



Enhancing identity verification for refugees in Uganda

August 2022

Authors: Lezanne Africa Janse van Vuuren, Rashid Muhammad and Masiwa Rusare

Remittances are an essential source of livelihood for many people across the African continent. However, according to the diagnostic studies conducted by IFAD¹, the way remittance service providers (RSPs) conduct know-your-customer (KYC) and customer due diligence (CDD) processes often unintentionally acts as a barrier, specifically for refugees and asylum seekers, to access their remittances.

IFAD and Cenfri's work in Uganda suggests that refugees and asylum seekers receiving their remittances in cash often struggle due to challenging and time-consuming identity verification processes. This shows that the challenge is not always the KYC and CDD requirements but rather how KYC and CDD processes are implemented on the ground on a day-to-day basis.

This note shares findings from IFAD's Financing Facility for Remittances ongoing [Remittance Access Initiative](#) (RAI), which is financed by the European Union and implemented by Cenfri. This note has a particular focus on the **challenge of verifying refugee identity in Uganda**. It outlines the current challenge, the rationale for solving this challenge, the benefits for regulatory authorities and RSPs, and potential solutions for doing so.

Remittance ecosystem for refugees and asylum seekers in Uganda

Uganda regulations enable refugees and asylum seekers to engage with formal financial services. Uganda is home to the largest number of refugees and asylum seekers in Africa, over [1.5 million](#) refugees and asylum seekers are residing in Uganda as of August 2022, many of whom are reliant on remittances for their livelihoods². To ensure that refugees and asylum seekers are fully supported to move freely, work, establish businesses, own property, and access national services, Uganda has established a strong regulatory foundation underpinned by their Refugee [Act](#) of 2006 and the Refugee [Regulation](#) of 2010. Upon registration, the Office of the Prime Minister issues refugees and asylum seekers a photo-bearing biometric refugee ID card³ and a family attestation form that enable them to exercise their individual and economic agency. These identity documents are essential to ensure refugees and asylum seekers can access basic services, including collecting remittances from RSPs.

Clear and well-articulated guidance for RSPs on serving refugees and asylum seekers is however being undermined by its implementation mechanisms. The Anti-Money Laundering (AML) Act of 2013, the AML Regulations of 2015 and the National Payments Act of 2020 and National Payments System Regulation of 2021 define the CDD requirements for RSPs to serve refugees and asylum seekers. The Anti-Money Laundering (Amendment) Act of 2017 specifically requires an accountable person to "verify the identity of the client using reliable, independent source documents, data or information". In terms of remittances, the National [Payment Systems Regulations of 2021](#) provides a list of the KYC requirements per electronic money category of accounts. Schedule 5 specifically lists the use of a Refugee Identification Card for cash-out transactions for a tier VII individual account and a tier VI individual account with higher limits⁴. These regulations are not overly conservative. However, during stakeholder interviews with RSPs and key development partners, the project

1 Diagnostic studies have been conducted for [The Gambia, Ghana, Kenya, Morocco, Senegal](#), South Africa (forthcoming), and [Uganda](#).

2 https://gfrid.org/wp-content/uploads/2021/04/IFAD_PRIME-AFRICA_UGANDA-Diagnostic.pdf

3 This card captures fingerprints, iris scans and photos.

4 Tier VI and tier VII are the only two categories of electronic money accounts that are relevant to remittance customers, the rest pertain to government entities, merchants, super agents, retail agents and small and medium enterprises. For more on the categories of electronic money accounts please see the [Payment Systems Regulations of 2021](#)

team found that the method (explained below) in which RSPs verify the refugee ID acts as a significant barrier to refugees and asylum seekers accessing their remittances.

The challenge of verifying refugee identification

The verification process for the Refugee Identity Card acts as a barrier to remittance access. Discussions with RSPs and development partners in Uganda revealed that the process used by RSPs to verify the refugee ID card acts as a disincentive for refugees and asylum seekers to use formal financial services. In practice, refugees and asylum seekers who enter a location to receive remittances in cash must present both of their documents issued by the Office of the Prime Minister to confirm their identity. Frontline staff then verify these documents by calling the Office of the Prime Minister. Upon answering the call, the Office must then confirm that the Refugee ID is valid and authentic before the RSP can provide the refugees and asylum seekers with their money. This process depends on the immediate availability of the Office of the Prime Minister, which is not always the case, and needs to be repeated for every in-cash remittance transaction. Thus, making it time consuming, undependable, and repetitive for refugees and asylum seekers.

Document falsification risk increases perception that serving refugees and asylum seekers is higher risk. According to the key informant interviews, an additional challenge is that the family attestation document is easy to falsify. This increases the perception that serving refugees and asylum seekers is higher risk. In effect this disincentivises RSPs from serving refugees and asylum seekers because a) they are aware that it is time consuming and not always successful and b) because they perceive the process as riskier to their business.

The challenge. The challenging verification process and the perception of refugees and asylum seekers as higher risk create a mutually reinforcing system in which financial service providers are hesitant to serve refugees and asylum seekers and refugees and asylum seekers do not want to use formal remittance services because they are not effective or efficient. This cycle exacerbates financial exclusion and spurs on a distrust in formal financial services for refugees and asylum seekers.

Improving verification of refugee identity and related KYC and CDD processes

Solution: Improving verification of refugee identity and related KYC and CDD processes. Under IFAD's Remittance Access Initiative (RAI), Cenfri has engaged with a large bank in Uganda as well as a key development partner to discuss a potential solution to this challenge. From these discussions it was noted that a centralised, robust, and reliable method to verify the refugee ID card, such as a government-owned centralised database, is essential to:

- Enhance remittance access for refugees and asylum seekers in Uganda, and to
- Reduce the negative perception of RSPs in terms of serving refugees and asylum seekers.

Improved refugee identity verification has the potential to enable several benefits to the Ugandan financial sector in terms of financial inclusion, financial integrity, and economic development partners, these include:

#	The benefit	Detail
1	Enhancing national AML-CFT efforts, aligning with FATF guidance and best practice aimed at strengthening integrity of financial system and disrupting criminal and terrorist networks and activities.	Improving refugees and asylum seekers' remittances processes has the potential to enable RSPs to reliably identify and verify refugees and asylum seekers as prospective clients while mitigating ML-TF risks. Effective identification of individuals in the financial system is essential for understanding and prosecuting criminal networks. As a result, identifying a customer and verifying their identity is a central component of the FATF recommendations (recommendation 10) that countries are compelled to implement. The FATF does not prescribe any specific identifiers to be used for CDD or KYC processes. What the FATF does require, however, is that regardless of which process is used, a risk-based approach (RBA) be utilised when identifying and verifying prospective clients.
2	Increasing trust in formal financial services.	An improved means of verification has the potential to enhance remittance access for refugees and asylum seekers by a) enabling RSPs to better serve refugees and asylum seekers by offering improved reliability, turn-around-time and safety and b) by improving the process itself and thus decreasing the fear of serving a customer with a false identifier. Together these two solutions increase trust in formal financial services from the bottom down, by removing barriers introduced from a service provision side, and from the bottom up by attracting refugees and asylum seekers with safer and more reliable financial services, specifically remittances.
3	Driving remittance access and financial inclusion	Introducing an innovative solution to improve the refugee ID verification process will increase financial inclusion by <ol style="list-style-type: none"> 1) simplifying refugees' and asylum seekers' access to remittances – in that it will allow them to collect remittances immediately as they come to RSP and in a timely fashion – thus attracting more refugees and asylum seekers to the formal financial sector 2) strengthening refugees' and asylum seekers' access to remittances by offering them a safer service compared to informal services 3) not differentiating between them and national customers in terms of the quality of service provided. Such an innovative solution will also signal to the market that Uganda champions financial inclusion for all, including refugees and asylum seekers.
4	Potentially decreasing the cost of compliance	Improving the overall process of onboarding refugees and asylum seekers and verifying their identities will allow RSPs to reduce and/or optimise their onboarding requirements and re-evaluate their risk models and KYC requirements for refugees and asylum seekers. In the long run, this could significantly reduce the cost of compliance, which could potentially lead to a decrease in the cost of remittances that is charged to remittance senders and recipients.

Existing work and initiatives in Uganda that can be leveraged

A solution should ideally make use of existing infrastructure and systems to create a secure and accessible platform from which RSPs can easily and efficiently verify refugees' and asylum seekers' refugee ID cards. One such example is a government-owned database. To this end, the Office of the Prime Minister, development partners and RSPs are increasingly taking action to improve the identity verification process for refugees.

Leveraging emerging technologies and partnerships to simplify the refugee ID verification process. In Uganda, the Office of the Prime Minister, in collaboration with the United Nations High Commissioner for Refugees (UNHCR), is exploring the potential of a biometric verification system. Together, they began working at the end of 2019 to develop a biometric solution to mitigate fraud (GSMA, 2020). This solution leverages the biometric features in Refugee Identity Cards, which are connected through the refugee identity number with the Biometric Identity Management System (BIMS) database, managed by the UNHCR (World Bank, 2018). This biometric solution and the BIMS database could be leveraged by RSPs to conduct KYC and CDD processes for refugees and asylum seekers. This initiative is still in process but once completed it could offer a centralised, robust, and reliable solution to the challenge of verifying the refugee ID. The Bank of Uganda, Uganda's Bankers Association, National Identification and Registration Authority (NIRA) and Laboremus have also launched an [E-Gateway](#) project. This will support FSPs in easier and quicker verification and authentication of customer IDs and could potentially be leveraged to enhance identity verification for refugees to access remittances in Uganda.

RSPs are also exploring how to better serve refugees and asylum seekers despite the challenge. Despite dependency on the refugee ID verification process, many RSPs are actively seeking solutions. While some are engaging with the UNHCR to pilot their biometric system, others are improving remittance services through increased understanding of the financial needs of untapped markets and marginalised groups. Key drivers for them include expanding their footprint on the continent and their customer base, increasing their revenue stream, and collecting more information to develop fit-for-purpose remittance services.

There is much work to be done to reduce barriers to remittances for refugees and asylum seekers in Uganda. Addressing the refugee ID verification challenge would be a significant milestone that has the potential to impact not only Uganda in better supporting livelihoods for refugees and asylum seekers, but also the region by enhancing the flow of formal remittances.

The authors would like to thank IFAD's FFR, PRIME, the National Remittance Stakeholder Network, the participating remittance service providers, The Office of the Prime Minister, the UNHCR and other development partners for their work in this area as well as for their inputs, time, and support in the development of this note and similar public and non-public documents.

For more on the IFAD initiative and the learnings across Uganda, Ghana, Kenya, South Africa, Senegal, and The Gambia, please contact [Masiwa Rusare](#) from Cenfri, [David Berno](#) for FFR Uganda or [Julia Marin Morales](#) for FFR Global.



Financing Facility for Remittances



About Cenfri

Cenfri is a global independent economic impact agency and non-profit enterprise that bridges the gap between insights and impact in the financial sector. It collaborates with its partners to foster economic growth and sustainable development in emerging and developing markets in Africa and beyond. Cenfri's people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors who seek to unlock development outcomes through inclusive financial services and the financial sector more broadly.

About IFAD's Financing Facility for Remittances

Since 2006, IFAD's multi-donor Financing Facility for Remittances (FFR) aims to maximize the impact of remittances on development, and to promote migrants' engagement in their countries of origin. Through the financing of almost 70 projects in over 40 countries, the FFR is successfully increasing the impact of remittances on development by promoting innovative investments and transfer modalities; supporting financially inclusive mechanisms; enhancing competition; empowering migrants and their families through financial education and inclusion; and encouraging migrant investment and entrepreneurship. The FFR is co-financed by IFAD, the European Union, the Grand-Duchy of Luxembourg, the Ministry of Foreign Affairs of Spain and the Swedish International Development Cooperation Agency (Sida).