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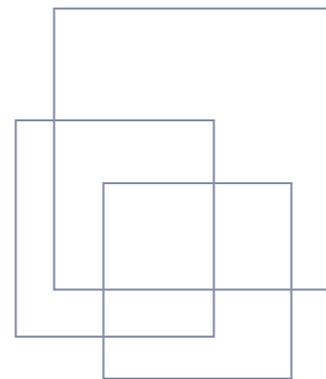
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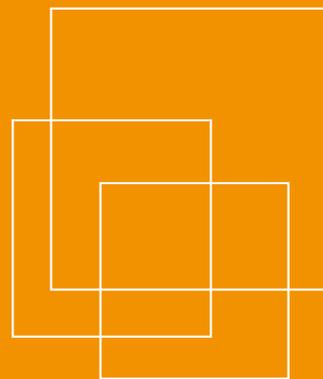
Federal Ministry
for Economic Cooperation
and Development



A ROUGH GUIDE TO **ENTREPRENEURSHIP** **PROMOTION** IN FORCED DISPLACEMENT CONTEXTS



**A ROUGH GUIDE
TO ENTREPRENEURSHIP
PROMOTION
IN FORCED
DISPLACEMENT
CONTEXTS**



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LIST OF ACRONYMS

| | |
|------------------|---|
| BDS | Business Development Services |
| BPC | Business Plan Competition |
| CAR | Central African Republic |
| CEO | Chief Executive Officer |
| EYB | Expand Your Business |
| FSP | Financial Service Providers |
| GET Ahead | Gender and Entrepreneurship Together |
| ILO | International Labour Organization |
| IYB | Improve Your Business |
| MoU | Memorandum of Understanding |
| NGO | Non-Governmental Organization |
| ROSCA | Rotating Savings and Credit Association |
| SME | Small and Medium Enterprise |
| SIYB | Start and Improve Your Business |
| TSP | Training Service Provider |
| TVET | Technical and Vocational Education and Training |
| UNHCR | United Nations High Commissioner for Refugees |
| VSLA | Village Savings and Loans Association |

Introduction

An unprecedented number of people - 70.8 million – are *currently* forcibly displaced from their homes.¹ Most importantly, 85% of the world's displaced people are located in developing countries, often in regions where host communities already suffer from dire living conditions and severe development needs.²

The rise of new types of armed conflicts - often protracted, increasingly complex and with high risks of spillover into neighbouring countries - and the prospects of conflict relapse looming large over multiple low-income countries are giving those who are able to all the more reasons to flee. Moreover, by end 2015, protracted refugee situations worldwide lasted an estimated 26 years on average.³ Yet, national legal frameworks regulating refugee flows are often struggling to address the new challenges posed by increasingly protracted situations. Encampment policies, mobility restrictions and a lack of access to formal labour markets impede refugees from becoming self-reliant and contributing to the economic growth of their hosting country.⁴

The international community has become increasingly aware of the economic impact of refugees on host countries. The adoption of the New York Declaration for Refugees and Migrants in 2016 marked a milestone for the shifting paradigm on addressing forced displacement. Adhering member states agreed to share the responsibility to protect the forcibly displaced and to support host countries more equitably. The landmark declaration also paved the way for the Global Compact on Refugees in December 2018. The Global Compact explicitly states the need to enhance the economic self-reliance of refugees as among its four key pillars. The challenge is now how to translate the New York Declaration and the Global Compact on Refugees into action. For this purpose, the International Labour Organization (ILO) developed this *Rough guide to Entrepreneurship Promotion in Forced Displacement Contexts* in the context of the project “Adapting and testing tools and approaches to promote livelihoods of forcibly displaced persons and host communities in Jijiga, Ethiopia”, financed by the German Ministry for Development and Cooperation.

The guide starts from the premise that refugees can act as key drivers of economic growth in their host countries through business creation and employment generation. Yet, in many instances, institutional and cultural barriers thwart their ability to become productive members of their host societies. To this effect, the guide seeks to provide project managers with practical, hands-on guidance on how to use and implement various entrepreneurship tools in forced displacement contexts, with the aim of helping refugees and host community

1 The 1951 Refugee Convention and its 1967 Protocol define ‘refugee’ as someone who is unable or unwilling to return their country of origin “owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group, or political opinion.” For the sake of simplicity, we will use the term ‘refugee’ in a broader sense to encompass any category of UNHCR persons of concern, which include refugees, internally displaced persons, returnees, asylum-seekers and stateless persons.

2 UNHCR (2018).

3 The UNHCR defines a protracted refugee situation as one in which at least 25,000 refugees from the same nationality have been in exile for five or more years in a given asylum country. Based on this definition, the UNHCR estimated that 13.4 million refugees (almost two-third of those under UNHCR’s mandate) were in a protracted situation by the end of 2017 (Global Trends 2017) and that these protracted situations lasted on average about 26 years (Global Trends 2015).

4 Betts, Alexander, Louise Bloom, Josiah Kaplan and Naohiko Omata (2014).

members overcome some of these challenges. As such, it complements the policy-oriented recommendations presented in the Policy Guide on Entrepreneurship for Migrants and Refugees developed by UNCTAD, IOM, and UNHCR⁵. It notably explores the implementation of entrepreneurship training programmes, such as the ILO's [Start and Improve Your Business](#) (SIYB) and [Gender and Entrepreneurship Together](#) (GET Ahead), financial education and access to finance interventions, [Business Plan Competitions](#) (BPCs), cooperative training programmes, and finally important support services for entrepreneurs, namely mentoring and coaching. To shed light on the opportunities associated with entrepreneurship promotion in refugee contexts, such as increasing economic inclusion, reducing aid dependency and fostering social cohesion among communities, the guide draws on three case studies: (i) entrepreneurship promotion in Jijiga in Ethiopia, (ii) cooperative development in the East and Adamawa regions of Cameroon, and (iii) the organization of a Joint Business Plan Competition in four Jordanian districts.

The guide will mainly focus on protracted situations and camp-based settings, i.e., situations in which entrepreneurship promotion is often extremely difficult due to legal, resource, and mobility constraints. The aim is to provide recommendations and guidance for situations where assistance is most needed. It thus builds on the assumption that, if solutions can be found to empower refugees in such extreme settings, then these solutions can be replicated elsewhere.

Finally, this guide highlights the importance of considering how to achieve sustainability of entrepreneurship promotion work in forced displacement contexts. This is in line with the ILO's general emphasis on sustainability in its entrepreneurship promotion work. On the one hand, sustainability begins by identifying local needs and market demands and basing interventions on responding to such demand. On the other, sustainability also means partnering with local organizations that have the capacities and interest to drive entrepreneurship promotion. For more information on the ILO's market-based approach, see the [Guide to market-based livelihood interventions for refugees](#).

5 UNCTAD, IOM and UNHCR (2018).



PART

1 Why is entrepreneurship promotion in forced displacement settings important?

1.1 Forced displacement – an overview

Refugees and other forcibly displaced flee conflicts and violence. Legal refugee status therefore assumes that refugees will be hosted for a finite period until the conflict that caused them to leave their country of origin ceases. Yet, as conflicts become increasingly protracted and difficult to resolve, refugees remain displaced for prolonged periods, sometimes decades. Estimates indicate that the average duration of protracted refugee situations has been drastically increasing⁶, with approximately two thirds of the total refugee population in protracted situations at the end of 2017 (13.4 million refugees).⁷

When refugees arrive in a locality, whether in a refugee camp or in an urban setting, they are faced with the challenge of “fitting in”, a process which can be fraught with difficulties such as lack of economic and learning opportunities, scarcity of available resources, and restrictive refugee regulations. The longer the duration of displacements, the higher the likelihood that dissatisfaction, hopelessness, and frustration among forcibly displaced increase. Furthermore, where refugees remain in camps for prolonged periods, environmental degradation and natural resource deprivation become more acute, thereby creating a ground for friction between hosts and refugees. Often, refugees are placed in “already environmentally-hostile arid locations with minimal vegetation and variable access to sufficient water”⁸ where competition over natural resources is exacerbated. Finally, developing and least developed countries, many of whom already struggle with high unemployment and scant economic opportunity, host approximately 85% of refugees⁹.

The shift from temporary to protracted displacement in host countries that generally struggle to ensure the economic well-being of their own populations calls for the need to devise more effective, long-term solutions. Entrepreneurship promotion is one of them. Encouraging small business creation in refugee-affected areas may prove beneficial at three different levels:

1. It can help restore refugees’ dignity by reducing their dependency on aid and offering them an alternative source of economic realization

6 UNHCR Global Trends 2015

7 UNHCR Global Trends 2017

8 Martin et al. (2017)

9 Ibid.

2. it can turn refugees into productive assets to the host country's economy and create new jobs for refugee and host community members.
3. it allows refugees to upgrade their business development skills in preparation for their return.

The next section will further explore the contribution of entrepreneurship promotion in refugee contexts.

1.2 Contributing to economic growth and social cohesion through entrepreneurship

Entrepreneurship promotion tools are key to equipping refugees with the skills they need to run a business and to pursue revenue-generating activities more generally. By helping refugees and host community members create sustainable and growth-oriented businesses, entrepreneurship promotion indirectly also helps create employment opportunities for local communities. Furthermore, promoting entrepreneurship reinstates refugees with dignity and a self-determination regarding their day-to-day life. As entrepreneurship can take many forms, not just in terms of the size of business (micro, small, or medium), but also regarding the type of business and the sector, it constitutes an avenue for self-expression and ownership over one's economic situation.

a. Benefits for refugees

Entrepreneurship comprises multiple benefits for the refugee populations themselves. By increasing self-reliance and reducing aid dependency, self-employment helps restore refugees' dignity. Research suggests that refugees often decide to launch their own business either to avoid being dependent on welfare benefits or to pursue more meaningful work in cases of over qualification.¹⁰ In many cases, introducing new products that meet local needs and are not readily available on the market (e.g. mobile phone shops) can also help build bridges between refugee and host populations, thereby fostering greater social cohesion. In the Dadaab camp in Kenya, for instance, several Somali refugees opened coffee shops when they first arrived in the camp, turning the lack of "social spaces" into a business opportunity. Entrepreneurship therefore couples economic well being with psychological benefits that appease the stress caused by exile¹¹.

Involvement in business activities is crucial as it allows refugees to put to practice skills and personal resources that would have otherwise remained unused. Entrepreneurship is therefore key to avoiding considerable losses of human capital along generations, especially in protracted settings. The autonomy acquired through business operations is fundamental for refugees in order to enhance their social status and to achieve social mobility during exile.

Economically speaking, entrepreneurship offers refugees opportunity for employment that may not be found or accessible in the formal labour market, as well as the possibility to build sustainable livelihoods. Often, refugees choose to start a business due to the structur-

¹⁰ IOM, UNHCR and UNCTAD (2018).

¹¹ de la Chaux et al. (2017).

al factors that thwart their active participation in the labour market. As will be discussed in Part 2, refugees often face a wide range of barriers that prevent them from being employed. These include legal restrictions on employment, cultural and linguistic barriers, discriminatory behaviour and stigma, and non-recognition of foreign qualifications. As such, entrepreneurship can constitute an alternative employment strategy, often driven by a lack of alternatives, but nevertheless provides refugees with the resources that help them to sustain themselves and their families without relying on external funding. The financial safeguards offered by self-employment are even more crucial in the context of exile where social bonds are weakened and community support is hard to maintain.

b. Benefits to the host country

From the New York Declaration, which encompasses the Global Compact on Refugees, to the micro-level interventions undertaken by development partners, the agenda on forced displacement has shifted, emphasising now more than ever the benefits of refugees' socio-economic integration. A growing body of literature, including specific case studies (see box 1 on the case of Uganda), shows how refugees can positively contribute to the development of host countries.

When refugees settle into new localities, they bring with them new skills, competencies and ideas that are crucial for innovation and market expansion. The diversity refugees embody can therefore constitute a real driver for economic growth, if opportunities to create mutual benefits for refugee and hosting communities are seized appropriately. Refugees carry with them different experiences and mind sets as they move from one place to another, thereby adding to the local knowledge and addressing local needs through new ways and processes.

At the onset of a large forced displacement influx, hosting communities tend to experience initial strain on local resources and the economy. However, over time, refugees have a high propensity to create new businesses and contribute to local economic development. In many cases, not only have refugees created jobs for their own communities, but they have also offered employment opportunities and skills training to host community members. Because most refugees are concentrated in impoverished regions, their presence can be critical in stimulating local economies while meeting local needs through a variety of means. Various studies have documented the gains experienced by host communities, particularly through the additional trade, revenue and employment created by refugee businesses.¹²

Moreover, refugees have proven to harness the absence of infrastructure and technology as opportunities for business development. For instance, in the Buduburam refugee camp in Ghana, a study reported how refugees converted three unmet local needs into booming industries: telephone extensions to connect refugees with relatives in the West, regular water provision, and decent housing in lieu of tents.¹³ In protracted settings, the entrepreneurial drive is even more exacerbated as refugees seek to build a meaningful life during their lengthy exile. Long-term thinking pushes refugees to develop necessary social services and infrastructure, to the extent that in some host countries, the quality and availability of such facilities are higher in the camps than among host communities. The new technologies in-

¹² See for example: Jacobsen, K. (2002), Betts et al. (2014)

¹³ Ibid.

roduced by refugees, (e.g. power generators, rainwater collectors, internet cafes) have had positive spill overs on host populations by increasing local capacities and strengthening the grounds for further employment generation. However, it is still important to acknowledge that refugees often get a “head start” compared to host communities, as they receive humanitarian aid and support.

Box 1: Uganda's self-reliance model, a success story of refugee integration

Uganda has become a benchmark for advocates who promote the local integration and economic self-reliance of refugees in host countries. The country has one of the most inclusive regulatory frameworks for refugees. Not only do refugees benefit from the right to move relatively freely and choose their place of residence, but they also have access to work permits, public education, health care and land. This allows them to develop more sustainable livelihoods and become less aid dependent. In addition, the Ugandan model promotes refugee-host interaction by advancing integrated service delivery and market access. Thus, the Ugandan case offers concrete evidence on how refugees can benefit their host communities. Two main conclusions can be drawn.

First, self-employment is shown to foster trust among members of the refugee community and extend sustainable livelihoods to a broader network of refugees. This is because self-employed refugees have a high tendency to hire fellow refugees, therefore helping increase overall revenue. Conversely, refugees restricted in their right to work are more likely to be offered low-paid incentive work by humanitarian agencies or be employed illicitly by members of the host community.

Second, when refugees participate in the labour market and are inserted in the local social fabric, refugee-host relations are improved. In Uganda, traders were more likely to perceive refugees as productive assets to the local economy. The likelihood increased when refugees brought with them skills sets and competencies that were distinctive from those already available on the market. The new skills meant that refugees could introduce new products that answered unmet consumer needs without competing against existing producers.

c. Benefits to the country of origin

Research also suggests that entrepreneurship may boost economic development in refugees' countries of origin. Pursuing economic activities abroad may endow refugees with the financial resources and business expertise necessary to invest in private sector development in their home countries. The networks refugees build and the knowledge they accumulate in niche sectors can prove useful even prior to return. Maintaining linkages with home countries is thus key to harness the know-how amassed during exile, facilitate its transfer to countries of origin and channel it into the growth of home businesses. Moreover, returnees may also leverage the skills and knowledge acquired while displaced for the creation of new enterprises back home. The entrepreneurial mindset fostered during exile may become a key driver for economic growth in the country of origin if refugees repatriate.

While little evidence exists on the share of remittances refugees send back home, migration-linked remittances have proven valuable in financially supporting migrants' recipient households. Not only do remittances allow recipients to pursue daily economic activities, but they also serve as important financial reserves for small businesses in home countries, especially in times of economic recession. Remittances' role in maintaining a healthy and operational private sector in countries of origin is thus considerable. It shows how much refugees and host communities mutually benefit one another; to the extent that promoting entrepreneurship among refugee populations can help improve the economic well-being of various stakeholder groups across transnational borders.



PART

2 Entrepreneurship promotion in forced displacement settings

2.1 What challenges do refugees face when attempting to start a business?

Refugees often face a series of challenges that impede their productive participation in the formal labour market and their ability to be economically self-reliant. In countries with strict encampment policies, the obstacles to refugees' economic empowerment and social inclusion are numerous, making it harder for refugees to find livelihoods and employment opportunities in the formal sector and bring to the surface underlying frustrations between refugees and host communities that can easily turn into conflicts. While the inability to access the formal labour market may push refugees into self-employment, various legal, administrative as well as cultural barriers also prevent them from setting up businesses. With these legal restrictions, the social fabric is weakened and the harmonious coexistence between refugees and hosts under threat. The escalation of tensions could undermine existing livelihoods and destroy opportunities for local economic development.

This section will elaborate on the challenges and obstacles that refugees may face in their host countries to becoming successful entrepreneurs. The aim is to provide a first idea of the challenges aspiring refugee entrepreneurs face and of how entrepreneurship promotion tools can help address some of these challenges.

a. Legal and regulatory barriers

Legal and regulatory frameworks governing refugees' stay in the host country may impose limitations on their rights, such as the right to work, own property and be self-employed. Moreover, complex regulatory and administrative requirements may additionally impede opportunities for both refugees and hosts to start businesses. These include procedures such as business registration, obtaining permits and licences, complying with social security obligations and completing tax documents, among others. Such procedures may be even more challenging for refugee entrepreneurs who lack proficiency in the local language and are rarely acquainted with the local administrative apparatus. Often, the absence of translation services and support structures undermines the ability of refugees to deal with bureaucratic processes. Information asymmetries resulting from these barriers prevent refugees from effectively navigating the regulatory systems and create an uneven playing field for refugees and hosts to pursue entrepreneurial activities.

Moreover, registering a business may require proof of professional qualification. This can be problematic for refugees as educational or professional certificates might have been left behind or were lost on the way to the country of exile. Yet, even when refugees retain the documentary evidence of their qualifications, the absence of equivalence procedures or recognition of foreign diplomas remains an obstacle. The absence or insufficiency of certificates may constitute a distinctive barrier for refugees whose competencies cannot be recognised in the host country.

b. Mobility restrictions

Strict encampment policies also have detrimental effects on the socioeconomic integration of refugees and their ability to pursue income-generating activities. Where refugees are banned from freely exiting the camp, obtaining a travel authorisation may require them to go through lengthy and costly administrative procedures.

Such mobility restrictions make it harder for refugees to start a business. Because they are prohibited from exiting the camp, refugees are unable to buy the necessary inputs to run their business or access the nearest market to sell their products to a larger consumer base. These restrictions hinder refugees from developing sustainable livelihoods. Moreover, they also lead to fewer interactions with the host communities. Lack of exchanges between refugees and host populations may deepen the gap between both communities, thus fostering stigmatization and discriminatory behaviours.

Encampment policies therefore imply a double-burden for refugees. Economically, camp confinement forces refugees into aid dependency and economic inactivity. This may lead to situations of “brain waste” for refugees who cannot leverage their personal competencies. Socio-psychologically, encampment may exacerbate frustrations, as refugees find themselves unable to contribute to their host societies and deepen the refugee-host community divide.

c. Limited access to finance

Refugees often struggle to access credit from formal banking institutions due to the absence of identification documents, the lack of credit history and the lack of collateral. The risk of return or resettlement renders banks reluctant to engage with refugees, even when the latter have been in the country for years. Formal banking institutions may refuse to lend to refugees, as they may consider that to be a risky investment given the absence of financial safeguards. The legal status refugees often receive in their host countries may prevent the issuance of the required documents and further hinder their ability to open a bank account and request loans.

Moreover, lack of access to finance may be linked to stigma and stereotypes associated with the refugee population. Loan providers may find it hard to detach themselves from their prejudice against refugees and continue to perceive them as not trustworthy. This can have spillover effects on refugees themselves who, in reaction, may decide to limit interactions with the formal banking sector to avoid being caught up in discriminatory patterns.

Absence of information regarding loan requirements as well as available financial support structures constitute additional barriers to accessing credit, not to mention the relatively

low levels of financial literacy recorded among many refugee populations. The unavailability of capital to invest in the new venture coupled with the absence of networks, as will be discussed next, constitute strong deterrents to engaging in entrepreneurial activities. Although refugees may resort to informal lending mechanisms or draw from personal savings to fund their businesses, the resources collected through those means in many cases remain insufficient.

d. Lack of support networks

Aspiring refugee entrepreneurs rarely benefit from a strong enabling environment for business creation. In addition to restrictive national policies, refugees are often concentrated in the poorest regions of host countries with unfavourable conditions for entrepreneurial activities among refugee and host communities alike, such as resource poverty, poor infrastructure, thin markets and limited access to urban centres.

The lack of support networks renders these environments even less favourable to starting a business. Refugee and host community entrepreneurs often draw their motivation and resources from ethnic and national support networks, which in turn become instrumental to the success of emerging businesses. The connections forged through these networks contribute to the entrepreneur's social capital and provides them with both crucial information and necessary support to manage their business. In a foreign environment, support networks are extremely useful in helping better navigate the regulatory and institutional environment for entrepreneurship. Mobilising start-up capital, establishing informal lending schemes, gathering information on market conditions and supply chain partners are some practical examples of how social networks can be leveraged to support the creation and expansion of businesses.

Unfortunately, in many cases, refugees often experience the erosion of their social networks, especially when they are forced to resettle in new localities. Newcomers often find themselves disadvantaged compared with long-term settlers as they lose touch with previous networks and are required to build new networks.

e. Language and cultural barriers

Linguistic and cultural barriers are often neglected when assessing the environment for refugee entrepreneurship and business development. Yet, these parameters have serious implications for economic self-reliance as language and cultural barriers create limitations to the type of businesses refugees can set up, to the sectors they can work in and to the markets they can tap into. Being foreign to the business culture and norms of the host society may prevent refugees from grasping market dynamics and understanding consumer needs and preferences. This may be especially important for minority groups, like women, where a lack of knowledge of local business norms and traditions may threaten the ability to engage in entrepreneurial activities.

Finally, stigma and discrimination are often used to justify the inability of many refugees to realize their entrepreneurial ambitions to the same degree as local communities. Prejudice against refugees, often aggravated by their legal status and related mobility restrictions, translates into fewer opportunities for refugees to develop business skills and grow their enterprise.

2.2 How can entrepreneurship tools help refugees overcome these challenges?

Assessing the local environment and refugee characteristics

Before carrying out an entrepreneurship-based intervention, it is advisable to assess the socioeconomic context in which you will operate. Neither host nor refugee communities constitute homogeneous groups. It is therefore important to develop a nuanced picture of the socio-economic and power dynamics among different groups, as such dynamics can substantively shape the availability and accessibility of economic opportunities. Such an analysis should help you choose the most suitable approach for your context.

The challenges and barriers refugees face in their daily business and livelihoods activities often vary from one context to another, although some patterns may be identified across countries. It is therefore crucial to have a clear picture of

- a. the skills and business creation potential refugees bring with them
- b. the normative framework pertaining to refugees and business creation
- c. market demand and supply of training
- d. entrepreneurial opportunities available in the local markets

This information should help you better assess their needs and implement entrepreneurship tools that are deemed useful given the contextual elements at stake. For instance, refugees who are not accorded the right to work and refugees who have access to formal labour markets might not find the same entrepreneurship tools useful. The criteria below should allow you to draw a typology of refugee contexts and group characteristics, in view of designing appropriate entrepreneurship promotion interventions.

Box 2: Guiding questions for context-adapted entrepreneurship promotion in forced displacement settings

1. What are the features of the regulatory framework governing the refugee population, particularly as pertains to business creation?

In countries with strict encampment policies, the main constraint that refugees face is the limitation to their freedom of movement. Often, encampment is coupled with restrictions on access to labour, land, markets and employment. The absence of work permits can push refugees into dependency on humanitarian aid and into informality. As refugees engage in informal subsistence activities, they might not be able to achieve sustainable livelihoods. It is therefore important to analyse the potential risks (as well as opportunities) that may be associated with entrepreneurship promotion in the context of a given legal framework.

A second important factor is to distinguish between legal regulations and their de facto implementation. Often, refugees are not aware of their rights and changes in the law may not be clearly communicated. How regulations are enforced is therefore an important component to consider.

Finally, while the regulatory framework governing refugees' access to the labour market and right to work is key, it is also important to more broadly consider the legal situation regarding business creation in the context more generally. What are the administrative procedures linked to registering a business, for example? Often, host community members also face substantial legal barriers when starting a business and the entrepreneurship promotion approach may decide to target these as well.

2. Are refugees living in camp-based or urban settings?

When devising an entrepreneurship promotion intervention, it is important to know whether refugees live in camps or in an urban setting. It might be challenging for project managers to identify their target population in urban areas if the latter is dispersed across the city. Conversely, camps might make the deployment of entrepreneurship tools, notably entrepreneurship trainings, easier as the target population is geographically concentrated, and thus easier to identify. However, working with camp-based populations can also be challenging due to several parameters: the lack of secure access to the camp, the absence of critical physical infrastructure, the distance to urban centres and other camps. Most important, however, is to determine how far the nearest local market is located from the refugee camps and to have an idea of its dynamics and growth potential. This can help you foresee the potential outcomes of your intervention, as a small enterprise's success largely depends on the linkages it can establish with local markets (e.g. connection with suppliers, off-takers and clients).

3. What is the relationship between refugee and host community members?

Understanding refugee-host dynamics is instrumental to the design of appropriate entrepreneurship-based interventions. If refugee and host communities already work together and cooperate, for instance through informal lending mechanisms such as rotating savings and credit associations (ROSCAs), semi-formal lending schemes such as Village Savings and Loans Associations (VSLAs) and business partnerships, then entrepreneurship tools can be designed so as to further enhance the existing collaboration. This can be done by promoting the creation of joint cooperatives, by providing group loans to mixed groups hence reducing the perceived riskiness of refugees by financial institutions or by running joint business plan competitions, as will be discussed in the next section. Indeed, the absence of tensions and the assurance of peaceful coexistence are key ingredients for a smooth implementation process. However, if tensions and stigma are high between refugees and host community members, running entrepreneurship programmes might become more challenging. Anti-discrimination campaigns could be organised prior to the roll-out of entrepreneurship programmes in an effort to ease rivalries and overcome xenophobic attitudes.

4. Is the situation relatively recent or protracted?

In protracted situations, humanitarian agencies tend to be deeply-embedded in the service provision landscape. Even past the immediate crisis situation, the prevailing paradigm has often remained the direct delivery of aid, which makes it challenging for private sector and development actors to get involved. Moreover, this implies that entrepreneurship promotion tools often require the mobilization of NGO partners in the field in order to be deployed.

In more recent settings, the situation may tend to be different with a large number of forcibly displaced requiring immediate humanitarian and life-saving assistance. Furthermore, refugees may not intend to remain in the hosting country for a substantial period of time. In such crisis contexts, it is therefore important to first establish the relevance of entrepreneurship promotion for the target group and to identify specific entry points for such work.

5. Is the refugee population homogenous or does it encompass a diversity of profiles with distinctive attributes (e.g. education levels, skills, livelihoods, assets etc.)?

Running entrepreneurship programmes for a homogenous refugee population differs from needing to account for and accommodate different profiles. For instance, engaging with a homogenous refugee population who demonstrates a high interest in business development will facilitate the implementation of entrepreneurship trainings. Meanwhile, if participants have different education and skills levels, you would need to carry out the training in a more pedagogical and interactive way to ensure that you address the different needs or alternatively offer different training modules to different groups. Social stigma and perceptions of entrepreneurship also constitute a central factor in assessing the potential for entrepreneurship promotion in a given context.

6. What skills do refugees possess and do they have an interest in business creation?

Once you have established whether you will be addressing a homogenous population or a refugee group with diverse profiles, it is important to determine from the outset whether your beneficiaries have prior business experience or at least some interest in pursuing business activities and, most importantly, are interested in starting a business. Popular perceptions of the livelihoods strategies of refugees tend to depict refugees as falling under one of the two following categories: agriculturalists or petty traders. But such simple distinctions fail to recognise the diversity of income-generating activities. Finally, it is also important to recognize that not all refugees intend to be entrepreneurs and to target interventions accordingly. Therefore, overcoming these stereotypes is essential to devising better-tailored entrepreneurship programmes that account for the different skills-sets and competencies refugees may have.

Dealing with market distortions in environments dominated by humanitarian aid

In non-refugee settings, development interventions aimed to promote entrepreneurship and small enterprises are usually focused on setting up a system that would encourage provision of high-quality entrepreneurship trainings and other financial and non-financial business development services in a sustainable manner. To this end, development organizations often work with local public or private organizations to build their capacity through training of trainers' programmes and other interventions, with the final objective of enabling local partner organizations to offer relevant high-quality services sustainably for the foreseeable future. Models for sustainable service provision may differ depending on the context. Services can either be offered by public organizations and financed by public budget, or offered by private training institutes or freelance consultants on a cost-recovery basis. Furthermore, a range of mixed models exist whereby private-led service provision is subsidized by the state to ensure sustainability.

Box 3: Understanding the three pillars of sustainability

Institutional sustainability: Institutional sustainability relates to the capacity of service providers to manage and continue implementing services beyond the initial support phase. These includes the capacity to manage human and financial resources necessary to guarantee sustained service provision, as well as the ability to invest in human resources to ensure high-quality service provision.

Technical sustainability: Technical sustainability relates to the ability of an organization to ensure quality of service provision, including through regular updates and revisions of training material and required infrastructure.

Financial sustainability: Financial sustainability refers to the capacity of service providers to recover incurred costs and ensure that sufficient financial resources are available for sustained service provision.

Source: *SIYB Implementation Guide (2014)*

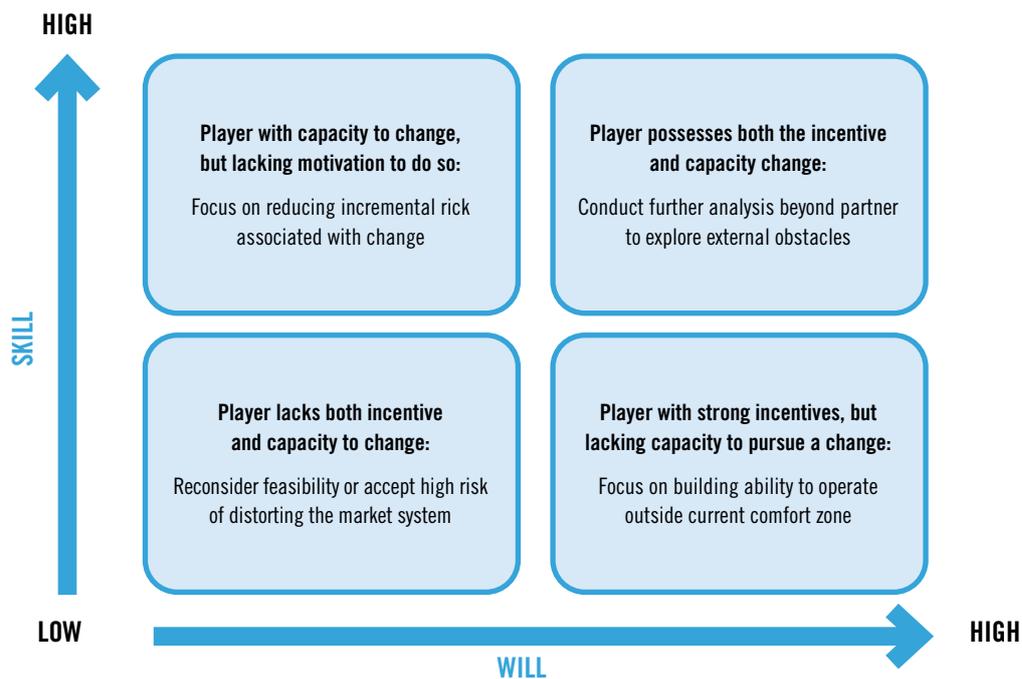
However, in protracted camp-based settings, the environment tends to be dominated by humanitarian agencies and the prevailing paradigm for entrepreneurship service provision remains largely based on the direct delivery of aid. The “normalization” of free of charge services entails that refugees have become accustomed not only to receiving free humanitarian aid, but also free of charge skills development trainings, grants and other support services. This means that private-led delivery of entrepreneurship promotion services that operate on a cost-recovery basis might not be feasible in refugee settings. At the same time, the legal framework in many countries is such that refugees might not have access to public service offers. Furthermore, even if refugees are legally allowed to access services offered by public institutions, these might not necessarily be available in and around refugee camps that are often located in marginalized rural areas.

This environment creates an important challenge to ensuring that entrepreneurship promotion interventions are introduced in a sustainable manner through local partners. Development practitioners inevitably need to find a strategy to deal with market distortions caused by long-term humanitarian aid delivery and make efforts to identify the right local partner organization to work with for sustainable service provision.

In remote camp-based situations, the main available partners may be NGOs and humanitarian agencies. But because humanitarian organizations predominately provide short-term and emergency assistance in crisis situations, relying on them for long-term prospects may seem counter-intuitive. The traditional NGO intervention model is built on targeted temporary aid, where the flow of humanitarian assistance ceases once the emergency is over. This undermines the institutional sustainability principles that are at the core of business development services. This is notable due to two main factors: i) NGOs do not have the capacity to continue implementing entrepreneurship trainings beyond the initial support phase, and ii) NGOs might not be well placed to provide entrepreneurs with personal follow-up. However, collaborating with NGOs on the ground may often be your only option to reaching out to your end beneficiaries (refugees and host community members) and achieving the intended impact as well as results.

The **will-skill framework** (see Figure 1), a tool regularly used in market systems development, may provide a valuable tool to map the different potential partner organizations and choose the ones that have the highest incentives (will) and capacities (skill) to carry out the project sustainably. In remote camp-based settings where only few actors are available locally, it might also be essential to consider potential partner organizations that are currently not operational in the area but could have an interest to expand their reach. This may include SME agencies, micro-finance institutions, or local TVET and university centers. If such actors are identified to have high capacity (skill) to implement entrepreneurship trainings, the project or program could facilitate their entry into the local context through initial subsidies that are then phased out in order to allow the program to run through cost-recovery.

Figure 1: The will-skill framework



Source: ILO, 2015: Value Chain Development for Decent Work

**Designing entrepreneurship-based interventions:
what entrepreneurship tools can be used and for what purpose?**

Once you have assessed the operational environment, identified the characteristics that define your target population and thought about potential partners for roll-out, you can now turn to the design of your entrepreneurship promotion intervention. The following section will expand on the different entrepreneurship tools you may use depending on your objectives and the regulatory, legal, and socioeconomic context where you operate. It seeks to provide further details on why these entrepreneurship tools may be useful and for which specific cases.

Entrepreneurship training

Entrepreneurship training programmes are perhaps the most straightforward tools for promoting entrepreneurship among refugee and host populations. While some refugees and host community members may have prior experience in business creation and management, others may lack practical entrepreneurial skills that would allow them to make their enterprises more productive and sustainable. Generally, entrepreneurship trainings thus aim to help entrepreneurs move from offering ad-hoc goods and services provision to building long-term, profitable operating businesses.

Entrepreneurship trainings should be designed to respond to needs of the target group. Where people are currently idle and looking to start a small business or income-generating activity, a training to support them to find good business ideas and develop solid business plans can be most helpful. When people are already engaged in income-generating activities, a training to reinforce competencies related to marketing, costing, stock control or record

keeping can help them to better manage their activities and increase productivity and profitability. Training programmes should also be adapted to literacy levels of clients. While trainings for fully literate clients often make use of manuals and written business plans, different training methodologies such as work with illustrations and discussions should be used to train clients with low literacy levels.

Finally, when working on projects aiming to promote entrepreneurship for refugees and host communities, entrepreneurship development tools specifically designed for women may also be of particular importance. In many countries, refugees' households are predominantly headed by women who might face specific challenges, including social and gender norms that make it harder for them to launch and run income-generating activities. Gender-sensitive entrepreneurship training programmes that help women deal with these specific challenges can be most useful in this context.

To this effect, the ILO has developed several entrepreneurship training packages intended to equip entrepreneurs with business planning skills that help them run their businesses effectively, thereby increasing their profitability. The Start and Improve your Business (SIYB)¹⁴ programme contains four different training modules designed to respond to the progressive stages of business development:

- **Generate Your Business Idea (GYB)** is intended for people who would like to start a business, and who, through the training, develop a concrete business idea ready for implementation.
- **Start Your Business (SYB)** is for potential entrepreneurs who want to start a small business and already have a concrete business idea. The programme is a combination of training, field work and after-training support, and helps participants to prepare a solid business plan
- **Improve Your Business (IYB)** introduces already practising entrepreneurs to good principles of business management. Its six modules (marketing, costing, buying and stock control, record keeping, planning for your business, and people and productivity) can be taught individually or all combined in a full course.
- **Expand Your Business (EYB)** enables growth-oriented small enterprises to develop a business growth strategy through training interventions.

Additional to the SIYB training package, the ILO developed the Get Ahead training programme¹⁵ specifically for women entrepreneurs. Get Ahead combines technical content on business management with guidance on how to deal with specific gender-related constraints.

Central to the ILO's entrepreneurship promotion tools is a cascading Training of Trainers structure, where local organizations are equipped to offer entrepreneurship trainings in a sustainable manner, i.e. independent of ILO support. The case study below examines the implementation of one of the ILO's entrepreneurship training tool, Start and Improve Your Business (SIYB), in Jijiga, Ethiopia.

¹⁴ For more information: www.ilo.org/SIYB

¹⁵ More info on: www.ilo.org/wed

Case Study 1: Finding the Right Partner Organizations for Entrepreneurship Trainings in Jijiga, Ethiopia

Ethiopia currently hosts 31% of the Somali refugee population, making it the second most important host country of Somali refugees. Among the 250,000 Somalis registered in Ethiopia, about 37,000 are settled in three camps in Jijiga: Kebribeyah (14,416), Aw Bare (12,301) and Sheder (10,849) in the remote Jijiga region of the country. In the context of a BMZ-funded project to promote the livelihoods of refugee and host communities in Jijiga, the ILO deployed its Start and Improve Your Business Entrepreneurship Training to support refugee and host entrepreneurs in improving and growing their businesses.

Identifying appropriate partner institutions who could provide the SIYB program to refugees and hosts in Jijiga sustainably posed a particular challenge: At the time of project implementation, refugees were barred from leaving the camps, making it impossible for them to travel to public education centers such as the Jijiga University or the local TVET institution. Furthermore, access to the refugee camps was restricted to selected humanitarian agencies and NGOs. The project therefore pursued a dual strategy to achieve both short-term and long-term objectives.

Short-term. The most effective short-term solution was to partner with selected NGOs and humanitarian agencies (selected based on a will-skill analysis) such as, for example, UNHCR to deploy the training to the camp-based refugees. At the same time, the project worked with the local Jijiga University and the TVET institute in order to launch SIYB for host community entrepreneurs.

Long-term. The latter constituted key partners for the provision of SIYB since the Jijiga region had been selected as Ethiopia's pilot region for the implementation of the Comprehensive Refugee Response Framework (CRRF). The Government's pledges in the context of the CRRF foresee freedom of movement and the right to work for refugees. As a result, the project also developed a medium- to long-term strategy to ensure the sustainable provision of entrepreneurship training to refugees and hosts: Once the CRRF is implemented, refugees will be able to also access the University and TVET services, which are equipped to provide SIYB trainings as well as additional business support.

Business Plan Competitions

Running Business Plan Competitions (BPCs) in refugee contexts can help refine extant business management and entrepreneurship skills among refugees and host community members while fostering greater social cohesion among communities.

From the ILO's perspective, BPCs offer dynamic and effective instruments for job creation and enterprise development at different levels, which is explained in more detail in the ILO's Guide to BPCs, "[Getting Entrepreneurship Competitions Right](#)". Thanks to the tool's peculiar format (participants compete on the basis of their business plans for in-kind or financial awards), BPCs promote entrepreneurship and support emerging and established entrepreneurs who might otherwise not have access to financial and non-financial services to kick-start and grow their businesses. BPCs are entrepreneurship tools with a three-fold aim: (i) nurturing an entrepreneurial mindset among the targeted population, (ii) showcasing the best business ideas to potential partners and financial institutions and (iii) providing winners with the technical and financial support they need to run their businesses more effectively.

The competition may also be organized in a way that fosters collaboration between communities. In this case, special prizes could be given to 'joint ventures' of refugees and host

communities. Joint ventures operated by refugees and hosts can be key instruments contributing to the economic empowerment of refugees and host community while at the same time promoting social cohesion.

Partnering up with a host community member in the management of a business can be particularly beneficial for refugees with restricted mobility or limited access to factors of production such as land or finance. This can allow both refugees and hosts to split up labour and business activities in a strategic way, by assigning tasks according to each person's strengths, capabilities and room for manoeuvre. Ultimately, this would help appease refugees' frustrations towards the legal restrictions they face and ensure their productive contribution to the business' operations. For instance, an effective division of labour could require hosts to harness their social networks and the linkages they have to local markets or make use of their possibility to access land and financial services, while encouraging refugees to take care of in-camp dissemination of the product and/or service sold. When fostering joint refugee and host community-led businesses, it is, however crucial to be mindful of the risks that unequal access to land, finance and legal protection pose and to safeguard refugee entrepreneurs from exploitation.

For the judging panel, efforts should be made, to the extent possible, to attract private sector actors and renowned entrepreneurs. Beyond attracting media attention, private sector actors usually have the needed legitimacy and business expertise to adequately judge the quality of the submitted business plans. Local businesswomen and men have important insights to share during the deliberation process, thereby allowing the panel to make an informed decision and select the most viable and promising business projects. In addition to the private sector, it might also be a good idea to bring in business development experts from public institutions such as for example a representative from an SME agency or other type of BDS provider.

In remote and camp-based contexts, the involvement of UNHCR and partner NGOs in the organization of the BPC may be central to ensuring that the competition can be implemented smoothly and that refugees are aware of the requirements and opportunities associated with the BPC. It nevertheless remains crucial to counter-balance the presence of NGO representatives by inviting relevant private sector actors and experts from national institutions to sit on the judging panel.

Case study 2: Joint Business Plan Competition in Jordan

The presence of Syrian refugees in Jordan put tremendous pressure on the Jordanian labour market and created tensions over available employment opportunities between Syrian refugees and vulnerable Jordanian hosts. To address the challenges created by the arrival of Syrian refugees, the ILO launched a joint business plan competition entitled "Our Idea" (Fikratona in Arabic) in four Jordanian districts, Amman, Zarqa, Irbid and Mafraq in late 2016. The aim of the competition was to improve the access of refugees and host communities to formal labour markets, enhance their economic inclusion and support them in starting joint businesses through entrepreneurship trainings, seed funding and complementary support services. The competition focuses on two sectors with high-growth potential and where refugee-host collaboration is feasible, namely the construction and agriculture sectors.

The ILO project completed three phases of the competition: selecting the winning joint business plans, providing the finalists with training on project management and entrepreneurship, and supporting finalists with seed funds to launch their joint business ventures. To reach out to potential candidates, the project launched an advertisement campaign on the Internet and through cooperatives. Awareness and orientation workshops were also conducted where information regarding the registration process were given to the candidates. The project also established an evaluation tripartite committee composed of representatives of the government, the employers and the workers. The selection criteria specified the requirement for Syrian refugees and Jordanian hosts to submit joint business proposals and a series of prerequisites for successful business plans. The grants would then only finance the activities agreed upon in the submitted business plan.

The final phase of the competition sought to offer participants coaching, mentoring and follow-up sessions over a one-year timeframe while they develop their businesses.

Challenges and Lessons learnt

| What were the challenges? | How did the ILO tackle them? |
|---|--|
| Limited knowledge and skills in coming up with a business idea and elaborating a business plan/grant proposal | Candidates received targeted support and mentoring to help them build their capacity to develop an idea and conceptualize it. |
| Illiteracy | Candidates received appropriate support to fill out the application forms and other competition documents. |
| Incomplete applications | The ILO followed-up with candidates to ensure the proper completion of application forms. |
| Misunderstanding of the competition objectives | Candidates received capacity-building sessions where these issues were clarified and pending questions answered. |
| Commitment and seriousness of beneficiaries | Syrian refugees and Jordanian hosts were asked to sign a contract that secured their commitment to achieving the goals they set for themselves in the business plan. |
| Absence of a bank account for Syrian refugees | Syrian refugees and Jordanian hosts signed a contract that addressed this constraint and eased the process of working together and running a joint business. |

Mentoring and coaching

Mentoring and coaching are complementary support services. These are usually delivered as part of entrepreneurship and business development training programmes to assist entrepreneurs in putting theory into practice. These support services can consolidate the knowledge acquired through training and provide entrepreneurs with personalised advice on specific issues. We distinguish between mentoring and coaching.

■ Mentoring

Mentors are successful business persons with experience in business development who share their knowledge and insights to entrepreneurs along their journey. They usually operate in a reactive capacity by responding to needs as they arise and providing their guidance on specific issues. Mentors are not required to have expertise in the mentee's field but they must be familiar with starting up and managing a business. In forced displacement contexts, successful refugee entrepreneurs can act as mentors to aspiring refugee entrepreneurs who are about to begin their journey in business creation. Their knowledge of local markets and the local business community (e.g. trusted suppliers, loyal customer base) can be transferred to emerging refugee entrepreneurs and facilitate the process of kick-starting their business. Notably, mentors can help refugees better navigate the institutional and reg-

ulatory frameworks of the host country by providing them with guidance on administrative barriers and procedures to look out for.

■ Coaching

Coaches are trained and certified people with expertise in coaching techniques and preferably also knowledge of business development and entrepreneurship. They accompany the entrepreneur during a fixed timeframe by providing focused support, encouragement and guidance throughout the process of skills development on starting, managing or growing a business. Coaches will not in any circumstances take business-related decisions in lieu of their clients but rather ask guiding questions to help the entrepreneur think through challenges and find solutions that will work for them. They are trained to intervene through measures that will influence or guide the entrepreneur's behaviour and decision-making process.

Coaching can be provided on a one-on-one basis or in small groups, as long as the interventions are focused on specific challenges or business opportunities that arise along the way. The overall goal is to empower entrepreneurs to find their own solutions and make their own choices by broadening their horizons, introducing new perspectives on the issues at stake and triggering awareness-raising mechanisms.

Finally, coaching may be of particular importance for women entrepreneurs as it can help them build their confidence and soft skills, thereby accelerating the process of skills development and improving training outcomes. Applying a gender lens on coaching may prove useful to tackle the specific needs of women entrepreneurs, such as time management and financial autonomy. In line with this, the ILO has developed entrepreneurship training programmes with a strong coaching component. This is notably the case of the [GET Ahead tool](#), which requires trainers to follow-up with participants through coaching sessions to increase the impact of the training received.

Facilitating business creation through cooperative structures

If legally possible, promoting cooperatives¹⁶ can be an effective way to address some of the issues faced by refugees. To better understand how cooperatives can be useful for refugees, it is important to first make the distinction as to the potential roles refugees can play vis-à-vis cooperatives:

- Refugees could join existing cooperatives established by host community members;
- Refugees-only cooperatives could be formed in relevant sectors;
- Mixed cooperatives of refugees and host community members could be formed in relevant sectors

¹⁶ The ILO defines the term “cooperative” in its Promotion of Cooperatives Recommendation, 2002 (No. 193) as “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise”.

Whether refugees join mixed cooperatives or cooperatives established for refugees only, promoting cooperatives in a refugee context can have many advantages:

Increasing refugees' access to affordable supplies

Cooperatives can play a role in facilitating their members' access to affordable supplies. This is mainly thanks to their capacity to create economies of scale and thereby reduce transaction costs for suppliers, particularly in rural or marginalized areas where input suppliers may not find it profitable to sell their inputs to individual farmers, as transaction costs are too high. Selling inputs in bulk to cooperatives, which are then responsible for distributing them to their members, is a more cost-effective approach. Similarly, cooperatives may make inputs more affordable as they increase members bargaining power when negotiating with input suppliers.

Facilitating access to finance

Cooperatives can also help refugees access financial capital. This is because cooperatives promote risk-sharing and risk-mitigation mechanisms, which in turn give financial institutions the safeguards they need to lend money. In this sense, cooperatives act as collateral substitutes, increasing confidence between loan providers and refugees. Of course, it is important for cooperatives to ensure adequate social cohesion among its members before applying for credit, as this can help ensure repayment. Cooperatives may also act as financial services providers, if trained and capacitated to do so. In this case, they are referred to as financial cooperatives.

Enhancing social cohesion between refugees and hosts

Because cooperatives are enterprises founded on the concepts of self-help and mutual aid, they can play a vital role in promoting greater social cohesion between refugees and host communities. First, it is important to highlight that cooperatives are job-creating entities, that can provide both refugees and hosts with decent employment opportunities.

Moreover, through participative and collaborative mechanisms, refugees and hosts can work together in a joint cooperative. By joining forces, not only do refugees and hosts build stronger ties, but they also mutually boost their civic engagement for the well-being of their local communities. The burden of responding to local economic challenges, such as welfare provision and income generation, is not solely born by the host community but rather split among a larger collective of people. In addition, the participation of refugees as members and decision-makers helps bolster the shared feeling of ownership and can reduce frustrations among communities.

Case study 3: Promoting livelihoods among refugee and host populations in Cameroon through cooperative development

Since 2004-2005, successive waves of refugees fleeing political turmoil in the Central African Republic (CAR) have been affecting the East and Adamawa regions of Cameroon, the most recent wave dating from 2014-2015. Among the 250,000 Central-African refugees hosted by Cameroon, 70% have settled in villages thus mixing with the host communities, while the remaining 30% live in 7 camp settlements managed by the UNHCR and its partners. Central-African refugees come from diverse ethnic groups, including the Fulani/Mbororo clan, which can also be found in Cameroon.

The Fulani/Mbororo ethnic group counts among the hardest hit by the repetitive conflicts in CAR and consists of primarily nomadic pastoralists and livestock keepers.

To date, refugees and host communities have been coexisting peacefully. However, tensions over local resources (e.g. arable land, firewood, pastures) threaten the prevailing peaceful coexistence. The challenging economic circumstances in the region threaten to exacerbate the situation. The last enterprise survey estimated the share of enterprises in the East and Adamawa regions at less than 4%¹⁷ of total enterprises in Cameroon, in terms of economic units and value generated.

In the Fulani/Mbororo ethnic groups, a traditional division of labour prevails assigning men pastoral activities and women farming activities and petty trade. The joint ILO-UNHCR market assessment in the East and Adamawa regions identified pastoral activities as a major source of dispute in conflict-related cross border migration. The analysis thus recommended to focus interventions on developing selected agricultural value chains with potential, such as maize and cassava. The analysis concluded that promoting agricultural cooperatives would help refugees overcome two main obstacles refugees face when wanting to engage in the agricultural sector:

Increased access to affordable inputs

While refugees have access to small land plots and experience in agricultural production, they are unable to access relevant agricultural inputs such as high-quality seeds and fertilizers, resulting in low productivity and thus low income. The reason for this is that inputs suppliers in the region sell their goods exclusively to cooperatives to reduce transaction costs, leaving individual refugees marginalized. Joining a cooperative would help refugees gain access to affordable high-quality inputs and ultimately help in increasing productivity and incomes.

Access to public and private support programmes

Joining a cooperative can also help refugees receive relevant skills training and support provided through government extension services that are usually offered only to registered cooperatives. Similarly, many input supply companies regularly meet producer organizations and cooperatives to train and advise the proper use of their inputs and modern production techniques.

Facilitating access to finance

Joining a cooperative would allow refugees to overcome one of their major constraints as small-holder farmers: the limited access to financial services. Various institutional barriers limit refugees' ability to access formal financial services (e.g. absence of formal documentation, lack of collateral etc.). Cooperatives can serve as intermediaries between refugees and financial institutions. By interacting with cooperatives rather than refugees, financial institutions may perceive transactions are less risky and thus be more prone to granting loans.

To help refugee and host community entrepreneurs harness the benefits that cooperative structures can provide to sustainable business creation and growth, ILO has developed cooperative training packages, such as My.coop, Start.coop and Manage.coop that support people in starting and better managing a cooperative. However, rather than treating the promotion of cooperatives as a panacea, practitioners should stay mindful of the specific challenges and constraints that would need to be alleviated and support existing or newly cooperatives in a way that would tackle the identified issues.

Access to finance and financial education

Access to finance

One of the main barriers preventing refugees from starting a business is the lack of access to finance.

¹⁷ Cameroon's National Institute of Statistics, General census for enterprises 2016.

Yet, financial capital is a major source of economic empowerment as it allows refugees to improve their livelihood strategies (by choosing to upgrade their skills, or to set up a business), thereby contributing to their socioeconomic well-being.

Beyond simple loans and micro-credits, refugees may be in need of many different types of financial services. For instance, services that provide refugees the possibility of making and receiving secure payments in a more systemized way can substantively decrease transaction costs and facilitate commercial exchanges. Savings schemes are another fundamental component of inclusive finance: these can be informal such as Rotating Savings and Credit Association (ROSCAs) or semi-formal such as Village Savings and Loans Associations (VSLAs). The main rationale behind these savings groups is to guarantee the effective management of cash flows while providing refugees with critical safety in case of external shocks. In line with the need to shield refugee entrepreneurs against unexpected events (e.g. climate-related events), inclusive finance places great emphasis on the development of insurance schemes. Insurance is essential to reduce the risks associated with business operations and enhance the long-term planning capacities of refugees. As such, it is an important tool to encourage refugees to make more fruitful business decisions.

A key pillar of microfinance for refugees is *client-appropriate lending* (also referred to as the customer centric approach). For refugees this may translate into the simplification of loan-granting procedures, for instance by focusing on refugee entrepreneurs' personal traits and motivation to start a business rather than making loans conditional upon formal documentation and collateral availability. An additional advantage, and facilitating mechanism, is the use of collateral substitutes, such as group guarantees or compulsory savings, to ensure repayment.

The ILO has developed the “Making Microfinance Work (MMW)” training package for micro-finance institutions that is designed to strengthen microfinance managers' ability to increase the quality and scale of their institution's outreach.. The ILO, in collaboration with the UNHCR, has developed the guide [“Investing in solutions: a practical guide for the use of microfinance in UNHCR operations”](#) to summarize lessons learnt of working on the promotion of financial services for refugees.

Financial education and financial management

However, facilitating access to finance is not enough if refugees are then unable to make use of such improved financial linkages. Many refugees and host communities lack the financial literacy skills necessary to make informed financial decisions to reach their goals and realize their entrepreneurial ambitions. Financial education programmes are key to address this challenge. They seek to couple access to finance with adequate financial literacy with the aim to improve target groups' attitude towards finance and address challenges in terms of household and individual budgeting and resource management. The overall objectives are the following: encourage better budget planning, increase savings, promote prudent spending, foster wise borrowing and improve business decision-making. To achieve these goals, the ILO has developed its own financial education training package, of which a special edition for refugees is in the making.

Conclusion

This guide is designed to support project managers and other practitioners in the use and implementation of entrepreneurship tools in forced displacement contexts. In contexts characterized by forced displacement entrepreneurship promotion is certainly not easy or straight-forward. As this guide outlines, legal, social, and cultural barriers can determine whether and how entry points for entrepreneurship promotion exist. Nonetheless, given the constant increase in the number of forcibly displaced around the world, finding long-term solutions is essential. Entrepreneurship promotion provides one solution – one piece in a complicated puzzle – to transition from immediate humanitarian refugee responses to more sustainable long-term economic inclusion of forcibly displaced into their hosting communities.

More specifically, this guide provides project managers with a conceptual framework of how entrepreneurship promotion interventions such as Business Plan Competitions and cooperative training can serve as inestimable instruments to empower both refugee and host populations, while preserving the social fabric that holds them together. Entrepreneurship tools are not only useful for enhancing the economic self-reliance of refugees and circumventing certain legal restrictions, but also for fostering social cohesion among communities and guaranteeing long-term peaceful coexistence.

This guide also shows that implementing entrepreneurship tools in forced displacement contexts, especially in protracted camp-based settings, is different from deploying them elsewhere. This is mostly due to the humanitarian assistance model that prevails in forced displacement contexts as well as to the difficulties in accessing to refugee camps that private and public institutions tend to face. For entrepreneurship trainings, the prevalence of humanitarian actors may undermine the institutional, technical and financial sustainability of training implementation. For Business Plan Competitions, the humanitarian focus associated with forced displacement may complicate the process of convincing renowned sponsors and judges from the business community to get on board. For cooperatives, operating in refugee camps implies adapting the training to the creation and management of mixed cooperatives that can be used as a forum for refugee-host collaboration.

Overall, this guide encourages project managers to “think outside the box” and shows that despite challenges, it is not necessary to completely reinvent entrepreneurship promotion and risk creating a parallel system for forced displacement contexts. Instead, this guide shows how extant tools can be adapted to find solutions that can help achieve the intended results. There is no blueprint for promoting entrepreneurship in forced displacement contexts, but embracing smart adaptation and flexible implementation will be instrumental to creating successful entrepreneurship promotion strategies in forced displacement settings.

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