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NATIONAL POLICY WORKSHOP

Promoting Migrant and Refugee
Entrepreneurship in Uganda

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**Session III:
Improving Access to Finance**

National Capacity-Building Workshop on Promoting Migrant and Refugee Entrepreneurship in Uganda

Improving Access to Finance for Migrant and Refugee Entrepreneurs in Uganda

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Setting the Context

Migrant and refugee entrepreneurs face **internal** (i.e. lack of credit history, collateral and self-censor) and **external obstacles** (i.e. legal status, documentation, prejudice, etc.) in **accessing finance**.

In general, there are three approaches to improving access to finance:

1. **Promote alternative and innovative sources of funding for migrant/refugee entrepreneurs** (e.g. crowdfunding, P2P lending, Islamic finance, diaspora investment, self-finance groups/cooperatives).
2. **Support migrant/refugee entrepreneurs in accessing the formal sector** especially for savings and through making use of Fintech and biometric solutions and educational programmes for migrants/refugees as well as regulatory bodies and financial service providers.
3. **Link seed funding to entrepreneurship education programmes** (e.g. in-kind or cash, purchase of capital equipment, start-up kits)

Situation in Uganda

Cost of finance is high in Uganda, partly due to lack of sufficient information on borrowers.

- Over 80% of businesses in Uganda find access to finance a binding constraint.
- Retained earnings are used predominantly for asset purchases, working capital and to start a new business.
- Among firms that did not apply for loans, over 25% indicates high interest rates. Close to 50% say they did not need it.
- Financial inclusion has improved in Uganda throughout the 2010s thanks to digital financial services by there is more to do.
- The current tax on mobile money is a barrier against the growth of digital finance and thereby financial inclusion in Uganda. (ex. Kenya).

COVID-19 pandemic has been a major negative shock for firms with financial leverage.

Initiatives and Good Practices in Uganda

Financial Sector Deepening-Uganda and **Mastercard Foundation** are active with Financial Inclusion for Refugees Project. Refugee *financial diaries* are helping refugees to manage their finances and build their livelihoods. The Project is also helping financial service providers in delivering services to refugees and host communities.

VisionFund: Providing seed capital to migrant/refugee entrepreneurs.

Government of Uganda, UNHCR and Bank of Uganda: Digital financial inclusion is prioritized in Uganda with a view to financially include migrants and refugees in addition to local vulnerable population.

Post Bank and Equity Bank in partnership with UNHCR promoted biometric and technology solutions to overcome the challenges of identification and documentation for refugees. Verification and enrolment is undertaken in refugee settlements. Post Bank alone is serving 70,394 households which translate into over 350,000 individual refugees. The Bank has field biometric PrePaid card and deliver other services such as financial literacy training, cash withdrawal, savings, cash transfers and remittances.

Mobile Money – Migrants and refugees (adults) mostly have mobile phone and SIM cards which allow them to use mobile wallets to receive remittances.

Results from Stakeholder Interviews

- **Majority of financial institutions have specific and tailored products targeting MSMEs. Given the risky nature of start-ups and MSMEs, financial institutions often allocate around 30% of funds to this category.**
- There are also specific funds from the Government through the Central Bank to Support certain sectors such as the Agriculture Credit Finance.
- **Migrant and refugee entrepreneurs are missed out by the above segments. Regulatory requirements can be improved to recognize provisional identification cards whereby formal institutions can establish a track record of business relationship with migrant and refugee entrepreneurs.**
- Microfinance Institutions are responding to the unmet demand for small loan amounts. However, interviews with some of these institutions revealed that they do not have tailored products for migrants and refugees due to lack of personal identification and collateral.

Results from Stakeholder Interviews

- **Alternative and innovative sources of finance** can perfectly complement traditional/formal financial sources. These are **growing** in Uganda but **need additional and conducive regulations**.
- For instance, crowdfunding platforms are growing in Uganda but they are **predominantly (83%) donation platforms** linked to developed countries. This is outside the jurisdiction of financial regulators.
- While relevant legislations are introduced in Uganda since 2000s, there is no legislation yet on equity or loan-based crowdfunding.
- Half of respondents in NAR acknowledged that **VC and AI are gaining ground especially in Kampala**. They can finance ventures/funds that target migrants/refugees.
- Some of the stakeholders target start-ups by migrants and refugees in their programmes including **UNCDF, Startup Uganda, US Embassy Julia Taft Fund for Refugees**, among others.

Recommendations on Access to Finance (1)

Promote alternative and innovative sources of funding for refugee and migrant entrepreneurship

- Encourage information exchange on alternative sources for funding migrant and refugee entrepreneurs.
- Support cooperatives and NGOs to expand seed capital or credit products for migrant and refugee entrepreneurs.
- Encourage alternative funding or credit provision like crowdfunding especially for social or environmental ventures.
- Promote alternative finance options differentiated for rural and urban populations.
- Support financial institutions of the popular and solidarity economy to build credit models considering the pandemic and specific to population in context of human mobility.

Recommendations on Access to Finance (2)

Support refugee and migrant entrepreneurs in accessing the formal banking sector

- Provide education and information sessions to financial service providers and regulatory entities on how to extend services to migrants and refugees to lower information asymmetry.
- Support initiatives that include migrant and refugee entrepreneurs into the formal banking system.
- Encourage initiatives that include digital financial services (e.g. digital bank accounts, mobile payment or mobile wallets) for all vulnerable groups.
- Encourage public-private funds to be inclusive of migrant and refugee (i.e. Youth Livelihood Funds, Uganda Women Enterprise Programme).

Recommendations on Access to Finance (3)

Link access to finance (cash or in-kind) to entrepreneurship education and financial literacy programmes

- Support initiatives that provide finance education with emphasis on a saving culture when economic crises hit.
- Encourage financial education regarding budget adaptation and in some cases investment.
- Encourage access to finance with accompanied services that improve financial literacy and ability to promote sustainability into the business.

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