Microenterprise Support to Integrate Urban Refugees in Uganda

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How should assistance be allocated to 1) help the displaced become self-reliant and 2) gain the support of host communities? Refugees are widely perceived to affect host populations, yet the scope for assistance to enhance positive relations and mitigate tension is largely unknown (World Bank, 2016).

We propose a randomized controlled trial to investigate programs supporting microenterprises – grants and trainings – for both refugee and hosts, implemented by a refugee-led non-profit in Kampala, Uganda. Employing quantitative and qualitative methods, we will measure the effects on 1) social outcomes, like support for hosting more refugees and allowing them to work, and 2) economic outcomes, like business profits and household food security, to test whether effective development aid can induce support for inclusive hosting. Critically, we will also address key concerns: social spillovers – tensions caused by unequal allocations of assistance across groups – and economic spillovers – recipient businesses expanding at the expense of non-recipients.

1. Background and Motivation

Protracted refugee situations are often characterized by humanitarian programs like camps and food aid which have little expected long-run returns for refugees or host communities. Humanitarian actors readily acknowledge the need to bridge this “humanitarian-development divide” but cite restrictive host country policies, like bans on refugee employment, as the main constraint. Aid budgets are exhausted on expensive, short-run interventions supporting refugees’ basic needs while host countries, who fear that refugees’ inclusion would threaten the jobs of locals, are excluded from most assistance.

The global discourse, however, is changing. In the 2016 New York Declaration on Refugees and Migrants, for instance, governments committed to focusing on integration and host communities. Reallocating some assistance to hosts – especially assistance associated with refugees’ right to work – could shift the political-economy equilibrium of hosting refugees from humanitarian aid and restrictive policy towards an equilibrium of development aid and inclusive policy. In this framework, investments to hosts may persuade them that the benefits of refugees’ right to work outweigh the costs.

Uganda is perhaps the leading example of this positive arrangement between a government and the international community. It is the largest African host country, yet allows refugees to work and move freely. Refugees can locate in settlements and receive food assistance or, since 2006, live and start businesses nationwide.³ In return, 30% of aid to refugees must support Ugandans.

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³ Approximately 100,000 refugees reside in Kampala: 7% of Uganda’s total refugee population, and 7% of the Kampala population. Roughly half are Congolese, a quarter are Somali, and nearly all are in protracted situations.
2. Objectives, Questions, and Policy Relevance

Objectives

Our objective is to examine whether sharing development aid facilitates integration and engenders goodwill among host communities. We study micro-entrepreneurs – a large demographic of refugees and hosts, male and female – who may be in direct competition and are therefore relevant to target for social cohesion interventions. We focus on grants as development aid due to their demonstrated long-run impact in other contexts, high demand among hosts and refugees, and rapidly increasing use in the humanitarian sector. We also provide business trainings, another common livelihoods’ programs, to all treated micro-entrepreneurs in order to supplement the grants. We maximize the chance of affecting attitudes towards refugees by partnering with Young African Refugees for Integral Development (YARID)\(^4\), an organization founded and managed by a Congolese refugee, to emphasize the relationship between the aid and the refugee presence.

Questions

Our primary research question is whether grants and trainings to Ugandan hosts, disbursed by a refugee-led non-profit, affect support for inclusive policies like hosting additional refugees and continuing the right to work.

Furthermore, our design and data collection allow for the following additional questions to be addressed:

- Do grants and trainings increase firms’ survival, profits, and employment?
- Do gains among recipients come at the expense of non-recipients?
- Do refugees exhibit different returns than hosts?
- Are gains passed through to household outcomes like food security and children’s education?
- Do women exhibit different returns in the firm or the household than men?
- Does favoring refugees for these programs lead to resentment from hosts?
- Do these programs affect refugees’ intention to remain in Uganda?

Policy Relevance

The World Bank Group (WBG), through IDA18 and the Global Concessional Financing Facility, has invested significantly in promoting social and economic inclusion and self-reliance of refugees. Host governments are therefore increasingly seeking advice on how to design policy to minimize social tensions with hosts (World Bank, Forthcoming). Furthermore, as the displaced increasingly reside in towns and cities, understanding these dynamics in under-studied urban contexts\(^5\) is especially important (World Bank, 2017). Finally, as the use of cash-based interventions and business trainings for refugees expands\(^6\), so too does the demand for evidence on their cost-effectiveness.

\(^4\) [http://www.yarid.org/](http://www.yarid.org/)

\(^5\) UNHCR Uganda emphasized the focus on Kampala is an important contribution of this project, given their lack of information.

\(^6\) The IOM and Finnish Refugee Council each recently implemented similar grant and training programs through YARID, though not with rigorous evaluation components.
3. Data and Evaluation Design

Literature Review

Based on a growing literature discussed below, we believe these interventions will have a positive effect on businesses; our goal is to study the unaddressed question of whether effective development assistance also affects attitudes. In our design, we measure the interventions' effectiveness on business outcomes in addition to social outcomes to address whether they move in parallel in our context.

In most studies to date, cash grants to microenterprises have yielded significant returns; grants between 100 and 200 USD increased profits between 5% per year in Sri Lanka (De Mel et al, 2012) and 20% per month in Mexico (McKenzie and Woodruff, 2008). Furthermore, Fafchamps et al (2014) showed in-kind grants in Ghana – where the research team accompanied the owner to purchase capital – exhibited higher returns than cash. We therefore plan to offer grants of $150 in total; $100 in-kind and $50 cash.\(^7\) We contribute to this literature by exploring a refugee population, who might differ in their access to credit, location-specific capital, and time horizons for investments.

While the average returns to grants have been promising, results among women microentrepreneurs have been disappointing (see de Mel et al (2012) and Fafchamps et al (2014)). Given substantial evidence that women invest a higher proportion of other development assistance in the household, we plan to explore differential investment of the grant and its initial returns in household-level outcomes like children’s food security and education as a new explanation for this gender gap in returns.

The literature finds little evidence for economic returns to standard business trainings (Blattman and Ralston (2015) and McKenzie and Woodruff (2013)). However, Drexler et al (2014) and Campos et al (2017) find positive effects from a simplified, rule-of-thumb curriculum and encouraging personal initiative, respectively, which we plan to incorporate. Finally, the Graduation model, which combines assets, cash grants, trainings, life skills coaching, and access to savings accounts has shown positive results across multiple countries (Banerjee et al, 2015). Overall, however, trainings have rarely been rigorously evaluated among a refugee population, who might have fewer outside options to self-employment than natives.

Trainings, even if they do not increase profits, might influence attitudes directly through increased interactions. The direction, however, is uncertain; Lowes (2017) studies inter-caste cricket teams in India and finds that collaborative contact reduces discrimination, while direct competition increases discrimination. Our training potentially expands business networks and friendships but could also remind hosts of the competition that refugees represent.

Even if the interventions affect profits, it is uncertain whether they can indirectly affect attitudes, a novel focus of this study. Hainmueller and Hopkins (2014) review the literature on the developed world and conclude “immigration attitudes show little evidence of being strongly correlated with personal economic circumstances”. We therefore design the interventions to maximize the perceived connection of the assistance to refugees, emphasizing the project funding’s link to refugees, disbursing through a refugee-led non-profit, and training refugees and hosts together.

\(^7\) According to data from the Refugee Studies Centre in 2014 and the Ugandan National Panel Survey in 2011, this is roughly equal to the average household income of both refugee and Ugandan households who own the most common types of microenterprises common to refugees and hosts: vending or hawking, small shops, fast food stands, etc.
Sociologists have often documented the importance of perceptions of injustice in aid programs for social cohesion (World Bank, 2013). In Colombia, host communities resented “special treatment” for IDPs, resulting in accusations that they were “not truly displaced” or “bad workers” (Lopez et al 2011). Furthermore, Kreibaum (2016) showed refugees had a positive impact on hosts’ consumption and access to services but a negative impact on their subjective well-being. We plan to study the effect of unequal and equal distributions on attitudes towards refugees empirically for the first time to our knowledge.

**Empirical Strategy**

In order to identify both treatment and spillover effects, we randomize at individual and cluster levels following the randomized saturation design of Baird et al (2014). Economic spillovers, where treated businesses grow at the expense of the control group, are most likely to occur from nearby businesses in the same industry. This implies that the intensity of the treatment – the percentage of businesses assigned to an intervention – should vary at the location-industry level. If treatment effects are larger where a higher proportion of firms are treated, then untreated firms presumably lost business with each additional firm treated. Negative social spillovers, where aid offered only to refugees decreases support among hosts, appear most likely within a location, independent of industry.

Treatments will therefore be randomized at multiple levels. First, locations (market centers) will be randomly assigned to treat hosts and refugees, refugees only, or no one, stratified on the number of industries, businesses, women, and refugees. The treatments will be evenly divided (in thirds) across locations. Within each treated location, the intensity of the treatment (the proportion of treated firms) will be randomly assigned across industries, stratified by the number of businesses, women, and refugees. Finally, within location-industries, firms will be randomly assigned to treatment or control, stratified by residence status and sub-stratified by gender. This will ultimately balance treatment status across gender and residence status and maximize the statistical power to detect local spillovers in both profit and attitudes. Overall, half of the sample will receive the treatment.

This design suggests the following specification to recover the intent to treat effect ($\beta_1$) and the spillover effect on those not offered the treatment ($\beta_2$):

$$Y_{it} = \alpha + \beta_1 \text{Treatment}_{it} + \beta_2 \text{Spillover}_{it} + \delta_t + \gamma_i + \epsilon_{it}$$

where $\text{Treatment}_{it}$ denotes a microenterprise offered a grant and training before round $t$, and $\text{Spillover}_{it}$ denotes a microenterprise in a treated industry-location not offered a grant (training) before round $t$. The coefficients are interpreted relative to the omitted category, microenterprises in control industry-locations. We also include survey round ($\delta_t$) and firm fixed effects ($\gamma_i$) to maximize power and cluster standard errors at the firm level. Baird et al describes in detail the assumptions, derivations for additional treatment effects (i.e. spillovers on the treated), and weights for this model.

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8 The alternative explanation is that treated firms experienced higher returns with each additional treated firm in the area, which, if the firms are competing and there are no agglomeration effects, contradicts economic theory.

9 We will start by setting locations as market centers, but this will ultimately be determined by the catchment areas of businesses during piloting.

10 We would also like to stratify on - or limit the sample by - nationality, length of time in Uganda, entrepreneurial experience, and initial capital to improve power, but the feasibility of these refinements will depend on the underlying population of entrepreneurs.
Data collection

To avoid biased responses and keep implementation independent from evaluation, we will hire a survey firm unaffiliated with YARID or refugees. The firm will share contact information with YARID only for treated micro-entrepreneurs, and YARID will then distribute the grants and host the trainings. We will survey participants for five rounds, as is best practice; two before treatment, to establish a baseline and eliminate firms that quickly attrite, and three after treatment, to reduce variance within individuals and follow average effects over time.

The survey modules we plan to incorporate include:

- **Listing**: location, industry, capital, employees, residence status, gender, nationality, contacts
- **All rounds**: attitudes; business costs, revenue, profit, employment, confidence; additional jobs, household income, intention to migrate, satisfaction / mental health
- **Round 1**: demographics (household composition, education), work and migration history
- **Round 2**: risk / time preferences, dictator / public good games, literacy, mathematical aptitude
- **Round 3**: defining integration, ethnic and national identity
- **Round 4**: household outcomes, access to services, gender roles
- **Round 5**: customers and suppliers, social networks, business practices

We will also use the Uganda National Panel Survey (UNPS) to assess representativeness of hosts in Kampala and evaluate trends in host community businesses over time.¹¹

To complement the surveys, we will also select enterprises from our sample for focus group discussions to explore hosts’ and refugees’ views on integration, aid, and other determinants of social cohesion. The objectives are to:

1. Understand the nature of social relationships (friendship, employment, segregation) between refugees and hosts
2. Identify differential understandings of the concept of integration (belonging, gender)
3. Identify factors that support, or disrupt, the process of integration, including sharing development aid between refugees and hosts (Ager and Strang, 2008).

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¹¹ Our sampling strategy targets micro-entrepreneurs who work close to refugees; the UNPS, which is representative of Kampala, will allow us to examine how these entrepreneurs differ from city and within-industry averages.
Sampling Strategy and Power Calculations

Our sample will consist of 1,200 entrepreneurs, equally comprised of female refugees, male refugees, female hosts, and male hosts. Eligibility will be limited by baseline capital and number of employees to maximize comparability.\textsuperscript{12} Given our spillover design above, we want to maximize the number of locations and location-industries with host and refugee businesses, subject to the gender and refugee requirements. We plan to divide the sample into approximately 40 locations within which spillovers appear reasonable, with 6 industries per location, and 5 firms per location-industry on average.

Using the Optimal Design software, we calculate minimum detectable effects (MDE) using standard measures of power as 0.8, size as 0.05, and effect size variability as 0.1, though additional features of our design like stratification will further reduce the MDEs. We additionally plan to use randomization inference to account for the limited number of units to randomize in some specifications (see Cohen and Dupas (2010)).

We are powered to measure an effect on attitudes among the host community of 0.16 standard deviations. For a traditional 5-point Likert measure with a mean of 3 and standard deviation of 1.5, this MDE represents an 8% shift. For spillovers, measuring the effects of only targeting refugees compared to both refugees and hosts, our MDE is 0.29 standard deviations, or 14.5%.

For profits among hosts and refugees, we are powered to measure an effect size of 0.13 standard deviations. Given the 1:1 mean to standard deviation ratio among Ugandan businesses in the UNPS, this MDE corresponds to a 13% average increase in profits. Finally, our corresponding MDE of economic spillovers is 0.26 standard deviations. These are conservative estimates and, especially on spillovers, would still represent important upper bounds as some of the best estimates in the literature to date.

Risks

The population of entrepreneurs could be allocated around Kampala such that all of our sampling criteria are impossible to satisfy. In this case, we would use the radius of treated neighbors to measure spillovers utilized by de Mel et al (2008). An additional risk is attrition and non-response, though a small bonus for completing all rounds reduces this worry.

\textsuperscript{12} In the literature, this is often 1,000 USD capital and one employee, but this is may be reduced for our context.
4. Team and Partners

The TTL, Helidah Ogude, will provide strategic oversight, ensuring that the findings are relevant for other displacement contexts. She will also lead the qualitative component. Thomas Ginn, the IE Specialist and co-TTL, will lead the randomized trial with a local evaluation coordinator. Robert Hakiza, YARID’s executive director, will manage the interventions and relations with the government. Kenneth Anyanzo, UNHCR’s Senior Cash-Based Interventions Officer, will provide technical advice. The implementing partner, YARID, will be independent from the survey firm conducting the evaluation; they will coordinate only to contact the treated participants.

**Helidah Ogude, Social Development Specialist, World Bank, TTL**
Helidah has 8 years of experience on forced displacement, social cohesion, and monitoring and evaluation, across South Africa, Somalia, Indonesia, Malaysia, Tanzania, and Burundi. She has contributed significantly to the *Displaced Persons and Border Communities Project in the Great Lakes Region* and is leading additional research in Tanzania and Southern Africa.

**Thomas Ginn, Department of Economics, Stanford University, Co-TTL / Impact Evaluation Specialist**
Thomas is in his 5th year of Stanford’s economics PhD program, focusing on development economics, forced migration, and impact evaluation. Over two years with Innovations for Poverty Action, one year with the WBG, and five years with professor Pascaline Dupas, he has led surveys and randomized trials in Kenya, the Democratic Republic of Congo, Lebanon, Jordan, and Iraq.

**Robert Hakiza, Executive Director, YARID, Implementing Partner**
Robert is a co-founder of YARID and has worked with organizations like UNHCR and IOM to implement programs on women’s empowerment, business trainings, and research. Under his leadership, YARID received the 2016 Ockenden International Prize. Robert is Congolese, has lived in Uganda as a refugee since 2008, and is a TED and Aspen New Voices Fellow.

**Kenneth Anyanzo, Senior Cash-Based Interventions Officer, UNHCR (Uganda), Technical Advisor**
Kenneth has 13 years of experience in humanitarian and development assistance. He piloted the first cash transfer program among refugees in Uganda and developed cash-based programs in Somalia, South Sudan, and Mozambique. He currently co-chairs the National Interagency Cash Working Group.
5. Outputs, Timeline, and Risks

Outputs and Timeline

<table>
<thead>
<tr>
<th>Periods: Phase 1</th>
<th>Outputs</th>
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</thead>
</table>
| Months 1-3       | • Hire local coordinator  
|                  | • Development of detailed research methodology, intervention methodology, and surveys  
|                  | • Identification of sample frame  |
| Month 4          | • Listing and sampling |
| Month 5          | • Testing of baseline surveys  
|                  | • Training enumerators |
| Month 6          | • First round of baseline surveys |
| Month 7          | • Second round of baseline surveys  
|                  | • First round of focus groups |
| Month 8          | • Analysis of baseline surveys |

Intermediate output: baseline analysis describing the sample frame and sample descriptive statistics, including key measures of the means and variances of profits, employment, support for refugees’ right to work, and support for hosting more refugees. The intermediate report will also correlate work and migration histories to baseline outcomes.

<table>
<thead>
<tr>
<th>Periods: Phase 2</th>
<th>Outputs</th>
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<tbody>
<tr>
<td>Month 9-10</td>
<td>• Treatments</td>
</tr>
<tr>
<td>Month 10</td>
<td>• Testing of first endline survey</td>
</tr>
<tr>
<td>Month 12</td>
<td>• First endline survey</td>
</tr>
</tbody>
</table>
| Months 13-15     | • Analysis  
|                  | • Testing of second endline  
|                  | • Second round of focus groups |
| Month 16         | • Second endline survey |
| Months 17-19     | • Analysis  
|                  | • Testing of third endline survey  
|                  | • Third round of focus groups |
| Month 20         | • Third endline survey |
| Months 21-24     | • Analysis |

Final output: working paper and policy brief with endline analysis measuring treatment effects on direct economic outcomes, direct social outcomes, economic spillovers, and social spillovers.

Overall Risks

We anticipate low risks in implementing this overall project. We have already attained approval from the Office of the Prime Minister and Stanford’s Institutional Review Board to begin fieldwork. One potential risk is theft or embezzlement of the grants; however, given Robert and Kenneth’s experience in disbursing grants, we believe these risks are minimal with the proper protocols.
References


Baird, Sarah, J. Aislinn Bohren, Craig McIntosh, and Berk Ozler. "Designing experiments to measure spillover effects." (2014).


The World Bank Group and UNHCR. “Forcibly Displaced — Toward a development approach supporting refugees, the internally displaced, and their hosts” (2016).


Assignment to Treatment

**Location**
- (Market Center)
  - Evenly divided into three groups
  - Stratified by number of industries, businesses, women, and refugees in the location

**Location - Industry**
(i.e. all restaurants in a market center)
- Two levels - high and low - used for illustration. Adding levels (i.e. high, medium, and low %) increases precision to measure spillovers
- Stratified by number of businesses, women, and refugees

**Firm**
- Stratified by gender and sub-stratified by residence status

**Note:** Hosts are only treated in locations where both refugees and hosts are treated (1/3 of locations), but we ultimately want to treat the same number of hosts as refugees (300 and 300, 50% of the sample). Therefore, the locations where refugees and hosts are treated will have more location-industries assigned to the “high % of firms treated” group, and locations treating only refugees will have more location-industries assigned to the “low % of firms treated” group. This will balance the treatment across hosts and refugees while addressing social spillovers at the location level and economic spillovers at the location-industry level.