

Leveraging financial guarantees for refugees and humanitarian organizations

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Image: Cox's Bazar, Bangladesh
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Key messages

- **This brief outlines how financial guarantees may be used to expand clean energy access and provision in humanitarian contexts to attract private-sector finance, which, in the wake of deep public aid cuts, is viewed as an essential source of support.**
- **Access to and provision of energy in humanitarian settings requires complete transformation.** Access is severely inadequate, and the limited sources available are carbon intensive. Most forcibly displaced people lack access to modern and clean energy sources. Humanitarian operations rely heavily on diesel, creating high costs, emissions and operational inefficiencies.
- **Private-sector financiers have been put off by high perceived risks in humanitarian settings.** Refugee contexts are seen as impermanent, and refugees are viewed as having low-credit worthiness – despite the long-term nature of many refugee communities, clear and growing demand, and strong evidence of very high repayment rates.
- **Some evidence suggests that financial guarantees can work effectively for humanitarian organizations. However, the viability for refugee households and businesses remains a question because of a lack of evidence.** Financial sustainability is a challenge, and the full economy of guaranteed investments is still unclear.
- **Enhancing understanding the potential impacts of financial guarantees for humanitarian energy requires targeted research.** Analysis should examine the commercial viability of such mechanisms and how the finance system for refugee energy may become self-sustaining. Most mechanisms remain donor dependent. Guarantees are typically packaged with subsidized fees and grant-financed technical assistance, so the full cost of market-building must be accounted for alongside the guarantee itself.

Introduction

 Displacement figures continue to rise. There are now 120 million forcibly displaced people in the world, over 80% of whom are hosted in developing countries (UNHCR, 2024). The majority of forcibly displaced people and refugees live without access to modern energy. An estimated 94% of forcibly displaced people living in camps do not have meaningful access to electricity, and approximately 81% lack anything other than the most basic fuels for cooking (Grafham, 2022). The humanitarian sector is struggling to find additional sources of financing following the impacts of huge aid cuts during 2025 (UNHCR, 2026).

Within this context, it is hoped that new, innovative financial mechanisms may be able to catalyse financing from the private sector. Financial guarantees have emerged as one such financial mechanism. A financial guarantee is a commitment by a third-party guarantor to cover the debt obligations of a borrower in the event of default, thereby reducing the lender's credit risk (Cohen & Patel, 2019). In some cases, guarantees have proven to be effective instruments for mobilizing private-sector finance (Garbacz et al., 2021). However, much more evidence and analysis are needed to understand the full economic and social impacts of such mechanisms on improving the lives of forcibly displaced people.

Users of financial guarantees in humanitarian energy

Financial guarantees are a key instrument within blended finance that can enable for-profit businesses and lenders to enter humanitarian markets by transferring credit risk to public or donor-backed guarantors. Here we provide an overview of how financial guarantees may be used within humanitarian energy contexts, by which we mean “all the electricity, fuel, and energy technologies needed to provide power and supply cooking in refugee camps and for forcibly displaced people” (Rosenberg-Jansen, 2025). In doing so, we consider new finance modalities may be used to support sustainable development, and suggest how financial innovation can support investments to deliver the Sustainable Development Goals (SDGs) in humanitarian contexts.

For humanitarian organizations: Guarantees for renewable energy can be used to support energy-as-a-service contracts. In this model, an energy company provides renewable energy directly to a humanitarian operation, using commercial finance backed by a guarantee to pay for the upfront investment. Instead of buying and managing energy equipment themselves, humanitarian organizations simply pay for the energy service they use. The energy company continues to own, operate and maintain the equipment, while supplying electricity directly to the customer (Fell, 2017). This reduces the burden on humanitarian organizations, which do not need to worry about maintaining or operating the technology. This works well for electricity models because many energy companies producing and selling electricity exist. Using this type of model for cooking energy is more complicated because cooking technologies and fuel needs vary widely between contexts. However, similar service models can still be used for gas supply and clean-cooking technologies (Bisaga & To, 2021). Despite these advantages, many humanitarian operations continue to own their energy assets directly, such as diesel generators used to power facilities, rather than purchasing energy as a service. In many cases, humanitarian organizations are not as well equipped as specialist energy companies to manage and operate power and energy infrastructure, which can lead to inefficiencies and additional management challenges within UN systems (Grafham & Lahn, 2018)).

For refugee energy businesses and displaced households: Guarantee mechanisms for refugees and beneficiary populations can also provide new forms of financing. For example, guarantees can help provide financing for refugee energy entrepreneurs who run their own businesses in refugee camps supplying renewable energy directly to their communities (Rosenberg-Jansen, 2019). Due to the complexity of the

humanitarian energy sector these businesses often struggle to access financing (GPA, 2022; Last Mile Climate, 2025). In this case, the financial responsibility of who pays the energy costs and who would be responsible for repaying the (guaranteed) loan lies with refugees themselves. A key challenge here is how difficult it is to assess hundreds or even thousands of individual refugee businesses or households for loan viability – compared to providing a guarantee for an organization.

Several examples of guarantees within the humanitarian energy sector exist, including UNHCR’s Green Finance Facility, the Global Guarantee Mechanism proposed by the Global Platform for Action on Sustainable Energy in Humanitarian Settings (GPA), to understand the types of guarantees currently in use within the humanitarian energy sector. Further detail on these case studies is provided in the SEI working paper, “Financial guarantees for humanitarian energy: examples, incentives and disincentives”, which underpins this brief.¹

Markets and incentives

Over the past decade, a lot of work has gone into building the market for energy in humanitarian settings (Boodhna et al., 2019). Research shows that refugees often pay significant amounts for energy access. Globally, people living and working in and around refugee camps and settlements are estimated to spend more than USD 1.6 billion each year on power and cooking (Shell et al., 2020, p.17). This shows that there is already a market for energy services, and a clear opportunity for clean energy investors.

Within these energy markets, there is a strong potential for growth for energy businesses run by refugee entrepreneurs. These businesses are already expanding the energy products and services available to refugee communities (Rosenberg-Jansen, 2025). With the right support, refugee-led energy businesses could be strong clients for financial service providers, especially where those providers are backed by financial guarantees.

This is particularly promising because repayment rates for refugee entrepreneurship loans are often high. For example, the microfinance platform Kiva reports that more than 96% of its loans to refugees have been repaid in full (Kiva, 2025). This suggests that the “flight risk” of refugees returning to their country of origin is low, and that refugees contribute to local economic systems (Betts, 2021). Therefore some credit risks are being perceived inaccurately.

Existing guarantee tools and banking processes can be adapted with relative ease for refugee communities (Garbacz et al., 2021), though foundational policies and technical assistance remain crucial (Pistelli, & Guichandut, 2024). Existing programs could be expanded to work directly with refugee-led energy enterprises, helping to bring clean energy into existing guarantee mechanisms (OpenAid, 2024). For example, expansion efforts could seek to replicate the Grameen Crédit Agricole Microfinance Foundation Refugees Financial Inclusion Guarantee Program and through the Re:BUiLD program,

¹ Rosenberg-Jansen S., Bruder M., Lambe F., & Otterstedt, O. (2026). Financial guarantees for humanitarian energy: examples, incentives and disincentives. SEI working paper. Stockholm Environment Institute. <https://doi.org/10.51414/sei2026.034>

funded by the IKEA Foundation and led by the International Rescue Committee. The experiences of these programs suggest that financial guarantees can enhance credit accessibility in humanitarian contexts (Bruder & Choi, 2025).

For humanitarian organizations that want to move away from fossil fuels and towards renewable energy, financial guarantees can be a very useful tool. They can help reduce the financial and contractual risks involved, making it easier for renewable energy companies to work in places like refugee camps. They can also allow UN agencies and other humanitarian organizations to bring in specialist energy providers to deliver clean energy services, rather than managing everything themselves (GPA, 2025). Guarantees can help bring down costs by reducing the cost of borrowing, lowering the risk premium that energy companies might otherwise charge, and supporting a shift away from expensive, imported diesel towards cheaper, renewable electricity. The case for using financial guarantees in humanitarian energy projects is therefore fairly strong. However, we will only really understand their full impact once longer-term programs have been running for some time and can be properly assessed. Additional research is warranted to understand their long-term commercial viability and to explore the social and distributional impacts of guarantees.

Insights and policy recommendations

Based on our research, we make the following recommendations:

- Donors and funders can offer financial guarantees to leveraging their promise as a de-risking tool to mobilize private finance for renewable energy in humanitarian contexts, which have enormous unmet needs. By transferring credit risk to public or donor-backed guarantors, guarantees can unlock commercial lending, enable energy-as-a-service models, and develop commercially viable financing within the humanitarian energy sector.
- Guarantees for refugee-led energy initiatives should be designed carefully by donors, implementors, and private-sector actors to avoid harm. Refugees demonstrate high repayment rates and strong energy demand. Nevertheless, poorly structured guarantees can bring risks like over-indebtedness, moral hazard, market distortion, and exclusion of the poorest households.
- Full guarantees or portfolio guarantees should be managed carefully to avoid over-extending credit to vulnerable households, and recognize that affordability challenges remain.
- Loans should be at market rates so as not to distort local markets – even though market rates may limit affordability and, in some cases, market penetration in low-income communities.
- Banks and private-sector organisations should install branches and offices in refugee camps. Their presence can increase community engagement in energy provisions and create jobs for refugees. Direct access to financial services can

result in increased economic activity within refugee camps, and support the development of renewable energy supply for refugee homes and businesses.

- Guarantees should be recognized as offering an important first step. At the same time, they are not forever solutions. There is a need to move to a fully commercialized system in order to support the financial longevity of energy investments and the development of self-sustaining renewable energy-powered economies in refugee settings
- Guarantees are not a silver bullet. They require phased, context-specific approaches and further research. Most mechanisms remain donor dependent and experimental. The financial sustainability, equity impacts, and scalability of such mechanisms are still unclear. There is a need for deeper evaluation and evidence-based innovation in humanitarian energy finance.

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