegetables that traditionally form part of refugee and host communities' diets will increase the availability of nutritious food. A solar-powered drip irrigation system that uses no power and less water (compared to traditional irrigation methods) should be explored to grow vegetables throughout the year. A producer supplying larger cities with vegetables and requiring additional production could be engaged to connect hosts and refugees to additional markets. A solar-powered cool chain from the field to market, if developed, would increase the products' shelf life and reduce post-harvest losses.

8.1.4 Poultry production

Poultry is an inexpensive source of animal protein that can be consumed locally. Setting up a poultry farm in refugee-hosting areas could also be explored. This would ideally be a farm where day-old chicks are reared to 45 days old and then sold to households with improved livability. The farm should be operated by an existing larger poultry producer who can house parent stock, hatch chicks, and supervise the farm. Crops could be grown locally to supply a simple feed mill that would produce feed for the poultry farm.

8.1.5 Fertilizer supply and blending plant

Crop yields could be boosted with a supply of fertilizers to smallholder farmers in refugee settlements and host communities. Farmers need to be supported with access to credit to afford fertilizers and with practical training and mentoring on improved agricultural practices. An opportunity to set up a fertilizer-blending plant could also be explored, potentially in the Hoima district where the Kabaale industrial park is located. If deemed viable, a fertilizer-blending plant in the district will not only address constraints associated with poor crop yields but also provide job opportunities for both refugees and the host community. There is also potential to serve other areas of Uganda with fertilizers.

8.1.6 Fish cage farming

Refugees participate in very small-scale wild capture fishing along the River Enyau in the Rhino Camp and Lake Albert in Hoima. However, the Ugandan government is discouraging wild capture fishing to preserve the available fish. Thus, commercial fish farming that uses cages and ponds could be explored as an alternative. A small-scale opportunity would support the transition from wild capture to commercial cage or pond farming, including through a set-up of small plastic-lined ponds, and would serve the local market. A large-scale one would involve setting up a proper aquaculture park with core activities including cage and pond fish farming and processing, potentially supplemented with fish feed and fingerling production. This could potentially be done at Lake Albert in the Hoima district, as it is deep enough for setting up such an operation. A hatchery is a complex operation

and must be set up by an experienced investor. Support activities in the park would be in storage and warehousing facilities, office spaces, and transportation services, among others. Refugees would participate through the provision of labor and the production of fingerlings as outgrowers.

8.2 Energy for lighting

Significant investment opportunities exist in renewable energy, especially for solar home systems and solar lanterns, in both refugee settlements and host communities. Overall, 54 percent of the population in refugee-hosting areas are willing to pay more for improved energy services. Of these, 62 percent are willing to pay more for relatively more expensive solar home systems, while 22 percent would pay more to buy solar lanterns. Solar home systems generally provide better value for money due to their durability and multiple functionalities, but the market is flooded with cheap, counterfeit solar equipment that has a high failure rate, forcing consumers to make new purchases regularly.⁵⁴ Therefore, there is an opportunity to scale up the provision of genuine, higher-quality solar products in the refugee-hosting areas. These could be financed using pay-as-you-go models that allow consumers to pay for solar products in small installments using mobile money. An IFC-commissioned energy study assessed that about a third of refugee households that own solar products (in all refugee settlements in Uganda) received their solar lanterns for free, while two-thirds purchased them.⁵⁵ Therefore, even taking into account possible distortionary effects of the distribution of free products to refugees, there appears to be a significant market for solar lighting products.

8.3 Financial sector

In a context where access to finance is mostly informal, opportunities exist for microfinance institutions to fill the gap. In both refugee settlements and host communities, VSLAs, as well as family and friends, are the main source of credit for most people. In the Southwest, 34 percent of the population have

bank accounts, compared to only 16 percent in West Nile. The limited use of banking does not reflect a low demand for financial services but is the result of challenging prerequisites affecting the most vulnerable people: 46 percent of the population would turn to formal financial institutions if they could, and half of these report lack of collateral as the main obstacle. In addition, lack of adequate capital is the main reason 95 percent of salaried employees who would like to start their own company are prevented from doing so. With simplified banking procedures and no request for collateral, microfinance institutions can provide services to respond to that demand. Microfinance institutions should learn from the relatively successful experience of VSLAs, as well as develop products targeted at farmers, who often struggle to access credit.

In addition, an opportunity exists to extend banking services through the agent banking model. The Financial Institutions (Agent Banking) Regulations (2017) allow banks to extend the services traditionally offered in bank branches through agents. Agents are allowed to facilitate the following services:

- ▶ Collecting and forwarding applications, information, and supporting documents for opening accounts or for payment instruments
- ▶ Cash deposits and withdrawals
- ▶ Payment services, including bill payments
- ▶ Money transfers
- ▶ Loan disbursements and repayments
- ▶ Receiving and forwarding documents relating to loans and leases and any other permitted products
- ▶ Paying retirement and social benefits
- ▶ Account balance enquiries
- ▶ Providing account statements.

⁵⁴ GIZ, Sustainable Use of Natural Resources and Energy in the Refugee Context in Uganda, 2018.

⁵⁵ EED Advisory and Centre for Research in Energy and Energy Conservation, Final Report: *Opportunities for Private Sector Engagements in the Refugee-Hosting Areas of Uganda under the Partnership for Improving Prospects*, 2021.



Equity and Centenary banks already practice agent banking in refugee-hosting areas. Through the Uganda Bankers' Association, banks can use a shared agency banking platform, meaning that the same agent can be used by multiple banks, which lowers the costs of recruiting, training, and onboarding an agent network.

To encourage banks to set up or expand operations in refugee-hosting areas, IFC could de-risk the cost of extending financial products to refugees. Other development partners such as UN Capital Development Fund, ABI Finance, and NUTEC Financial Services have been able to de-risk financing to high-risk sectors through blended financing and credit guarantee schemes.

Another opportunity is for banks to create links with community savings groups. While VSLAs are the most common means of saving and credit for both refugees and hosts, community savings are often stored in cash boxes rather than a bank where they could earn interest and increase. Banks could market opportunities targeted at VSLAs, focusing on messages such as increased safety of savings stored in a bank account, opportunities to earn interest and access loans, and the availability of branches or agents in the vicinity to solve problems. Advertising through

media and traditional communication channels, or using agents for community outreach, will be key to connecting to VSLAs. Banks could also connect with NGOs that already work with VSLAs, such as Lutheran World Services, to help market financial products targeted at VSLAs.

8.4 Housing and sanitation

Opportunities exist to supply construction materials for improved housing provision in both refugee settlements and host community areas.

As described in Chapter 5, there is generally high willingness (over 40 percent) to pay for improved housing structures in both regions. Among those who do not yet live in improved housing, willingness to pay for structures made of burnt bricks stands at more than 85 percent in the host community and more than 60 percent in the refugee settlements. Furthermore, focus group discussions revealed that there is a growing interest in refugee-hosting areas for houses made from burnt bricks. As such, there is an opportunity for the private sector to be involved in providing building materials for constructing housing on the land that hosts and refugees own. However, building permanent housing seems to be discouraged in some refugee settlements, which may pose a challenge.



Besides housing materials, there is a potentially significant demand for improved toilet facilities in refugee-hosting areas. In the Southwest, 66 percent of the population in host communities and 36 percent of refugees are willing to pay for improved toilet facilities, specifically for ventilated pit latrines; in West Nile, 40 percent among the host community and 37 percent of refugees are willing to pay for improved toilet facilities, with a preference for traditional pit latrines with a concrete floor slab.

8.5 Arts and crafts production and marketing

Refugees from the DRC tend to be highly skilled at crafting products such as sandals, bags, wristbands, necklaces, and other products from local materials such as banana fiber, hides, and beads. They are also skilled at making the African fabric *kitenge*. Such products are highly marketable to international markets. However, these products are mainly sold within settlements at much lower prices, as links to better markets are yet to be established.

Therefore, there is an opportunity for trade facilitation to connect refugees' products to larger and more profitable markets. An example

of connecting these products to markets is Fashionomics Africa, an online trading platform for handmade African crafts—a flagship initiative of the African Development Bank.

8.6 Retail trade

Developing retailer supply channels: Despite the vibrancy of the retail market, retail business activity is yet to reach its full potential because it is largely cut off from mainstream distribution channels. Thus, opportunities could be explored for food and personal care brands that offer inexpensive products to tap into this retail trade potential by developing retailer networks. This may, however, require support from development partners that could engage several non-competing brands to establish robust supply channels. Agents could be sent out to different areas to take orders from small shops, which would allow the brands to test the market.

It is important to note that retail trade might not create many new job opportunities, especially if total household consumption expenditure does not increase yearly. However, creating robust supply chains will help build more resilient businesses as consumer product sourcing will be less affected by external shocks such as possible travel restrictions and lockdowns.

8.7 Plastic recycling

There is a large and vibrant retail market in the Southwest and West Nile. The majority of businesses in refugee-hosting areas are retail-based and trade items such as cooking oil, soft drinks, and other consumables. These food and beverage items are mainly packaged in plastic material. Additionally, in-kind aid to refugees, especially the non-food items, is often packaged in plastic. An opportunity exists to collect and grade plastic that is produced and discarded, and partner with existing recycling facilities.⁵⁶ A similar model has been implemented in Dadaab Refugee Complex in Kenya, where plastic waste from the community and public places is collected, sorted, and graded before being transported to recycling plants. Some of it is recycled and converted into mats, vases, baskets, and handbags by groups in the community. The same models can be considered in Ugandan refugee-hosting areas, incorporating lessons learned from previously implemented projects. In addition, bricks and tiles required for improved housing construction could also be produced using plastic.

8.8 Education—vocational training

Opportunities in business, technical, vocational education and training (BTVET) could be explored to support building skills for formal job opportunities. From the household survey, only 3 percent of all respondents have received vocational training (dropping to 0.64 percent for refugees). BTVET can have a positive impact on employment and boost entrepreneurship: 58 percent of respondents are unemployed, while 80 percent of those working for someone indicated they would rather work for themselves. However, the existing BTVET landscape should also be carefully considered, with free training opportunities offered to refugees by NGOs. Furthermore, affording such services is a challenge for most of the population, with households already spending an average of 12 percent of their household expenditure on education. Therefore, the sustainability of BTVET investments will require working with private businesses and tailoring the courses offered to local demand. Offering the right skills will create incentives for local medium-to-large businesses looking for skilled labor to subsidize BTVET. This opportunity needs to be researched further.

⁵⁶ One such facility is Century Bottling Company Ltd (Coca-Cola Uganda's bottler), which is working in other areas of Uganda, having set up a waste-cleaning and processing plant in Kampala.



Annex

Key informant interviews

Table A.1: List of key informants interviewed

Southwest	West Nile
<p>Development partners</p> <ol style="list-style-type: none"> 1. United Nations High Commissioner for Refugees (UNHCR), Mbarara sub-office 2. Association of Volunteers in International Service (AVSI) Foundation 3. Finn Church Aid (FCA) 4. Finnish Refugee Council (FRC) 5. World Food Programme (WFP) 6. Adventist Development and Relief Agency (ADRA) 7. USAID—Power Africa 8. Nsamizi 	<p>Development partners</p> <ol style="list-style-type: none"> 1. United Nations High Commissioner for Refugees (UNHCR) 2. World Food Programme (WFP) 3. Finn Church Aid (FCA) 4. Finnish Refugee Council (FRC) 5. DanChurchAid
<p>Government of Uganda representatives</p> <ol style="list-style-type: none"> 9. Office of the Prime Minister, settlement commandants (four interviews) 10. Group interview with local government officials (host community areas) in each of the four districts studied in the Southwest 	<p>Government of Uganda representatives</p> <ol style="list-style-type: none"> 6. Office of the Prime Minister, settlement commandants (four interviews) 7. Local government officials (four interviews)
<p>Private sector actors/local NGOs</p> <ol style="list-style-type: none"> 11. FUZU (NGO working with youth) 12. Advance Smart Microfinance Limited 13. Opportunity Bank, Nakivale branch (phone interview) 14. UGAFODE, Nakivale branch (phone interview) 	<p>Others</p> <ol style="list-style-type: none"> 8. Refugee Welfare Committee in each of the four settlements
<p>Refugee-led organizations</p> <ol style="list-style-type: none"> 15. Youth Initiative for Development in Africa (YIDA) 	

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