Area-Based Livelihoods Initiative Garissa

RCK
REFUGEE CONSORTIUM OF KENYA

Celebrating 25 Years OF IMPACT

Funded by the European Union

POLICY BRIEF

Unlocking Refugee Entrepreneurship for Shared Prosperity

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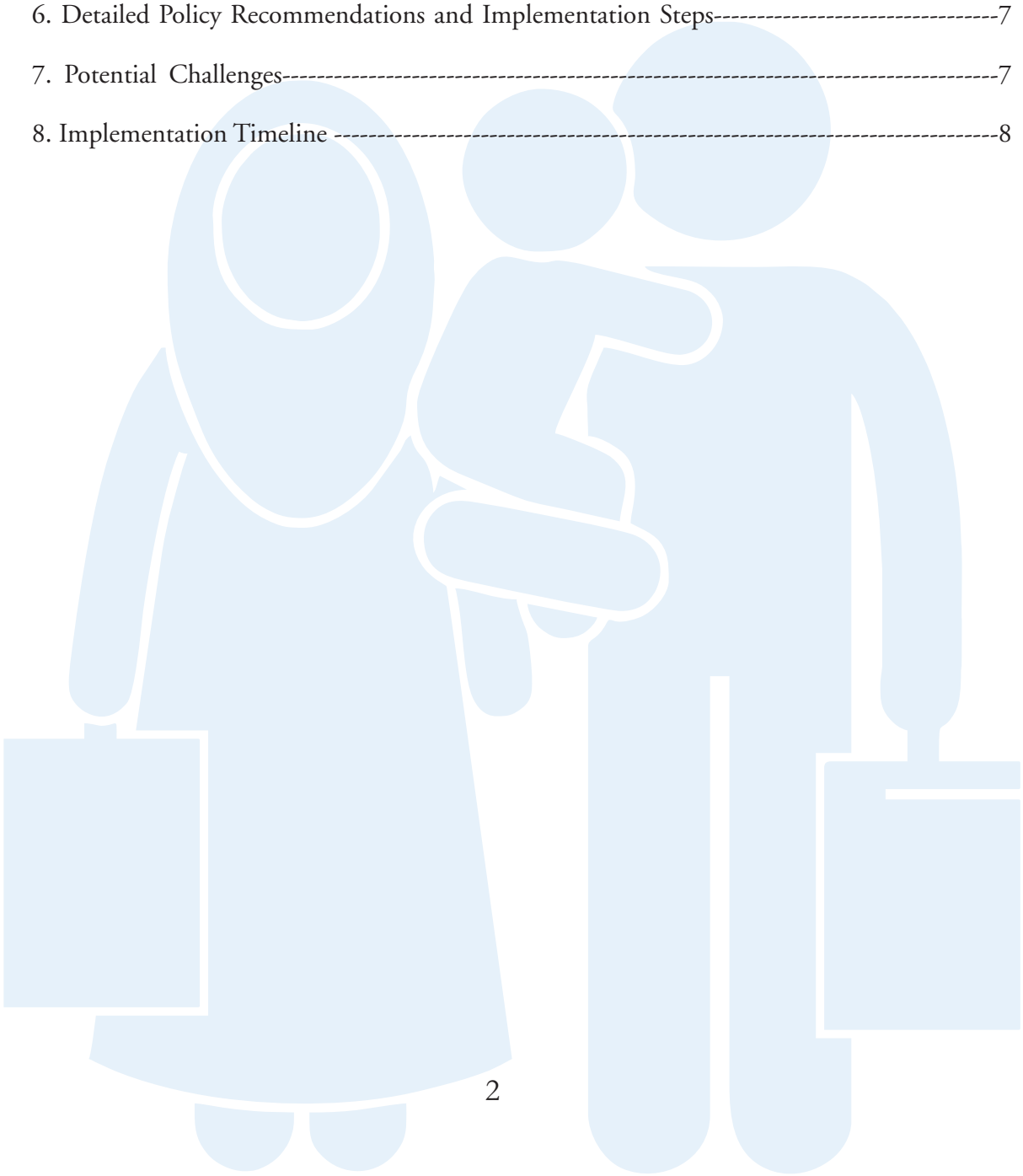


About Us

The Refugee Consortium of Kenya (RCK) is a non-govenmental organization established in 1998 to promote a safe environment where displaced and host populations access justice and protection, and are empowered to live a dignified life and achieve their full potential.

Our *Vision* is to realize a just and inclusive society for all the displaced and host population.

Our *Mission* is to protect and promote the well-being, voice, and dignity of the displaced and host population.

We operate under five *strategic pillars* including the Legal Aid and Governance; Peace and Social Justice; Women and Girls' Empowerment; Mental Health and Psycho-social Support and Organizational Development.

These pillars incorporate five *strategic approaches* comprising of Advocacy and Thought Leadership; Innovation and Learning; Capacity building and Support; Partnerships and Localization; and Strategic Communication to achieve the overall organizational goal.

Policy Brief: Addressing the Cost of Doing Business and Refugee Participation in the Revolving Fund. Refugee Consortium of Kenya (RCK) May 2025

Executive Summary

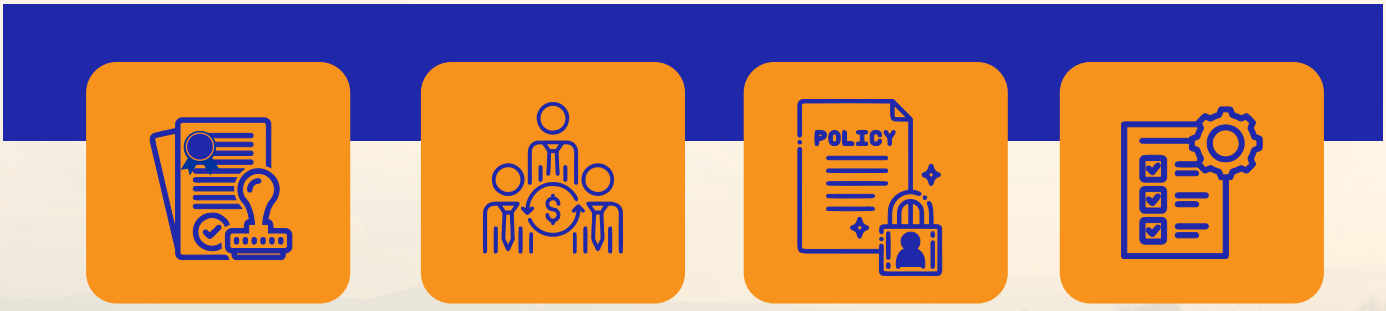
Garissa County, a region with a population of 800,000 residents and over 426,000 refugees, is a critical economic hub in northeastern Kenya. This policy brief analyzes how the county's revenue policies—specifically annual Finance Bills and the 2018 Garissa County Revolving Fund—create significant barriers that raise the cost of doing business and exclude refugee entrepreneurs. These policies undermine national and international commitments to refugee self-reliance.

Our analysis shows that even small-scale refugee businesses face annual fees of KSh 1,000 to KSh 3,800 for a Single Business Permit, costs that can wipe out profits for a micro-enterprise. These formal costs, combined with unofficial "facilitation" payments and other levies, push many refugee businesses into informality. At the same time, the county's Revolving Fund, designed to provide interest-free loans to vulnerable groups, effectively bars refugees due to its strict requirements for a Kenyan national ID, collateral, and a formal bank account.

To address these issues, the brief proposes several pragmatic reforms:

1. Simplify business registration by recognizing refugee IDs and UNHCR documents.
2. Introduce a low-cost "starter permit" with waivers for first-time applicants.
3. Decentralize licensing services through mobile help desks in refugee camps.
4. Amend the Revolving Fund regulations to explicitly include refugees and create an inclusive loan window.

These measures will reduce transaction costs, widen access to finance, and align county policies with the Refugee Act 2021 and the Comprehensive Refugee Response Framework (CRRF).



1K-3K.
Annual permit fees small refugee face, making formal business costly and pushing many into informality.

426K.
Refugee in Garissa often excluded from county funds like the Revolving Fund due to strict ID and collateral rules.

4 Policies.
Policy reforms proposed: recognize refugee documents, low-cost starter permits, mobile licensing desks and inclusive Revolving Fund access.

100%.
Align county policies with Refugee Act 2021 & Comprehensive Refugee Response Framework for better inclusion.

1. Introduction and Policy Background

Garissa County's economy is based on livestock, agriculture, and trade. Despite its potential, development is hampered by security concerns, limited infrastructure, and climate shocks. The county's policy framework is shaped by its five-year County Integrated Development Plan (CIDP 2023-27), which sets the strategic vision, and the annual Finance Bills, which outline the taxes and fees that fund local services.

In an effort to support marginalized communities, the county established the Garissa County Revolving Fund in 2018. This fund aims to provide affordable, interest-free loans to youth, women, and persons with disabilities to stimulate economic growth.

The national Refugee Act 2021 and the county-level Garissa Integrated Socio-Economic Development Plan (GISEDP) envision a future where refugees are integrated into local economies and can achieve self-reliance. However, current county policies on business fees and access to credit have not yet operationalized this vision. This brief explores the misalignment between these high-level policies and on-the-ground practices.

2. Analysis: The Cost of Doing Business

A review of Garissa County's Finance Bills from 2021 to 2025 reveals a cumulative cost burden on small businesses. While fees have not seen a dramatic increase in a single year, they remain a significant obstacle for micro-enterprises, especially those run by refugees with minimal capital.

- **Licensing and Permit Fees:** A small retail shop or kiosk is required to pay an annual Single Business Permit fee of KSh 3,800 in Garissa town or KSh 3,300 in other sub-counties. Even the smallest informal stalls must pay KSh 1,000 to KSh 1,500 per year. For a micro-business with thin margins, these amounts can be prohibitive.

- **Other Costs:** In addition to the permit, businesses must pay for property rents, market fees, and health certificates (e.g., a food handler's medical exam fee has risen from KSh 300 to KSh 500). Traders also frequently face informal "facilitation" payments to avoid fines, further increasing the cost of operating formally.

The combination of these fees discourages formalization, pushing many refugee entrepreneurs to operate "underground." This limits their growth, exposes them to legal risks, and simultaneously shrinks the county's tax base.

3. Refugee Exclusion from the Revolving Fund

The Garissa County Revolving Fund, despite its inclusive intent, is effectively inaccessible to most refugees. While the regulations do not explicitly bar non-citizens, the implementation process presents formidable barriers.

- **Documentation:** The fund requires a Kenyan national ID card for all applicants. Refugees, who possess a Refugee ID card and other UNHCR documents, cannot meet this requirement.
- **Collateral and Guarantees:** Loan applications require some form of security or collateral. Refugees typically do not own titled assets like land or vehicles, making it nearly impossible for them to secure a loan.
- **Bank Accounts:** The fund disburses loans through bank transfers. Although the Refugee Act 2021 allows refugees to open bank accounts, they often face practical difficulties and are asked for a national ID, which they lack.

The fund's design also did not actively consider refugees as a target group, and outreach has been primarily focused on Kenyan citizens. This de facto exclusion from the county's only public micro-credit facility leaves refugee entrepreneurs in a low-investment cycle, hindering their businesses and their ability to become self-reliant.

4. Policy and Legal Implications

The high cost of doing business and the exclusion of refugees from the Revolving Fund have several negative consequences:

- **Dampened Formalization:** The high fees act as a tax on formalization, pushing businesses into the informal economy.
- **Missed Economic Opportunity:** Excluding refugees from credit schemes means their businesses remain small, limiting job creation and overall economic growth for the county.
- **Social Cohesion:** The disparity between host community traders who can access cheap credit and refugee traders who cannot can breed resentment and strain relations.
- **Misalignment with National Goals:** Current county policies undermine the spirit of the Refugee Act 2021 and GISEDP, which aim for refugee self-reliance and integration.
- **Reduced Dynamism:** High business costs can deter new ventures and discourage existing ones from growing, ultimately slowing Garissa's overall economic development.

5. Detailed Policy Recommendations

To unlock Garissa County's full entrepreneurial potential and align with national and international commitments, we propose the following reforms:

1. **Simplify Business Registration:** Issue a legal notice to gazette Refugee ID cards and UNHCR attestations as valid identification for county business licensing and KRA PIN registration.
2. **Introduce Tiered Permits:** Create a low-cost "Starter Permit" for micro-businesses with a turnover below a certain threshold. Offer a one-year fee waiver for all first-time refugee and youth entrepreneurs.
3. **Decentralize Licensing Services:** Deploy mobile "Huduma Mashinani" help desks to refugee camps and remote areas to provide on-site registration and support services.
4. **Create a Women's Enterprise Facilitation Window:** Establish a dedicated window to provide on-the-spot licence fee vouchers and relaxed collateral requirements for women entrepreneurs from both refugee and host communities.
5. **Amend Revolving Fund Regulations:** Formally amend the Garissa County Revolving Fund Act to explicitly name “refugee-owned enterprises” as an eligible group.
6. **Establish Group Lending Mechanisms:** Enable refugees to use joint-liability borrowing from village savings and loan associations as a substitute for traditional collateral.
7. **Launch Localized Business Development Services:** With county TVET directorates, introduce business-development courses on bookkeeping and compliance in Somali and Swahili.
8. **Institutionalize Participation:** Establish Refugee-Host Business Councils at the ward level to provide oversight on the Revolving Fund and vet draft Finance Bills.

6. Potential Challenges

Implementing these reforms will face several challenges:

- **Political Resistance:** Some segments of the host community and county legislators may resist policies perceived as giving "special treatment" to refugees.
- **Institutional Capacity:** Garissa County's departments may lack the staff and systems to manage new, more complex programs like mobile licensing and tiered fee structures.

- **Credit Risk:** Lenders may remain wary of lending to refugees due to the perceived risk of repatriation, requiring robust risk-sharing and guarantee mechanisms.
- **Data Scarcity:** A lack of reliable baseline data on refugee enterprises makes it difficult to design and monitor policies effectively.

To mitigate these, the county should frame reforms in terms of the overall public value they generate, sequence changes to be low-bandwidth initially, secure blended financing from development partners, and institutionalize data collection and participatory oversight from the outset.

7. Implementation Timeline Summary

The proposed reforms can be phased over three years:

Short-Term
(0-12 months):
Focus on foundational legal and administrative changes, such as issuing the legal notice for refugee ID recognition and tabling amendments to the Revolving Fund Act.

Mid-Term
(1-2 years):
Pilot the new systems, including the "Refugee Starter Licence," the mobile licensing desks, and the first rounds of loans under the amended Revolving Fund.

Long-Term
(2-3 years):
Institutionalize the reforms by embedding them into the county's annual budget cycle, establishing permanent Refugee-Host Business Councils, and leveraging a blended finance guarantee facility to expand the Revolving Fund's reach.

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