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Refugee Entrepreneurship in Uganda

Desk review for the Uganda refugee response

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Executive summary

Uganda hosts more than 1.5 million refugees across both urban areas and 13 rural settlements. Promoting entrepreneurship is increasingly viewed as an effective approach to overcoming the challenges of economic and social inclusion for refugees. This desk review pulls together findings from 25 documents that contain information related to entrepreneurship.

Refugees have the same rights as Ugandans to start their own business. However, despite the favourable policy environment, challenges persist for refugee entrepreneurs. Most small businesses run by refugees begin as informal ventures and refugee entrepreneurs face many challenges to formalising and growing their business. Challenges include language barriers, the remoteness of rural settlements, discrimination, lack of market knowledge, lack of social capital and social networks, and limited access to financial capital.

While the idea of being an entrepreneur is attractive in theory, it is challenging in practice. Access to finance is the most limiting factor to small business growth. Businesses are required to formalise to access formal finance and some markets, get operating licences, or open business bank accounts. Refugees face barriers to formalisation including the cost and confusion and lack of information about how to formalise, and there is an overall lack of interest in the formalisation process.

Humanitarian and development actors are seen as the leaders in the refugee response, including for business development. Business development services are largely driven by supply, rather than demand. Financial service providers (for profit and non-profit) have a role to play in supporting refugee business owners. Recommendations to support the development of refugee-led microenterprises include providing support to refugee entrepreneurs so they can formalise their business and access finance, and creating networking opportunities.

Acronyms

GBE	Green Bio Energy
IOM	International Organization for Migration
NGO	Non-governmental organisation
SME	Small and medium enterprises
UNCTAD	United Nations Conference on Trade and Development
UNHCR	United Nations High Commissioner for Refugees

1. Introduction

Uganda hosts more than 1.5 million refugees in refugee settlements across 13 rural districts in the north and west of the country as well as in certain urban areas, like Kampala. For refugees in Uganda, the protracted crises in their countries of origin mean they do not have a clear timeline for returning home. The high number of refugees hosted in Uganda has led to economic and social challenges to livelihoods and integration. Entrepreneurship is increasingly viewed by humanitarian and development actors as an effective approach to economic and social inclusion for migrants and refugees in Uganda.

Entrepreneurship is also increasingly promoted as a potential solution globally. For example, in the [Policy Guide on Entrepreneurship for Migrants and Refugees](#) from UNCTAD, IOM, and UNHCR. Refugee entrepreneurship in Uganda is facilitated by the country's progressive refugee policies in which refugees have freedom of movement, the right to work and establish businesses, access to social services, and an allocation of land for agricultural production.

This desk review pulls together trends, challenges, and findings from 25 sources, from the last 13 years (2010–2022), that are related to entrepreneurship in the Ugandan refugee response and global best practices for refugee entrepreneurship. The documents come from multilateral organisations such as the United Nations and non-governmental organisations (NGOs) operating in refugee responses globally. This desk review is for Uganda refugee response actors already operating entrepreneurship and livelihoods programmes and those planning to start work in this area. It is hoped that the information in this review will help shape policy and thinking.

This desk review covers microenterprises, and small enterprises, as defined in Table 1 below,¹ with a focus on rural and settlement-level entrepreneurs. The review discusses the entrepreneurship landscape in Uganda generally and how it relates to refugees. It then discusses the main challenges that refugees face in Uganda when trying to create their own businesses. It then looks at existing examples of opportunities to engage with entrepreneurs in Uganda. To end, the review explores opportunities and good practices to support entrepreneurs.

Table 1: Key definitions

Microenterprise	Microenterprises employ up to four people and have an annual revenue or total assets of up to ten million Ugandan shillings. ²
Small enterprise	Small enterprises employ between five and 49 people and have an annual revenue or total assets between ten million and one hundred million Ugandan shillings. ³
Entrepreneurship	Entrepreneurship is the capacity and willingness to undertake conception, organisation, and management of a productive new venture, accepting all attendant risks and seeking profit as a reward. ⁴

¹ This desk review excludes medium-sized enterprises and high growth firms, which are covered in U-Learn's [Desk Review on Private Sector Engagement in the Uganda Refugee Response](#).

² Uganda Investment Authority, "Small & Medium Enterprises," <https://www.ugandainvest.go.ug/sme/>.

³ Uganda Investment Authority.

⁴ UNCTAD, UNHCR, and IOM, "Policy Guide on Entrepreneurship for Migrants and Refugees," UNCTAD/DIAE/2018/2 (United Nations, 2018).

Review scope: This desk review explores the overall entrepreneurship context as it relates to all residents of Uganda and highlights challenges unique to refugees as they seek to create and grow their businesses. It is important to note that Uganda has a favourable refugee approach. Microenterprise challenges and opportunities therefore apply to both refugees and their host communities. However, in addition to general challenges faced by entrepreneurs, refugees face unique challenges.

2. Entrepreneur landscape in Uganda

Legal framework and policies

When it comes to creating a business in Uganda, refugees have the same rights as Ugandans. The Government of Uganda has encouraged entrepreneurship through its policies, including the [Uganda Micro, Small and Medium Enterprise Policy](#) and the [Private Sector Development Programme Implementation Action Plan FY2020/21-2024/25](#). These documents are not refugee-specific but instead apply to any legal resident, which includes refugees under the Ugandan Refugees Act. The Ugandan Refugees act stipulates that, "refugees shall be accorded the same protection as is accorded to the nationals of Uganda in respect of the protection of intellectual property rights, including industrial inventions, patents, designs, trade names, copyrights and other artistic and scientific works," in addition to the "right to have access to employment opportunities and engage in gainful employment."⁵

A 2018 study of Congolese refugees in Rwamwanja Refugee Settlement found that the permissive regulatory environment in the settlement facilitates entrepreneurship amongst refugees. The study findings also highlighted that the visible presence of actors who could enforce rules and laws, such as the police, encouraged the refugees to start businesses and assured them that their rights as business owners would be protected.⁶

Despite the favourable policy environment for refugees and evidence that refugees are starting businesses, challenges to entrepreneurship persist. Data show that while Uganda's policies provide refugee entrepreneurs with rights, these policies are often not sufficient to clarify refugees' roles and responsibilities when it comes to entrepreneurship. Data also show that some refugees are unaware of the policies and the steps to register a business.⁷

Uganda's Employment Act does not explicitly mention the rights of minorities, including refugees.⁸ The Trade Licensing Act also lacks guidelines on the establishment and registration of refugee businesses and the governance of businesses run by asylum seekers. The absence of a legal framework specific to refugees can deter refugees from starting a business or formalising an existing business. Without formalisation, the funding opportunities for refugee enterprises are limited.⁹ This is discussed in Section 3 below.

⁵ Government of Uganda, "The Refugees Act 2006," May 24, 2006, www.refworld.org/pdfid/4b7baba52.pdf.

⁶ Kevin Jahndel, "Institutions and Refugee Entrepreneurship: A Case Study of Congolese Refugees in Rwamwanja Refugee Settlement in Uganda" (Copenhagen Business School, March 2018).

⁷ Kevin Jahndel; International Labour Organization, "Diagnosis on Informality in Targeted Intervention Areas of the PROSPECTS Programme in Uganda," 2021.

⁸ "Data Collection Survey on Refugee-Related Business and Social Investment" (JICA, Refugee Investment Network, February 2022).

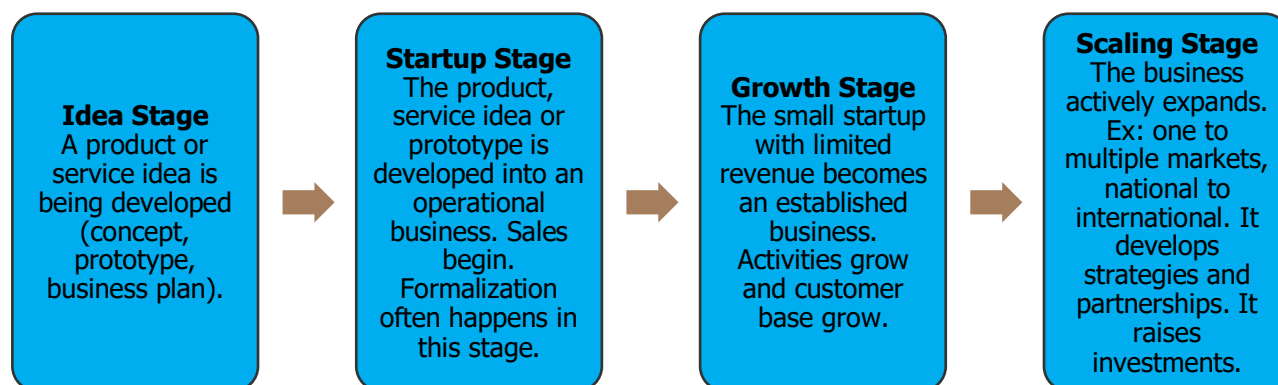
⁹ "Data Collection Survey on Refugee-Related Business and Social Investment."

Intent and ambition for business creation and growth

Refugees' intentions and degree of ambition to create small businesses differ from one individual to the next and influence how ambitious individuals will be to grow their business. UNHCR and Impact Hub's [Global Roadmap for Refugee Entrepreneurship](#) states that necessity-driven microenterprises that are informal and have limited capacity or intent to grow are generally not included in the entrepreneurship spectrum. However, differentiating between those who intend to grow their business and those who do not is difficult.

Entrepreneurial activity can generally be assigned to one of the following stages: idea, start-up, growth, or scaling. A number of factors influence whether a new entrepreneur will reach these different stages. For example, older entrepreneurs are more successful than young entrepreneurs, mainly because of the experience they have acquired over the years.¹⁰ There is also evidence to suggest that individuals with some education have skills that help them manage their businesses more effectively than individuals with little to no education.¹¹

Figure 1 – The entrepreneurial journey (based on UNHCR)¹²



The idea and start-up stages of the entrepreneurship process are characterised by a high level of uncertainty and entrepreneurs have to evaluate the opportunity costs and risks associated with starting a business. Refugees' perception of their hosting environment (usually a refugee settlement) influences their entrepreneurial mindset and their day-to-day experience, such as the real or perceived level of safety. For example, a refugee who feels unsafe and perceives a high level of risk to their livelihoods is unlikely to risk trying to grow their business, as compared to a refugee who feels safe and integrated in the host community, who is more likely to have a growth mindset due to favourable conditions. Due to this uncertainty, and refugees' perception that settlements have fragile stability, the security and reassurance provided by the formal organisations present within a given refugee settlement were found to be a key success factor in the first two stages (idea and startup).¹³

¹⁰ Rennie Bakashaba, "Entrepreneurial Income and Barriers to Firm Growth: A Study of Rural Small and Medium Enterprises in Uganda" (Department of Economics, University of Reading, October 2018).

¹¹ Rennie Bakashaba, "Entrepreneurial Income and Barriers to Firm Growth: A Study of Rural Small and Medium Enterprises in Uganda" (Department of Economics, University of Reading, October 2018).

¹² Berivan Elis, Murat Citilgulu, and Sarah Stamatiou Nichols, "Global Roadmap for Refugee Entrepreneurship" (UNHCR, Impact Hub, October 2022).

¹³ Kevin Jahndel, "Institutions and Refugee Entrepreneurship: A Case Study of Congolese Refugees in Rwamwanja Refugee Settlement in Uganda."

In Uganda, the formal economy is unable to absorb the existing supply of workers – including refugees. This means that many workers resort to creating micro and small businesses to survive.¹⁴ Creating a business is often a stopgap measure during a job search (and therefore the business is seen as a necessity rather than an opportunity) and once a job is secured the enterprise is abandoned. A 2021 study conducted by Mercy Corps reports that most entrepreneurs interviewed would accept a job if they were offered one. These entrepreneurs did not see their businesses as a long-term solution and were unlikely to invest (money, time, or capacity development) to grow them. As a result, these micro and small survival businesses were likely to copy other enterprises rather than develop innovative products and services.¹⁵

It is difficult to untangle which micro and small businesses are created out of a genuine desire to innovate and grow and which are stopgaps while looking for employment. This is especially true in the Uganda refugee context, where the rural nature of refugee settlements limits opportunities for formal employment.

3. Challenges to starting and growing a microenterprise

Refugee entrepreneurs face many challenges when starting and maintaining a business. These include general difficulties associated with doing business in Uganda that are exacerbated by language barriers and the remoteness of the refugee settlements. Refugees can also be discriminated against. Other challenges include refugees' : lack of market knowledge, lack of social capital and social networks, limited access to financial capital, and lack of context-related entrepreneurial knowledge.¹⁶ As a result of the challenges described in this section, the majority of refugee microenterprises operate in undifferentiated markets (that is, with no specialisation), on a low input, low output, and low value-added basis.¹⁷

Formalisation process



The informal sector is responsible for more than 80% of employment and contributes to more than half of the Ugandan economy.¹⁸ Entrepreneurship happens both in the formal and informal economy and according to an ILO study, most businesses in Uganda start as an informal family business.¹⁹ The distinction between formal and informal businesses and employed and self-employed is often blurred. Most informal businesses seem to offer income and survival means to people who are most vulnerable to poverty, including women and refugees.²⁰

The World Bank's Doing Business index for 2020, Uganda ranked 116th out of 190 economies in ease of doing business.

A breakdown of the data revealed that Uganda ranked 169th for ease of starting a business, 168th for getting electricity, 80th for getting credit and 77th for enforcing contracts.¹

¹⁴ International Labour Organization, "Diagnosis on Informality in Targeted Intervention Areas of the PROSPECTS Programme in Uganda."

¹⁵ Agora Global, "Mercy Corps System Labour Marker Assessment Focused on Microenterprise," 2021.

¹⁶ Berivan Elis, Murat Citilgulu, and Sarah Stamatou Nichols, "Global Roadmap for Refugee Entrepreneurship."

¹⁷ Agora Global, "Mercy Corps System Labour Marker Assessment Focused on Microenterprise."

¹⁸ International Labour Organization, "Diagnosis on Informality in Targeted Intervention Areas of the PROSPECTS Programme in Uganda."

¹⁹ International Labour Organization, "Diagnosis on Informality in Targeted Intervention Areas of the PROSPECTS Programme in Uganda."

²⁰ International Labour Organization, "Diagnosis on Informality in Targeted Intervention Areas of the PROSPECTS Programme in Uganda."

While most businesses in Uganda tend to start as informal ideas and ventures, they typically need to formalise in order to grow.²¹ Formalisation is usually a prerequisite to access formal finance and some markets, get operating licences, open a business bank accounts, and access business development services – which are all needed for the continued growth of the business.²²

Barriers to registering a refugee business (a key part of formalisation) can be in part attributed to cost, complication, and general confusion. While the Uganda Investment Authority and the Uganda Registration Services Bureau have one-stop centres to facilitate business registration, refugees do not seem to access these services. Many refugee business owners have little to no knowledge about the relevant institutions to consult to formalise their business and rarely interact with them.²³

Though business registration has been simplified and costs have been lowered in the past years, the registration costs can still be too high for low-earning refugee business owners. The time needed for the different business registration processes as well as the social security and tax compliance required of formal businesses discourage refugees from formally registering.²⁴ Given the cost and hassle, the benefits to formalising are considered too low or unknown to be worth the effort. This is especially true for those who believe that the small scale of their business activity negates the potential benefits of formalisation.²⁵

Discrimination



Discrimination and lack of integration into local communities are serious constraints for refugee-run businesses.²⁶ Lack of integration prevents refugees from being able to adapt their products to the Ugandan market and market them to Ugandans, or to share their skills with other Ugandan enterprises. This situation is detrimental to both Ugandans and refugees as interactions between them could spark creativity and lead to new products which both Ugandans and refugees could sell to support their livelihoods.²⁷ Language barriers create additional hurdles to integration and limit refugees' awareness of and ability to leverage business opportunities.²⁸

Interestingly, many Ugandans think that refugees get financial support from development partners and can therefore afford to pay more for inputs, products, and services. Anecdotal evidence shows that landlords and wholesalers tend to ask for higher rent and impose stricter payment requirements when doing business with refugees.²⁹ Programmes that target refugees do not always include host community beneficiaries, which can further exacerbate negative perceptions, challenges and tensions.³⁰

²¹ Berivan Elis, Murat Citilgulu, and Sarah Stamatiou Nichols, "Global Roadmap for Refugee Entrepreneurship."

²² Berivan Elis, Murat Citilgulu, and Sarah Stamatiou Nichols; Dr Naohiko Omata, "Refugee Livelihoods and the Private Sector: Ugandan Case Study" (Refugee Studies Centre, University of Oxford, November 2012).

²³ International Labour Organization, "Diagnosis on Informality in Targeted Intervention Areas of the PROSPECTS Programme in Uganda."

²⁴ Uganda Investment Authority, "Small and Medium Enterprise (SME) Division."

²⁵ International Labour Organization, "Diagnosis on Informality in Targeted Intervention Areas of the PROSPECTS Programme in Uganda."

²⁶ "Data Collection Survey on Refugee-Related Business and Social Investment."

²⁷ Agora Global, "Mercy Corps System Labour Marker Assessment Focused on Microenterprise."

²⁸ "Data Collection Survey on Refugee-Related Business and Social Investment."

²⁹ Agora Global, "Mercy Corps System Labour Marker Assessment Focused on Microenterprise."

³⁰ "Data Collection Survey on Refugee-Related Business and Social Investment."

Uncertainty and difficulty projecting long-term



While the idea of being an entrepreneur is attractive in theory, it is challenging to actually do in practice. Many entrepreneurs, refugees included, lack the confidence to discuss their ideas and transform them into products and services.³¹ This lack of confidence is especially true for refugees who have left their social networks to seek safety in a foreign country and especially when they do not speak the local language of where they now live.³²

Uncertainty about the future and difficulty planning over the long-term reduces the likelihood that a refugee will invest heavily in a microenterprise in their host country.³³ Trust is another crosscutting factor that has the ability to help or inhibit entrepreneurs. This includes trust, or the lack of it, between: business owners and consumers, business owners and suppliers, and business owners and their competitors.

Access to finance



Studies have shown that access to finance is the most common limiting factor to small business growth.³⁴ Financial resources are necessary for entrepreneurs to start new businesses and to invest, develop, and strengthen their existing businesses. However, due to lack of capital, the majority of refugees in Uganda are not able to start, or build up, their business.³⁵

Lenders require borrowers to put up collateral against loans, list referees, and give evidence of a consistent source of income. Refugees often cannot meet these requirements because they have small social networks, primarily confined to their refugee circles, and mostly engage in unreliable forms of informal work (day labour for example). In the absence of financial or tangible collateral, refugees are generally considered by financial institutions to be high-risk borrowers who may default on their loans.³⁶ Refugee status is often associated with a nomadic lifestyle and lenders fear that refugees will relocate back to their home countries without first clearing their loan.³⁷

Due to the challenges refugee business owners face with securing loans, most businesses are started with savings only or with cash from the sale of food rations. Over 90% of traders in the Kyangwali and Kyaka II Refugee Settlements reported using personal savings as the main capital source for their businesses, while only 19% use some form of credit.³⁸ Others report starting their small business by selling part of their monthly food ration.³⁹

³¹ Andreas Hackl, "Towards Decent Work for Young Refugees and Host Communities in the Digital Platform Economy in Africa" (International Labour Organization, 2021).

³² Jessica Davis Pluess and Selena Victor, "Business Models for Building Refugee Resilience," *Stanford Social Innovation Review* (blog), October 19, 2018, https://ssir.org/articles/entry/business_models_for_building_refugee_resilience.

³³ Kevin Jahndel, "Institutions and Refugee Entrepreneurship: A Case Study of Congolese Refugees in Rwamwanja Refugee Settlement in Uganda" (Copenhagen Business School, March 2018).

³⁴ Rennie Bakashaba, "Entrepreneurial Income and Barriers to Firm Growth: A Study of Rural Small and Medium Enterprises in Uganda" (Department of Economics, University of Reading, October 2018); "Data Collection Survey on Refugee-Related Business and Social Investment" (JICA, Refugee Investment Network, February 2022); Martin M. Baluku et al., "Policy Brief on Refugee Entrepreneurship and Skilling in Uganda" (Makerere University School of Psychology, May 2021); Agora Global, "Mercy Corps System Labour Marker Assessment Focused on Microenterprise," 2021.

³⁵ Martin M. Baluku et al., "Policy Brief on Refugee Entrepreneurship and Skilling in Uganda" (Makerere University School of Psychology, May 2021).

³⁶ Norma Md. Saad et al., "Refugee Microenterprises: Prospects and Challenges," *Journal of Asian and African Social Science and Humanities* 2, no. 4 (January 2016): 55–69.

³⁷ "Data Collection Survey on Refugee-Related Business and Social Investment."

³⁸ Martin M. Baluku et al., "Policy Brief on Refugee Entrepreneurship and Skilling in Uganda."

³⁹ Martin M. Baluku et al., "Policy Brief on Refugee Entrepreneurship and Skilling in Uganda."

Due to a lack of capital, refugee microenterprises can only place small orders with wholesalers, which limits their negotiation power. Most microenterprise owners travel to the wholesaler (and travel more frequently when the orders placed are small), which costs money. They also tend to pay in cash. Paying in cash does not present a challenge in itself other than when they face cashflow constraints.⁴⁰

Geography



Most refugee settlements are in remote regions that lack reliable roads and transport services. Long distances and poor infrastructure hamper effective supply chain distribution by making it costly to move goods from settlements to urban markets.⁴¹ Given the high costs associated with obtaining land, refugees find themselves limited only to a few types of entrepreneurial opportunities, such as trade, food processing, and food services (e.g. restaurants).⁴² Refugees find it extremely difficult to engage businesses related to cattle rearing and commercial farming due to their lack of funds and access to sizeable land.⁴³

A survey found substantial differences in entrepreneurial successes between settlements as a result of their location, for example, individuals in Kiryandongo Refugee Settlement reported higher levels of success than their counterparts in Bidibidi Refugee Settlement.⁴⁴ Kiryandongo Settlement is along the highway and near several trading centres, such as Bweyale, Kigumba, and Masindi,⁴⁵ while Bidibidi Settlement is in a relatively rural and hard-to-reach area with limited economic activities. Refugees living in settlements located in rural areas pay higher transport costs and spend longer periods of time away from their businesses when restocking. Equipment maintenance is more challenging in a rural setting due to the difficulty in finding someone with the skills to fix equipment and the low availability of spare parts.

Due to a lack of capital to cover the cost of renting either fixed premises or a regular market stall, some refugee microenterprises operate from their homes. This greatly restricts their access to potential customers and limits them to selling only to those within their neighbourhood or social network. A Mercy Corps survey found that 84% of small informal businesses sell to customers within a 30-minute walk, indicating the importance of proximity to customers and the small reach of microenterprises. This finding also highlights the challenge for refugees who establish microenterprises in remote locations with insufficient foot traffic.⁴⁶ Microenterprises with a commercial location can still lack access to sufficient paying customers because many operate within saturated markets with a small geographical reach.⁴⁷

In more rural areas, there are often multiple traders between the producer and the microenterprise buying the product. Each trader adds their own margin, increasing the final cost for the microenterprise.

⁴⁰ Agora Global, "Mercy Corps System Labour Marker Assessment Focused on Microenterprise."

⁴¹ "Data Collection Survey on Refugee-Related Business and Social Investment."

⁴² Martin M. Baluku et al., "Policy Brief on Refugee Entrepreneurship and Skilling in Uganda."

⁴³ Martin M. Baluku et al.

⁴⁴ Martin M. Baluku et al.

⁴⁵ Martin M. Baluku et al.

⁴⁶ Agora Global, "Mercy Corps System Labour Marker Assessment Focused on Microenterprise."

⁴⁷ Agora Global, "Mercy Corps System Labour Marker Assessment Focused on Microenterprise."

Connectivity



Limited access to electricity inhibits the development of small businesses that require electricity (for example, small-scale industrial and commercial enterprises). Data show few refugees own smartphones that allow internet connectivity. In Nakivale, while 93% of refugees have phone access, only 26% can access a smartphone with Internet connection. The average weekly cost of internet data is around USD 2.50 which is often too high for more to afford.⁴⁸

Skill gaps



Gaps in their business knowledge and skills is a major challenge for many refugee entrepreneurs. These entrepreneurs often have no prior entrepreneurship experience or training, and both of these are critical for an enterprise to be successful.⁴⁹ In terms of personal success factors, soft skills and positive psychological attributes seem to be essential to successful entrepreneurship.⁵⁰

When refugees already possess technical skills, soft skill enhancement is essential to ensure they can use their technical competence to run a successful business.⁵¹ Table 2 lists the key skills needed for successful entrepreneurship. The skills in Table 2 are not unique to refugees and gaining or applying certain skills, such as resource mobilisation, will be especially challenging for refugees.⁵²

Table 2 – Skills needed for successful entrepreneurship

<p>Technical skills</p> <ul style="list-style-type: none"> • Industry specific skills • Financial planning • financial management • Legal understanding • Analytical skills 	<p>Managerial skills</p> <ul style="list-style-type: none"> • Planning and organisation • Visioning and strategising • Goal setting • Leadership • Teamwork • Decision-making • Resource mobilisation
<p>Business skills</p> <ul style="list-style-type: none"> • Marketing • Opportunity recognition • Opportunity development • Environmental scanning • Innovating • Problem analysis and solving • Accountability • Risk assessment 	<p>Personal and soft skills</p> <ul style="list-style-type: none"> • Time management • Communication • Negotiation • Self-awareness • Emotional maturity and stress tolerance • Grit (perseverance combined with passion) • Integrity • Assertiveness

⁴⁸ "Data Collection Survey on Refugee-Related Business and Social Investment."

⁴⁹ Martin M. Baluku et al., "Policy Brief on Refugee Entrepreneurship and Skilling in Uganda."

⁵⁰ Martin M. Baluku et al.

⁵¹ Martin M. Baluku et al., "Policy Brief on Refugee Entrepreneurship and Skilling in Uganda."

⁵² Martin M. Baluku et al.

The ability to transfer skills from their countries of origin are key factors in entrepreneurial success. The study in Rwamwanja Refugee Settlement found refugees had successfully transferred their previous skills, such as foreign languages, tailoring, and hair styling into self-employment opportunities. Over time, certain entrepreneurs have created strong national presences in different trades, for example, Congolese refugees are often associated with tailoring and hair styling, Burundian refugees are associated with French language training, and Somali refugees with the distribution of fast-moving consumer goods.⁵³

4. Approaches and opportunities

Role of humanitarian and development actors in microenterprise development

Humanitarian and development actors, such as multilaterals and NGOs, are viewed in Uganda as the primary thought and action leaders in refugee responses, not the private sector. This opinion also applied to microenterprise development. Humanitarian aid directed towards micro and small business development can generate income and self-reliance for individuals but also to deliver social goods, promote the local integration of refugees, and bolster the social and economic capacity of the local community to host refugees.⁵⁴

In Uganda, lack of coordination between actors means that interventions operate in parallel with frequent duplication. Many interventions tend to be heavy on research while being too light on implementation.⁵⁵ Few interventions provide ways for refugees to meaningfully engage in solutions design and co-create microenterprise programmes that respond to their varying needs.

Data show that on average, humanitarian and development programmes that focused on entrepreneurs that combined training with access to finance were more likely to have an impact.⁵⁶ A 2014 meta-analysis looked at 37 programmes supporting small scale entrepreneurship (globally)⁵⁷ and found only a limited number of traditional entrepreneurship programmes showed impact on employment rates and earnings.

There is some evidence that programmes that focus on the very poor and operate at the household level can increase purchasing power but there are concerns about their capacity to operate at scale. These so-called “graduation” programmes, initially developed by BRAC, offer cash-transfers, training, mentoring, and some form of productive asset (often animals). In graduation programmes, engagement with participants is continuous and lasts longer than in traditional entrepreneurship programmes. Most evaluations show that the graduation programmes are able to increase per capita consumption per month by an average of USD 5.⁵⁸

⁵³ Kevin Jahndel, “Institutions and Refugee Entrepreneurship: A Case Study of Congolese Refugees in Rwamwanja Refugee Settlement in Uganda.”

⁵⁴ Oscar M. Sánchez Piñero, “How Business Incubators Can Facilitate Refugee Entrepreneurship and Integration,” UNHCR, April 2017, <https://www.unhcr.org/innovation/how-we-can-use-business-incubators-for-refugee-integration/>.

⁵⁵ “Data Collection Survey on Refugee-Related Business and Social Investment.”

⁵⁶ Robalino D., Ossandon M., Juillard H. (2020). *Labour Market Assessment Libya: Macroeconomic analysis*. Tunis: IOM.

⁵⁷ Yoonyoung Cho and Maddalena Honorati, “Entrepreneurship Programs in Developing Countries: A Meta Regression Analysis,” *Labour Economics* 28, No. C (2014): 110–30.

⁵⁸ Abhijit Banerjee et al., ‘Banerjee, Abhijit, et al. “A Multifaceted Program Causes Lasting Progress for the Very Poor: Evidence from Six Countries’, *Science*, 2015.

Business development services

Business development services are services that improve the performance of an enterprise, its access to markets, and its ability to compete. Business development services are non-financial services and products offered to entrepreneurs at various stages of their business growth. The services primarily aim to transfer skills and provide business advice. They include an array of services, including training, consultancy, marketing, technology development and transfer, and business linkage promotion.

Business development service providers serving micro and small enterprises in Uganda are usually subsidised or funded through grants. The provision of business development services is largely driven by supply, rather than demand from enterprise owners. The payment of business development services by development partners has led to a misalignment in incentives between business development services and their final clients (entrepreneurs). Business development service providers see the development partners as their clients and adjust their product offerings to what development partners are willing to pay for, which is often what development partners think micro and small enterprises need rather than what they actually need.⁵⁹

As a result of their reliance on subsidies, no model of business development service provision in Uganda is currently commercially viable. Business development services that currently operate tend to offer generic services (like separating personal and business finances) or services that are part of programme package, rather than tailored service that cater to individual needs.⁶⁰ These generic services often do not respond to entrepreneurs' needs.

Leveraging the supply chain and market integration to develop business

A supply chain approach to business development can provide opportunities for refugees and host community members to be involved in different stages of the supply chain, which can provide meaningful and gainful employment. Businesses cooperatives are another powerful tool for consolidate resources to increase market reach; cooperatives with both refugee and host community members can increase refugee integration. Increased integration is an opportunity to change how refugees perceive themselves and how they are socially identified by others, which could lead to increased entrepreneurship.⁶¹

Supporting market integration for refugee businesses can include engaging partners to support with last-mile truck logistics to transport goods from major distribution hubs to a shared warehouse and then to refugee settlements (or vice versa for products created within refugee settlements). Increasing the quantity or size of spaces for the collection and storage of products can help to increase the quantity of goods available to off-takers, which can help integrate refugees into the supply chain and make them viable trading partners in the formal sector.⁶²

Table 3 below provides examples of businesses that work with and for refugees and identifies how these businesses have leveraged the supply chain to support growth.

⁵⁹ Agora Global.

⁶⁰ Agora Global, "Mercy Corps System Labour Market Assessment Focused on Microenterprise."

⁶¹ Kevin Jahndel, "Institutions and Refugee Entrepreneurship: A Case Study of Congolese Refugees in Rwamwanja Refugee Settlement in Uganda."

⁶² "Data Collection Survey on Refugee-Related Business and Social Investment."

Table 3 - Selected small businesses that work with and for refugees

Business	Main activity	How the business leverages the supply chain
<u>Technology for Tomorrow</u>	This company employs Ugandans and refugees to produce menstrual pads called "MakaPads." The company sells the pads to UNHCR to be distributed in refugee settlements in Uganda.	Technology for Tomorrow changed the supply of menstrual pads. ⁶³
<u>Green Bio Energy (GBE)</u>	This company aims to provide a means of income-generation for vulnerable and marginalised people through the production of briquettes from organic waste and charcoal dust. GBE participants earn income making briquettes from collected organic waste and charcoal dust and selling the briquettes to GBE.	GBE works within an existing supply chain but has expanded its sourcing to include vulnerable and marginalised suppliers. ⁶⁴
<u>REPARLE</u>	This project aggregates agricultural waste from refugee farmers in northern Uganda and transforms it into clean energy forms such as briquettes and biogas. The project company employs refugees.	The business model adds value within an existing supply chain to products and by-products created by refugees.
<u>Wimrob Bees Company Limited</u>	This company sources raw honey and beeswax from smallholder farmers in Lira in northern Uganda and processes them to make a variety of products that are sold to local and regional markets, supermarkets, and others. ⁶⁵	Wimrob works within an existing supply chain but has expanded its sourcing.
<u>Fine Spinners</u>	This company trains farmers how to grow cotton. It then aggregates and buys the produce to process into yarns, fabrics, and garments.	Fine Spinners onboards refugees through a sub-contracting model, thus expanding its sources. ⁶⁶

⁶³ Dr Naohiko Omata, "Refugee Livelihoods and the Private Sector: Ugandan Case Study."

⁶⁴ Dr Naohiko Omata.

⁶⁵ Dr Naohiko Omata.

⁶⁶ Dr Naohiko Omata.

Role of financial service providers

Refugees can use NGO-supported village savings groups to gain start-up capital for their enterprises.⁶⁷ The private sector also has programmes aimed at supporting refugees to access the necessary financing to grow their businesses. For example, [Equity Bank's](#) refugee programme has been implemented in settlements across Uganda and Kenya. The programme helps refugees open bank accounts and issues loans to refugees and host community members.⁶⁸ [KIVA's World Refugee Fund](#) lends to refugees at scale by extending zero-interest and risk-tolerant funding to partner financial institutions based in target countries, including Uganda.⁶⁹

Digital financial solutions reduce risk for lenders and help facilitate access to financial products for refugees by removing the need to travel to interact with agents. Some microfinance institutions, such as [Numida](#), focus on lending to microenterprises. Numida already uses a fully digital platform while other institutions such as [FINCA](#), are starting to digitise. Numida has a digital Know Your Customer and credit assessment process that allows microenterprises to rapidly access microcredit (within a couple of hours). Numida verifies information remotely, which removes the need for any paperwork or in-person meetings. Numida supports semi-formal micro and small businesses with microcredit of between USD 100 and USD 5,000, which are disbursed via mobile money. To reduce risk, Numida provides small initial loans so businesses can build a credit record; a good credit record then allows businesses to access larger loans.⁷⁰

Digital selling platforms

Given the challenges for refugees to access the internet (lack of smartphones, money for internet credit, and electricity to charge smartphones or other devices), online marketplaces are currently difficult to use in the refugee context. However, technology can be used by refugee businesses to increase their customer base, engage partners, and enter new markets. For example, programmes supporting entrepreneurs can partner with internet service providers or internet cafes in the settlements to increase entrepreneurs' access to digital selling platforms, where they can sell or market their products. If digital literacy is a barrier, youth or internet cafe employees can be onboarded to train refugee entrepreneurs on how to use digital platforms to market and sell their products.⁷¹

Digital selling platforms are a fairly new concept in Uganda and there is some lack of trust; potential users prefer recommendations through word-of-mouth and are wary of new platforms. However, there are some active platforms, for example, [Sellio](#) (a Ugandan company) that work with microenterprises to help them access new markets by helping them to advertise on social media from USD 1 a week. [Jumia](#) and [SafeBoda](#) are fairly well established and attract large numbers of customers to their platforms.

⁶⁷ World Vision International, "How to Set up a Small Business in a Refugee Settlement," n.d., <https://www.wvi.org/uganda/article/how-set-small-business-refugee-settlement>.

⁶⁸ Dr Naohiko Omata, "Refugee Livelihoods and the Private Sector: Ugandan Case Study."

⁶⁹ Dr Naohiko Omata.

⁷⁰ Agora Global, "Mercy Corps System Labour Market Assessment Focused on Microenterprise."

⁷¹ "Data Collection Survey on Refugee-Related Business and Social Investment" (JICA, Refugee Investment Network, February 2022).

Incubators to support business growth



Incubators are considered a viable option to help micro and small businesses confront challenges related to growth.⁷² Incubators target local start-ups and offer office space at reduced rent. Incubators offer a multitude of services: strategic business planning, administrative services, technical assistance and guidance on intellectual property, connections with financing and networking activities. Incubators provide high level business support and management services, in one location for entrepreneurs.⁷³

In general, there are two groups of incubators: for profit and not-for-profit. For profit incubators help new businesses by offering rental space, capital, financing solutions, and business mentoring etc. Not-for-profit incubators are set up by public and non-public organisations who promote businesses in a specific area or industry, to empower economically disadvantaged groups or to promote the entrepreneurial spirit.⁷⁴ Within these two groups of incubators, there are multiple types. Some incubators are multi-purpose, which admit all kinds of businesses, while others are specialised, and focus on a particular activity, industry, or sector. Other incubators can be virtual (online).⁷⁵ In Uganda, the most common types of incubators are university incubators, independent commercial incubators and internal, company incubators.⁷⁶

A 2019 study found that in Uganda, incubators do not collaborate or work together.⁷⁷ A Mercy Corps study found that staff working within incubation and innovation hubs are not familiar with the needs of microenterprises and therefore cannot take the correct needs into consideration when designing products. These hub staff generally offer microenterprises the models used with larger and more established enterprises. These models are not fit for purpose and microenterprises are not able to take away any valuable learning.⁷⁸ Incubators are mostly confined to Kampala and other larger cities and towns, meaning their impact on refugees in settlements is currently limited.

Ways to support microenterprise creation and growth

The following list contains some tested practices that NGOs and other actors looking to support the development of refugee-led microenterprises can integrate into their project design:

- Support business owners to formalise their businesses
- Help business owners to understand financing options and to access appropriate financing
- Provide training and mentoring to entrepreneurs in financial management, strategic planning, digital marketing, soft skills, and self-efficacy
- Provide access to credit
- Provide training to business owners on social, ethical, and fair-trade modalities and certifications such as Fair Trade, and provide financial support to access certification. These certifications open up niche markets for businesses and increase sales and the types of customers as well as boost brand recognition

⁷² Joshua Mutambi et al., "Research on the State of Business Incubation Systems in Different Countries: Lessons for Uganda," *African Journal of Science, Technology, Innovation and Development* 2, no. 2 (2010): 190–214.

⁷³ Joshua Mutambi et al.

⁷⁴ Joshua Mutambi et al.

⁷⁵ Anthony Tibaingana.

⁷⁶ Anthony Tibaingana, "Anecdotal Evidence of the Role of Incubation in the Growth of Business Start-Ups in Uganda," *International Business Research* 13, no. 1 (November 2019): 64–78.

⁷⁷ Anthony Tibaingana.

⁷⁸ Agora Global, "Mercy Corps System Labour Market Assessment Focused on Microenterprise."

- Provide support, such as language classes or translation support to entrepreneurs to help them overcome language barriers during formalisation
- Translate training materials into the native language of training participants
- Build entrepreneurs' knowledge of the local market
- Train entrepreneurs on how to understand customer preferences
- Train entrepreneurs on how to learn how people like to pay for products
- Create networking opportunities. This can include exchange programmes, and social events (such as breakfast meetings and after-work networking) that bring different groups together.
- Facilitate events to match refugees with relevant people or organisations that could provide support. For example, a mentor could share insights on bureaucratic processes, business formalisation, or managing relationships with suppliers.
- Facilitate events that allow refugee entrepreneurs to network with potential clients; these clients can share feedback about their needs and what is missing in the market.⁷⁹



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⁷⁹ Berivan Elis, Murat Citilgulu, and Sarah Stamatou Nichols, "Global Roadmap for Refugee Entrepreneurship."

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Link: https://research-api.cbs.dk/ws/portalfiles/portal/59780403/452306_CBS_Master_Thesis_Jahndel_20180315.pdf

A thesis explored the link between institutions and entrepreneurship. Twenty semi-structured interviews with refugee entrepreneurs and two focus group discussions were conducted. The study shows a strong link between regulative institutions and the early stages of entrepreneurship.

Anecdotal Evidence of the Role of Incubation in the Growth of Business Start-Ups in Uganda. (2019).

Link:

https://www.researchgate.net/publication/337606997_Anecdotal_Evidence_of_the_Role_of_Incubation_in_the_Growth_of_Business_Start-Ups_in_Uganda

This study explored the role of incubators on the growth of business start-ups in Uganda. The study interviewed managers of the incubation services and business start-ups on how they received this support. The study was qualitative and respondents were purposively selected.

Does Acceleration Work? Five years of evidence from the Global Accelerator Learning Initiative. (2021).

Link: <https://www.galidata.org/publications/does-acceleration-work/>

This report offers a synthesis of findings on accelerators around the world and the entrepreneurs who seek their support, with a particular focus on accelerators operating in developing economies.

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

Link: <https://openjicareport.jica.go.jp/pdf/1000047520.pdf>

This report is based on a large survey conducted in 2022. It outlines shortcomings that present barriers to the successful establishment of refugee self-reliance programs in Uganda. It looks at market barriers for refugees investing and policy barriers, and it has a list of recommendations to help overcome roadblocks to refugee investing.

The Entrepreneurship and Enterprise Growth Landscape. (2016).

Link: <https://andeglobal.org/publication/the-entrepreneurship-and-enterprise-growth-landscape-uganda>

This report is an inventory of different organisations in Uganda that could help build local capacity and accelerate small and medium enterprise (SME) development and growth. The information includes specific activities, programs, and services offered by these organisations and, where possible, shows their interconnectivity.

Policy Guide on Entrepreneurship for Migrants and Refugees. (2018).

Link: https://publications.iom.int/system/files/pdf/policy_guide_migrants_refugees.pdf

This policy guide focuses on the role of entrepreneurship in enhancing the positive effects of migration on economic growth and development. It is a practical tool aimed at strengthening the humanitarian-development nexus.

Policy Brief on Refugee Entrepreneurship and Skilling in Uganda. (2021).

Link:

https://www.researchgate.net/publication/362153744_Policy_Brief_on_Refugee_Entrepreneurship_and_Skilling_in_Uganda?iepl%5Bcontexts%5D%5B0%5D=lab_detail&iepl%5BtargetEntityId%5D=PB%3A362153744&iepl%5BinteractionType%5D=publicationView

The brief focuses on the role of entrepreneurship in refugees' the economic integration. It discusses the nature of refugee entrepreneurship, skill levels among refugees, entrepreneurial outcomes and enabling personal factors.

Entrepreneurial Income and Barriers to Firm Growth: A Study of Rural Small and Medium Enterprises in Uganda. (2018).

Link: https://centaur.reading.ac.uk/88810/1/12027965_Bakashaba_thesis.pdf

Analysis of small business owner-managers' incomes and the barriers to growth. The report seeks to understand the characteristics of the entrepreneur and firm that appear to explain differences in entrepreneurial income in SMEs in Uganda and looks at barriers hindering the growth.

Refugee Innovation Humanitarian innovation that starts with communities. (2018)

Link: <https://www.unhcr.org/innovation/wp-content/uploads/2015/09/refugee-innovation-web-5-3mb.pdf>

The report focuses on examples and case studies of 'bottom-up innovation' among different refugee populations. This report covers multiple countries, from Jordan to South Africa to Uganda to Kenya to the United States. It looks at a range of refugee situations, drawing upon examples from different stages of the 'refugee cycle': recent mass influx, protracted situations, and resettled refugee populations.

Inclusive Public Procurement Opportunities, Barriers and Strategies (OBS) to Women Entrepreneur's Participation in Public Procurement in Uganda. (2018).

Link: <https://utamu.ac.ug/docs/research/publications/journals/Basheka%20-%20Inclusive%20Public%20Procurement.pdf>

This article looks at three key issues. First, opportunities for women and their enterprises. Second, the barriers to their participation and policy and third, management action strategies needed to address this dilemma.

Global Roadmap for refugee entrepreneurship. (2022)

Link: https://impacthub.net/wp-content/uploads/2022/11/UNHCR-Report_161122.pdf

This documents looks at UNHCR operations. It provides strategic guidance to UNHCR in the form of a global roadmap on refugee entrepreneurship.

Research on the State of Business Incubation Systems in Different Countries: Lessons for Uganda. (2010).

Link: <https://cedat.mak.ac.ug/wp-content/themes/CEDAT-Theme/Publications/Research%20on%20the%20State%20of%20Business%20Incubation%20Systems%20in%20Different%20Countries.pdf>

Description of business incubation and development process is outlines, followed by the contribution of incubators to start-up firms. The paper lists existing incubators in Uganda. It also identifies recommendations for strengthening the business incubation in Uganda.

Refugees and Businesses in Nakivale and Kiryandongo settlements. (2021).

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

Short blog post on average business outcomes for refugees, following interviews with 165 refugees.

Supporting young entrepreneur refugees in Uganda. (2021).

Link: <https://gbc-education.org/insights/supporting-young-entrepreneur-refugees-in-uganda/>

Short blog post on business ideas in Uganda and in particular, the SINA: Social Innovation Academy, which acts as a sort of incubator to refugees in Uganda looking to start small and innovative businesses.

Supporting Africa's Young Entrepreneurs: an investment in job creation and future prosperity for all. (2015).

Link: <https://www.gemconsortium.org/economy-profiles/uganda>

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Entrepreneurship and innovation by refugees in Uganda. (2014).

Link: <https://www.fmreview.org/sites/fmr/files/FMRdownloads/en/innovation/hakiza.pdf>

Short article describing different examples of refugee innovations in Uganda.

Small and Medium Enterprises (SME) Division. (2016).

Link: <https://www.ugandainvest.go.ug/wp-content/uploads/2016/02/New-SME-Brochure.pdf>

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Link: Not published

Mercy Corps conducted a system labour market assessment with a focus on the micro-enterprise system to inform the development of interventions that encourage the formation and growth of sustainable micro-enterprises at scale.

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Link: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---ddg_p/documents/publication/wcms_827284.pdf

A 2020 ILO study on the informal economy in the forced displacement context in Uganda. The study assesses drivers of informality in refugee settlements and host communities. It identifies opportunities to improve working conditions and reduce informality among these target groups. This study analyses how various policy dimensions related to the creation of decent working conditions affect the formalisation of jobs and enterprises.

Business Models for Building Refugee Resilience. (2018).

Link: https://ssir.org/articles/entry/business_models_for_building_refugee_resilience#

In 2018, the International Finance Corporation published a landmark study revealing that the Kakuma camp and surrounding neighbourhoods represent a \$56 million market opportunity. This short blog states that entrepreneurship and markets for consumer goods, real estate, education, telecommunications, and many other goods and services are flourishing in the area, despite significant practical and legal constraints.

Refugee Microenterprises: Prospects and Challenges. (2016).

Link: <https://www.researchgate.net/publication/348607027> Refugee Microenterprises Prospects and Challenges

The study looks at key challenges facing humanitarian organizations and NGOs who are supporting refugee microenterprises.

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UNCTAD supports Uganda to develop a national strategy to boost entrepreneurship. (2022)

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How business incubators can facilitate refugee entrepreneurship and integration. (2017).

Link: <https://www.unhcr.org/innovation/how-we-can-use-business-incubators-for-refugee-integration/>

A short blog post outlining how incubators for refugee businesses in Ecuador have helped refugee entrepreneurs start new enterprises and thrive.



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