



Refugees in East Africa:
Boosting Urban Innovations for
Livelihoods Development



POLICY BRIEF

The Impact of Cash Grants and Cash + Mentorship on Ugandan and Refugee Business Owners in Kampala, Uganda

EXECUTIVE SUMMARY

A randomized controlled trial (RCT) investigated the impact of cash grants and mentorship programs on boosting micro entrepreneurship outcomes among economically vulnerable refugees and Ugandan nationals in Kampala, Uganda. The study found that cash grants significantly improved business profits, household well-being, and social cohesion over a 12-month period—particularly benefiting men and larger businesses. However, the combination of mentorship programs and cash grants was associated with mixed results. Refugee men experienced positive results, whilst women mentored by other women fared worse than those who only received cash.

The study recommends that cash grants should be prioritized as a cost-effective strategy for supporting microentrepreneurs, while mentorship requires careful design and consideration of gender dynamics to avoid adverse outcomes for female participants.

The study was undertaken by the International Rescue Committee (IRC) Refugees in East Africa: Boosting Urban Innovations for Livelihoods Development ([Re:BUiLD](#)) program in partnership with researchers from the Center for Global Development (CGD), University of Rochester, Economic Policy Research Center (EPRC), and Georgetown University, and with funding support from the IKEA Foundation, part of which was awarded by Innovations for Poverty Action (IPA) through the IPA and Abdul Latif Jameel Poverty Action Lab Displaced Livelihoods Initiative.

This Policy Brief provides a summary of the study, including policy recommendations for donors, practitioners, researchers and governments. To access the full study details and results please find the full Research Brief [available here](#), and working paper [available here](#).

INTRODUCTION

Entrepreneurship is often considered an important pathway towards self-reliance for refugee populations, including in Uganda—according to the 2024 learning brief, authored by U-Learn and sponsored by USAID and FCDO. Yet many small business owners face significant obstacles, including limited access to financial and managerial resources. Cash grants are a crucial tool to overcome financial limitations, providing direct capital that can be strategically invested in businesses. This study explored the effectiveness of cash grants and a mentorship program aimed at supporting both Ugandan host communities and refugees in Kampala, contributing valuable insights for effective micro entrepreneurship and social cohesion interventions.

STUDY DESIGN

The Re:BUiLD study engaged a total sample of 2,600 participants from the urban neighborhoods of Kampala, including 2,000 inexperienced and prospective entrepreneurs and 600 mentors. Participants were selected based on vulnerability criteria established by the IRC, and were divided into two primary treatment arms and a control group:

1. cash grants,
2. cash grants + mentorship,
3. control group.

Participants in the cash grants treatment arm received 2,000,000 UGX (USD \$540), while those in the mentorship arm received a similar amount of a cash grant and received mentorship over a six-month period. These mentees were organized into groups of three paired with one mentor, varying in nationality and gender composition. Participants in the control group received delayed cash grants. Economic and social outcomes were assessed at multiple intervals (baseline, 3, 6, 9, 12 and 24 months) to evaluate the intervention's effectiveness.



Photo Credit: February 12, 2025, Kampala, Uganda. Jose Kahindo (right) and her niece peeling irish potatoes - one of fastest selling items at her shop. Kahindo received a business grant from the IRC & IKEA Foundation's Re:BUiLD program as part of microenterprise Randomized Controlled Trial (RCT) in Kampala to start a general merchandise shop. (PHOTO: Nathan Ijjo Tibaku for The IRC)



FINDINGS AND RESULTS

1. Cash grants show large, persistent positive impacts.

- Study results showed that cash grants led to lasting positive impacts and that all groups who received cash experienced improvements in their household wellbeing—including enhanced food security, increased assets and higher savings.
- Beyond profit, the cash grants notably increased business performance in several ways. This included a higher likelihood of businesses being actively operated by participants and the dedication of more time to their enterprises, with the potential to enhance business performance. There was a significant increase in the value of productive assets—such as business capital and inventory—suggesting that participants invested a significant portion of the cash grant in their businesses.
- For men, monthly business profits increased by approximately US\$27, a trend that was sustained for over 12 months after the program ended.
- The study suggests that receiving cash grants enabled participants to address financial capital challenges, creating a more stable environment for businesses to thrive.

2. Benefits of cash grants are concentrated among larger businesses.

- The study found that the strongest benefits were seen among larger businesses that were already moderately profitable. Within this group, men experienced an average increase in earnings of US\$100 per month, while women experienced an average increase of US\$50 per month. This highlights that cash grants can significantly improve the growth and profitability of larger, established businesses.
- The concentration of cash grant benefits among larger businesses indicates that these enterprises had the capacity, established infrastructure and possibly the market opportunities to leverage the additional capital more effectively, allowing them to absorb and invest the cash more efficiently. This resulted in significant increases in monthly profits and likely contributed to overall business growth through more impactful strategic investment in productive assets and expanded operations.

3. Mentorship shows mixed results, with gender differences.

- The mentorship program showed mixed results and did not significantly improve economic outcomes for most participants, beyond the impact of cash grants alone. While participants in mentorship groups had regular contact with their mentors and peers, with more contacts during and after the 6-month intervention, the impacts on profits was minimal when compared to giving cash-only grants.
- Participants who received both mentorship and cash did not perform better than those only received cash, with the exception of refugee men who experienced an average US\$26 increase in income. On the other hand, mentored women experienced a negative profit reduction compared to those who only received cash grants. The negative effects appear to be a result of the mentorship component included in the program. This may have hindered women's ability to maximize their profits, compared to what they could have achieved with just the cash grant.

4. Cash grants expand networks, mentorship shows limited effects.

- The study found that cash grants effectively expanded business networks, particularly for men within their own nationality group who reported additional business contacts. Mentorship on the other hand had limited effects on men's business networks. This comparison indicates that receiving cash grants may have been more effective than the mentorship program in promoting network growth and new business connections.

5. Cash grants improve social cohesion, mentorship show no additional effect.

- Participants who received cash grants experienced a slight noticeable improvement in social cohesion and policy attitudes towards refugees. This was seen in increased trust, acceptance of refugees as neighbors or family members, and involvement in economic activities with refugees. However, it remains uncertain whether the improvements were directly linked to the cash grants or financial benefits experienced by participants.
- Cash grant + mentorship groups did not show a significant increase in social cohesion compared to those who received cash grants. This indicates that providing cash grants played a crucial role in promoting social integration, while the addition of cross-nationality mentorship did not improve this result.

COST EFFECTIVENESS ANALYSIS

The cash grant intervention proved to be a more cost-effective approach in enhancing microentrepreneurial success and social cohesion compared to the cash + mentorship arm. The latter was substantially more expensive, yet did not deliver enhanced benefits for all groups. The findings suggest that while immediate cash assistance effectively addresses financial constraints to small business owners, mentorship must be redesigned to better cater to target demographics—particularly women—to justify additional costs associated with this treatment arm.



Photo Credit: August 18, 2023, Kampala, Uganda. Alain Masikini Nzembo prepares to feed his chickens. Originally from the DRC, he has lived in Uganda since 2012. After years as a loader and hawker, he joined the Re:BUiLD program and received a \$550 grant. He started a poultry business with 160 chickens and now sells each for at least \$9. One year in, he's aiming to expand. (Photo: Joseph Sosi for the IRC).

KEY RECOMMENDATIONS: DONORS, PRACTITIONERS AND RESEARCHERS

- i. **Prioritize cash grants:** Donors should focus on funding cash grant programs, which have proven to be a cost-effective approach to supporting micro entrepreneurship and enhancing social cohesion.
- ii. **Tailor support for women entrepreneurs:** Acknowledging the gender-specific impacts of cash grants, it is essential to design interventions that cater to women's specific needs. Some potential solutions are to establish tailored financial literacy programs and support networks to enhance their business capabilities.
- iii. **Refine mentorship initiatives:** Practitioners must critically assess mentorship programs—especially relating to gender—as choosing the right mentors is key to maximizing outcomes.
- iv. **Encourage research:** Future studies should delve into the varied impacts of mentorship on different demographic groups—particularly focusing on women when paired with female mentors—to identify barriers and areas for improvement.

KEY RECOMMENDATIONS: CITY AND NATIONAL GOVERNMENTS

- i. **Use cash grants:** Policy makers should consider using cash grants to positively influence social cohesion, the acceptance of refugees as neighbors, and willingness to engage in economic activities with refugees, to maximize their potential.
- ii. **Design and strengthen gender-sensitive programs:** It is crucial for the government to create and endorse inclusive programs that address harmful norms in government policies and regulatory frameworks. These programs should specifically target the challenges faced by individuals with limited access to profitable opportunities—particularly refugee women.



Photo Credit: February 26, 2025, Kampala, Uganda. Florine Balula making a wig. Florine received a business grant from the IRC & IKEA Foundation's Re:BUiLD program as part of microenterprise Randomized Controlled Trial (RCT) in Kampala that helped her start a salon business in Makindye Division. (Photo: Nathan Ijjo Tibaku for the IRC).