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Refugee entrepreneurship in Rwanda



Authors: Naohiko Omata (Associate Professor, RSC) and Yotam Gidron (Research Officer, RSC)

Key points

- Entrepreneurship plays a central role in Rwanda's approach to refugee self-reliance and economic integration. In recent years, Rwanda has made significant progress in promoting refugees' freedom of movement, access to documentation, and right to work, thus creating a friendly environment for business development.
- To evaluate the opportunities and challenges of refugee entrepreneurship as a vehicle for self-reliance and economic integration in Rwanda, the Refugee Economies Programme conducted qualitative research with Burundian refugee entrepreneurs and business owners in two sites: Mahama refugee camp and the capital city of Kigali.
- Our research shows that refugees take advantage of the freedom of movement granted to them in Rwanda in order to establish trade networks and engage with the Rwandan economy, while entrepreneurship training and access to credit for business development can enable them to rebuild livelihoods and assets.
- Refugee enterprises in the camp are almost exclusively retail businesses that rely on the purchasing power of refugees, which is mostly determined by the humanitarian support they receive. Urban refugees, on the other hand, also engage in skilled trade and services and do not target refugee customers as such. This renders urban enterprises less dependent on humanitarian aid.
- To enhance the viability of refugee entrepreneurship as an avenue for refugee self-reliance over the long term, it is important to pursue the diversification of the camp economy and camp enterprises and reduce the cost of mobility in and out of camps. In the short term, entrepreneurship programmes should not be considered as a substitute for humanitarian aid or a justification for further reducing the support granted to refugees.

Refugee entrepreneurship

In recent years, considerable attention has been paid to refugee entrepreneurship in both policy and academic arenas. When people flee their homes in conflict settings, they often fail to carry with them and have no time to liquidate assets that are crucial for their livelihoods. Coupled with the constraints on the employment of refugees in host countries, many refugees – both men and women – are required to become entrepreneurs in exile. Access to entrepreneurial programmes, such as vocational and financial literacy training as well as micro-loan support, can be particularly instrumental for strengthening refugees' livelihoods and pursuit of self-reliance.

Refugee entrepreneurship plays an important role in Rwanda's approach to refugee self-reliance. With limited access to cultivable land and formal employment opportunities, running businesses is perceived as a promising avenue for refugees to generate income and improve their socio-economic situation. Rwanda's focus on refugee entrepreneurship chimes with its national developmental ethos more broadly, which places a strong emphasis on innovation and private-sector-led economic growth. In recent years, Rwanda has taken steps to accelerate refugee financial inclusion, and grants refugees the right to move freely, work, own property, and access legal documentation.

Despite the progress made in relation to the economic integration of refugees in the country, research on refugee issues in Rwanda remains limited. During December 2022 and March 2023, the Refugee Economies Programme at the University of Oxford conducted qualitative research in two sites – Mahama refugee camp and Kigali – in order to evaluate the opportunities and challenges of refugee entrepreneurship in Rwanda. We conducted focus group discussions and individual interviews with 29 Burundian refugee entrepreneurs and business owners, as well as a small number of stakeholders involved in refugee livelihoods and entrepreneurship in Rwanda.

Rwanda's approach to refugee self-reliance

Several developments created momentum around refugee entrepreneurship in Rwanda in recent years. The first was the influx of refugees from Burundi in 2015, which increased the pressure on humanitarian resources in Rwanda. The second was Rwanda's active engagement in global policy discussions on refugee support. During the 2016 Leaders' Summit on Refugees in New York, Rwanda made several pledges regarding the social, economic, and legal integration of refugees, including their access to work, documentation, and education. It consequently volunteered to be a roll-out country of the Comprehensive Refugee Response Framework (CRRF) and promote refugee inclusion through the CRRF's development-oriented approach to refugee support. A third development was the shift to cash-based assistance in lieu of in-kind support to refugees from 2017, which meant not only greater demand for commodities in the camps but also accelerated circulation of money.

Rwanda's Strategy on Economic Inclusion of Refugees and Host Communities, 2021-2024, developed by the Ministry in Charge of Emergency Management (MINEMA, formerly MIDIMAR) and UNHCR, rests on three pillars. First, promotion of self-employment

through agricultural interventions. Second, promotion of self-employment through refugee business entrepreneurship. Third, increasing access to wage-earning employment. Given Rwanda's high population density – among the highest in sub-Saharan Africa – refugees' access to cultivable land is limited. Skill gaps and lack of labour demand hinder refugees' access to wage-earning employment. In this context, business entrepreneurship has been described by UNHCR and the Rwandan government as 'the most promising pillar' of the strategy.¹

The regulatory environment in Rwanda has become increasingly conducive for refugee entrepreneurship. Access to refugee identification cards – issued to all refugees aged 16 and above by the National Identification Agency (NIDA) – eased access to financial services and allowed refugees to formalise their enterprises. Cash assistance is provided via Equity Bank, meaning that most refugees have bank accounts. Several organisations and impact investors leveraged these developments to provide entrepreneurship training and financial services to refugees across Rwanda – including access to loans for the purpose of business development. These include Inkomoko, Umutanguha Finance Company, Caritas, and World Vision International.

Refugee entrepreneurship in Mahama

Rwanda hosts more than 50,000 refugees from Burundi, who crossed the border following Burundi's political crisis in 2015. Most Burundian refugees in Rwanda are hosted in Mahama refugee camp. Established in 2015 and located in Kirehe District in Rwanda's Eastern Province, along the border with Tanzania, Mahama is the largest refugee camp in Rwanda. In total, it hosts more than 58,000 Burundian and Congolese refugees. Since 2017, more than 30,000 Burundians have repatriated from Rwanda back to their home country – predominantly from Mahama – but the pace of voluntary returns has recently slowed.² About half of the Burundians that remain in Rwanda come from Kirundo Province, in north-eastern Burundi.³



A view of the market in Mahama refugee camp. Credit: Y Gidron.

The majority of the enterprises that refugees operate in Mahama are retail businesses. These include small stalls for fruits and vegetables in Mahama's markets and shops that stock a range of basic food and non-food items (locally known as 'boutiques'), although some refugees also trade in clothes. Businesses must operate within one of Mahama's three designated market areas and be formally registered, meaning their owners pay taxes and cleaning fees to the Rwanda Revenue Authority (RRA). Since launching operations in Mahama in 2018, Inkomoko alone has worked with more than 8,000 refugee-owned businesses from the Mahama camp, providing business training and access to credit.

Access to credit and business expansion

Refugees in Mahama have been engaged in business and trade, albeit informally, since the opening of the camp in 2015. Many of those running businesses in the camp today arrived in Rwanda with no assets but with some experience in trade. Before financial institutions began offering training and loans to refugees – and before the transition from in-kind assistance to cash – the most common strategy for raising business capital was trading the food or non-food items distributed to them in the camp. As most businesses refugees run are retail businesses, access to credit has typically been used by them to increase the volume and diversity of the goods they stock and to reduce supply chain costs by sourcing goods from larger wholesalers, who are usually located further away from the camp. Because the margins refugee retail businesses are able to make are small – and the competition between similar businesses in the camp is high – such changes are key for rendering them profitable.

For example, one female interviewee in Mahama, who fled from Burundi with her children after her husband was imprisoned, regularly sold portions of the maize she received from WFP in order to buy wood, which she then cut and sold inside the camp. When refugees in the camp started receiving gas for cooking, she had to abandon that business and shifted to selling potatoes, a business she was consequently able to expand and develop with two loans she received from Inkomoko. With her first loan, she began purchasing potatoes in larger quantities and placing orders directly with traders in Musanze (in Rwanda's northwest) rather than buying them outside Mahama from local traders. With the second loan, she expanded her stall in the market and renovated it so that she has more space to store goods safely. She now also employs another refugee in her business, who helps her carry potatoes and organise her stall.

Mobility, redistribution, and margins

Retail businesses create margins through arbitrage and redistribution: whether it is food or clothes, refugees buy things in markets outside the camp or in bulk and then sell them inside the camp in smaller portions. Mobility is essential in this context, allowing refugees to access markets outside the camp and establish trade networks and partnerships with Rwandan suppliers and transporters. Once they establish networks, refugees may forego regular travels and simply order goods to the camp and pay via mobile money. While there are checkpoints at the entrances to Mahama, refugees are free to move, and interviewees did not report facing any challenges



A Burundian potato vendor in Mahama refugee camp. Credit: Y Gidron.

in this regard. Refugees are required to obtain a permit if they want to leave the camp for an extended period of time, but those moving for the purpose of trade, even to Kigali, rarely do so and their movement is tolerated by the authorities.

Nonetheless, mobility also requires a capital that is not always available for refugees. The further one travels, the greater the margins one can make, but also the greater the costs of transport and subsistence. Refugees who cannot afford to travel at all, buy goods from lorries that make their way to the camp or to the markets just outside it, which is accessible on foot. Those with some working capital travel to Kabarondo – a trip of roughly two hours that costs RWF 2,500–3,000 (USD 2.3–2.8) with public transport.⁴ One can travel to Kabarondo and return to Mahama within the same day, meaning that paying for accommodation outside the camp is not necessary. Those with greater capital and social networks in the capital venture all the way to Kigali. More rarely, refugees travel to Rusumo, on the border with Tanzania, to source goods imported from there.

Restored assets and accumulation challenges

Refugee entrepreneurs are often able to use their income to cover their basic needs and achieve a degree of economic self-reliance. Some successful entrepreneurs have been able to use their profits to expand their businesses, invest in assets, and diversify their livelihoods. Some began to rent land outside the camp, hire people to cultivate for them, and sell their crops. Some invested in pigs and cattle, which are kept outside the camp and are regularly sold as they reproduce. One entrepreneur we met sends his children to boarding schools in Kigali with the profit he makes from selling goods in Mahama. But this sort of economic stability remains rare. Often, marginal profits and repeated shocks undermine the saving efforts of refugees and mean that they use their business capital to address personal crises. This, in turn, means they are unable to expand their businesses, and may struggle to keep them afloat. At worst, the regular use of income for daily needs drains businesses, and thus requires constant resort to loans.

Cases of refugees failing to repay loans are almost unheard-of. In a few early cases, refugees from Mahama repatriated to Burundi before repaying loans, but the matter was raised with the camp leadership and returnees are now required to clear

their dues before leaving. Not all refugees are always able to cover the monthly instalments of their loans from their business income, but the tight regulation of business activity in the camp means that they are keen to keep in the good books of their lenders. As one woman who runs a small shop and operates as a mobile money agent summarised: ‘I can starve, but I will pay the loan.’

While some refugees are able to repay their loans easily and are keen to do so in order to be able to access bigger loans, those who struggle often rely on social networks and borrow money from family members or saving groups. One female interviewee, for example, received a loan of RWF 700,000 (USD 650) to develop her small shop in Mahama, where she sells women’s clothes. By the time she met us, she had already paid back four monthly instalments to Inkomoko. However, two of these instalments were actually paid by her husband, who runs a separate business selling fruits in the market, because she recently gave birth, and later her child was sick.

The enduring importance of aid

Some Rwandan citizens enter the Mahama camp to purchase goods from the markets, and some refugees move outside the camp to sell goods to host communities. However, refugee entrepreneurs still rely heavily (and at times exclusively) on the purchasing power of fellow refugees, who remain their primary target market. Therefore, the regular injection of cash into the camp economy – in the form of monthly cash grants from WFP for food and quarterly cash grants from UNHCR for non-food items – is crucial for the survival of businesses in the camp. This was repeatedly raised by the entrepreneurs we interviewed, even before we asked about the role of aid explicitly. As one shop owner explained: ‘If there was no [humanitarian] assistance here, our business would stop.’

This reliance of the refugee population on humanitarian aid is illustrated well by the fact that a large portion of the sales made within the camp are on credit, meaning that refugees buy goods with the cash that they are expected to receive in the future. Shop owners feel comfortable selling on credit because they know that cash will arrive at a certain known date. Given

the small size of refugee businesses in the camp, the credit they extend to their customers can represent a significant share of their overall value or operating capital. Suppliers, meanwhile, allow refugee shop owners to stock on credit as well, knowing that once rations are distributed in the camp, businesses will get cash and pay for the goods.

The implication is that refugee businesses are vulnerable not only to the shocks affecting markets in Rwanda in general – which included, over the past two years, sharp inflation and rising food and commodity prices – but also to those affecting refugee populations in particular, namely, decreases in the assistance they receive. Since June 2021, refugees in Mahama receive monthly cash grants on a targeted basis, and these have been reduced due to budget constraints. Until February 2023, highly vulnerable refugees (amounting to 83% of the camp’s population) received RWF 7,000 (USD 7.1) per person,⁵ those classified as moderately vulnerable (8%) received half of this amount, and the rest received no support at all. Assistance has recently been increased, so that the highly vulnerable receive RWF 10,000 (USD 9.25) and the moderately vulnerable receive RWF 5,000 (USD 4.6), but due to inflation, this remains under the minimum food expenditure basket as defined by WFP.⁶

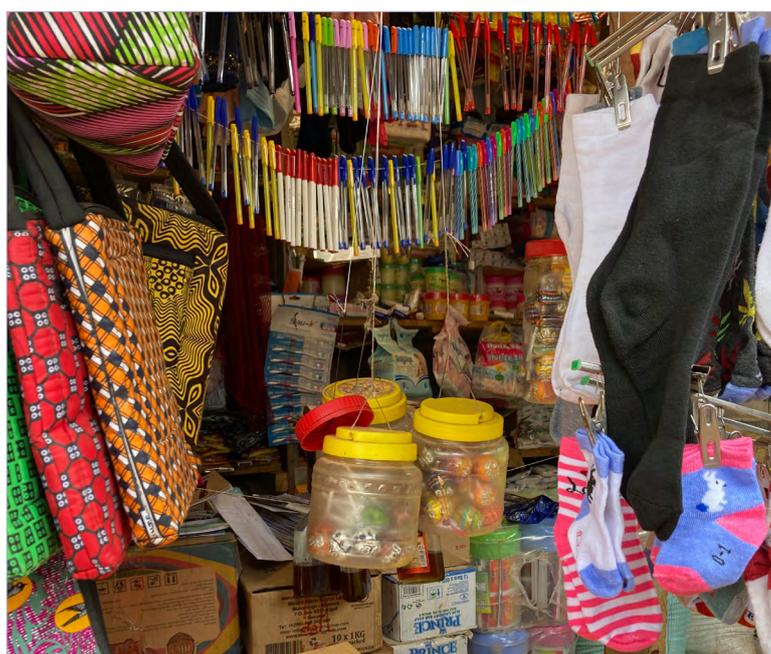
Refugee entrepreneurship in Kigali

There are close to 10,000 urban refugees registered in Kigali, the majority of whom come from Burundi. Nyamata, a town 40km south of Kigali, is also popular among Burundian refugees. While Burundian refugees in Mahama come primarily from Kirundo, many of those who have made their way to Kigali come from Bujumbura and were either employed or ran their own businesses there before fleeing the country. While they were not always able to retain their financial assets as they fled, they were often able to make use of their skills and experience in order to find economic opportunities in Kigali or start their own businesses. Although many refugees in Kigali run retail businesses similar to those operated by refugees in Mahama, the expanded urban economy, compared to the limited market of the camp, also allows refugee entrepreneurs to operate businesses that focus on skilled trade and services.

Leveraging skills and the urban economy

While almost all refugee entrepreneurs in Mahama run retail businesses, the refugees we met in Kigali were also owners of a butchery, a barbershop, a poultry farm, restaurants and bars, as well as drivers (of taxis or motorcycle taxis) and a metalworker who builds furniture. Two things set such businesses apart, in significant ways, from the camp’s retail enterprises. The first is their business model. As opposed to the low-skilled retail businesses in Mahama, which create margins predominantly through redistribution and arbitrage, refugee businesses in Kigali often generate profit through value addition (transforming goods in a way that increases their market value) and the provision of services. Skills and experience – for instance, in hairstyling, carpentry, or meat processing – are crucial in this context.

Second, camp and urban refugee enterprises are set apart by their target market. As opposed to camp



A small retail shop in Mahama refugee camp. Credit: Y Gidron.



A Burundian fruit vendor in Kigali. Credit: Y Gidron.

enterprises that rely primarily on refugee customers, most refugee businesses in Kigali do not target refugees as such. There are thus fewer constraints on their growth. As opposed to the camp market, where limited purchasing power means that there is only demand for the most basic commodities, in Kigali, entrepreneurs can target wealthier consumers with more diverse goods and services. In the urban environment, there are also more opportunities for irregular employment and casual labour in the fields of construction, hospitality, and transportation. Engaging in casual labour is often a source of business capital for urban refugees. It is also common for different members of one household to engage in both self-employment through entrepreneurship and casual labour in order to cover the high costs of living in the city – including rent, water, electricity, and school fees.

Taking advantage of the freedom to move

Mobility as such is less central to the everyday operations of refugee enterprises in the city compared to the camp. The refugee entrepreneurs we met in Kigali rarely travel outside the capital. Even those refugees who run kiosks selling fresh fruits and vegetables only travel to Nyabugogo, one of Kigali's largest open-air markets, in order to buy goods in bulk. However, it is the freedom to legally settle outside the camp in the first place and run businesses in the city that enables refugees with the relevant experience and skills to leverage these, engage in diverse enterprises, tap into new markets, and build partnerships with Rwandan citizens.

One interviewee in Kigali, for example, told us that he first went to Mahama camp when he came to Rwanda. But after less than a week, he decided to come to Kigali, where some acquaintances soon connected him with a cooperative of artisans producing house furniture. This person was a

metalworker in Bujumbura before he fled, and he even visited Kigali in the past in order to construct beds for a hotel in the city. In the cooperative in which he now works in Kigali, there are five members, of which three are Rwandans and two are Burundian refugees. Each member has a different expertise, and they take orders together and work in the same space. While our interviewee has been able to support his wife and three kids in Kigali, his other Burundian colleague in the cooperative sent his wife and kids back to Mahama.

Ironically, however, when refugees take advantage of their freedom of movement and relocate to urban areas, this also renders it more challenging for them to access credit for business development. As opposed to refugees residing in camps, who are not asked for a guarantee when they apply for loans, urban refugees usually are, because of the assumption of financial institutions that they are harder to track down and can more easily default and disappear. As refugees rarely have assets such as land or a house that may serve as collateral – and those refugees who do have such assets already achieved a certain degree of economic self-reliance

– the requirement for loan guarantee continues to represent an obstacle to the access to loans of those who most need them.

Camp-city economic networks

Links to economically active urban refugees can be crucial for the survival of camp enterprises. Having relatives in Kigali can make it easier to increase profit margins by reducing the costs of sourcing products. For example, one refugee who owns a shop in Mahama, claimed that he feels comfortable travelling all the way to Kigali to source goods because his son lives there. The son, who previously lived in Mahama, engages in casual labour (cutting grass) and rents a room in Kigali. When the father travels to the city, he has somewhere to spend the night, and thus does not have to spend money on accommodation. Similarly, a female shop-owner in Mahama mentioned that she sleeps at her husband's place in Kigali when she goes to buy goods. Her husband works as a motorcycle taxi driver.

Remittances from relatives who reside outside the camp and engage in casual labour or run businesses are crucial for the survival of some households in the camp and also increase the purchasing power of the camp population. Some of the Burundians who run businesses in Kigali reported that they were able to employ refugees from Mahama in their businesses, even if not on a regular basis. Reductions in the amount of assistance provided in the camps, combined with inflation and a rise in food prices, led some refugees to leave Mahama in search of livelihoods elsewhere. In addition to urban areas in Rwanda, some refugees have reportedly left for other countries in East Africa – namely, Uganda and Kenya. Nonetheless, this type of cross-border mobility in search of livelihoods also existed prior to the reductions in food rations and remains difficult to quantify.

Policy recommendations

Our data from both Mahama camp and Kigali illustrates that entrepreneurship plays an important role in helping refugees to reconstruct their livelihoods and to pursue economic self-reliance. While Uganda's self-reliance approach through the promotion of farming is widely known, Rwanda's model, based on enterprise-building, has been largely overlooked. Rwanda's approach represents another avenue for strengthening refugees' socio-economic development and integration. Rwanda has taken significant steps in recent years to render this approach viable, and its experience offers important lessons for other countries. We conclude with several recommendations for policymakers and development and humanitarian actors for enhancing the feasibility and impact of entrepreneurship support for refugees in Rwanda.

1. Diversifying the types of businesses

In the camp, over-concentration of refugees in retail businesses could lead to market saturation and result in the slimming of profit margins due to competition. In order to reduce this risk, it is recommended, for instance, to offer a wider range of vocational-skills training and business consulting support for refugee entrepreneurs to diversify the types of businesses. Breaking the over-reliance of camp enterprises on humanitarian grants will require greater emphasis on productive enterprises (for instance, in the agribusiness sector) and the linking of the camp economy to outside markets.

2. Strengthening mobility between camps and cities

Refugees' economic lives straddle the camp and various urban commercial hubs across Rwanda, including the capital city of Kigali. Facilitating and enhancing mobility and interactions between the camp and such urban locales – for instance, by improving road networks around Mahama camp, offering free transport services, or subsidizing transport costs – can have a positive impact by increasing access to wider markets, especially for camp-based entrepreneurs.

3. Setting up emergency support

Like all businesspeople, refugee entrepreneurs can face numerous external shocks (such as sudden loss of suppliers, illness, or death of business owners) that undermine commercial activities. In such cases, providing emergency backup loans or allowing for flexibility in the repayment schedule are more desirable than implicitly relying on the capacity of refugees to borrow from relatives or friends, while ongoing mentorship can help entrepreneurs manage their finance better and prepare for shocks more efficiently.

4. Maintaining aid in the camp

Refugee camp businesses are largely dependent on the purchasing power of other refugees and therefore, indirectly, on cash grants provided by humanitarian agencies. In order to sustain camp enterprises, it is necessary to maintain relief assistance. While refugee entrepreneurship helps some refugees rebuild livelihoods and assets, until the camp economy is sufficiently diversified, entrepreneurship programmes should not be considered a substitute for humanitarian aid.

5. Pursuing longitudinal research

In order to evaluate the impact of entrepreneurship support, longitudinal research to monitor the same businesses over long periods of time is indispensable. For example, employment creation by refugee-led enterprises may take a few years. Longitudinal research can provide useful data for understanding the challenges refugee businesspeople face at different stages of the development of their business.

Endnotes

¹ MINEMA and UNHCR, Strategy on Economic Inclusion of Refugees and Host Communities in Rwanda, 2021-2024, p. 16.

² UNHCR, Rwanda - Burundi Repatriation Statistics - December 2022, <https://data.unhcr.org/en/documents/details/99213>.

³ UNHCR, Rwanda Population Statistics - December 2022, <https://data.unhcr.org/en/documents/details/99214>.

⁴ According to an exchange rate of roughly RWF 1,080 per USD 1 in February 2023. This is the exchange rate used throughout unless mentioned otherwise.

⁵ According to an exchange rate of roughly RWF 990 per USD 1 in June 2021.

⁶ UNHCR, Mahama Refugee Camp Factsheet - February 2023, <https://data.unhcr.org/en/documents/details/99716>; UNHCR, Rwanda Operational Update - February 2023, <https://data.unhcr.org/en/documents/details/99712>.

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Cover photo: A furniture workshop jointly operated by Rwandan citizens and Burundian refugees in Kigali. Credit: Y Gidron.