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Exploring the challenges faced by formal refugee-owned businesses in Uganda

An evidence brief for the Uganda refugee response



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Executive Summary

This evidence brief compiles information currently available about the challenges refugees in Uganda face when registering and operating formal businesses. Given the limited availability of existing research, additional small-scale qualitative research was also conducted in Nakivale and Palabek Refugee Settlements. The brief's findings and recommendations are especially important as the global humanitarian response shifts towards more sustainable methods to deal with forced displacement and support refugees' self-reliance.

Findings show that refugees in Uganda face 3 key challenges when formalising their businesses. First, **limited access to official information about how to formalise businesses** means refugees often rely on word-of-mouth. Inaccurate information keeps some businesses from registering and exposes others to exploitation. In general, the lack of access to official information creates confusion and hesitation about formalisation among business owners. Second, the **various costs of registering a business** are a challenge for refugees' often low-income businesses. Travelling to government offices to submit paperwork is tedious and the cost is prohibitive. Third, the **actual process of registration is not standardised**, meaning refugees follow different steps towards registration and experience varying degrees of difficulty or ease with the process. These inconsistencies further complicate refugees' efforts to understand and successfully follow through with business registration.

Findings also revealed that refugees face 4 additional challenges when running their formal businesses. Chief among these is a **lack of access to capital** due to inadequate funding opportunities, general poverty in the settlements which reduces the viable customer base, and because businesses are used for subsistence purposes to keep families afloat, which detracts from reinvestment in the business. Another challenge is the **location of the settlements and the market opportunities available** in these remote areas. Refugee businesses face difficulties both reaching customers and accessing suppliers. Business owners also **lack access to business development services**, such as training opportunities or mentorship, which could help them gain valuable knowledge and skills. Lastly, there is some evidence that **refugees face discrimination from host communities**, which negatively impacts their businesses.

Based on the findings, 6 areas stand out as where policymakers, government actors, donors, humanitarian and development organisations, and financial service providers can make policy and practice decisions to support self-reliance among current and prospective formal business owners in the refugee and host communities. These are:

1. **Provide funding and business development services opportunities** for formal refugee business owners which address their unique needs as refugees.
2. **Support market linkages** so refugee business owners can gain better access to markets and suppliers in and outside of the settlements.
3. **Inform businesses** about the criteria, processes, and procedures involved in business registration. Publicise funding and training opportunities in ways that enable more businesses to be aware of them.
4. **Promote policies and systems which ease the registration of refugee businesses.** This could include the Office of the Prime Minister joining the Uganda Investment Authority's One Stop Centre and promoting the authority's online platform, eBiz, so refugees can register their businesses online.

5. **Promote collaboration among refugee businesses.** Evidence from Palabek shows how when settlement leaders came together, they helped businesses get registered. This business community organisation can be replicated in other settlements with the help of government and humanitarian actors. Getting organised into savings groups can also help business owners access capital.
6. **Improve infrastructure** to ease movement and access to markets in and outside of remote settlements.

Background

Uganda hosts more than 1.5 million refugees across thirteen districts, making it Africa's largest refugee-hosting country. It also has one of the most inclusive policy environments for refugees; for example, Uganda's [Refugees Act of 2006](#) gives refugees the right to live, work, and move freely.¹ Despite this welcoming policy environment, refugee engagement in work remains limited, with only an estimated 29% of refugees actively working compared to 64% of nationals in host communities.²

The majority of working refugees are engaged in self-employment (72%), due to limited employment opportunities.³ Recent evidence suggests refugee-owned businesses are primarily small-scale retail traders or service providers, and they operate with little capital, technology, or organisation at a temporary location.⁴ The majority (75%) of these businesses are not connected to regional or national markets, and only 42% are formally registered with the Ugandan authorities.⁵

Due to the effects of the [COVID-19 pandemic](#)⁶ and an expansion of [global humanitarian need](#)⁷, humanitarian budgets are [unable to meet these growing needs](#)⁸, and both the [international humanitarian community](#)⁹ and the [Ugandan government](#)¹⁰ are seeking more durable solutions for handling forced displacement. As a result, strategies supporting refugees' self-reliance and self-employment are now especially vital. However, limited qualitative evidence exists to demonstrate the specific barriers refugee business owners face when setting up and running a formal business.

In light of this limited evidence, the Livelihoods and Resilience Sector Working Group (LRSWG) decided in May 2022 to prioritise learning around refugee livelihoods and private sector engagement in the refugee response. This evidence brief is one product of that decision.¹¹ The brief summarises existing evidence and presents new evidence to increase the knowledge base about the challenges refugees face when registering and running formal businesses.

¹ Government of Uganda. (2006).

² T. Beltramo, J. Fix, and I. Sarr. (2021).

³ Ibid.

⁴ LRSWG and U-Learn. (2022a). Primary sources: Garcia, A. and Kiwanuka, B. (2019); Lakwo, A. (2018).

⁵ LRSWG and U-Learn. (2022a). Primary sources: Nabusiu Walekhwa, P. (2020); Galgani, R. and P. Lenkova. (2021).

⁶ Brown, (2021).

⁷ Humanitarian Action, (2022a), (2022b).

⁸ Urquhart et al, (2022).

⁹ United Nations. (2018); WFP. (2023).

¹⁰ UNHCR, (2017).

¹¹ The "Entrepreneurship and Microenterprise in Refugee Hosting Districts in Uganda" is another product developed by LRSWG and U-Learn based on the decision to learn more about refugee businesses. Publication forthcoming in June 2023.

Box 1. Evidence Brief Methodology

Methods: Literature review and qualitative interviews

Data collection period: February 2023

Data collection locations: Palabek Refugee Settlement (Northern Uganda) and Nakivale Refugee Settlement (Western Uganda)

Sample: Purposive sampling of 13 refugee-owned businesses from a variety of sectors, who are either formalised or in the process of formalisation, and 3 refugee-owned businesses who have not yet pursued formalisation

Types of businesses in sample: Food services; retail shops; shops providing services like printing/photography, hair cutting and motorcycle repair; savings associations; tailoring and crafting; and agricultural product sale

The evidence and recommendations presented in this brief can inform donors, policymakers, government actors, humanitarian and development organisations, and financial service providers (FSPs) working in the refugee response about the common challenges faced by refugee-owned businesses. These actors can use the information and recommendations to better support refugees to register and operate formal businesses and become more self-reliant.

Section 1. Summary of Evidence

1. Motivations for starting and formalising businesses

Key finding: Refugees start businesses to supplement their incomes. They formalise so they can operate legally and attract larger clients.

Given the many obstacles refugees face in finding employment, many are instead opting to start their own businesses.¹² In Nakivale, every formal business owner interviewed (all 6) said they started their own business because they wanted to support people in their community by providing them with a job or training. In Palabek, business owners emphasised wanting to earn a living so they could provide for their families and improve their living conditions.

In both Nakivale and Palabek, business owners wanted to formalise their businesses through registration with the district local government so they could operate legally. They viewed registration as vital for running their business without fear of interruption from the authorities. The business owners stressed that formal businesses have more

Box 2. Definition of a 'Formal Business'

A formal business is one which has obtained a legal identity and status with Ugandan authorities.

Formalisation safeguards a business's trade name, enables registration for business licenses, and gives the business more opportunities for loans and financing, among other benefits (source: Ugandan Registration Services Bureau [URSB], 2023).

Businesses can be formalised at district level according to district requirements and/or at national level according to the requirements of the Ugandan Registration Services Bureau.

¹² T. Beltramo, J. Fix, and I. Sarr. (2021).

funding opportunities from development partners and can attract larger clients such as organisations or companies who only give contracts to legally registered businesses. Only 4 of the businesses interviewed mentioned any downsides of formalisation, such as being required to pay taxes, and overall formalisation was seen as desirable.

2. Challenges with formalising businesses

While the 16 businesses interviewed either desired to be formalised (3) or were happy with their decision to pursue formalisation (13), all encountered various challenges when pursuing a legal status for their business. This section summarises their 3 main challenges: 1) understanding the steps of formalisation, 2) bearing the cost of formalisation, and 3) navigating the confusing, and sometimes unpredictable, formalisation process.

Key finding: It is often difficult for refugee business owners to know what steps to take to formalise their businesses.

In both settlements, business owners struggled to understand the steps involved in formalising a business. This barrier was also found by the [International Labour Organization](#) in a study of refugee business owners.¹³ Five of the 6 formal business owners interviewed in Nakivale learnt how to register their businesses by seeking advice from other refugees instead of getting information from official channels.

In addition, business owners expressed hesitation with seeking out local government actors for guidance on registration. One business owner in Nakivale who has so far failed to formalise his business reported, "There is fear with going to the district. Who will bring you there? Who will you go to see?" This business owner did not try to register his business because of a rumour he had heard about how refugees cannot register businesses without a Ugandan national ID, which he does not have, (while, in reality, this is not required).

This illustrates how inadequate and inaccurate information can spread in the absence of easily accessible official information sources. Only 2 businesses (both run by young people) in Nakivale said they had researched online and sought out a contact for someone at the district to help them understand the registration process.

These findings indicate that many businesses in Nakivale rely heavily on word-of-mouth and have trouble accessing official information about business formalisation. The challenge to understand the business registration process at district level was also apparent while researching this evidence brief. Information specifically and clearly listing the business registration process is not easily found on the [URSB website](#) and a phone call to their headquarters revealed that they only deal with business registration at the national level. They suggested calling the Office of the Prime Minister (OPM) for information about how refugees can register at district level. While information about business registration at the district may be available through OPM's field offices, refugees likely must spend time seeking out this information and must overcome their intimidation related to dealing with government offices to do so. A lack of accessible information leaves refugee business owners vulnerable to exploitation by con artists, or simply susceptible to inaccurate information that hinders their formalisation efforts.

¹³ International Labour Organization (2021).

Box 3. Lack of information about registration helps con artists flourish in Nakivale

A female refugee business owner in Nakivale had a difficult start with formalisation. She decided in 2020 she wanted to register her business so she could attract more customers, but she felt too intimidated to go to the district authorities herself. She asked a fellow refugee who claimed to know the registration process for help. She paid him a two hundred thousand shillings (200,000UGX) deposit, but he did not follow through and eventually stopped answering her phone calls.

She explained, “Knowing the district was a problem, so we had to go through other people to help us. You don’t know who to talk to at the district and you don’t know where to go. It is intimidating, so you end up working with [a middleman], but sometimes it is a scam.” She eventually found the courage to call a district official and registered her business successfully, but by then the money she had given to the conman posing as a business registration broker was long gone.

Lack of access to official information about business registration was cited as a key problem by business owners – 7 of the 8 owners interviewed in Nakivale stated official information should be made more available to them. Their suggestions included having an information desk in the settlement, making district officials’ contact details more accessible, and having district officials meet business owners in the settlement.

In Palabek, several of the business owners interviewed had had a better experience registering their businesses than those in Nakivale. This was largely due to efforts by settlement leaders and local government officials to create awareness around the business registration process. For example, interviewees reported how leaders in the settlement had helped some business owners understand the process and get registered. Interviewees also mentioned that local government officials had visited the settlement to explain the process of registration and some business owners had inquired with OPM about the steps involved in registration.



Photo: A refugee owned barbershop in Palabek. **Photo Credit:** Stefanie Taylor/ U-Learn. 22nd February 2023

Box 4. Business community in Palabek works together to register.

A small restaurant by the roadside in Palabek proudly displays its business registration certificate next to the lunch menu. The female owner felt it was relatively easy to get registered because the chairperson of her village helped her and other businesses in the area. The chairperson even submitted their registration applications to the sub-county office. She said, "Our chairperson is making all things possible."



In another zone of Palabek, a male barber shop owner is also a leader in his community. He did not know the process for business registration, but he knew it was important for his and other businesses to be legally recognised. He decided to take action by working with other settlement leaders to bring sub-county officials to their zone to explain the business registration process.

His advice for other businesses seeking to register is, "Business communities have leaders, so they should get organised and register businesses as a group. An individual registering can be difficult, but combining yourselves is easier."

Photo: Inside the small restaurant which was successfully registered in early 2023.

Photo credit: Stefanie Taylor/U-Learn 12th February 2023

Key finding: The costs associated with registration are a barrier for some.

Studies have suggested that a key barrier for business start-ups [in Uganda as a whole](#)¹⁴ and [among refugees in particular](#)¹⁵ is the cost of formalising a business. The primary research conducted in Nakivale and Palabek supports this. The cost barrier is principally due to refugee business owners' remote locations and low earning potentials.

In both Nakivale and Palabek, the transportation cost to and from local government offices was cited as a key challenge to formalising refugee-owned businesses. One male business owner in Palabek explained, "The offices are not together in the same locations. You must go to the sub-county and then to the district and then to Uganda Revenue Authority."

He estimated that visiting each office just once costs at least two hundred forty thousand shillings (240,000UGX) in transportation and several interviewees in both settlements indicated that it requires multiple trips to complete the business registration process.

To compound the issue, there is the possibility of not finding the relevant local government officials in their offices when going to register. Four business owners (2 in each settlement) explained this had impacted the cost of their registration because they incurred additional transport expenses. One female business owner in Nakivale attested to how, "The hardest part of registration was finding the person I needed in the office. There is only one person who could

¹⁴ Tibaingana, A. (2020).

¹⁵ JICA and Refugee Investment Network. (2022).

follow up my case. If I didn't find that person in the office, then I had to go back again." She and other business owners said the issue of not finding the needed official was frustrating because it placed an extra burden on them as they had to find more money and time for multiple trips.

The actual cost of the business registration was another significant burden on businesses in Nakivale. While the average annual business registration fee reported by interviewees in Palabek was less than one hundred thousand shillings (100,000UGX), interviewees in Nakivale cited being quoted up to seven hundred thousand shillings (700,000UGX) for the various official registration fees, although these higher fees may be for a business certificate with a longer validity. Some businesses struggled to find such large lump sums of money, considering their businesses' often low returns. One restaurant business owner in Nakivale stated, "We sell a plate of food at one thousand shillings (1,000UGX), so three hundred thousand shillings (300,000UGX) for registration is a lot of money."

It is important to note that [other reports](#) indicate initial business registration at national level costs only five thousand shillings (5,000UGX) with an annual cost of twenty thousand shillings (20,000UGX) for a business license.¹⁶ These costs are also listed on the [URSB website](#).¹⁷ Considering the comparatively high registration costs quoted by interviewees in Nakivale, there seems to be a disconnect between official registration costs and what business owners are actually being charged, legally or otherwise, for registration at district level.



Photo: A refugee owned retail clothing shop in Palabek **Photo Credit:** Stefanie Taylor/ U-Learn 21st February 2023.

¹⁶ JICA and Refugee Investment Network. (2022).

¹⁷ URSB. (2023).

Box 5. A steep price to pay for registration

In Nakivale, a team of 3 young people, who self-describe as school drop-outs due to the COVID-19 pandemic, started a successful bakery. They currently supply cookies to 146 shops in 5 settlement zones. They are just at the beginning of the formalisation process, with the intention of growing the business legally.

However, the trio are faced with challenges. They have been told by a district official that they will need thirty thousand shillings (30,000UGX) for a trading licence, seven hundred thousand shillings (700,000UGX) for a certificate of business registration, and upwards of one million shillings (1,000,000UGX) for a Uganda National Bureau of Standards (UNBS) licence. The UNBS licence will be needed for the trio to achieve their goal of selling their products nationally. They count these expenses as the most difficult aspect of formalisation and the only thing which could prevent them from completing formalisation. The team currently makes only twenty five thousand shillings (25,000UGX) profit per week.



Photos: A busy day at the bakery where staff shape cookies and bake them in a clay oven. The business makes and sells three thousand two hundred (3,200) cookies per week to retail shops in Nakivale Refugee Settlement, but only makes a profit of about one hundred thousand shillings (100,000UGX) per month.

Photo Credit: Stefanie Taylor/U-Learn 15th February 2023

Key finding: Refugee business owners have varying experiences with registration, indicating that the process may not be standardised.

In Palabek, 6 out of 8 businesses said that business registration was easy for them, but only 1 business in Nakivale felt the same. Reasons given for difficulty with registration in Nakivale included: navigating the registration process without access to official information; high

registration costs; exploitation from business registration brokers; and corruption in some government offices. Inconsistent wait times for approval of business registration also impacted some business owners in Nakivale; the total time for processing business registrations ranged from immediate, to one week, to a few months, to over a year and counting.

Box 6. A business in limbo

A group of entrepreneurs are running a thriving restaurant in Nakivale settlement, where, since 2020, they have attracted a loyal customer base. They are now looking to expand to a bigger location, with dreams of expanding even more over time.

However, their long-awaited business certificate is holding them back. One year after submitting their application for business registration, and countless trips to the district to follow-up, they still have not received the official registration certificate they need to expand their business.



The chef and co-owner of the restaurant explained, “Many people come to eat here at night, but we are losing customers because it’s not comfortable for them all to sit inside our current space. We need to shift to a bigger location, but we fear growing bigger without the business certification because the police can fine us if we are not registered.”

For now, the entrepreneurs have no option but to wait. They are not sure what is delaying the registration process. Each time they inquire with district officials, they are told to wait.

Photo: The restaurant’s current small premises.

Photo Credit: Stefanie Taylor/ U-Learn 14th February 2023

The steps interviewees in both settlements reported taking to register their business also varied widely from business to business.

- **Visiting local government offices:** The majority of businesses (9 of 16) said they went to the sub-county or district offices in person. The others never visited the offices themselves at all.
- **Reference letter:** Only 5 said they needed to get a letter from OPM to submit their business registration application.
- **Business inspection:** Only 6 reported a district or sub-county official came to inspect their business to calculate the business registration fee.

Overall, the business owners interviewed seemed to have had a wide variety of experiences with registration, indicating business registration is not a standardised process across districts or even within the same district. Instead, the process is somewhat unpredictable and difficult to understand, which negatively impacts refugee business owners. These findings align with one conclusion of a [study conducted in 2021](#) which found refugees struggle to access the required documentation needed for legal self-employment.¹⁸

¹⁸ JICA and Refugee Investment Network. (2022).

3. Challenges of running a formal business

This section details the daily challenges faced by formal business owners. Chief among the challenges is an inaccessibility of funding, lack of market linkages, and limited access to business development services (BDS). There are also some social integration challenges. Although these may be common challenges faced by informal business owners as well, this section specifically explores the challenges mentioned by the 13 refugee-owned businesses who are either formalised or in the process of formalisation.

Key finding: General poverty in refugee settlements and a lack of funding inhibits business growth.

Previous research on the challenges facing national¹⁹ and refugee²⁰ business owners in Uganda and refugee business owners globally²¹ has found these groups critically lack access to start-up capital. This conclusion was supported by the current primary research in Nakivale and Palabek – the most common challenge, cited by 9 of the 13 formal refugee-owned businesses, was a lack of capital.

Capital is in short supply for 3 main reasons:

- There are limited funding opportunities for businesses in the settlements.
- Competing priorities at household level take money away from the business.
- General poverty in the settlement means potential customers lack the money to patronise businesses.

Lack of capital influences other common challenges mentioned by refugees such as having inadequate space for operation and an inability to buy vital business equipment and materials.

Box 7. Operating in a cash-poor community impacts business growth in Nakivale

A tailor in Nakivale owns a business which trains young women in tailoring and craft item making, giving them an opportunity to make a livelihood and be self-reliant. However, she finds it difficult for her and her trainees to sell their items to customers in and around the settlement. She lamented, "The host community and refugees find our products to be expensive. They only buy bangles of two thousand shillings (2,000UGX) rather than more expensive items like bags."

The treasurer of a builder's association in Nakivale related how the members of his association struggle to contribute twenty thousand shillings (20,000UGX) in savings each month because they are jobless. He said, "There are not many building projects for members to work on in the settlement where they can get money."

¹⁹ Tibaingana, A. (2020).

²⁰ L-IFT & Alemayehu, M. (2021); Baluku, M., et al. (2021).

²¹ Kachkar, O., et al. (2016).

Most (10 of 13) formal businesses have tried looking for funding, but only 5 have managed to successfully secure funding. This funding was a bank loan (1 business), a small local fundraiser (1 business), and funding from a development organisation (3 businesses). An additional 2 businesses received small loans from their village savings groups.

Among those who tried to look for funding, 5 said they don't know where to look for opportunities. To illustrate this, one female business owner in Nakivale remarked, "We have tried to get funding, but it is hard. There are so many entities willing to fund, but you don't get the information to know about them, so how can you apply for them?". An additional 3 believed competition for funding was high because there are too few funding opportunities available for too many applicants.

Similar to what other research about refugee loan-taking [globally](#)²² and in [Uganda](#)²³ has found, about half (7) of the formal business owners interviewed affirmed how refugees struggle to access loans because formal FSPs need collateral, such as land or bank savings, which refugees often do not have. Four business owners also felt taking out loans is too risky for them because the interest rates are high.

Overall, funding from development organisations and cases of loan taking is limited among the businesses interviewed in Nakivale and Palabek. This echoes a [2021 finding](#) which asserted how although the Ugandan government and humanitarian actors have supported entrepreneurs with start-up capital, the support available is not sufficient for the number of refugees who enter the country each day.²⁴ Without access to capital, refugees struggle to grow their businesses beyond subsistence level.

Box 8. Family needs strain business operations in Palabek

In Palabek, a retail shop owner has many family responsibilities that reduce his ability to reinvest in his business. He pays school fees for 5 sons attending school in Uganda, as well as for children attending school back home in South Sudan. In addition, he supports an increasing number of family members who have relocated to Palabek from South Sudan. These competing priorities redirect money that otherwise would have been used to grow the business. He has not been able to get a business loan because he cannot demonstrate collateral. He said he doesn't know anything about funding from humanitarian or development organisations.

This story was common among business owners in Palabek, who often had to choose between expanding the business or meeting a family need. In many cases family needs take priority, to the detriment of the business.

²² Kachkar, O., et al. (2016).

²³ JICA and Refugee Investment Network. (2022).

²⁴ Baluku. M., et al, (2021).

Key finding: Remote settlement locations and lack of business linkages makes it challenging for business owners to access markets.

Another common challenge, faced by 9 of the 13 formal businesses, was the distance between the settlement and external markets. Poor roads and the expense of transportation inhibit refugee businesses from connecting with both suppliers and customers. Geographical challenges were also documented in a [2021 study](#) which found that isolated settlements in Uganda are challenging environments for businesses to thrive in, due to poor and limited road networks.²⁵ While businesses in both Nakivale and Palabek faced this challenge, it was more pronounced in Palabek due to its more isolated location.

Box 9. Palabek’s remote location impacts refugee-owned businesses

Even with links to food suppliers in Kitgum and Gulu, a small restaurant owner in Palabek often runs out of food to serve customers. She said it can take up to 4 days for goods to reach her. She wishes traders dealing in food would frequent the settlement regularly, making it easier for her to maintain her supply. But, she explained, they don’t come because the road is poor and they often get stuck along the way, especially during the rainy season.

Meanwhile, a farmer group in Palabek, which aggregates crops from local farmers, often cannot afford to send its produce to buyers outside the settlement. The group once had a thriving business, but it was greatly affected by the COVID-19-related lockdowns. The group now often cannot afford to transport its goods the long distances needed to reach customers.



Photo: A farmer group in Palabek stores its produce in a small hut. The group often cannot afford to transport goods to markets in host community towns due to the long distances and the high transport costs. The farmers constantly worry about their produce getting spoilt before it can reach customers.

Photo Credit: Stefanie Taylor/ U-Learn
22nd February 2023

As well as challenges with market accessibility, refugees also often lack linkages with suppliers and customers. Four businesses attested to this, explaining they must travel to other towns to look for stock or customers, which is time consuming and expensive. Five businesses also confirmed that a lack of technology, such as laptops, smartphones, and internet data, as well as a lack of basic services, such as electricity, prevented them from finding customers or suppliers through online platforms. Businesses in both settlements were equally affected by a lack of business linkages.

²⁸ Baluku. M., et al. (2021).

Being unable to find a reliable market outside of the settlements compounds the lack of capital as businesses are unable to sell their goods and services to customers who may have a greater income than fellow refugees. This evidence echoes a finding from [a study about refugees](#)²⁶ which found refugee businesses tend to be small and mostly confined within the settlements, as well as [other research done in Nakivale](#)²⁷ which indicates refugees struggle with finding contacts for jobs.

Box 10. Definition of 'Business Development Services'

These are services that improve the performance of an enterprise, its access to markets, and its ability to compete. They include an array of business services, including training, consultancy, marketing, information, technology development and transfer, and business linkage promotion.

Key finding: Refugee business owners have limited access to business development services, although they want and need these services.

Most of the formal business owners interviewed (9 of 13) had attended at least one business training opportunity. These opportunities were primarily provided by development organisations. All but 1 business owner confirmed they would like to receive additional business training, such as training on general business management, accounting and financial management, fundraising, and how to integrate technology and digitisation into their business.

The 16 business owners interviewed did not seem to be aware of BDS (aside from training), indicating they likely had never had the chance to benefit from other types of BDS, such as business mentorship or consultancy, and they might not even know how such services could support their ventures. Only 1 business specifically mentioned wanting to share experiences with other businesses as part of a BDS initiative.

The main barriers to accessing BDS included not being aware of the available BDS opportunities and the high competition for the few opportunities that do exist. In Palabek, 5 of the 7 formal business owners believed additional business training opportunities were simply unavailable in the settlement.

[Data suggests](#) entrepreneurship education is a key driver for refugee-owned business success in Uganda and should be prioritised alongside soft skilling and entrepreneurial mindset training.²⁸

Key finding: While many businesses in Uganda face challenges, refugees have the added complication of discrimination.

The primary data collection found that 6 refugee business owners thought Ugandans faced similar challenges as them when running businesses. This belief is supported by the World Bank's [Doing Business Index 2020](#) which ranked Uganda as 116 of 190 economies for the ease of doing

²⁶ Baluku. M., et al. (2021).

²⁷ L-IFT & Alemayehu, M. (2021).

²⁸ Baluku. M., et al. (2021).

business. The index assesses factors such as starting a business, accessing electricity, and securing credit.²⁹

However, in addition to the challenges shared with Ugandan nationals, evidence suggests refugees also face social integration challenges ranging from language barriers to discrimination by the host community.³⁰ Six refugee business owners in Nakivale and Palabek revealed how they feel they are at a disadvantage compared to their host community counterparts, either because refugees do not own land and have fewer livelihood opportunities or because the host community discriminates against them, affecting their belief in themselves and business profits.

Two refugee business owners in Palabek mentioned how the host community is unfriendly and overcharges them for land rental because they believe refugees receive a lot of money from donor organisations. One respondent in Nakivale intimated she feels the host community looks down on her products because they think refugee-made goods are inferior.

While reports of discrimination were somewhat limited in the small primary data collection sample, the existing literature suggests discrimination is likely a challenge for refugee business owners and it should therefore not be overlooked in this evidence brief.

Section 2: Recommendations

The recommendations below, under 6 broad themes, are intended to provide donors, policymakers, government actors, humanitarian and development organisations, and FSPs with actionable suggestions of how to support self-reliance among formal refugee-owned businesses and business owners who want to formalise.

The development of effective solutions should always start with listening to the needs of refugees and host communities and involving them in solution design. Therefore, several of the recommendations were inspired by and derived from suggestions made by the refugee business owners interviewed for this brief.

1) Provide opportunities

Capital and BDS opportunities are vital for business growth, yet opportunities for both are limited for refugee-owned businesses.

Recommendations for donors, government actors, and humanitarian and development organisations:

- Prioritise the provision of seed funding and BDS opportunities for refugee business owners.
- Encourage the creation and training of village savings groups composed of refugee business owners who already have a source of income and know and trust each other. These group members can work together to create cash pools or apply for loans.
- Provide training on resource mobilisation and fundraising for refugee-owned businesses.

Recommendations for FSPs:

²⁹ World Bank. (2020).

³⁰ JICA and Refugee Investment Network. (2022); Loiacono, F. and Vargas, M. S. (2019); Jahndel, K. (2018).

- Embrace financial inclusion by [designing refugee-specific financial products and services](#) which take into account the barriers refugees face and recognise refugees' potential as borrowers.³¹
- Consider [research](#) which has shown that the stereotypes about the 'riskiness' of refugee borrowers is not necessarily true.³² Analyse available data to get a better understanding of repayment rates among refugee borrowers.
- [Use digital financial solutions](#) to make lending and repayment easier in areas where physical banks do not exist.³³

2) Support market linkages

Increased access to capital and BDS will be less effective without a commensurate effort to support market linkages.

Recommendations for donors, government actors, and humanitarian and development organisations:

- Promote programmes that support refugee entrepreneurs so they can successfully operate formal businesses that provide the products and services their communities need, including those related to education, health, food, and non-food items. Efforts within those programmes could include:
 - Facilitating access to external markets by supporting the marketing, distribution, and sale of refugee-made products;
 - Training refugees on manufacturing, value addition, marketing, and financial and digital literacy skills;
 - Assisting the creation of aggregation systems;
 - Facilitating linkages between local businesses and suppliers and customers outside the settlements;
 - Promoting the use of online marketing and social networking channels; and
 - Facilitating engagement between business communities in the settlements and last mile transportation companies.

3) Inform refugees about businesses registration and relevant opportunities

The inaccessibility of information about business registration procedures creates confusion and wariness around formalisation, and leaves refugees vulnerable to exploitation. Publicising accurate registration information, so refugee business owners are more aware of why they should register and the steps involved, could have a significant impact.

Recommendations for donors, government actors, and humanitarian and development organisations:

- Conduct awareness sessions for businesses in refugee-hosting districts to fill the knowledge gap around formal business registration. Information campaigns via print,

³¹ LRSWG and U-Learn. (2022b).

³² KIVA. (2018).

³³ LRSWG and U-Learn. (2022b).

radio, and SMS can also help spread the word on what official telephone numbers to call and websites to visit, as well as what business registration requirements exist.

- Organise information desks within the settlements as well as frequent visits by relevant local government officials to expose refugees to the information and people they need to know to successfully register their businesses.
- Translate information into languages used by refugees, such as French, Arabic, and Swahili, as well as local languages.
- Create mentorships between model registered business owners and refugees seeking to register their businesses, to enable information sharing.
- Widely publicise available funding and training opportunities to ensure refugees are aware of what is open to them. Recognising refugees can have challenges accessing and using technology, use alternative methods in addition to online publication.

4) Promote policies and structures which ease the registration of refugee businesses

The [Uganda Investment Authority's One Stop Centre \(OSC\)](#) seeks to create a single access point for information and service transactions for business owners.³⁴ The OSC's website ([eBiz](#)) is intended to give business owners a method for accessing the authority's services online³⁵, and has the potential to ease some of the challenges refugees face with registering their business.

Recommendations for government actors:

- Include a method for business owners to register their business at district level as well as at national level on the OSC's website (eBiz). Alternatively, create another online platform to enable business owners to register with their districts.
- OPM signs up to the [OSC Client Service Charter](#) so it can assist refugees with business registration.³⁶
- OPM supports refugees by hosting information sessions about eBiz and assisting them with access to and proper utilisation of eBiz to register their businesses.
- Local government offices in refugee-hosting districts promote eBiz to give refugee business owners an alternative method for registration that can reduce the cost and time burden of travel to government offices, and help standardise procedures and payments.

Recommendations for policymakers:

- Promote policies which consider the unique challenges of refugee business owners. These policies must recognise the limited financial means of most refugee entrepreneurs, as well as the added challenges they may have when pursuing formalisation such as language barriers and hesitation when dealing with government authorities.
- Develop policies which can level the playing field between refugee and host community entrepreneurs.

5) Promote collaboration among refugee businesses

³⁴ Uganda Investment Authority. (2023b).

³⁵ Uganda Investment Authority. (2023a).

³⁶ Uganda Investment Authority. (2019).

Recommendations for donors, government actors, and humanitarian and development organisations:

- Support business owners to get organised into business groups and associations. These groups can support each other through business registration (as was shown to be successful among interviewees in Palabek) as well as pursue other activities to benefit their shared interests and solve their common challenges.
- Support business owners to get organised into savings groups so they can access capital together.

6) Improve infrastructure

Recommendations for government actors, policymakers, and donors:

- Improve road networks so refugee and host community business owners can affordably access more markets and achieve a higher level of sustainability.



Photo: The menu for a restaurant in Palabek.

Photo Credit: Stefanie Taylor/ U-Learn. 21st February 2023.

Annotated Bibliography

Alemayehu, M. and L-IFT (2021). Refugees and Businesses in Nakivale and Kiryandongo settlements.

Available at: <https://l-ift.com/refugees-and-businesses-in-nakivale-and-kiryandongo-settlements/>

This webpage presents quantitative data about business income and employment creation among refugees in Nakivale and Kiryandongo Refugee Settlements. The data was collected from 165 refugee business owners over the course of 26 biweekly interviews. It does not specify whether the businesses are formal or informal. Key among the information it presents is the average income generation of businesses, and the origin and number of employees in the business. It finds that 52% of refugees generate income at an average of \$13 every 2 weeks. About 15% have at least 1 employee, mostly family members or refugees from the same country. It also summarises business owners' main challenges including access to capital, job contacts and access to land.

Baluku, M., Nansubuga, F., Nantamu, S., Musanje, K., and Kawooya, K. (2021). 'Policy Brief on Refugee Entrepreneurship and Skilling in Uganda', Makerere University School of Psychology, RES Policy Brief.

Available at:

https://www.researchgate.net/publication/362153744_Policy_Brief_on_Refugee_Entrepreneurship_and_Skilling_in_Uganda

This policy brief is based on a mixed-methods study of 582 refugees about the role of entrepreneurship in the economic integration of refugees. It was conducted in Bidibidi and Kiryandongo Refugee Settlements, as well as in Kampala to represent both rural and urban refugee experiences. It found that a knowledge and skills gap is a major challenge for refugee entrepreneurs. It also found that refugees have a passion for entrepreneurship, but most are not able to start a business due to lack of capital. Those who do start businesses tend to be micro, with a small average monthly profit. It also recognises the role that geography plays in business success, and that businesses located closer to a major road and trading centres (in Kiryandongo) registered higher levels of success than more isolated areas (in Bidi Bidi). Land for business operation is a challenge in Kampala. It recommends making refugee businesses known to policymakers, providing support to refugee businesses in the form of information and capital, and focusing on training soft skills and promoting an entrepreneurial mindset.

Jahndel, K. (2018). 'Institutions and Refugee Entrepreneurship: A Case Study of Congolese Refugees in Rwamwanja Refugee Settlement in Uganda', Master's Thesis, Copenhagen Business School.

Available at: <https://research.cbs.dk/en/studentProjects/institutions-and-refugee-entrepreneurship-a-case-study-of-congole>

This paper was written by a master's degree candidate to present his qualitative research with 20 refugee entrepreneurs and 2 focus group discussions in Rwamwanja Refugee Settlement. He sought to understand the linkages between institutions in Uganda and the stages of the entrepreneurial process among refugees.

He found a strong link between regulatory institutions and the early stages of entrepreneurship, specifically that the presence and enforcement of refugee-friendly policies were important for entrepreneurs' decisions to start businesses and succeed in the early stages. Refugees interviewed reported facing discrimination from host community nationals, so believing that regulatory institutions such as formal rules and regulations and enforcing institutions such as the police would protect them was important for their confidence to operate businesses.

JICA and Refugee Investment Network. (2022). Data Collection Survey on Refugee-Related Business and Social Investment.

Available at: <https://openiicareport.jica.go.jp/pdf/1000047520.pdf>

This report summarises findings from a data collection survey conducted in Uganda and Jordan about refugee-owned businesses to understand how refugee self-reliance can be supported by private sector involvement. It sought to identify critical enablers of refugee-owned businesses and investment to better understand how governments and donors can support them. Among the challenges it identified for refugee businesses in Uganda are: 1) market barriers such as limited access to financing, employment opportunities and basic services, and 2) policy barriers such as accessing documentation, unclear refugee livelihood policies, limiting resettlement policies and an unclear plan to end statelessness. It recommends refugee lens investing (RLI) focused on supporting refugees to engage in value addition products, and to increase their access to larger markets. It argues that creating partnerships with various stakeholders is critical for refugee-owned business success.

Kachkar, O., Mohammed, M.O., Saad, N., and Kayadibi, S. (2016). 'Refugee Microenterprises: Prospects and Challenges', Journal of Asian and African Social Science and Humanities, 2(4), pp. 55-69.

Available at:

https://www.researchgate.net/publication/348607027_Refugee_Microenterprises_Prospects_and_Challenges

This journal article examines challenges that humanitarian organisations and NGOs face in supporting refugee microenterprises. The authors interviewed staff from 6 organisations around the world and is therefore not a Uganda-specific resource. Top challenges it found included unfriendly refugee policy environments and legal restrictions around refugee businesses in some countries and how this impacts organisations' abilities to support refugees. It also found that there is a lack of financial resources for refugee businesses due to an increase in protracted humanitarian crises around the globe which constrains donor resources. It is also more difficult for refugees to get loans because they often cannot provide collateral and are considered risky loan-takers, so humanitarian organisations shy away from giving them microloans which could help support their businesses. It argues for more support to refugee micro-enterprises as they have the potential to improve the socio-economic situations of refugees and achieve self-reliance.

Loiacono, F. and Vargas, M. S. (2019). 'Improving Access To Labour Markets for Refugees: Evidence from Uganda', International Growth Centre.

Available at:

<https://www.theigc.org/sites/default/files/2019/10/LoiaconoSilvaVargas-Final-Report5.pdf>

This paper collected evidence about what challenges refugees face when accessing labour markets in Mbarara and Kampala, Uganda. It looks at both sides of the labour market, including refugees on the supply side and manufacturing and trade firms on the demand side. It uncovered that on the demand side, refugees are often subject to discrimination by potential employers, and that host community firms often have incomplete or incorrect information about refugees' rights to work. On the supply side, refugees often do not possess the documents that potential employers want. While most refugees tend to remain in the settlements, youth would desire to leave the settlements if they had a job in an urban area.

Tibaingana, A. (2020). 'Anecdotal Evidence of the Role of Incubation in the Growth of Business Start Ups in Uganda', International Business Research, 13(1). Pp. 64-78.

Available at: <https://ccsenet.org/journal/index.php/ibr/article/view/0/41396>

This journal article summarises the qualitative findings of a study about the impact of business incubators in Kampala as well as the general challenges that start-up businesses in Uganda face. After interviewing 22 leaders of business start-ups in incubators across Kampala, it uncovered several common challenges among start-up businesses. Chief among these challenges was that funding for start-ups is important for development, but it is often in short supply, which severely impacts business growth. It also found that the costs of formalising the business can be a major barrier for small businesses just starting out.

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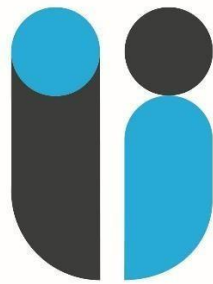
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