

## Empowering entrepreneurial farmers in Rwamwanja and Kyaka II refugee settlements

### Introduction

The purpose of the intervention is to assist smallholder farmers in establishing sustainable agricultural businesses by creating access to substantial community-based loans and relevant business training. The intervention will be targeting existing refugee farmer groups<sup>1</sup> seeking seed capital or loans to consolidate their farming activities and develop agriculture microbusinesses. The intervention introduces Village Saving and Loan Federations (VSLF) to refugee farmer groups already practicing Village Saving and Loan Associations (VSLA). While VSLAs in combination with other approaches have been crucial in boosting farmers' produce and income, there is a growing need for larger loans and business training to enable business growth and development of agriculture microbusinesses.

### Context and background

Food insecurity has been on the rise in Ugandan refugee settlements following reductions in food support by WFP for the country's refugee population<sup>2</sup>. The decrease in direct food assistance comes at a challenging time, with the majority of refugee households still reliant on aid. 40% of refugees no longer receive support while the remaining 60% receive less than 5 USD per month. The reduced ration has created an urgent need to promote sustainable livelihoods among refugees, given that humanitarian funding is not expected to return any time soon. Additionally, refugee settlements in southwestern Uganda, mainly populated by refugees from DR Congo, are gradually transforming into permanent settlements, as many refugees have no intention of returning to conflict ridden DR Congo. Thus, the need to create stable and dignified income opportunities is critical.

Since 2021, ADRA Denmark and ADRA Uganda have been promoting sustainable livelihoods among smallholder farmers in Kyaka II and Rwamwanja, two refugee settlements in the southwestern Uganda. A total of 60 farmer groups have received capacity building support to enhance their farming activities. Key trainings provided to strengthen production and income generation include Farmer Field School (FFS), Farmer Market School (FMS), as well as climate-smart approaches. Technical support has been coupled with introduction of VSLA's to facilitate investment opportunities needed to expand farming and business activities.

This combined approach has proven successful, with several refugee farmer groups managing to earn and save enough to rent additional plots of land from host communities, thereby expanding their collective farming activities. Others have, for example, rented warehouses to store crops for bulking or set saving in the bank. Consequently, target farmers report increased income, improved food security and enhanced ability to pay school fees, medical expenses and save up. A notable example is a highly entrepreneurial group aiming to invest in a large grain mill to triple their sales prices. The group is prepared to contribute 30% from their savings and is seeking loans to finance the investment.

Learnings captured through the project have shown that while the combination of support for agricultural production and market/value chain integration, coupled with the establishment of VSLAs, has largely lifted the target group out of reliance on food aid, it is challenging for them to further expand their businesses into

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<sup>1</sup> Target farmers consist of 70% refugees and 30% host community members in line with Uganda regulations for refugee support,

<sup>2</sup> <https://www.thenewhumanitarian.org/news/2022/12/08/Uganda-South-Sudan-refugee-response>

profitable microbusinesses. The need of business capital has been clearly expressed by groups. This is also due to the lack of sufficient financial resources and business skills to navigate more distant and complex markets.

### **Intervention objectives**

Overall objective

- Improved livelihoods and financial self-reliance of 900 smallholder farmers<sup>3</sup>

Outcomes

- Smallholder farmers are able to co-finance their agricultural businesses.
- Smallholder farmers have expanded or improved their agricultural businesses.

Target group: The project directly targets 900 smallholder farmers already organized in 30 farmer groups (VSLAs)<sup>4</sup>. Each farmer group has approx. 30 members. The farmers groups will be federated in 6 VSLFs.

Project budget over 2 years: 150.000 USD

### **Project strategy and key actions**

To support refugee farmer groups in financing and expanding their agricultural businesses, ADRA Denmark in partnership with ADRA Uganda proposes three key strategies; 1) creating access to substantial community-based loans by establishing VSLFs; 2) providing relevant business training to equip refugee farmer groups to expand businesses; and 3) digitalizing VSLAs and VSLFs to increase transparency and reduce risks associated with larger loans. Finally, the partners propose to document and analyse the impact and potential of VSLFs among refugee populations.

When a VSLA member needs a larger loan for business investment, the VSLA often fails to provide sufficient opportunities. The alternative would be a loan from a Microfinance institution (MFI) or a bank. However, experiences with MFIs are not always positive as they have proven to work best for urban poor rather than rural farmers.

To address these challenges, VSL Associates, in collaboration with key VSLA actors, developed a new approach - the VSLA Federation (VSLF) where 50 to 250 members from 5-10 VSLAs are federated. This setup allows members to access larger loans, empowering them to grow their businesses. Although VSL Associates have developed a training guideline for VSLFs<sup>5</sup>, the outreach and experiences are still limited. To ADRA's knowledge, the VSLF approach has never been tested in a refugee settlement. Therefore, this project aims to contribute to innovate the financial impact of VSLAs and VSLFs in a humanitarian setting.

Value chain integration and access to new markets have proven vital for the success of refugee farmer groups. However, having initially benefitted from engaging with nearby market actors, these groups now have greater ambitions of venturing into larger and more complex markets that offer greater profitability. Yet, they lack the necessary skills and knowledge to navigate this terrain effectively.

Hence, the project aims to provide practical and easily applicable skills that empower farmer groups to plan and manage their microbusiness effectively. Business training will include practical insights in business

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<sup>3</sup> 70% refugees and 30% host community members to be targeted in line with Ugandan regulations for refugee support.

<sup>4</sup> Existing farmer groups (VSLAs) will be targeted because they are ready to advance and test the VSLF approach. This avoids a 1–2-year inception period.

<sup>5</sup> <https://www.vsla.net/vsla-tools/training-guides/>

planning and management as well as knowledge of financial management, market access and strategy, entrepreneurship, value addition and adopting relevant technologies.

Finally, to enhance transparency and reduce risks associated with larger loans provided by VSLFs the project aims to digitalize record keeping of VSLAs and VSLFs. For ADRA Denmark and ADRA Uganda digitalization of VSLAs/VSLFs is a pilot aiming to explore the potential for digitalization across ADRA Denmark's operation. The partners plan to collaborate with jamii.one or similar service providers for digitalization.