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BUILDING INCLUSIVE MARKETS FOR REFUGEE AND HOST COMMUNITIES



*A case study of the ILO-UNHCR Approach to Inclusive Market Systems (AIMS)
in Jijiga, Ethiopia*

2019

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Key Takeaways

- *AIMS creates a win-win situation for refugees and host countries*
By recognizing and amplifying the potential of refugees and host communities to contribute to their host country economy, AIMS promotes refugee self-reliance and self-determination as well as local economic development.
- *AIMS works to bridge the humanitarian-development nexus*
...by offering a concrete and tested approach to transition from a humanitarian emergency to sustainable development in forced displacement settings.
- *AIMS emphasizes sustainability and local ownership*
The approach does not intervene in local markets directly but instead **facilitates efforts of local market actors** to help address root causes preventing refugees and hosts from accessing economic opportunities.
- *AIMS addresses market functioning and market inclusivity*
...through a combination of push and pull interventions, designed on the basis of a market systems analysis, that seek to create opportunities in local markets as well as equip the target population with necessary skills to seize them.

INTRODUCTION

The number of forcibly displaced globally has steadily increased over the past years. At the same time, displacement situations are becoming more and more protracted: refugees spend over a decade, on average, in exile¹. Moreover, the majority of refugees are displaced across Africa and the Middle East, – often in countries that are already struggling with high unemployment and economic downturn². Taken together, it may seem an obvious conclusion that refugees create an increasing additional burden on countries that are already stretched thin.

However, a growing body of research and empirical evidence confirms the opposite: refugees make positive economic contributions to their hosting countries³. The global conversation on forced displacement, for instance in the form of the New York Declaration, the Comprehensive Refugee Response Framework (CRRF), and the Global Compact for Refugees (GCR), has also begun to recognize the positive impact that refugees can have on their host countries. One key question that has subsequently emerged is how to transform the economic potential of many refugees into actual positive contributions for local labour markets and economies so as to benefit both, host and refugee communities.

In this context, the International Labour Organization (ILO) and the United Nations High Commissioner for Refugees (UNHCR) have partnered to develop the [Approach to Inclusive Market Systems \(AIMS\)](#). The Approach seeks to improve the functioning of markets in forced displacement settings and work to improve the ability of refugees and host communities to seize subsequent employment and economic opportunities.

This document introduces the ILO-UNHCR Approach to Inclusive Market Systems (AIMS) and employs a case study of an ILO project in Jijiga, Ethiopia to explain how the approach works in practice to improve access to market-based livelihoods among refugees and host communities.

THE APPROACH TO INCLUSIVE MARKET SYSTEMS (AIMS)

The ILO-UNHCR [Approach to Inclusive Market Systems](#) (AIMS) for refugees and host communities is based on the premise that both humanitarian assistance at the onset of displacement as well as a transition toward sustainable economic development are essential in order to effectively address forced displacement situations. AIMS therefore works at the humanitarian-development nexus, with the aim of strengthening local market systems and enabling refugee and host communities to seize the economic and employment opportunities therein.

Based on market systems development principles, AIMS utilizes a push-pull framework, which is based on the assumption that two conditions need to be fulfilled for people to build sustainable livelihoods:

¹ World Bank, 2018. Refugees' Average Duration of Exile. Available at:

<https://blogs.worldbank.org/developmenttalk/refugees-average-duration-exile-going-down-why-bad-news>

² UNHCR, 2019. *Figures at a Glance*. Available at: <https://www.unhcr.org/figures-at-a-glance.html>

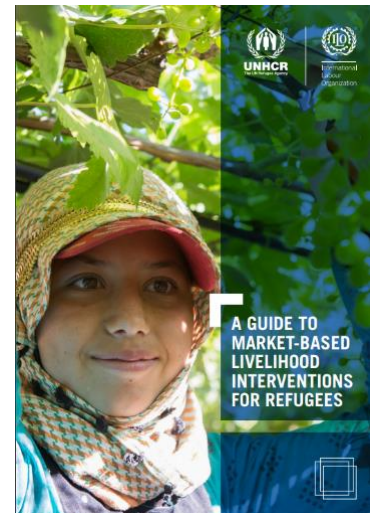
³ For example, see: Wahba, J. 2019. [Why Syrian refugees have no negative effects on Jordan's labour market](#). *The Conversation*, September 2, 2019.)and

Akgündüz, Y. E., van den Berg, M., Hassink, W. 2018. [The Impact of the Syrian Refugee Crisis on Firm Entry and Performance in Turkey](#), *The World Bank Economic Review*, 32(1): 19–40.

- There need to be opportunities in the market, either for self-employment if a certain good or service is demanded on the market, or for salaried employment. Pull interventions help enhance and create such opportunities.
- People need the necessary skills and competencies to exploit such opportunities: Push interventions support the target group's ability to seize economic opportunities.

It is important to note that while push and pull interventions work from different angles and potentially with different actors, they should be linked and complementary in a holistic approach that is founded on a thorough understanding not only of the needs of the target group but also of market realities and trends.

Finally, rather than directly intervening in local markets through direct delivery of goods and services, AIMS focuses on **strategic facilitation** that enables local actors to support the market system in a sustainable manner. In line with the [UNHCR livelihoods and economic inclusion concept note 2019 – 2023](#), which recommends that UNHCR adopt a facilitative role on refugee livelihoods, AIMS emphasizes that it is essential for development and not-for-profit actors to stay mindful that their role is to work through local market actors in order to create linkages and strengthen market functioning without distorting market incentives. The ILO-UNHCR [Guide to market-based livelihoods for refugees](#) provides practical step-by-step guidance on the topic for practitioners. The ILO's International Training Centre in Turin, Italy also offers an annual one-week course on the approach.



AIMS IN ACTION: JIJIGA, ETHIOPIA

Between 2018 and 2019, the ILO implemented a project on “Promoting livelihoods of forcibly displaced persons and host communities” with the support of the BMZ. The aim was to test and adapt tools and approaches to promote livelihoods of forcibly displaced persons and host communities through pilots in a selected country.

The Somali region of Ethiopia (Jijiga) was selected as the focus region. The Jijiga region hosts nearly 37 000 refugees from nearby Somalia in three camps: Kebribeyah (hosting the first wave of arrivals from 1989/90) as well as Aw Barre and Sheder (hosting the second wave of refugees from 2007). Throughout project duration and at the time of writing, refugees in Jijiga do not have the freedom to leave the camps nor to move freely in Ethiopia. Furthermore, refugees are barred from obtaining work permits, opening bank accounts, and accessing land for personal and commercial use. However, as Jijiga is the pilot region for the implementation of the Comprehensive Refugee Response Framework in Ethiopia, and given the declaration of the Ethiopia Jobs Compact in January 2019, change may be imminent.

The implementation of AIMS in this context can be summarized in four steps, as per the below. Nonetheless, it is important to note that – rather than a checklist or step-by-step guide – AIMS comprises a set of key principles which need to be adapted to the specific context and the target population.

Developing an evidence-base for intervention design

At project inception, the ILO conducted an in-depth [market systems analysis](#). The aim of the analysis was to understand:



Figure 1: Focus Group Discussion with livestock herders

- (i) the socio-economic situation of refugee and host communities in Jijiga, including their skills and competencies
- (ii) the market system of Jijiga, i.e. rules and regulations as well as market supporting functions (e.g. the availability of business development services, access to finance, access to market information...)
- (iii) the selection of sectors and value chains within that sector with potential for growth and economic and employment opportunity for refugees and hosts
- (iv) an empirical analysis of the selected value chain's functioning in order to identify opportunities for sector growth and constraints preventing refugees and hosts from accessing such opportunities.

Based on data from in-depth qualitative interviews and focus group discussions with key actors, the livestock sector, and specifically the small ruminants value chain, was identified to hold the greatest potential to improve the livelihoods of refugee and host community

members. Small ruminants trade is a dominant economic activity in the region and among the Somali refugee population. As such, a resilient regional value chain already existed with extensive host community trader networks supplying animals for local and national consumption as well as for export to the Middle East. The recent opening of an Export Slaughter House (JESH) in Jijiga further increased local demand for small ruminants. Moreover, refugees had begun to herd goats at small scale in the refugee camps, showing that they already possessed the relevant skills to engage in the sector.

Yet, the analysis also found that refugees and host community members in the immediate vicinity of Aw Barre and Sheder refugee camps only participated in local trade networks on an ad hoc and unstructured basis, sacrificing bargaining power vis-à-vis local traders and subsequently profit margins on animal sales. On the basis of the market systems analysis, a [theory of change](#) was developed.

Implementing AIMS interventions in the small ruminants value chain

Based on the findings of the market systems analysis, improving refugee and host animal herders' access to regional trade networks and the JESH would therefore allow them to seize a wider range

of economic opportunities in the value chain and help improve their income and resilience. In particular, the following opportunities and constraints were identified and addressed:

- **Unseized Opportunity 1:** Refugees and local host community are unaware of the improved profit margins and sales channels that would ensue from animal aggregation and subsequent bulk sales to regional traders, who pay a higher price for livestock.
- **“Push” Intervention 1:** Launch information campaign in and around Aw Barre and Sheder on profit opportunities associated with animal aggregation in order to incentivize better market coordination and improve bargaining power vis-à-vis traders. This involved the identification of local multipliers, in our case, female community leaders as small ruminant herders are predominantly women.
- **Unseized Opportunity 2:** The newly opened Jijiga Export Slaughterhouse (JESH) is unable to meet demand for small ruminants and seeking new supplier channels. They are not aware of refugee and host community livestock herders selling animals.
- **“Pull” Intervention 2:** Create market linkages between JESH and the refugee camps and surrounding host communities to create new sales channels for refugee and host community livestock herders. This involved information sessions with key traders and “look and see” visits of the traders to the areas of concern.
- **Constraint:** Refugees and local host community lack business acumen and skill to grow their small-scale small ruminants herding into a profitable business. This was identified to be a general constraint for refugee and host community entrepreneurs.
- **“Push” Intervention 3:** Improve refugee and host community business skills through the [Start and Improve Your Business](#) entrepreneurship training program. The program was deployed through local partners such as Jijiga University and the TVET Institute.

Several additional constraints were identified such as access to high-quality fodder for small ruminants in the refugee camps and access to veterinary services. However, given the short duration and limited scope of the project, the above interventions were prioritized.

Throughout the project, as is the case with any market, the small ruminant value chain shifted in response to changes in the socio-economic and political landscape. For example, turnover in the regional government and well as social tensions at the border of the Somali region prompted the JESH to momentarily suspend operations. As a result, the AIMS interventions were adapted to focus more heavily on creating linkages to regional trader networks.

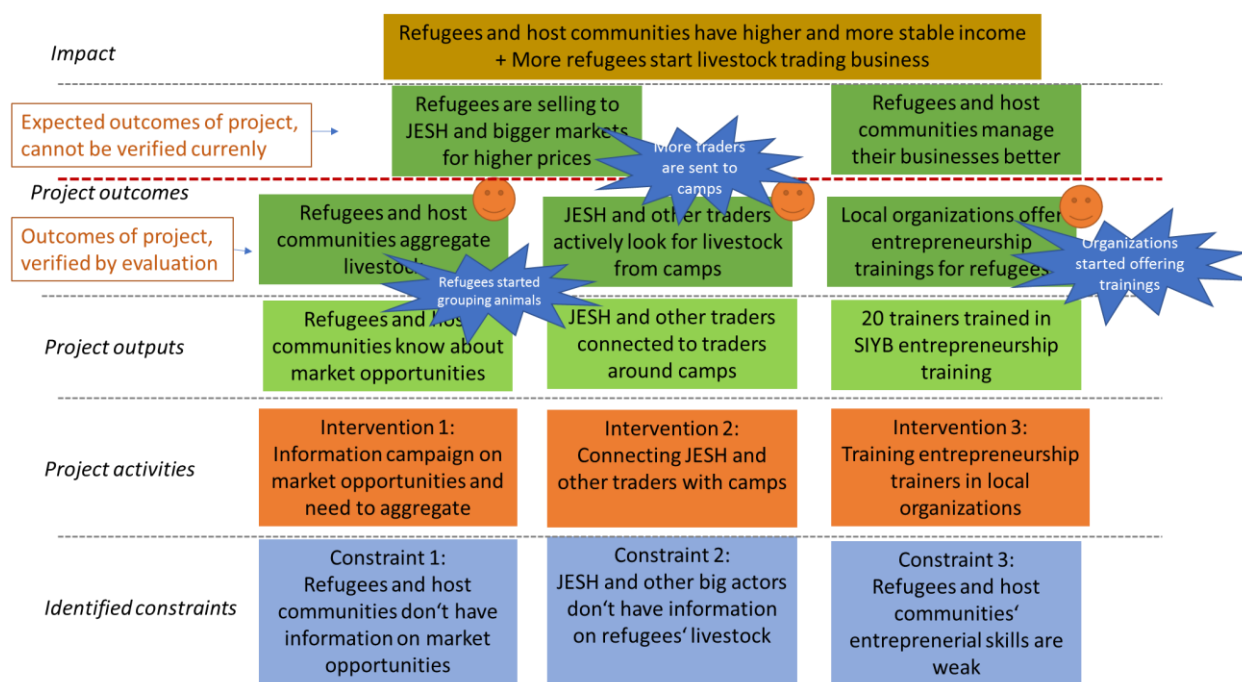
Preliminary Outcomes

Although a comprehensive impact assessment was not possible due to the short duration of the project, the ILO conducted an [internal project evaluation](#) to analyze the interventions’ preliminary outcomes.

The evaluation shows that the project succeeded in improving linkages between livestock herders (from refugee and hosting communities) and regional livestock traders. The project identified multipliers in the respective communities such as key personas in the camps and local authorities and helped directly link them to regional traders. This way, the project ensured that the link between regional traders and refugee/host livestock herders would be maintained past project duration.

The project also worked with livestock herders (primarily women) to explain the benefits of working together and aggregating animals for bulk sale to large-scale traders. In addition to improving economic outcomes by helping the women achieve higher prices for their animals, the joint sales also fostered host community-refugee cohesion.

Graph 1: Theory of Change and Preliminary Outcomes



Finally, the evaluation finds that refugees and hosts are acquiring business skills through the [Start and Improve Your Business Training \(SIYB\)](#). The sustainable Training-of-Trainer structure has ensured that the training program is continuing to run in the Jijiga region past project duration and without ILO financial support. 11 SIYB Trainers were certified, and within 4 weeks of certification, trainings for a total of 60 refugee and host community entrepreneurs were conducted on the trainers' own initiative (without financial or other support of the ILO). Based on these initial figures, an expected 600 entrepreneurs will benefit from the SIYB program by end 2019 through a sustainable implementation model.

The positive initial outcomes demonstrate that the Approach to Inclusive Market Systems is a powerful way of improving the livelihoods of refugees and host communities in a manner that is sustainable beyond the interventions and endorses, rather than undermines, market functioning. The [full evaluation report](#) distills broader lessons learned and best practices.



Figure 2: Refugee and Host Community Livestock Market in Kebri Beyah

CONCLUSION

This case study demonstrates how AIMS can be implemented even in challenging circumstances, such as protracted, camp-based forced displacement settings. Over the past years, ILO and UNHCR have jointly conducted market systems assessments in 16 countries to support the transition toward a more market-based approach to refugee and host community livelihoods. As these assessments evidence, AIMS is composed of a set of core principles elaborated in this document that are purposefully designed to be adapted to specific context, thus recognizing the diverse and dynamic nature of forced displacement settings around the world.

At a broader level, the Approach to Inclusive Market Systems constitutes an actionable strategy to bridge the humanitarian-development nexus in forced displacement contexts as well as guidance on seizing the economic potential of refugees to create opportunity for host communities and refugees alike.

Further information:

On AIMS and the ILO's work in Jijiga: www.ilo.org/aims

On Refugee Livelihoods and Economic Inclusion: www.unhcr.org/livelihoods