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PROSPECTS



► **Integrated enterprise,
cooperative and financial
services assessment
on refugees and host
communities**

Jigjiga, Somali Region, and Shire,
Tigray Region, Ethiopia



Kingdom of the Netherlands

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► Abbreviations

AEMFI	Association of Ethiopian Microfinance Institution	FDP	Forcibly displaced persons
ARRA	Administration for Refugees and Returnees Affairs	FGD	Focus group discussion
BDS	Business development services	GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
BPRD	Barawaqo Pastoral and Rural Development Consultancy	GoE	Government of Ethiopia
CBE	Commercial Bank of Ethiopia	IDP	Internally displaced person
CRRF	Comprehensive Refugee Response Framework	IFB	Interest-free banking
DCO	District Cooperative Office	IFC	International Finance Cooperation
DECSI	Dedebit Credit and Saving Institution	IGA	Income-generating activity
DFS	Digital financial services	ILO	International Labour Organization
DICAC	Development and Inter-Church Aid Commission	IOM	International Organization for Migration
DOT	Digital Operation Trust	IRC	International Rescue Committee
DRC	Danish Refugee Council	KII	Key informant interview
DRDIP	Development Response to Displacement Impacts Project	KYC	Know Your Customer
ECHO	European Commission's Humanitarian Aid and Civil Protection department	LWC	Lutheran World Foundation
EGCDWO	Ethiopian Guenet Church Development and Welfare Organization	MFI	Micro-finance institution
ETB	Ethiopian Birr	MSF	Médecins sans Frontières
FAO	Food and Agriculture Organization	MSME	Micro, small and medium-sized enterprises
FCA	Federal Cooperative Agency	NBE	National Bank of Ethiopia
FCC	Federal Cooperative Commission	NCRRS	National Comprehensive Refugee Response Strategy
		NGO	Non-governmental organization
		NRC	Norwegian Refugee Council

► Abbreviations *continued*

NRDEP	National Resource Development and Environmental Protection	SNNP	Southern Nations Nationalities and Peoples
OCP	Out-of-camp policy	SOJ	Sub-office in Jigjiga
OSS	One Stop Shop	SOPs	Standard Operating Procedures
OWDA	Organization for Welfare and Development in Action	TA	Technical Assistance
PC	Pastoralist Concern	TIN	Tax Identification Number
PROSPECTS	Partnership for improving prospects for forcibly displaced persons and host communities	TOR	Terms of Reference
PSNP	Productive Safety Net Programme	TOT	Training of Trainers
RaDO	Rehabilitation and Development Organization	TVET	Technical and Vocational Education and Training institutions
RCM	Refugee Coordination Model	UNHCR	United Nations High Commission for Refugees
RDPP	Regional Development and Protection Programme	UNICEF	United Nations International Children's Emergency Fund
SACCO	Savings and credit cooperatives organization	WASH	Water, Sanitation and Hygiene
SHO	Self-help Organizations	WB	World Bank
		WFP	World Food Programme

► Executive summary

The Partnership for improving prospects for forcibly displaced persons and host communities (PROSPECTS) is a four-year innovative inter-agency partnership with a goal of strengthening the socio-economic enabling environments of communities that host different forcibly displaced populations – including internally displaced persons (IDPs) and refugees – to ensure sustainable decent work, training, and education opportunities to facilitate the integration process. In Ethiopia, the projected operational interventions of PROSPECTS are in the Fafan Zone of the Somali Region, and the Shire area of Tigray Region.

Ethiopia has a long-standing history of hosting refugees, and it is one of the largest refugee-hosting countries in Africa. As of October 2020, the country sheltered over 796,437 registered refugees and asylum seekers, of whom 37 per cent are in the Somali and Tigray regions. Most refugee populations are from South Sudan, Somalia, Eritrea, and Sudan. Ethiopia has a well-established refugee response, and the coordination processes are in place, based on the Refugee Coordination Model (RCM), which is anchored in a solid framework of refugee law and procedure. In 2019 a new refugee law, Proclamation No. 1110/2019, was enacted. This proclamation provides for the rights of the refugees in terms of staying in Ethiopia, access to education and health services, the right to engage in wage earning employment and business enterprises as individuals or in groups, and the right to have associations. These are fundamental rights, based on which the refugees can organize themselves and form or join cooperatives, engage in business activities and access both financial and business development services (BDS).

Even though Ethiopia maintains an open-door asylum policy, it implements strict encampment policies that limit refugee movements and access to labour markets; hence undermining the quality of asylum offered and the development of sustainable livelihoods for refugees. Moreover, stakeholders acknowledge the need to move away from humanitarian and relief work to support more sustainable livelihood initiatives. Additional policy and legal reforms are now under way to further support refugee inclusion in national systems and host communities in refugee responses. The revised refugee proclamation, with many positive protection advances, is a significant step in creating an enabling environment and an inclusive system to forcibly displaced populations.

As part of PROSPECTS, the ILO is getting involved, in line with these developments, to accelerate the implementation of pledges. Preliminary analysis by UNHCR, ILO, and UNICEF in early 2019 identified potentially suitable geographical areas based on needs and agreed upon criteria. As mentioned above, two areas – Jijjiga, Somali Region and Shire, Tigray Region – emerged as potential targets and initial priorities among the forcibly displaced hosting areas. The ILO also conducted a rapid integrated labour market assessment, but PROSPECTS sought to make a deeper assessment to analyse critically the market systems (supply and demand) of micro, small and medium-sized enterprises (MSME) development, business development services (BDS), cooperative promotion and access to financial services in the two regions. This was to provide a clear understanding of the specific market actors, supporting functions and regulatory environment responsive to the needs of women and men refugees and members of host communities, and to provide clear programme recommendations for future implementation.

Key findings

Legal and policy environment for refugees

In 2019, the new refugee law, Proclamation No. 1110/2019, was enacted. It was an improvement over the previous refugee laws as it came out with more rights for the refugees, meant to facilitate their integration with host communities. The proclamation clearly defines the rights of the refugees in terms of residency in Ethiopia, access to education, health services and financial services, the right to engage in wage-earning employment as individuals or in groups and the right to form or join cooperatives. At the policy level, Ethiopia is a Comprehensive Refugee Response Framework (CRRF) focus country. The CRRF is the vehicle for the implementation of Ethiopia's nine pledges which are enshrined in Proclamation No. 1110/2019.

These pledges include an expanded out-of-camp policy, provision of work permits, residents' identity cards, birth certificates, driving permits, as well as increasing enrolment of refugee children in schools. Others are: allowing local integration for refugees; making irrigable land available; working with industrial partners to build industrial parks to create employment opportunities for refugees; and enhancing basic social and financial services for refugees including opening bank accounts. The Agency for Refugee and Returnee Affairs (ARRA) is the leading organization in the protection and assistance of refugees and overall coordination of refugee interventions in Ethiopia. This agency is also responsible for the implementation of Proclamation No. 1110/2019. The legal and policy environment therefore provides an enabling environment of the social and economic development for refugees. However, it should be noted that the application of this new law is not only slow but seems to be uneven throughout the country. For example, the assessment reveals that in Jigjiga it has been applied to a larger extent than in Tigray Region. To date, the refugees have been able to form cooperatives in Somali but not in Tigray.

Profiles of the host and refugee populations

As of July 2020, there were 39,286 refugees from Somalia in the three Jigjiga refugee camps, of whom 48.9 per cent are male and 51.1 per cent female, with 60 per cent below the age of 18. Most of the refugees – 90 per cent – are registered on the digital biometric system and have received individual identity documents. Kebrebiyah, which is the host community, has an estimated population of 34,310.¹ However, IDPs almost outnumber Somali refugees in the Somali Region as it hosts 1,166,879 IDPs in 196,628 households. About 52 per cent of displaced individuals were female and 48 per cent male. As for age, 61 per cent were younger than 18 years old, while 9 per cent were over 60. In Shire, as of 31 December 2019, the refugee population was 86,511, while the host community population numbers about 78,396. Of the registered refugee population, 75 per cent are children and youth.

Regarding education, in Somali Region, the heads of households in the refugee and host communities in Kebrebiyah are largely illiterate, considering that 71 per cent of the household heads in the refugee camp and 65 per cent of those in the host community did not attend formal education, while 13 per cent have various skills in the areas of housekeeping and restauration, construction, mobile phone operations, sales, driving, and so on. In Tigray Region, the literacy levels are higher; overall, 42 per cent of the children have been enrolled in pre-primary, 64 per cent in primary and 7 per cent in secondary school.

There is very limited involvement of refugees in livelihood activities. As residents of the camps, 83 per cent of refugees gain their livelihood through humanitarian aid. The assessment reveals that in Somali Region the economic activities in which the host and refugee communities engage appear to be similar. These include farming activities, livestock rearing, wage work, domestic or housekeeping services, trade, remittances, and assistance. In Shire, the assessment conducted by World Bank in 2018 shows that some 61 per cent of the refugees rely on assistance. Otherwise, the main sources of livelihood for the hosting community and some of the refugees are crop farming, livestock production and petty trading.

Cooperative development

The current legislation regarding cooperatives is Proclamation No. 985/2016, henceforth referred to as the new refuge law. This and the earlier legislation provide for the way the community members can form a cooperative, how in turn these primary cooperatives can form cooperative unions, and how the unions can form a cooperative federation and then a cooperative league. The laws also provide for the government support structure for cooperatives, from the Federal Cooperative Agency (FCA) at the federal government level all the way to the District Cooperative Office (DCO) at the woreda level in each region. While the FCA is more concerned with lobbying and advocacy, the lower-level structure at district level focuses more on supervision, promotion, licensing, auditing, and developing, that is, providing technical assistance (TA) for the cooperatives.

¹ Kebrebiyah is a town in south-eastern Ethiopia, located in the Somali Region, 50 km southeast of Jigjiga.

Currently, the 51 primary cooperatives in Kebrebiyah woreda have a total membership of 1,535, of whom 62 per cent are female. In the host communities of Kebrebiyah Town, 25 registered cooperatives have a membership of 123, of whom 47 per cent are women. In the Kebrebiyah refugee camp, 14 registered cooperatives are organized by 52 members with more than 75 per cent of female members. The assessment therefore reveals that the cooperatives in the host community are few, and the number of members is quite low as well, with a membership averaging 20 people. However, the women are quite active, averaging 55 per cent. In the refugee community the situation is even worse, with an average membership of 4 people.

In the host community of Shire, there are 46 cooperatives made up of 7,800 members, predominantly men, making an average of 170 members per cooperative, much bigger than in Kebrebiyah. There are no cooperatives in the refugee camps, owing to the slow application of the new refugee law, Proclamation No. 1110/2019.

The assessment established that there are 15 self-help organizations with by 87 members. In the agri-business self-help organizations, 83 per cent of the members are male. In non-agri-business self-help organizations, 57 per cent of the members are female.

The respective capacities of the cooperatives and self-help organizations in both Somali and Tigray regions are deficient. They are all in a weak financial position with a low capital base. Furthermore, the cooperatives in both host and refugee communities are poorly organized in terms of day-to-day office activities, office furniture, and record keeping.

Both the Government and NGOs support cooperatives in the country. On the government side, the DCO includes the Cooperative Promotion Office, which is responsible for providing TA, monitoring and audit support every year. In Tigray, however, this service is limited to cooperatives organized by and in host communities. Unfortunately, even in Somali Region, it has not been able to provide the needed technical support owing to the low capacity of the office. In part because the offices are not well equipped, the morale of the staff is low. The assessment revealed that there are more than ten humanitarian organizations and projects that support refugees. These include the Development Response to Displacement Impacts Project (DRDIP), the Regional Development and Protection Programme (RDPP), the International Rescue Committee and the Norwegian Refugee Council (NRC). In addition to the NRC, other organizations support refugees in areas such as BDS, water, sanitation, and hygiene (WASH), and so on, but they are not involved in supporting the development of cooperatives in refugee communities. Cooperatives play a critical role in improving the social and economic situation and integration between the host and refugee communities, and the need for supporting their development cannot be overemphasized. For example, well developed cooperatives would help bring together key players along the different value chains in different economic activities such as pastoralism. They would also be vehicles for supporting IDPs and refugees.

Financial services

The GoE, through the National Bank of Ethiopia (NBE), has come up with several proclamations that are aimed at enhancing financial inclusion in the country. These are all in line with the new refugee law, and the CRRF. Therefore, everything considered, the policy, legal and regulatory environment in the country provides a conducive environment and lays a strong foundation for the provision of financial services in the host and refugee communities.

In Somali Region, the main financial service providers are two micro-finance institutions (MFIs) and commercial banks, the latter led by the Commercial Bank of Ethiopia (CBE). In Tigray Region, there are three MFIs, and CBE is the lead in the market. The leading MFIs are the Somali MFI in Somali Region and Dedit Credit and Saving Institute (DECSI) in Tigray Region, both owned by their respective regional government. A key feature of these two MFIs is that while they both seek to make a profit, they have a strong social mission that makes them critical players in deepening financial inclusion in the host and refugee communities. Moreover, in addition to providing traditional products, Somali MFI also provides financial products that are compliant with Sharia law. This is important, given the fact that the population of Somali Region is predominantly Muslim. The MFIs and CBE also provide digital financial services (DFS),

mainly cash transfers and mobile money banking in their respective regions. This resonates with the target communities – host and refugee – which receive cash aid and engage in remittances. Therefore, among refugees and host communities, DFS are gaining traction and momentum, and expanding. In both regions, savings, and credit cooperatives organizations (SACCOs) have the potential to play a critical role, but it is currently minimal. As is the case with other cooperatives, this is because they are weak in terms of governance, management, and staff capacity. Otherwise, since proximity is key in financial services delivery, there is a strong case for the support and strengthening of SACCOs and also for their establishment in refugee communities.

The assessment also reveals that MFIs and commercial banks largely limit themselves to the host community market, particularly in the provision of credit products. Negative perception regarding the bankability of refugees and “regulatory” restrictions are their biggest hindrances in reaching out to the refugees. The CBE and other banks are strong in the provision of savings products owing to their reputation and the CRRF initiatives in the two regions; refugees now have access to saving products from the CBE. Therefore, commercial banks, particularly the CBE, have a central role to play in providing savings to the target host and refugee communities. However, the credit products of commercial banks are not particularly client-centric for the target groups.

In both regions, no formal insurance services are provided to the target group.

Regarding the demand side for financial services, while the number of people in host and refugee communities who have loans and savings accounts is low, the analysis of the results indicates that there is a big demand for financial services, particularly credit and savings. However, access is low because of lack of knowledge and confidence.

Business development services

The provision of BDS in the target areas of the two regions is dominated by the government departments or agencies as well as international NGOs. While government interventions focus more on providing technical skills to enterprises in host communities, national and international NGOs and programmes are engaged in supporting enterprise development activities undertaken by refugees in refugee camps. The key government actors in the provision of BDS are the Urban Food Security and Job Creation Office, the Trade Bureau, and Technical and Vocational Education and Training institutions (TVETs). An important structure of the local government to support enterprise development is the One Stop Shop (OSS), found in each kebele, to provide coordinated support to enterprises starting from registration, licensing, work premise facilitation and finance. TVET training, which is provided free of charge to participants, focuses more on technical skills development and less on BDS, and is directed by a standard, supply-driven curriculum.² Consequently, most of the TVET graduates fail to create self-employment opportunities, owing to a lack of business development skills such as entrepreneurship, bookkeeping and marketing. Therefore, they end up looking for employment.

Somali MFI, though limited in outreach (number of people served) and scope of services, does an excellent job in supporting its MSME clientele by providing BDS services. In Somali Region, the study identified only one private BDS provider, Barawaqo Pastoral and Rural Development Consultancy (BPRD), which provides the services to the host community on a commercial basis.

Shire, in Tigray Region, has no BDS private providers. There are several challenges on the supply side of BDS. Government provision is constrained by lack of staff capacity, lack of equipment and low staff morale, resulting in limited interventions and scope, quality, and outreach. BPRD is cash constrained.

On the demand side, the market for BDS is not as developed as that of financial services where there are several private sector players and an effective demand, with willingness and ability to pay for the services. This is not the case for BDS, which also has limited capacity. Furthermore, there is a pronounced

² Examples are civil works such setting foundations, bricklaying, plumbing, electrical wiring. Others are motor vehicle mechanics, and carpentry and joinery.

lack of awareness among the target groups on the type, availability, and provision of BDS providers in the area. Although the respondents have shown an interest in accessing BDS in the future, they did not express their willingness to pay for the services. As is the case with cooperatives and financial services, the slow implementation of the new refugee law also creates challenges for the supply and demand sides of the BDS.

COVID-19

The assessment revealed that refugees have been affected more than the host community because of their living conditions, characterized by congestion. Furthermore, remittances to the refugees from outside the country have significantly dwindled. In the host community, financial service providers have experienced slow loan repayments, and this has slowed down lending activities. This is having a big negative impact on the livelihood of the target population.

Key recommendations

The recommendations are meant to address the gaps identified in the assessment, of which the most critical is to work with key stakeholders such as ARRA and regional governments to fast track the implementation of the new refugee law, Proclamation No. 1110/2019. The success of other interventions will largely depend on the implementation and application of this law. Recommended activities include forming a working group of key stakeholders to lobby and create awareness.

On the supply side of cooperatives, financial services and BDS, the interventions will focus on building the capacity of service providers. For the cooperatives and BDS providers it is highly recommended for ILO-PROSPECTS to work on strengthening government structures and other private BDS providers that support cooperatives and MSMEs or have the potential to do so, rather than work with primary cooperatives or MSMEs directly. This will work well with the ILO PROSPECTS exit strategy.

For Financial Services Providers, it is recommended that ILO PROSPECTS work directly with banks and MFIs to build their capacity to come up with products that are responsive to the market requirements of the target groups.

On the demand side, ILO PROSPECTS should endeavour to invest in financial education training programmes as well the creation of awareness, particularly for refugees regarding their rights. These measures will help to stimulate demand. In developing financial education training materials, the project should take into consideration the fact that the biggest part of the target population has no formal education. Working with the recruited community workers, self-help organizations, SACCOs and other primary cooperatives will be critical in the delivery of this training.

Conclusion and way forward

The overarching objective of the assessment was to critically analyse the market systems for MSME development, BDS, cooperative promotion and access to financial services in the Somali and Tigray regions. This was to provide a clear understanding of the specific market actors, supporting functions and regulatory environment, responsive to the needs of women and men refugees and members of host communities. It would then inform the nature of interventions for ILO-PROSPECTS for the economic and social development of the host and refugee communities. In carrying out this assignment, the research team took the maximum care and responsibility to fulfil the objective of the assignment despite the challenges, mainly that of limited movement in the target areas on account of COVID-19 and the tensions in Tigray Region. The gaps are many. While the government has come up with good laws that create an enabling environment for the protection of refugees, the supply of financial services and BDS as well as the development of cooperatives, the implementation of these laws is slow, and therefore the target group in both the host and refugee communities remains vulnerable. However, the challenges are not unsolvable. The research team has come up with actionable interventions that are carefully thought through and which should go a long way in closing these gaps. In summary, the recommendations are as follows.

A. Legal and policy environment

- ▶ Join or facilitate the formation of a stakeholder working group and conduct a stakeholders' workshop to chart out a strategy for fast tracking implementation of the new refugee law.
- ▶ Carry out advocacy and lobbying activities to create awareness – newspaper articles, radio talk shows, billboard messages, sporting events.
- ▶ Hold regular refugee law working group meetings and compare notes with other stakeholders and monitor progress of the application of the law.

B. Cooperative development

- ▶ Confirm the training needs for the District Cooperative Office (DCO) as well as the private BDS providers and come up with the capacity-building programme for these institutions. (Their enhanced capacity will enable them to support the primary cooperatives.)
- ▶ Together with DCO and other BDS providers, develop a capacity-building programme for the primary cooperatives and revise as appropriate throughout the project period. This should include:
 - ▶ training of cooperative members and cooperative management committee on cooperative business model;
 - ▶ techniques of assessing feasible business opportunities, business planning, record keeping and financial management, marketing, and value addition;
 - ▶ diversifying income portfolio.
- ▶ Provide the TA for DCO–TOT, and refresher TA throughout the period.
- ▶ Equip the DCO and provide incentives to the DCO staff – computers, motorcycles for field work.
- ▶ Provide seed capital and equip primary cooperatives' offices with basic furniture for those who respond to the TA that will be provided.
- ▶ Monitor capacity training programme by the DCO and other BDS providers.
- ▶ Facilitate host community cooperatives to include displaced persons as members and to provide services to them. (This is the most important option of cooperative development in Kebrebiyah context.)
- ▶ Facilitate the establishment and strengthening of the linkage between cooperatives and self-help associations operating in different activities of a particular value chain.
- ▶ Facilitate the improvement of the working relationship between the woreda cooperative office and the cooperatives in the host and refugee communities. This will involve engaging with the cooperative supporting stakeholders as part of the cooperative capacity-building endeavour. They should come on board at the cooperative intervention planning phase.

C. Financial services

Banks

- ▶ Engage banks in discussions of options of downscaling and serving target clients in the host and refugee communities with appropriate credit products and create awareness regarding target market.
- ▶ Work with banks to come up with appropriate credit products.
- ▶ Facilitate the linkage between self-help organizations or SACCOs and banks.
- ▶ Monitor the progress of outreach and address TA needs as appropriate and as they emerge.

MFIs

- ▶ Reach out to organizations that work with MFIs and determine capacity-building strategy.
- ▶ Provide TA as agreed on with MFIs and based on the capacity-building strategy.
- ▶ Facilitate linkages between self-help organizations or SACCOs and MFIs.
- ▶ Monitor the progress of MFIs providing financial services to refugees.

Insurance services

- ▶ Partner with relevant stakeholders including insurance companies to support the provision of livestock and crop insurance to the target group.
- ▶ Use the MFIs as agents for the insurance companies.

D. Business development services

- ▶ Arrange to meet all those involved in providing BDS.
- ▶ Provide training materials and conduct TOTs for all government agencies involved in BDS.
- ▶ Support office set-up of OSS.
- ▶ Support the TVETs and monitor their training.
- ▶ Support private BDS providers.

E. Demand-side recommendations

- ▶ Evaluate the developed financial education training and refugee rights awareness campaign materials, and revise where necessary to fit the needs and conditions of the target market. Also revisit the training methodology.
- ▶ Identify and recruit local community workers or mobilizers and conduct workshops to orient them about the ILO PROSPECTS objectives.
- ▶ Conduct TOTs for community workers.
- ▶ Facilitate community workers to conduct training through SHGs, SACCOs and other primary cooperatives.
- ▶ Monitor the progress of the training.

F. COVID-19 response

- ▶ Work closely with regional governments and other organizations to ensure that the rate of infection is reduced. PROSPECTS should:
 - ▶ distribute masks and sanitizers;
 - ▶ conduct COVID-19 awareness and the COVID-19 Standard Operating Procedures workshops targeting host and refugee residents;
 - ▶ provide soap and clean water points (especially in refugee camps) so that the residents can easily wash their hands.

The key for ILO PROSPECTS to succeed in these recommended interventions is to work closely with the organizations that are already on the ground and collaborate as a team. It is also important to have an open mind and adjust interventions where necessary in response to changing situations during the implementation period.

▶ 1

Introduction and context

PROSPECTS is a four-year innovative inter-agency partnership between the Government of Netherlands, the World Bank (WB), International Finance Corporation (IFC), International Labour Organization (ILO), United Nations High Commission for Refugees (UNHCR) and United Nations International Children's Emergency Fund (UNICEF). The goal of the partnership is to strengthen the socio-economic enabling environments of communities that host different forcibly displaced persons (FDPs) – including internally displaced persons (IDPs) and refugees – to ensure sustainable decent work, training, and education opportunities, as the policy, legislative and regulatory frameworks facilitate this integration process. The programme encompasses three pillars, namely inclusive jobs, education, and protection, and operates in eight countries across East Africa, the Horn of Africa and the Middle East employing an area-based approach, in which the partner agencies jointly focus their activities on selected regions within each country. Ethiopia is one of the countries where the PROSPECTS partnership is planning to implement these interventions. Accordingly, the Fafan Zone in the Somali Region and Shire in the Tigray Region were selected to implement the project interventions.

Ethiopia has a long-standing history of hosting refugees, and it is one of the largest refugee-hosting countries in Africa. It maintains an open-door policy for refugee inflows into the country and allows humanitarian access and protection to those seeking asylum on its territory. Continued insecurity within neighbouring states has resulted in sustained refugee movements, either directly because of internal conflict and human rights abuse or because of conflicts related to the competition for scarce natural resources and drought-related food insecurity. Ethiopia provides protection to refugees from some 19 countries. As of October 2020, the country sheltered 796,437 registered refugees and asylum seekers.

The Somali Region, officially known as the Somali Regional State is the second-largest and easternmost of the ten [regions](#) of [Ethiopia](#). It borders the Ethiopian states of [Afar](#) and [Oromia](#) and the chartered city [Dire Dawa](#) to the west, as well as [Djibouti](#) to the north; [Somalia](#) to the north, northeast and east; and [Kenya](#) to the southwest. Its capital is [Jijiga](#).

The Tigray Region is the northernmost region of Ethiopia. It is the homeland of the [Tigrayan](#), [Irob](#) and [Kunama](#) peoples. Its capital and largest city is [Mekelle](#). Tigray is the fifth-largest by area, the fifth most populous, and the fifth most densely populated of the ten [regional states](#). The total population (based on the 2020 Census, CSA) is 7,070,260. The greatest part of the population (about 80 per cent) are agriculturalists, contributing 46 per cent to the regional gross domestic product (2002/2003). The highlands (11.5 per cent

dəgwəa, 40.5 per cent *wäyna dāga*¹) have the highest population density, especially in eastern and central Tigray. Tigray is bordered by [Eritrea](#) to the north, [Sudan](#) to the west, the [Amhara Region](#) to the south and the [Afar Region](#) to the east and southeast. Besides Mekelle, major cities include [Shire](#).

Ethiopia has a well-established refugee response, and the coordination processes are in place, based on the Refugee Coordination Model (RCM), which is anchored in a solid framework of refugee law and procedure. The refugee response in Ethiopia brings together 50 operational partners, including the Government of Ethiopia's Administration for Refugee and Returnee Affairs (ARRA), supported by the UNHCR, in coordination with UN agencies, international and national NGOs (UNHCR, September 2020).

The new refugee law, Proclamation No. 1110/2019, clearly defines the rights of the refugees in terms of staying in Ethiopia, access to education and health services, the right to engage in wage-earning employment as individual or in groups in agriculture, industry, micro and small-scale enterprises, handicrafts, commerce, and the right to have associations. These rights are fundamental for the refugees to organize themselves in cooperatives, to engage in business activities and to access financial services.

Even though Ethiopia maintains an open-door asylum policy, it implements strict encampment policies that limit refugee movements and access to labour markets, hence undermining the quality of asylum offered and the development of sustainable livelihoods for refugees. Moreover, stakeholders acknowledge the need to move away from humanitarian and relief work to support more sustainable livelihood initiatives. To that end, the Government of Ethiopia (GoE) has allowed specific initiatives that aim to enable refugees to find income-generating activities in the informal sector. The national refugee regulations in Ethiopia have evolved since 2004, and recently the government adopted a new refugee law, Proclamation No. 1110/2019, giving more space for local integration and out-of-camp policies. Secondary legislation is currently under development, and it is expected that the GoE will enable local integration for refugees who have been in the country for more than 20 years. Additional policy and legal reforms are now under way to further support refugee inclusion in national systems and host communities in refugee responses. The revised refugee proclamation, with many positive protection advances, is a significant step in creating an enabling environment and an inclusive system to forcibly displaced populations.

The PROSPECTS partnership is coming in line with these developments in Ethiopia and is considered to be an important initiative in accelerating the implementation of pledges. Preliminary analysis by the UNHCR, ILO and UNICEF in early 2019 identified potentially suitable geographical areas based on needs and agreed upon criteria. As mentioned above, two areas – Jijjiga, Somali Region and Shire, Tigray Region – emerged as potential targets and initial priorities amongst the forcibly displaced hosting areas. The ILO also conducted a rapid integrated labour market assessment as part of the World Bank study on *Toward Local Integration: Socio-Economic Integration of Refugees with Host Communities in Ethiopia*. Enterprise development, cooperative and financial service provision aspects were touched in the assessment, and initial findings were documented, although insufficiently to define an intervention framework. PROSPECTS sought to make a deeper assessment to critically analyse the market systems (supply and demand) of MSME development, BDS, cooperative promotion and access to financial services in the two regions. This was to provide a clear understanding of the specific market actors, supporting functions and regulatory environment responsive to the needs of women and men refugees and members of host communities.

It is against this background that ILO PROSPECTS programme commissioned the Integrated Enterprise, Cooperative and Financial Services Assessment on refugees and host communities around Jijjiga and Shire.

This report is a summary of two comprehensive reports, one on Cooperative Development and another on the Financial and Business Development Services, which both include one analysis for each region. More details will be found in the two reports.

1 There are three climatic zones in Ethiopia. *Dega*, *Weyna Dega* and *Kolla*. *Dega* – refers to coldish, less than temperate zones with altitudes ranging between 2,600 and 3,200m. The second zone – *Weyna Dega* – is warm, wet and lies below 2,600m. *Kolla* is a climatic zone which is much drier and warmer than *Weyna Dega*. It is mainly found Rift Valley areas.



▶ 2

Assessment findings: legal and policy environment for refugees

▶ 2.1 Legal environment

In 2004, a national refugee proclamation was enacted based on the international and regional refugee conventions (which include the 1951 Convention relating to the Status of Refugees, and the 1967 Protocol as well as the 1969 OAU Convention). However, the proclamation was not as thorough as it should have been, as it did not reflect the overall development and progress made in refugee protection. Hence, the new Proclamation No. 1110/2019 was enacted in 2019. It clearly defines the rights of refugees in terms of residency in Ethiopia, access to education, health services and financial services, the right to engage in wage-earning employment as individuals or in groups in agriculture, industry, micro and small-scale enterprises, handcrafts, and commerce. One of the major improvements of this proclamation over the previous one is that it allows refugees the right to engage in gainful employment. Hence, refugees can secure lawful work without discrimination on the basis of their refugee status, access labour protection that safeguards them from exploitation or wage theft and earn a fair wage. Other critical improvements that are pertinent to the social and economic development of refugees are: the right to associate, including the right to be members or to form cooperatives; the right to liberty of movement and freedom to choose their residence; the right to acquire movable or immovable property, access to leases and other contracts relating to the property; the right to open a personal bank account, deposit, transfer or withdraw money and obtain other banking services in accordance with relevant Ethiopian financial laws using identification document issued by ARRA.² These rights are fundamental for the refugees, either as individuals or in groups (cooperatives or self-help organizations), to engage in business activities, to access financial services as well as BDS.

² The Agency for Refugee and Returnee Affairs (ARRA) is the Ethiopian government counterpart of UNHCR Office in Addis Ababa and it is the leading agency in the protection and assistance of refugees and overall coordination of refugee interventions in Ethiopia.

► 2.2 Policy environment

Ethiopia endeavors to have and maintain an open-door asylum policy. Over a period of time, the GoE, in collaboration with UNHCR Ethiopia and other humanitarian organizations, has been working on a range of initiatives to address the socio-economic needs of refugees and host communities. At the Leaders' Summit on Refugees in 2016 in New York, which Ethiopia co-hosted, Ethiopia made the following pledges to:

1. expand the “out-of-camp” policy to benefit 10 per cent of the current total refugee population;
2. provide work permits to refugees and those with permanent residence ID cards;
3. provide work permits to refugees in the areas permitted for foreign workers;
4. increase enrolment of refugee children in pre-school, primary, secondary, and tertiary education, without discrimination and within available resources;
5. make 10,000 ha of irrigable land available, to enable 20,000 refugees and host community households (100,000 people) to grow crops;
6. allow local integration for refugees who have lived in Ethiopia for more than 20 years;
7. work with industrial partners to build industrial parks to employ up to 100,000 individuals, with 30 per cent of the jobs reserved for refugees;
8. expand and enhance basic and essential social services for refugees; and
9. provide other benefits, such as issuance of birth certificates to refugee children born in Ethiopia, and the possibility of opening bank accounts and obtaining driving licenses.

In February 2017, Ethiopia accepted to be considered as a CRRF focus country. The CRRF is the vehicle to accompany the implementation of Ethiopia's nine pledges. The decision by Ethiopia to participate in the CRRF was quickly supported by a joint World Bank–UNHCR mission to consider support to refugees and host communities under the International Development Agency-18 refugee sub-window. A road map for implementation was finalized, and the CRRF was officially launched in Ethiopia on 28 November 2017. In April and May 2018, regional launches were also held in the five regions hosting refugees, including Tigray and Somali. The framework enables joint action by stakeholders to solve problems associated with refugees. For example, at a meeting between ARRA and UNHCR in September 2019 to resolve the water supply issue in Kebrebiyah camp, the Regional Water Bureau and local city council committed to offering a generator for water supply, demonstrating the start of joint planning between government and non-refugee committees on refugee issues. According to the informants from the refugee community, UNHCR and ARRA have been involved in high-level advocacy for legal frameworks and the creation of an enabling environment for refugees. Despite some improvements, getting work permits for refugees in host communities is still difficult.

Thus, based on the above findings from the assessment of the legal and policy environment, the GoE is committed to ensuring that the rights of refugees, based on international norms, are catered for. This enabling environment provided by the Government is vital for the social and economic development of refugees in the country. However, as the findings will show later in the report, the implementation of the law and policy is rather slow. Two years after the proclamation of the new refugee law, many refugees still do not enjoy the rights they have been granted. It should be noted, however, that the law seems to be applied unevenly throughout the country: the assessment has revealed, for example, that it has been applied in Jigjiga to a larger extent than in Shire, where there are no cooperatives in the refugee camps.



3

Assessment findings: profiles of the refugees and host communities

For the profile of the refugees and host community in the two regions, the focus was on the population demographics, including education levels, means of livelihood and income-generating activities (IGAs), gender, age, and skills capacities. Below are the assessment findings of these for Somali and Tigray regions.

▶ 3.1 Population size: Somali Region

As of July 2020, the registered population under the UNHCR Sub-office in Jigjiga stood at 39,286 persons, of whom 60 per cent are below the age of 18. There are three refugee camps under the sub-office, namely Kebrebiyah (15,076 refugees), Aw-Barre (12,136 refugees) and Sheder (12,074 refugees). In terms of gender composition, 48.9 per cent are male and 51.1 per cent female. Most of the refugees – 90 per cent – are registered on the digital biometric system and have received individual identity documents.

The host community population, that is, the Fafan Zone, has an estimated population of 1,187,022, with that of Kebrebiyah estimated at 34,310. However, IDPs almost outnumber Somali refugees in the Somali Region, which hosts 1,166,879 IDPs in 196,628 households. About 52 per cent of IDPs were female and 48 per cent male. As for age, 61 per cent were younger than 18 years old, while 9 per cent were over 60.

▶ 3.2 Population size: Tigray Region

As of 31 December 2019, ARRA and UNHCR registered 86,511 refugees residing in four camps, namely May-Aini, Adi-Harush, Hitsats and Shimelba. Based on information from the Shire Operation Office, this refugee population is slightly larger than the host community population, which is about 78,396. At the same time, there were 1,070 out-of-camp (OCP) beneficiaries in Mekelle. Children and youth represent

75 per cent of the registered refugee population (UNHCR 2017b, p. 2). The youth category, which is defined as 15 to 24 years of age (UNHCR 2017b), accounts for 40.3 per cent of the camp population. Migration from these camps is common among young Eritrean refugees, who initially seek protection in Shire (USCRI 2016, p.2), which is the capital of north-western Tigray. This places considerable demands on natural resources such as firewood, agricultural and grazing land. Considering all the affected woredas, the refugee population in Tigray is 18 per cent (about one fifth) of the size of the total hosting population.

▶ 3.3 Education and skills level: Somali Region

From the viewpoint of attending formal education, the heads of households at the refugee and host communities in Kebrebiyah are largely illiterate, as 71 per cent of the household heads in the refugee camp and 65 per cent of the household heads of the host community did not attend formal education (UNICEF 2018).

For children of school age, enrolment was 82 per cent for the refugees and 74 per cent for the host communities (UNICEF 2018). Girl's enrolment was low – 44 per cent for refugees and 39 per cent for host communities (UNICEF 2018). The difference between refugees and host communities could be due to the socio-culture of the host community and the concerted attention given by the stakeholders supporting education for the refugees. The class-to-student ratio was wide in both refugee and host community schools (UNICEF 2018). Detailed assessment of the education level of adults of aged 18 to 25 showed that 35 per cent of refugees and 52 per cent of host community members had no formal education (UNICEF 2019). Some 31 per cent of the adult refugees in this age group attended high school (grades 9–12) compared with only 22 per cent of the host community in the same age group.

In Kebrebiyah, about 800 (13 per cent) out of some 6,000 refugees surveyed on skills sets have skills in housekeeping and restauration, construction, mobile phone operations, sales, driving, and so on.

▶ 3.4 Education level of refugees and host communities: Tigray Region

Overall, 42 per cent of the children were enrolled in pre-primary, 64 per cent in primary education and only 7 per cent in secondary school.³ It is believed that many students access national schools (positive and potentially attesting to a high degree of local integration) and are not recorded separately as refugees (thus giving a false low). The Gender Parity Index (GPI) for secondary education is 0.46, which means that less than one third of students completing high school are female. It was also noted that the student enrolment increased in the year 2018/2019 over that of 2017/2018 for pre-primary and primary but went down by 35 per cent for secondary, for the same period. Besides primary training, the youth are also educated in the Technical and Vocational Education and Training (TVET) institutes in areas of metalwork, electricity, construction, and so on, with financial support from Norway. In 2019, a total of 250 (30 per cent female) refugees graduated with TVET certificates. Only 197 (58 per cent) are females from host communities.

3 ECCE-IRC's annual report of December 2019; primary – ARRA's annual report of December 2019; secondary – DICAC's annual report of December 2019

▶ 3.5 Means of livelihood of host and refugee communities

Before 2019, refugees had no legal basis for working formally in Ethiopia. Employers avoided hiring refugees because of their legal status. While it was common for refugees to run small enterprises, they had been informal and vulnerable to crackdowns because they were not licensed. Thus, nationally, 83 per cent of refugees gain their livelihood through humanitarian aid as residents of the camps.

Somali Region

In this region the means of livelihood for the host and refugee communities appear to be similar. They include farming activities (cash crops such as sorghum and vegetables such as onion and tomato), livestock rearing, wage work, domestic or housekeeping services, trade, remittances, and assistance. The assessment conducted by World Bank in 2018 shows that some 61 per cent of the refugees rely on assistance. The low participation in the labour market is rooted in lack of skills, since the majority of the refugees are pastoralist, and therefore their levels of knowledge and skills do not match the requirements of the job market. Thus, although Jijjiga and Kebrebiyah towns are growing, limited job opportunities are created to absorb the labour force available.

Tigray Region

The main sources of livelihood for the hosting community and some of the refugees are crop farming, livestock production (dairy, fattening and poultry production) and petty trading. In Asgede-Tsimbla woreda, which hosts Hitsats refugee camp, the woreda agricultural office helps refugees to access communal irrigable land around the refugee camps, which they rent from local landowners. The refugees use the irrigable land in groups or as individuals on a rental basis. Furthermore, both host and refugee communities are involved in poultry, dairy, and animal-fattening activities with the support of different livelihood intervention programmes, which provide input along the production value chain.



4

Assessment findings: impact of COVID-19 on the refugees and host communities

Since the first case of COVID-19 was declared in Ethiopia on 13 March 2020, Ethiopian authorities have implemented a series of prevention measures. The GoE declared a national state of emergency on 8 April 2020. Measures stated in the decree adopted on 9 April 2020 included movement restrictions, the prohibition of public gatherings and mandatory quarantine for people entering the country.

After Addis Ababa, the Somali Regional State of Ethiopia has suffered the highest number of COVID-19 cases, and infections are rapidly rising as at the time of writing this report. Given the existing vulnerabilities in the region, the impact of the crisis on lives and livelihoods is expected to be particularly severe and will likely be further exacerbated by the desert locust situation. The refugees and IDPs are at high risk as they live in overpopulated settings, with limited access to basic services; furthermore, travel restrictions affected the ability of humanitarian actors to deliver services. In the Somali Region, a COVID-19 crisis management steering committee for refugees was established. The refugees in the camps have been negatively affected by COVID-19, with the impact mainly related to income and the job market.

COVID-19 reduced access to paid employment. The impact was greater on host communities than on refugees because some employers were tempted to hire refugees, especially for unskilled positions, as their labour was cheaper. In Tigray, movements between the refugees and host community decreased, thus reducing the access to jobs outside the camps.

According to the UNHCR update report of November 2020, referencing third-party assessment reports, the COVID-19 pandemic is affecting the socio-economic dynamics of the different refugee hosting areas, with an impact on enterprises and jobs. Many projects funded by partners continue to report implementation challenges as a result of COVID-19 prevention measures and changed priorities. Refugees in many of the camps indicated that the pandemic has affected their economic and food security negatively, with some mentioning that opportunities for maintaining their self-reliance by working as daily casuals are now limited. Others, who run small-scale businesses, have also reported significant reductions in business opportunities (UNHCR November 2020). In Tigray, according to the results of key informant interviews (KII) with stakeholders, the economies and food security of the refugees in many of the camps have been negatively affected by COVID-19, resulting in the closure of businesses (shops, restaurants, and so on). This impact has been the same for cooperatives and self-help associations, as well as for financial services. Refugees and host community members used to rely on remittance from abroad. With COVID-19, this has reduced significantly. As a result, there is a sense of hopelessness among the refugees.



▶ 5

Assessment findings: cooperatives and self-help organizations

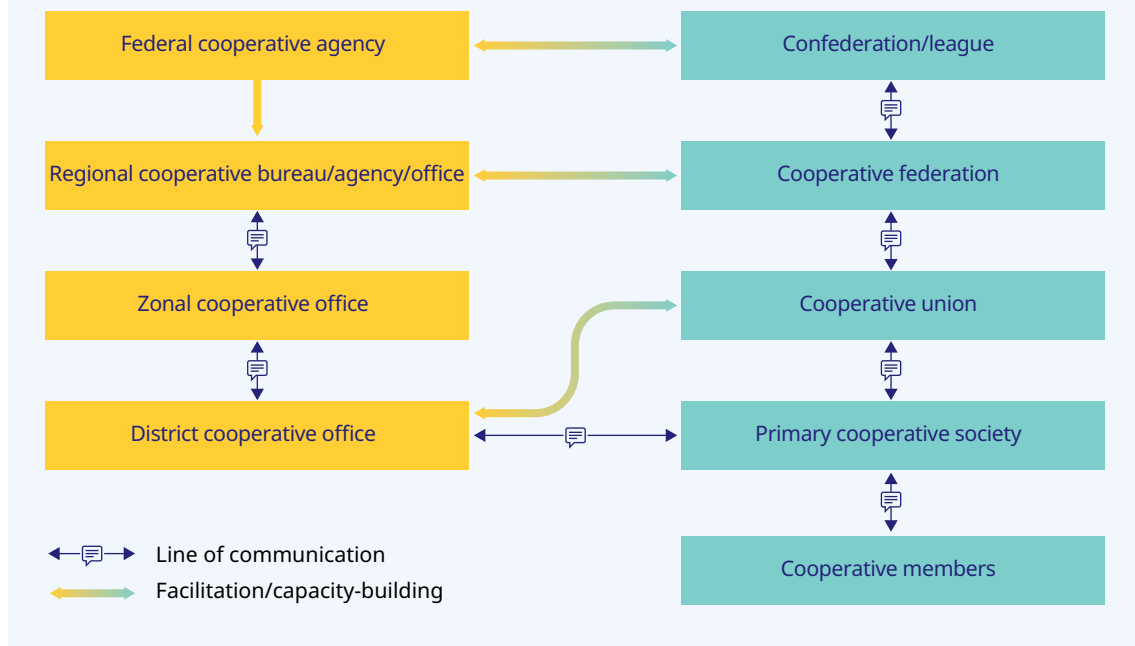
▶ 5.1 Overview of the legal environment of cooperatives in Ethiopia

The cooperative movement and its development have been driven and shaped by a number of legislative proclamations since 1960. The first statute was the Farm Workers Cooperatives Proclamation No. 44/1960, and the latest proclamation is No. 985/2016. The objectives of these laws include addressing challenges such as unemployment, rural to urban migration, and land use. Various types of cooperatives, and the layers of their different structures, from the primary societies to the confederation league, have been legally defined.⁴ Furthermore, the various government structures, from the DCO to the Federal Cooperative Office, supporting the cooperatives at different administrative levels, have also been provided for. Proclamation No. 274/2002 resulted in the establishment of the Federal Cooperative Commission (FCC). This was later renamed the Federal Cooperative Agency (FCA), which is in charge of promoting cooperatives in Ethiopia. Regional states, that is, Southern Nations Nationalities and Peoples (SNNP), Tigray and Amhara, have also enacted their own proclamations for the promotion of cooperative societies. The Government established federal and regional cooperative institutions that facilitate the organization of cooperatives. Figure 1 demonstrates the tier system.

The FCA is organized at the federal level to provide and/or support capacity-building for regional cooperative institutions. The FCA is the highest government structure for cooperative promotion and control in Ethiopia. It has the mandate of overseeing the appropriate implementation of legislation for cooperatives, designing cooperative policies and legal procedures consistent with the international conventions on cooperatives, and ensuring policy coherence between cooperative policy and the broader policy environment. The FCA and the respective regional cooperative promotion bodies are also involved in promotion, organization, registration, regulation, inspection, auditing, and providing technical support to cooperatives. However, the FCA works more on capacity-building and on improving the networking of cooperative organizations (Girma and Jiqin 2018; Emanu 2009).

⁴ For the details and definitions of the institutional arrangement of cooperatives, refer to Dr Bezbih's report.

► **Figure 1. The organizational structure of cooperatives in Ethiopia**



► 5.2 Cooperatives and self-help organizations in Somali Region

This section describes cooperatives and self-help organizations in Kebrebiyah, where Kebrebiyah Town is the host community, the other categories being rural Kebrebiyah and the refugee communities. There are cooperatives in each community, registered with the woreda cooperative promotion office, as well as self-help organizations that have not been registered. It is important to note that only primary cooperatives are found in the host and refugee communities. Yet there are no cooperative unions in the host communities, as the cooperatives are at an early stage of development and not mature enough to form unions.

5.2.1 Cooperatives and self-help organizations in rural Kebrebiyah

In Kebrebiyah woreda there are 51 registered primary cooperatives, of which 34 are agribusiness cooperatives working in areas such as crop production and marketing, fruit and vegetables, livestock production and marketing. The agribusiness cooperatives have 988 members of whom 62 per cent are female. Of the 17 non-agribusiness cooperatives, the most common are savings and credit cooperatives and consumer cooperatives; they have 547 members of whom 73 per cent are female.⁵

A self-help organization is a voluntary association of individuals who have a common interest, but which is not registered legally by the cooperative promotion agency.⁶ All self-help organizations are informal. When registered, self-help organizations are certified as cooperatives. In the rural Kebrebiyah woreda, there are 31 agri-business and 13 non-agribusiness self-help organizations with 246 and 127 members, respectively. Their business activities are similar to those of the registered cooperatives in the rural areas.

5 Source of data in this paragraph was collected from Kebrebiyah woreda Cooperative Promotion Office (2020).

6 As per the definition in the Cooperative Proclamation No. 985/2016, “cooperative society” is an autonomous association having a legal personality. But self-help organizations are informal groups formed for a certain goal with their own norms.

5.2.2 Cooperatives and self-help organizations of host communities, Kebrebiyah Town

Of the 25 cooperatives legally registered in the host communities, only two are concerned with fattening livestock (agribusiness), with a total of ten members of whom four are female. The 23 non-agribusiness cooperatives have 113 members, of whom 47 per cent are female. These are mainly engaged in service-related activities such as sales of construction materials and furniture, tailoring, vehicle maintenance (garages), pharmacy and laundry services.

Some cooperatives also provide goods needed by members for consumption: it is a common practice in Ethiopia for consumers to form consumer cooperatives to access centrally controlled and supplied industrial goods such as cooking oil and sugar. In Kebrebiyah Town, 196 persons (73 per cent female) are organized into 24 agribusiness groups. Moreover, 42 persons (88 per cent female) have formed 8 non-agribusiness cooperatives.

Unlike the cooperatives formally registered by the host communities, many of the self-help organizations were formed to handle agribusiness such as crop production and marketing, livestock production and marketing. The host community members also undertake the trading of khat, dairy products and butchery. Other business groups are involved in service provisions such tailoring, selling furniture, and so on. Such associations must fulfil certain criteria to apply for legal registration by the woreda level Cooperative Promotion Office. The criteria stipulated in the cooperatives' proclamation include the minimum number of members, having a well-functioning cooperative management committee, articles of association, offices, and capital. The cooperative proclamation clearly states: "The primary cooperative society shall be established by individuals who live or work or are engaged in specific professions within a given area, and by number of members not less than fifty, or the appropriate authority may specify in the directive the minimum number of members of a society based on the nature of the work and economic feasibility provided; however, that the minimum number of members shall not be less than 10."

5.2.3 Cooperatives and self-help organizations formed by refugees

The Kebrebiyah refugee camp has 14 registered cooperatives with 52 members⁷ of whom more than 75 per cent are female. Four of the cooperatives deal with livestock products (fattening, butchery, and poultry). The non-agribusiness cooperatives largely target youth by providing entertainment services, stationery for students, internet café, and consumer goods.

The assessment established that there are 15 self-help organizations with 87 members. Eight of these organizations deal with agribusiness, and 83 per cent of the members are male. Of the seven non-agribusiness organizations, 57 per cent of the members are female. The organizations handling agricultural products such as fruit and vegetables, khat and milk retail these items to make a profit. Two of the SHGs are involved in fattening animals, which require knowledge of animal husbandry. These self-help organizations also provide services such as tailoring, food processing, catering, and provision of goods through consumer groups which, if registered, would be called consumer cooperatives.

⁷ This would make an average of four members per cooperative, far fewer than the minimum requirement. It is possible that some members dropped out, and the affected cooperatives were not dissolved by the authorities.

► 5.3 Cooperatives and self-help organizations in Tigray Region

The interviews that were conducted with the host communities and stakeholders in Shire revealed that there are 579 primary cooperatives in the northwest zone and 46 in Tselmti woreda, where the immediate host community members reside. The refugees benefit from the activities of the host community cooperatives, especially in terms of accessing goods and services and employment opportunities. They have not formally organized into cooperatives.

The cooperatives in the region were formed by 48,066 members, 29.6 per cent of whom are females. In the immediate host community 7,777 individuals, predominantly men. Most of the members belong to the multipurpose and savings and credit cooperatives. While some are engaged in activities such as production of food crops and vegetables using irrigation, livestock production (dairy, fattening and poultry), multipurpose cooperatives handle the production and marketing of various goods and services, savings, and credit; while other special cooperatives include natural resources management, beekeeping, wood products, consumer cooperatives, and so on. Only savings and credit and multipurpose cooperatives are reported to exist. The opportunity to engage in business opportunities is constrained by lack of capital. Savings and credit cooperatives aim at overcoming this financial problem through the mobilization of savings, selling shares, and providing loans with interest to their members.

It was not possible to access the refugee camp or interview any refugees, but it was learnt that the refugees could form self-help organizations to engage in IGAs. The government stakeholders interviewed have no records of the self-help organizations of the host or refugee communities, but it is understood that have low or no capital, do not have access to credit, are badly managed and are not performing well.

► 5.4 The capacity of cooperatives and self-help organizations in Somali and Tigray regions

The capacities of the cooperatives and self-help organizations in both regions are quite deficient. They are all in a weak financial position, with an average capital base of ETB 129,383 (US\$3,105). For their capitalization they are limited to membership fees, and for financing loans to members, they depend on members' savings. These two sources are driven by the income-generating activities of the members and prospective members in the refugee and host communities. As discussed above, these income-generating activities are limited. The assessment also revealed that there is limited management and coordination capacity. The cooperatives lack capacity in terms of business planning, financial planning, general and strategic management as well as establishing market linkages. This is not surprising as it is the members who take management positions of the cooperatives, and as discussed earlier, their literacy levels are quite low. Furthermore, the cooperatives in both host and refugee communities are poorly equipped in terms of day-to-day office activities, office furniture and record-keeping.

► 5.5 Stakeholders supporting cooperatives

Both government and NGOs support cooperatives in Ethiopia. On the government side, the DCO includes the Cooperative Promotion Office, which is responsible for providing technical capacity-building, monitoring and audit support every year. In Tigray, however, this service is limited to cooperatives organized by host communities. Even in Somali Region, owing to the low capacity of the office with a staff of three, it has not been possible to provide the necessary technical support.

Somali Region

In the host community the Cooperative Promotion Office is responsible for the registration of the cooperatives. However, the cooperatives in the refugee community are supported by the Employment Creation Office, which registers them and recommends the regional Employment Creation Office to issue a Certificate of Registration. The certificate is used for obtaining a business licence from the Trade and Industry Office.

The assessment revealed that there is many organizations that support refugees. Apart from the Norwegian Refugee Council, these organizations focus on helping refugees overcome socio-economic and environmental problems in areas such as WASH, BDS and food aid, but not on cooperative development as such. Table 1 describes the organizations that work with refugees, along with their respective mandates.

► **Table 1. Organizations that provide support for refugees in Somali Region**

Organization	Mandate
Government Administration of Refugee and Returnee Affairs (ARRA)	Supports the refugee community with camp security, primary and reproductive healthcare, supply and management of water supplies, provision of shelter, food and core relief items distribution, and primary schools.
ARRA and woreda administration	They jointly support the refugee community with access to other services such as extension services from the Bureau of Agriculture and management of water supply.
Lutheran World Federation (LWF)	LWF installed drip irrigation and continues to provide small grants, as well as skills development including support to poultry farmers.
Development and Inter-Church Aid Commission (DICAC)	Provides support to the refugee community with education (primary, secondary, and informal education) and vocational skills training.
Project GAIA	Provides clean household energy and established cooperatives working on ethanol gas marketing for stove energy. In addition, GAIA built a storage tank holding 20,000 litres and provided one-time ethanol gas to the Women Cooperative group in 2019, though the activities were not sustainable owing to poor supply linkages.
UNHCR	Provided 250 chickens for the cooperative group established for poultry-keeping, and NRC provided ETB 80,000 for the group.
NRC	Provided ETB 126,000 for three cooperatives, that is, ETB 42,000 each for DSTV, Play Station and Internet Café.

Tigray Region

In Tigray Region, the Cooperative Promotion Agency plays a major role in the development of cooperatives in the host community. The woreda office registers the cooperatives organized by members and provides technical support. Furthermore, it monitors the cooperatives to ensure they adhere to the cooperative principles in running their day-to-day business, in addition to providing audit services.

As mentioned earlier, the assessment revealed that there are no cooperatives to date that are formed by refugees. However, several agencies support the refugees with livelihood programmes. Though the overall aim of the programmes is to improve the livelihood of the refugees through increased access to services, skill and job markets, there is no clear indication that cooperative promotion is used as a strategy to attain this goal. The agencies that work with refugees and their respective mandates are listed table 2.

► **Table 2. Organizations that provide support for refugees in Tigray Region**

Organization	Mandate
Administration for Refugee and Returnee Affairs (ARRA)	Provides different services including camp management and security, water supply, primary education, primary health care and nutrition, protection and community services, shelter management, logistics and environment protection.
International Rescue Committee (IRC)	Implements projects in Water, Sanitation and Hygiene (WASH), community wellness initiative and education.
International Organization for Migration (IOM)	Responsible for refugee resettlement and related logistics.
World Food Program (WFP)	Takes part in food supply, transportation and distribution.
Development and Inter-Church Aid Commission (DICAC)	Implements projects on education and community-based psychosocial support.
Norwegian Refugee Council (NRC)	Supports refugees in areas of education, shelter construction, protection and community services, food security and livelihood. Provides emergency relief as well as helping refugees to rebuild their lives. Supports children and youth affected by displacement and vulnerable children from the host communities to have access to inclusive, equitable and quality basic education with a proportion of 70 per cent for refugees and 30 per cent for host community. The programme also works on skills development in metal and woodwork, maintenance, poultry and fattening, goat, and sheep rearing, grinding mill, ICT, construction, finishing works, DSTV, laundry.
National Resource Development and Environmental Protection (NRDEP)	Focuses on environment protection.
Médicins sans Frontières (MSF)	Provides support in healthcare (in-patient services), mental health and psychosocial support.
ZOA-Domestic energy (briquette production)	Provides support in skill-building through vocational training in food preparation, barbering and beauty salon work, mobile and electronics maintenance, metal, and woodwork, plumbing, tailoring, traditional garment making, leather crafting, electric installation, brick making, leather crafting for shoe and ball production, photography and videoing, construction, masonry, soap production and ICTs.
HELVETAS	Deals in WASH, livelihood, and environmental services in Hitsats and Shimelba refugee camps and host communities.
Danish Refugee Council (DRC)	Aims at combating secondary movement through community discussions, psychosocial support by music therapy, library service and informal education
Rehabilitation and Development Organization (RaDO)	Supports people with specific physical and psychological needs.

► 5.6 Challenges faced by cooperatives and self-help organizations in Somali and Tigray regions

The assessment reveals that most of the cooperatives in both the host and refugee communities are new, and few of them are adhering to the standard set of cooperative guiding principles. The assessment also shows that the challenges faced by cooperatives in both Somali and Tigray are similar, if not the identical. They include:

- lack of skills and experience in cooperative management – members and cooperative management lack basic skills for planning, marketing, including market linkages and financial management, and records are not kept in accordance with a standard accounting system;
- low capital base, which limits their activities, especially so for the SACCOs which cannot mobilize sufficient funds from membership and savings to lend to the members;
- lack of office space and equipment;
- lack of platform for sharing experience and networking among cooperatives.

Thus, although a number of cooperatives have been formed, they are not growing because of these challenges and have a low positive impact on the livelihoods of members in both the host and refugee communities. The impact is greater for SACCOs: being financial service providers, they cannot manage and provide the credit and savings products since they face shortage of capital for loans, and a lack of technical skills for keeping records of borrowers and savers, appraising loan applications and monitoring. Lack of access to financial services will, in turn, negatively affect the livelihood of members.

As indicated above, the GoE has set in place a cooperative support structure from the federal level to the district level. At the district level, the DCO includes the Cooperative Promotion Office, which is charged with the responsibility, among others, of building the capacity of the cooperatives. However, the assessment shows that this office is ill-equipped, and the morale of staff is low. Thus, the intended structure to support the cooperatives is weak and does not function as intended, which, to some extent, accounts for the sorry status of cooperatives in the two regions.

For the cooperatives formed by refugees, there is an additional dimension. While the government has put in place a good law and policy environment to help refugees to improve their livelihood through a number of measures, including organizing themselves to form cooperatives, the assessment reveals that the government and ARRA are slow in implementing the new refuge law. Many refugee informants complained that the government and ARRA did not make tangible efforts to set up platforms to integrate the refugee and host communities, as well as a platform for information exchange, planning, and overall engagement with all stakeholders. Refugees complain about restrictions to employment opportunities and the lack of opportunities for engaging in licensed business. While it is common for refugees to run small enterprises, there have been informal crackdowns on refugee-owned businesses under the pretext of checking licenses. Therefore, refugee-owned businesses remain vulnerable. Job opportunities are limited, especially for women and persons with disabilities. The labour supply increased after the refugee influx, lowering labour wages in the area. For example, construction workers now receive half or less than the wage they received ten years ago, because the refugees brought cheap labour (FGD in Kebrebiyah camp, October 2020). Clearly, this has a negative bearing on the formation and development of cooperatives, as the members and potential members do not have a strong livelihood base.

According to the head of the Entrepreneurship Office in Kebrebiyah, all 25 cooperatives were established mid-2019, and they stopped operations because of COVID-19, which has seriously affected their work. Therefore, there is no cooperative that has a success story or reached a maturity status, either in the host or refugee communities.

As for the self-help organizations in the two regions, both in host and refugee communities, they face more challenges as they receive hardly any technical assistance from the woreda cooperative office. The self-help organizations conduct their activities informally, and their capacity limitation compared with cooperatives is worse in all aspects. Apart from Mercy Corps, there are no other NGO or programmes that support them. The performance of the self-help organizations is also seriously limited by deficiency of capital and absence of access to credit.

► 5.7 Challenges faced by cooperative support organizations in Somali and Tigray regions

The support for cooperatives is mainly led by government agencies, and at the woreda or district level, it is the DCO. The following challenges faced by the DCO were revealed by the assessment.

- There is limited government support for the DCO in terms of allocating skilled manpower (that is, people with a cooperative background) and a sufficient budget. Without these, the office cannot support the staff. According to the head of Kebrebiyah Woreda Cooperative Office, the activities are undertaken by non-professional staff who have not been formally trained in cooperatives studies.
- Lack of physical facilities such as equipment and transport.
- Staff morale is low, and as a result the Woreda Cooperative Office experiences a high turnover. This has had a negative effect on the performance of the established cooperatives in the woreda.

► 5.8 Capacity-building areas for cooperative development in Somali and Tigray regions

The KII participants identified several areas of support to strengthen cooperatives and self-help organizations in the refugee and host communities. These include the following.

- Human resource capacity-building of the staff of the cooperative office. This will include strengthening the office's staff capacity for savings and credit, access to financial services and long-term training on technical skills in order to develop effective cooperative groups.
- A strong partnership to be facilitated between the government Woreda Cooperative Office and NGO institutions to overcome the bottlenecks associated with effective cooperative functioning.
- Experience to be shared among cooperatives, to encourage host and refugee cooperatives to broaden their business perspectives.
- Engagement in capacity-building activities through short and long-term training, particularly for cooperative management in different subjects such as production, marketing, business planning, savings and credit, financial and cooperative administration.
- Facilitation of linkage between cooperatives and formal financial institutions – banks and MFIs.
- Physical, financial, and human resource-related capacity-building of cooperatives. Human resource capacity-building is broader in the sense of covering awareness-raising, training in cooperative management, business management, financial management, marketing, market linkage, and so on.

► 5.9 Opportunities for cooperative development

While the cooperatives face several challenges, these challenges are not terminal. The government has put a support structure in place – from the Federal Cooperative Agency at the national level to the DCO at the kebele level.⁸ The different elements in this structure can be assisted so that they in turn can support cooperatives in a sustainable manner. The support for cooperative development cannot be overemphasized as the cooperatives have a critical role to play in fostering the social and economic development and integration between the host and refugee communities. For example, well developed cooperatives would play an important role in bringing together key players along the different value chains in different economic activities such as pastoralism.

Somali Region is largely a pastoral and agro-pastoral area where livestock is the major source of income. A market analysis carried out by the ILO in 2018 revealed that refugees' activities relating to the production and trading of sheep and goats constitutes the most promising value chain through which the livelihoods or income generation of the refugees can be supported, leading ultimately to their self-reliance. This can be done by improving input supplies and the market system surrounding the value chain. Refugee households can be involved in the value chain by fattening their goats and sheep and trading them in local markets, or through local traders who take animals on to bigger markets or for fattening (ILO 2018).

Therefore, development of the sheep and goats value chain should involve the value chain actors: producers (pastoralists or agro-pastoralists), traders (who buy the small ruminants in one market and sell them in others), fatteners and butchers. The cooperatives can be involved in the middle or last part of the value chain: trading, fattening and butchery.

ARRA has been enforcing a three-night maximum trip outside the camp. This has given refugees enough time to engage in trade, most commonly purchasing vegetables from Harar or buying, fattening, and re-selling sheep and goats in local markets. Unfortunately, there are limited opportunities for wage employment outside the public sector, and cross-border trade dynamics and a history of conflict discourages investors (Mercy Corps 2019).

Provided that the cooperatives and self-help organizations operating in the Kebrebiyah woreda are strengthened, and that the latter are upgraded to legally registered cooperatives, they have the potential to be key players in the market, engaging in trading and consumer cooperatives and getting involved in production and marketing of crops, vegetables, and livestock. This creates an opportunity for refugees to take part in local business activities such as buying vegetables from Harar or Jiggiga, fattening and re-selling sheep and goats in local markets. Also, there are opportunities for wage employment and cross-border trade dynamics since the refugee camp is situated near the Ethiopia-Somaliland border, and this can easily accelerate the opportunities for cooperatives or self-help organizations operating in the zone. Furthermore, host community cooperatives could be provided with support to include displaced persons as members, as well as services.

⁸ See figure 1.

▶ 6

Assessment findings: financial services

▶ 6.1 Regulatory environment for financial inclusion

Over the years, the GoE has come up with several statutes, strategies and policies that have shaped and are still shaping the development of the financial service sector and financial inclusion in the country. The following are some of the several regulatory and policy measures.

- ▶ **National Financial Inclusion Strategy.** The GoE, through the National Bank of Ethiopia (NBE), developed a national financial inclusion strategy in October 2017 to boost financial inclusion in Ethiopia. The objective was to increase the number of adults owning a bank account from 22 per cent in 2014 to 60 per cent by 2020. One of the directives in this strategy was to force commercial banks to open three branches outside Addis Ababa for every branch opened in the capital. This measure resulted into the opening of several commercial banking branches throughout the country, including in the target areas.
- ▶ **The Customer Due Diligence of Banks Directive.** This directive aims to protect the safety of financial transaction through combating money laundering and financing terrorism. The Know-Your-Customer (KYC) requirement is part of this directive, and it requires financial institutions to prove the national identity of their customer by asking for a national ID. This directive affects both refugees and host communities and must be adhered to before financial services can be accessed from formal institutions such as MFIs and banks, as well as registered SACCOs.
- ▶ **Movable Collateral Registry Directive.** Launched in 2019, the Directive enables prospective borrowers such as farmers and pastoralists to use movable properties – livestock, crops, landholding certificates, forest – as collateral to access credit from formal financial institutions (commercial banks, MFIs and SACCOs). According to this directive, all banks and MFIs shall allocate at least 5 per cent of their yearly credit disbursement to individuals, cooperatives and MSMEs against movable property collateral. This directive is an opportunity for small businesses to gain access to formal credit, which was hitherto the main factor for exclusion of poor people from formal financial services. However, as understood during the validation workshop, none of the banks have implemented this directive, owing to its lack of clarity and specific implementation guidelines.

- ▶ Regulation of Mobile and Agent Banking Services Directive. This regulation specifies in article 4 that only banks and MFIs can engage in mobile and agency banking services. In addition, it specifies the conditions for recruiting agents for mobile banks. Under article 5, the directive limits the mobile banking transactions. In sub-article 5.1, it is stated that the maximum balance that should be available in a mobile account of a person with a financial institution at any time shall not exceed ETB 25,000. Sub-article 5.2 specifies that the daily mobile banking transaction that involves debiting an account by a person with a financial institution shall not exceed ETB 6,000.
- ▶ New Agency and Mobile Banking Directive. The intention of this new directive is to enhance the usage of mobile money banking and hence deepen financial inclusion. It allows non-financial institutions like Telecom and Fin-Techs to provide digital financial services (DFS). The directive will pave the way for the creation of new types of financial services beyond banks and MFIs such as the Kenyan M-Pesa.
- ▶ Directive to License and Authorize Interest-free Banking Business. The NBE has issued a new directive on the formation of fully fledged interest-free banking (IFB). The directive will ensure greater financial inclusion, especially for Muslim-dominated communities as in the Jigjiga and Kebrebiyah areas.

These directives create an enabling environment for the enhancement of financial inclusion in the country. The KYC requirement of the Customer Due Diligence of Banks Directives requires one to have a national Identity card to be able to access financial services from a formal financial institution (FI). The refugees do not have National Identity cards, but through the efforts of UNHCR and ARRA, the registered refugees are given UNHCR refugee cards which NBE has approved to be used by registered refugees to access financial services from the formal FIs.

▶ 6.2 Supply of financial services in the target areas

The formal financial service providers in Somali and Tigray regions are commercial banks, MFIs, and digital financial service providers with varying depth of outreach and services to the target markets. Savings and Credit Cooperatives (SACCOs) are the other semi-formal financial institutions operating in the target areas. Community-based informal financial service providers are promoted by NGOs, such as Village Saving and Loan Associations (VSLAs) and traditional saving groups in the target communities with limited outreach and weak institutional setup.

6.2.1 Somali Region

Commercial banks. Eight commercial banks operate in Jigjiga, the dominant one being the CBE. The others are Awash International Bank, Dashen Bank, Abyssinia Bank, Wegagen Bank, Nib International Bank, Cooperative Bank of Oromia, and Oromia International Bank. The CBE has several branches and operations in Jigjiga as well as other major towns in the region, including Kebrebiyah. The main lines of business for the commercial banks, and particularly CBE for the host and refugee communities, are savings products (some are Sharia-compliant), local money transfer services, remittance services and foreign exchange services. The commercial banks have yet to provide credit products and a lending methodology suitable for this target group. This segment of the population is perceived as risky and unbankable and involves high transaction costs because of the small loan size to thousands of clients. In addition, their stringent lending procedures, policies, and collateral requirements can hardly be met by small businesses. For the credit products, commercial banks target medium and large enterprises in government priority sectors such as import and export business, commercial agriculture, and industrial products for lending services.

Some humanitarian NGOs and government programmes are partnering with commercial banks such as CBE and Awash Bank to provide humanitarian cash transfer services to beneficiaries in host and refugee communities in Somali Region. However, in Fanfan Zone, this humanitarian cash transfer is still paid by envelope to the beneficiaries through ARRA.

► **Box 1. Refugees access to bank accounts in Kebrebiyah District**

The Kebrebiyah branch of the CBE is serving refugees by allowing them to open a savings account and obtain an ATM card, as part of the implementation of CRRF in partnership with ARRA and UNHCR. To do this, the refugees use their refugee ID card issued after registration. The branch serves a total of 15,000 saving customers out of whom more than 2000 are refugees. This is one of the major initiatives by the CBE for the financial inclusion of refugees, based on the CRRF pledges.

According to a KII with the branch manager of CBE Kebrebiyah branch, there is huge market potential in refugees thanks to the high demand for financial services, including remittances, DFS, savings, and so on. Even though opening bank accounts for more than 2,000 refugees can be considered a success, there are still many challenges in terms of awareness, financial literacy, and camp access.

Microfinance institutions. Two MFIs operate in Somali Region: Somali Microfinance Institution (Somali MFI) and Rays Microfinance Institution (Rays MFI).

Somali Microfinance Institution (Somali MFI), which started operations in 2011, is the predominant microfinance service provider in the Somali Region. Somali MFI, with the Somali Regional State as the major shareholder, has a mission to provide inclusive financial service to the active poor who have no access to conventional banks in both the rural and urban areas. The institution also has other specific objectives: support for self-employment and income-generating activities, promotion of rural and urban micro and small enterprises, and improving the culture of savings by the wider public. As of September 2019, Somali MFI had established 31 conventional branches and more than 47 satellite offices in the region. Two of the conventional branches, namely those of Jigjiga and Kebrebiyah, serve in the target areas. That of Kebrebiyah had about 1,320 customers (host communities) of whom 60 per cent are women, with an outstanding loan of ETB 44 million (US\$1,055,830), and mobilized ETB 20 million (US\$479,923) in savings balance.

The MFI offers various financial products and services, including Islamic credit products (Murabaha, Mutharika, Mudaraba, Ijara, Qardul Hasan), savings (Wadia/Ammana, Qardul Hasan, Mudaraba, pension management, fund management per the various agreements entered with different organizations, local money transfer, mobile and agent banking (HelloCash service) and Hello Solar. Though Somali MFI has had a long physical presence in the refugee-hosting districts, it has only recently started dealing with the refugees. It is now providing them with DFS (HelloCash) and promoting saving products. The MFI has not yet started providing a credit product to refugees as it considers them to be a high-risk and unbankable segment of the market. Otherwise, for the host community, the MFI plays a key role in the target areas (host community), using a diversity of Sharia-compliant financial services and supporting small businesses with credit, savings and DFS. It provides access to financial services for small and micro enterprises that are unable to obtain them from private and public banks.

Somali MFI has the potential, interest, and relevance to serve the target communities with feasible intervention in creating access to finance for the target market, and its mission attests to this. It is open to work with partners to enhance financial inclusion. Over the years it has established a wide network of partnership with humanitarian NGOs in creating access to finance for vulnerable communities, including refugees, providing cash transfer and fund management services in partnership with NGOs, local money transfer, agents, and mobile banking services. Moreover, its performance regarding loan portfolio

management is quite good with its Portfolio at Risk 30 being 2 per cent. Somali MFI recognizes that working with refugees in savings mobilization, loan disbursement and mobile money is a huge business opportunity.

Somali MFI has several partners, including government agencies. They include the Urban Food Security and Job Creation Office, Trade Office, NGOs, and the Association of Ethiopian Microfinance Institutions (AEMFI). Refer to the detailed report for the full list of partners.

Rays Microfinance Institution (Rays MFI) was established in 2014 as a private commercial microfinance institution owned by businessmen with the aim of contributing towards livelihood improvement in Somali Region while earning a reasonable return from the investment. The mission of this MFI reads: “To improve the livelihood of the community by providing accessible, convenient, and appropriate financial services”.

Currently, Rays MFI has only seven branches in major zonal towns of Somali Region, with a fully operational branch in Jigjiga. Currently the institution targets small business entrepreneurs with Sharia-compliant financial products and non-Islamic products based on individual and group methodology. The MFI also provides non-interest savings products to its target groups. It also offers money transfer and the Sahay mobile money platform in Jigjiga Town. In addition, it provides business counselling and financial management training for loan applicants at no extra cost.

At the time of carrying out this assessment, the Jigjiga branch served a total of 300 borrowers, with an outstanding loan portfolio of ETB 10 million (US\$239,962). The branch has 3,000 active savers with a savings balance of ETB 20 million (US\$479,923). The MFI does not serve refugees with any of their financial services. The manager of the Jigjiga branch of Rays MFI said: “Refugees have never applied for loans; they do not have collateral. I do not know further information about refugees”. The MFI does not have a branch in Kebrebiyah.

Saving and credit cooperatives.⁹ According to the information collected from Kebrebiyah cooperative promotion office, there are nine SACCOs in Kebrebiyah with a total membership of 329, of whom 81 per cent are women. By the end of 2019, these SACCOs had accumulated saving of ETB 1.57 million (US\$37,674) from members. The DRDIP and Mercy Corps supported SACCOs in the target areas with a start-up capital or grant, when they were first established.¹⁰ There are also attempts to include refugees and host communities to set up a SACCO and graduating various saving groups to formal SACCOs. Mercy Corps has graduated about 35 VSLAs into five SACCOs to obtain formal and sustainable support from the cooperative promotion office, and some of these cooperatives were linked to Somali MFI to get access to credit. DRDIP, funded by World Bank and implemented by the Bureau of Agriculture, supports the establishment and strengthening of cooperatives in Somali Region, including SACCOs. The programme has key objectives to improve access to basic social services, expand economic opportunities, and enhance environmental management for communities that host refugees. The interventions of the DRDIP project have supported the formation and strengthening of SACCOs in Somali Region, including Kebrebiyah district (host communities) in the Fafan Zone. The project set up and supported four SACCOs in Kebrebiyah, with a total membership of 44 by the end of 2019.

The government of the Somali Region regards SACCOs as the most feasible form of cooperatives in the region and has a plan to promote them in every kebele. However, none are operating in the refugee communities yet, because of the slow application of Proclamation No. 1110/2019. SACCOs are supported by the regional, zonal and woreda level cooperative promotion offices, which are responsible for promoting and establishing SACCOs, licensing, training, monitoring, and playing regulatory roles.

⁹ SACCOs are primary cooperatives and form part of the general discussion in the Cooperatives section of this document. However, being cooperatives formed for the purpose of offering financial services, a more detailed discussion is provided in this section.

¹⁰ One of the SACCOs that Mercy Corps has supported is DALSAN Saving and Credit Cooperative Organization (SACCO) in Kebrebiyah. For more about this SACCO, refer to the detailed report.

Digital finance service providers. Digital financial services are promising in the targeted areas. There are four digital financial services service platforms in the target areas: HelloCash is the dominant one and is provided by Somali MFI in collaboration with Belcash Financial Technology Service; CBE-Birr is provided by the CBE; E-Birr by the Cooperative Bank of Oromia, and Sahay by Rays MFI.

► **Table 3. DFS Platforms in Somali Region**

Digital financial service (mobile money)	Financial institutions providing the service	Technology provider
HelloCash mobile money	Somali MFI	Belcash Financial Technology Service Revenue sharing model with Somali MFI
CBE-Birr	Commercial Bank of Ethiopia	Own Platform (purchased)
E-Birr	Cooperative Bank of Oromia	Own Platform (purchased)
Sahay	Rays MFI	UK-based Neptune

HelloCash mobile money. HelloCash is the dominant mobile money player in the target areas. This digital financial service was introduced by Belcash Financial Technology and Somali MFI in Somali Region and by the time of carrying out this assessment the MFI had more than 300,000 customers. Belcash and Somali MFI also established a wide network of agents to provide cash-in and cash-out services, and currently¹¹ there are more than 1,500 HelloCash mobile money agents in the Region. An estimated 50,000 transactions per day are conducted using HelloCash, with a total transaction value reaching more than ETB 70 million (US\$1,679,730) since it was established in 2016. Looking at the type of transactions conducted by the customers, cash-in service constitutes about 40 per cent of the overall transaction, followed by cash-out (35 per cent), person-to-person money transfer (20 per cent), and other services such as airtime purchase, mobile payment (5 per cent). Most people in Kebrebiyah district, including refugees, use HelloCash mobile money for their daily financial transactions. There are 34 HelloCash agents in Kebrebiyah Town and surrounding small villages, and more than 100 customers, of whom 40 are refugees. Refugee entrepreneurs are not able to serve as HelloCash agents because of certain restrictions: to be an agent of a mobile money service, the regulations require a commercial entity with a formal business licence. Because of current regulations, none of the refugee entrepreneurs have a formal business licence and a TIN number. KYC requirements also prevent the refugees from becoming agents. However, refugees can open a mobile money account using their refugee card, and they can approach the nearby host community agent to carry out financial transactions (open an account, cash-in and cash-out services, and so on).

6.2.2 Tigray Region

Commercial banks. CBE, Anbessa International Bank, Nib International Bank, Awash International Bank, and the Bank of Abyssinia are the commercial banks operating in the region, with branches in Shire. However, these banks, just like the commercial banks in Somali Region, do not have the appropriate credit products for low-income people in the host communities, and as is the case in Somali Region, they have limited engagement with the refugee community. They are mainly involved in mobilization of savings, money-transfer, and exchange services for host communities. The refugees that have refugee ID cards can all access bank accounts. There is very good progress in terms of refugees opening bank accounts, with at least 9,340 bank accounts being opened by the time of carrying out this assessment.

Microfinance institutions. Three MFIs operate throughout this region, namely Dedebit Credit and Saving Institute (DECSI), Adeday and Lidat.

DECSI. DECSI is the predominant MFI in the region, with a plan to become a bank by the end of 2021.¹² Its vision is to reduce poverty and unemployment and enhance food security with a special focus on the poor and extreme poor communities and women. The MFI has 194 branches serving Tigray Region, of

¹¹ By the time of carrying out this assessment.

¹² Because of the war situation in Tigray, the MFI has temporarily closed down operations.

which four are in Shire town. It serves more than 371,254 clients of whom 96,196 (26 per cent) are female. DECSI delivers multiple types of financial services, namely: credit, saving, money transfer (M-birr), current account, gold management, pension payments and tax collection. It does not provide DFS. Presently, refugees only receive very limited services from the MFI. In collaboration with different international organizations and agencies such as ZOA and ARRA, DECSI allowed some refugees to open saving accounts, which later are disbursed for the same refugees as loans.

Adeday. This is a young MFI established in 2013 by Tigray Women's Association, with the objective of empowering women to engage in different business activities. Its vision is to provide proper and sustainable services for the poor, especially female clients, by creating an efficient financial system. Its mission is to give fast and sustainable interest-based services for its customers. The MFI has 33 branches in the region, four in the Northwest zone, one in Shire town and another in the May-Tsebri area. It serves 15,868 borrowers, of whom 14,541 (92 per cent) are female. Its loan portfolio amounts to ETB 107,821,516 (US\$2,587,300), of which 63 per cent is in the trade sector. Adeday does not have non-financial services for its clients, but before loan disbursement they advise borrowers on the importance of saving, how the clients should manage their loans to avoid default and the risk of over indebtedness. Most of the MFI's clients are from the host community residents, as it provides only limited services to refugee communities. Adeday gives three reasons for not serving refugees: a) they do not possess a residential ID card. b) the MFI does not have a clear understanding of the financial needs of the refugees, their credit worthiness and risk profile; c) the cost of financial services is high since refugee camps are far from the MFI branch. At present the MFI does not provide DFS, but it plans to train staff so that it can offer these services in the future.

Lideta. This MFI was established by the Catholic Church of Adigrat in 2012. Its aim is to support income-generating activities to poor women, especially those engaged in informal businesses. To date it has nine branches in eight towns of the Region. However, it does not have any branches or outreach around Shire areas. As for all the other MFIs operating in the region, refugees are not considered to be an important market segment; however, in collaboration with the NRC, Lideta opened a savings account for 84 refugees (43 female) and saved ETB 1.5 million (US\$35,994); while ETB 850,000 (US\$20,397) was disbursed as loans to the saving clients.

SACCOs. As of June 2017, there were 991 SACCOs and 33 SACCO unions in Tigray Region but only nine SACCOs and one SACCO union in Shire. The SACCOs in Shire have a membership of 3,304, of whom 40 per cent are female. Their role is mainly to mobilize savings from their members and lend back to them when they need it. SACCOs provide financial literacy training to their members, including information on the need for saving and the adequate management of loans.

Digital finance service providers: In Tigray Region, only DECSI MFI provides DFS in the form of the M-Birr service for its clients. M-Birr enables clients to use their mobile phones to carry out transactions such as person-to-person money transfer, deposits, withdrawals, airtime purchases, government-to-person transfer of cash pension and bill payments.

▶ 6.3 Demand side of financial services

In Somali Region, a rapid survey was conducted for the refugee and host communities' entrepreneurs in the Jijjiga and Kebrebiyah areas to assess the demand side of financial services. In Tigray Region, 75 entrepreneurs (25 refugees and 50 host community entrepreneurs) were interviewed. The survey investigated the demand for credit, saving, insurance and mobile-money services in the target areas. The results of the survey, as well as information from other sources, including KIIs, which points to the key features of demand for financial services, are provided below.

6.3.1 Demand for credit services in Somali and Tigray regions

In Somali Region, about 63 per cent of the surveyed respondents did not borrow money. There is no difference in gender dimension to this indicator. A high proportion of refugees, 72 per cent, did not borrow money.

In Tigray Region, 69 per cent (46 per cent female and 21 per cent refugees) of the respondents have had access to credit over the past year -2019.

The major reasons given for not borrowing in the two regions are similar and summarized as follows:

- ▶ the process of applying and getting a loan is long and bureaucratic;
- ▶ lack of access, as financial institutions do not serve refugees;
- ▶ no knowledge of where to borrow from;
- ▶ uncertainty of where to find Sharia-compliant products; and
- ▶ fear of loan (loan phobia).

Source of borrowing, loan purpose and loan size. In both regions the assessment showed that the source of borrowing is similar.

Half of the respondents in Somali Region who borrow money had used the services of MFIs, followed by family or friends (38 per cent), banks (8 per cent), and SACCOs (4 per cent). Many of the respondents (47 per cent) needed the money as a working capital, 36 per cent used it for expanding their business, 21 per cent to start a new business, and 6 per cent for investing in business premises. All the refugees who had access to credit (28 per cent) had borrowed it from family and friends. Loan sizes range from ETB 3,000 (US\$72.2) to ETB 320,000 (US\$7,697.6), with an average of ETB 127,865 (US\$3,075.8).

In Tigray Region, the assessment results show that in most of the cases the respondents borrow from MFI (61 per cent), family and friends (29 per cent) and SACCOs (9.5 per cent). So far only two refugee clients were able to obtain loans from formal MFIs. Many of those who have had access to credit invest the loans in their retail business. The range is from ETB 5,000 (US\$120.275) to ETB 400,000 (US\$9,598), the average being ETB 102,000 (US\$2,448).

Satisfaction/dissatisfaction with the credit service. The main reason given for dissatisfaction of credit services in both regions is that the credit products and methodology is not particularly appropriate to the target group: the procedure to access credit is long; collateral requirements, service charges and interest rates are high; and the language barrier results in difficult communication with bank staff and lack of access to credit products on the part of the refugees.

In Tigray Region, 83.33 per cent of the respondents of those who had borrowed said that they are satisfied with the products offered by financial service providers, especially those offered by MFIs and SACCOs.

In Somali Region, 54 per cent of the respondents said they are satisfied, and 38 per cent dissatisfied. A common reason given for satisfaction was that the loans were Sharia-compliant and that they helped the borrowers to start their businesses.

Preference for financial service providers. In Tigray Region, 33 per cent of the respondents borrow from MFIs, while 28 per cent prefer to borrow from family and friends. The latter source is the ideal source as it is speedy, the cheapest, interest-free and available most of the time. Repayment is free of stress and pressure. Another 28 per cent preferred to borrow from SACCOs because of speedy service, lower interest rate and flexibility in repayment. The remaining 11 per cent chose to borrow from banks because of the high loan size and lower interest rate.

In Somali Region, 53 per cent of the respondents preferred to borrow from MFIs. They mentioned that Somali MFI offers a suitable loan product which is interest-free: Sharia-compliant financing, which complies with their faith, and the requirements for obtaining credit are not difficult to meet. About 21 per cent of

the respondents preferred family and friends as a source of credit. Another 12 per cent of the respondents preferred banks because of the high loan size, while 14 per cent borrowed from SACCOs because of the easy access to the service. Refugees turn to family and friends for credit as they are the only available source of finance, and they have no experience in borrowing from other sources.

6.3.2 Demand for savings service in Somali and Tigray regions

In Tigray Region, 73 per cent of the survey respondents save money; 13 per cent of these are refugees and 35 per cent are female. Among the refugee and female entrepreneur respondents, only 37 per cent and 72 per cent, respectively, save money. From all the individuals surveyed, 55 (10 refugees and 26 females) have savings, but this is the case for only 5 of the female refugees. These savings are held in a bank for 62 per cent of the respondents, with an MFI for 24 per cent, with a SACCO for 8 per cent, in mobile banking for 4 per cent, and at home for 2 per cent. Reasons for saving were business expansion for 52 per cent; the betterment of family life and emergencies for 22 per cent; asset building and capital accumulation for 12 per cent; working capital for 9 per cent; and to access a loan for 5 per cent.

In Somali Region, 82 per cent of the survey respondents have a savings account at a bank. Out of the 25 refugees interviewed, 24 save, and 15 of these (62 per cent) have a savings account at a bank, while 8 (33.3 per cent) keep their savings at home. Only 4 per cent of the respondents have savings in an MFI. This supports the argument that the community trusts banks more than MFIs when it comes to saving but use MFIs as a source of borrowing. About 13 per cent of the respondents save at home, and 1 per cent have in-kind savings. Almost all of the respondents prefer to save their money with the banks through the savings account, as they consider that banks are the safest place to save. Banks are licensed and provide a good service delivery for their clientele. They also have a savings account which is suitable for the Muslim community. Because of easy access, 1 per cent preferred to save at home. This calls for MFIs to improve their public relations functions to inform the community that they are also licensed deposit-taking institutions, regulated, and supervised by NBE in the same way as banks. The MFIs also need to come up with a marketing strategy to enhance easy access to saving products and promote them effectively. Refugees and host community respondents have a clear savings plan. When asked why they are saving, 33 per cent of them said they want to accumulate money for business expansion and future investment; 24 per cent aimed to start a new business, 20 per cent want to accumulate capital for investment, 16 per cent want to use their savings to deal with emergencies and maintain the safety of the household, and 7 per cent plan to manage their daily expenses.

6.3.3 Demand for insurance service in Somali and Tigray regions

In both regions, there is a lack of awareness on the part of respondents regarding insurance products. Results from the study show that none of the respondents have insurance coverage. Furthermore, the study findings indicate that there is little understanding of the concept of insurance by the survey respondents, as 76 per cent of them do not know what insurance is. DECSI MFI has a “credit life insurance product” which is 1.5 per cent of the loan amount and a one-off payment made at the time the loan is disbursed. If the borrower dies, the outstanding loan will be cancelled. This arrangement helps the MFI to mitigate risk of bad loans, as well as ensuring that the family of the borrower is not burdened with unpaid loans if the borrower dies before the loan is fully paid off.¹³

13 This so-called Credit Life Insurance should be part of the topics covered in Financial Education that will be provided by the project to the target group so that the borrowers are aware of the context.

6.3.4 Demand for money transfer and mobile money service in Tigray and Somali regions

The use of DFS is prevalent in both regions. In Somali Region, about 85 per cent of the total respondents (host and refugee) have received cash through money transfer services, which is the case for 96 per cent of refugees. The proportion of women who have received money through a transfer service is lower (70 per cent). Money transfer agents such as Western Union and Dahabshiil are the main channels (63.4 per cent), followed by mobile banking services (28.1 per cent). As mentioned above, HelloCash is the main service provider. Others are Sahay, CBE-Birr and E-Birr.

In Tigray Region, 45 respondents, including 7 refugees and 18 females, have received cash through money transfer. In addition, 38 respondents, including 2 refugees and 14 females, have sent cash through money transfer. A further 61 per cent of the respondents, including 2 refugees and 2 females, use CBE-Birr, 19 per cent use HelloCash (2 female, no refugees), 10 per cent use M-Birr and 10 per cent use mobile banking.

The interest of humanitarian organizations in using banks and DFS as a platform for humanitarian cash transfer is another opportunity for deepening financial inclusion in the target areas. For instance, WFP, the Productive Safety Net Program (PSNP), European Commission's Humanitarian Aid and Civil Protection department (ECHO), NRC and CARE International are some of the humanitarian programmes using bank accounts or DFS for humanitarian cash transfers to their respective beneficiaries.

► 6.4 Opportunities for financial inclusion

The GoE, through the NBE, has issued several policy frameworks and directives to create an enabling environment for access to finance by everyone in Ethiopia. The directive on agency banking and mobile money aims to deepen financial inclusion through non-bank financial institutions. The directive on movable collateral is another leap in the financial industry to create access to finance for most of the population who are excluded from formal financial services because of lack of property collateral.

The implementation of CRRF by ARRA, and directives for wages and self-employment is another opportunity to create access to finance for refugees by solving the legal constraints hindering refugees from obtaining access to bank services.

The existence of many types of financial institutions and services in the target areas, including banks, MFIs, SACCOs and DFS, is an opportunity to extend the services to host and refugees with minimum intervention and support facilities. The existence of organizations such as Mercy Corps, which have experience in working with low-income communities and refugees and helping them to form financial services, self-help organizations such as VSLAs, and linking them to formal financial institutions such as SACCOs and MFIs, is another opportunity. PROSPECTS can collaborate with Mercy Corps to support and develop SHGs and SACCOs in the target areas. Furthermore, the collaboration can facilitate the linkage between SHGs to SACCOs or to MFIs or banks and the linkage between SACCOs and MFIs or banks.

The existence of a Sharia-based financial service with Somali MFI, and other upcoming fully fledged Sharia banks, will enable a deep financial inclusion in the areas.

7

Assessment findings: business development services

The ILO and its partners have conducted a series of assessments in the target areas for business development services in addition to KIIs. The findings from these assessments were reviewed and used as an input in this assessment.

▶ 7.1 Regulatory and market environment affecting BDS

Several of the GoE's legal and policy measures have shaped and continue to shape the supply and demand of BDS in the country for host communities and refugees.

New Refugee Proclamation No. 1110/2019. Discussed earlier, this Proclamation grants the right for refugees to open bank accounts, obtain work permits, acquire out-of-camp movement rights, and start and own a formal business. These and other rights in this Proclamation create an enabling environment for refugees to engage in self-sustaining activities and to gain access to BDS.

MSME Development Strategy of Ethiopia specifies various support packages for enterprise development in the country, including the facilitation of BDS through different local institutions. These are the TVET colleges, Trade Bureau, Urban Job Creation and Food Security Agency, and the OSS. These structures are present in both regions. Refugee and host community entrepreneurs are meant to benefit from this package without any discrimination.

National Technical and Vocational Training (TVET) Strategy. This provides for different skills training to address the competence needs of the labour market in the country. There is a TVET agency at the national level, and one in each region. The regional TVET agencies work with TVET institutes, such as Jigjiga Polytechnic College in Somali Region and Shire Polytechnic College. The overall objective of the National TVET Strategy is to create a competent, motivated, adaptable, and innovative workforce in Ethiopia, contributing

to poverty reduction and social and economic development through facilitating demand-driven, high-quality technical and vocational education and training relevant to the labour market in the country. There are 7 TVETs in Somali Region – 5 public and 2 private, and 55 in Tigray Region: 26 public, 26 private and 3 NGOs. The public TVETs offer their services free of charge.

► 7.2 Supply-side BDS

Somali region. Different government programmes and projects, NGOs, training institutions, a financial institution as well as a private company are involved in the provision of BDS in the region. However, the key providers are government institutions or departments and NGOs. The assessment revealed that most of these providers focus on technical or vocational skill-training, and less on BDS which include soft skills such as entrepreneurship, bookkeeping, marketing, cash-flow planning and general management.

Several government agencies are involved in supporting BDS provision.¹⁴ These include Somali government regional and local agencies or bureaus such as the Urban Job Creation and Food Security Agency, the TVET Agency, SME offices, the Bureau of Labour and Social Affairs, and Women, Children and Youth Affairs. These play a key role in supporting small businesses through registration, equipment, and provision of working premises, facilitating access to finance and provision of non-financial support services. The support is geared mainly to start-ups and growing businesses, targeting the youth individuals and groups who are organized by Urban Job Creation and Food Security agencies into SMEs.

These government actors work jointly through the OSS. There is an OSS in each district and in most kebeles throughout the country. The OSS is designed to provide the necessary business support information at one single window of services. This office is composed of key experts from the Trade Bureau, to facilitate licensing and registration; Somali MFI, to facilitate access to financial services; TVET, to provide technical or vocational training services; and the Urban Job Creation and Food Security Agency that facilitates overall support and coordination. In Keberbeyah, where refugees are located, MSME agencies or the Urban job creation and Food Security Agency and Somali MFI are the main actors in supporting enterprise development, through training and linkages with TVET and market actors. The services are offered to the public and as mentioned above, free of charge. However, the assessment revealed that the OSS targets only host community residents, thus excluding refugees.

According to the data obtained from the Regional Urban Job Creation and Food Security Agency, there are several small businesses being established and supported in different sectors by this Agency. The agency, in coordination with other government offices, facilitates market linkages, the provision of working spaces and market information for small start-up businesses. Accordingly, about 60 SMEs made up of 1,500 entrepreneurs (30 per cent female) in the construction sector, 18 enterprises with 262 owners (78 per cent female) in the service sector, and 57 enterprises with a total ownership of 1,178 (70 per cent female) in the trade sector, are currently supported. Out of the enterprises organized in the trade sector, 82.5 per cent are micro and the rest are small. In the Manufacturing sector, 91 MSE are employing 653 people (33 per cent female) who are engaged in metalwork and woodwork. These are from host communities.

Several humanitarian organizations or projects implement livelihood activities, which support BDS in the target areas. Many of these, such as the Regional Development and Protection Programme (RDPP), are funded by international organizations like European Union and World Bank and implemented by international NGOs such as Mercy Corps. While government programmes exclude refugees, the humanitarian organizations target both host and refugee communities. The assessment also revealed that their focus is on BDS rather than vocational skills. Some of the humanitarian organizations involved in small business support are listed in [Appendix 2](#), which also indicates their preoccupation.

¹⁴ See a full list of the government institutions engaged in providing BDS in [Appendix 1](#).

Private BDS providers. The market for private BDS providers is minimal as it is dominated by government and NGO programmes which provide these services for free. In Jigjiga, there is one private BDS provider known as Barawaqo Pastoral and Rural Development Consultancy (BPRD) which works with different companies and NGOs such as Pastoralist Concern. It organizes different events for its clients to improve access to markets, networking, and business opportunities. Furthermore, it provides information regarding finance and new technologies, including energy. The aim is to bring impact in the areas of access to finance, create exposure between business and partners, create job opportunities, and transfer knowledge and technology. It also offers different service packages to help small businesses grow using marketing, advertising, research, and strategic business planning. Furthermore, the company is providing an incubation centre for small business entrepreneurs for the purposes of learning, sharing working spaces, access to internet, and other infrastructure-related resources. Being a private sector player in a market that is yet to develop, and with people not willing or able to pay for the service, makes it difficult for BPRD to achieve its aims for the market, such as growing the incubation centre.

Tigray Region. The supply of BDS in Tigray Region has a similar pattern to that in Somali Region, with GoE departments and agencies taking the lead, followed by NGOs. Entrepreneurship Development Centre (EDC) and Digital Operation Trust (DOT) Ethiopia are emerging as active players in providing entrepreneurship training and coaching services to MSEs and SMEs. Agencies such as ARRA, in addition to financing, supports refugee enterprises to address capacity challenges and develop their business through its Technical Assistance Programme, which includes advisory services such as business development, marketing, governance, financial management and other key areas that are needed to strengthen MSMEs.

The NGOs mainly target the rural and urban youth in both host and refugee communities. They provide BDS in the form of life and employability skills; financial education training; entrepreneurship skills development; linkages to financial services and to vocational or technical skills at TVETs; promotion of gender equality and youth leadership. Appendices 3 and 4 provide a list of some of the key government and NGO actors in providing BDS in Tigray Region.

▶ 7.3 Demand-side analysis of BDS

Somali Region. The assessment revealed that 14 per cent of the 72 surveyed respondents said they received BDS to improve their businesses, of whom 18 per cent were female and 34 per cent were refugees. Those who received BDS mentioned that their training included topics such as acquiring new business ideas; starting a business; making a business plan; accessing and using new technology, equipment, and tools; as well as obtaining information on market trends and opportunities. About 53.5 per cent of the survey respondents who received BDS mentioned that they benefited in terms of growth and sustainability of their business. The respondents also mentioned that the main BDS providers they are familiar with are government organizations, followed by international NGOs and projects as listed in Appendices 1 to 4. Almost all the respondents who were given BDS to date received it from government organizations, while the remainder of the respondents received it from international NGOs.

The host communities received the services mainly from government offices, while refugees were given support from NGOs such as Mercy Corps (RAIN PRIME project), GIZ, Save the Children, Oxfam and so on. Support from these NGOs was given free of charge. More than 90 per cent of the survey respondents mentioned that they would like to receive such services in the future to improve their businesses. The type of services requested by the respondents include business plan preparation followed by business management and marketing, and then access to finance, record keeping, managing business expenditure and profits. However, only 25 per cent of the respondents are willing to pay for the services received.

Tigray Region. From the surveyed respondents, 33 received BDS from different actors; 14 of these are female and 3 are refugees, of whom 2 are female. So far, 44 per cent of enterprise owners have received BDS services, and 33 per cent of these are female. The training covered skills (42 per cent), business management (48 per cent), and accounting, filing and documentation (10 per cent). Skills training was found to be the most useful for 42 per cent of the respondents, while 48 per cent thought business management training was the most useful. Making business plans, short-term vocational training and business management training were the subjects preferred by the respondents, and 91 per cent of them would like to access BDS in the future. They all mentioned that they received the BDS for free, and 79.6 per cent would not be ready to pay for the services in the future. Of these, 46.6 per cent were women. A total of 91 per cent of the respondents (85 per cent of the females and 94 per cent of the males) would like to use BDS services in the future.

Almost all the refugees and host communities mentioned that they do not know how to access BDS. About 21 per cent said that the service is not available to them. When asked if they knew any institutions that provide business advisory service in their area, about 86 per cent of the respondents replied that they did not know. Almost half (45.5 per cent) of the respondents do not have access to information about BDS service providers. About half of these are female, and this is the same for both refugees and host communities. The following reasons were given for not accessing BDS: 62 per cent said the providers are not available, and 38 per cent said they do not know how to obtain it. From the total surveyed enterprises, 44 (62 per cent) of them are registered, and all of them are host community businesses. Only 40 per cent of female-owned enterprises are not registered. When asked the reasons for not registering their business, 71 per cent of the respondents thought that the registration process is complicated and difficult, and 24 per cent said their businesses are too small to be registered.

► 7.4 Key challenges in BDS

The challenges are similar in the two regions.

Regulatory side. Implementing the new refugee law, Proclamation No. 1110/2019, is slow. Until it is in place the refugees cannot readily access BDS as provided by the law.

Supply side. By and large, BDS products are supplier-driven and the BDS providers, mainly governmental, lack a systematic process to identify and articulate the needs of the market. For example, the TVET accreditation and apprenticeships programmes focus on vocational skills, with less attention on BDS – the soft skills needed by many in the target market. It is important to complement vocational skills with soft skills such as entrepreneurship and BDS to create opportunities for more self-employment for those who have been trained. The NGOs are many, but there is no evidence that they have a forum to discuss their interventions.

Other challenges for the government institutions or departments include the following.

- They are poorly equipped and less motivated and bureaucratic. This results in slow process, low quality services and services limited to government priority sectors.
- Their services are limited to technical skills (as opposed to BDS), licensing, and registration.
- There is lack of a data management system to keep track of relevant records.
- The services are limited to host business – the refugees are excluded.
- They lack sufficiently skilled manpower and the budget for follow-up and coaching the trained people.
- The services provided by Somali MFI are limited to loan clients and restricted in outreach; Somali MFI also lacks the budget and expertise to develop a curriculum.

Demand side. The major challenge on the demand side is the lack of awareness and knowledge as to the availability of BDS and who offers the services. Related to this is the lack of formal education on the part of a large part of the population. From KIIs, regarding Somali MFI, most loan applicants are illiterate, which makes it difficult for the MFI to provide BDS. Other challenges include unwillingness to pay for the service and the lack of mobility on the part of the refugees, who are unable to move to search for the available BDS.

▶ 7.5 Opportunities for BDS

The regulatory environment, as explained in [Section 7.1](#), is quite supportive and only needs mechanisms to ensure that the intended benefits can be realized quickly. This will call for a common appreciation of what is provided for and strong coordination among different stakeholders, including local government, NGOs and private sectors, to ensure fact tracking of the policies and laws.

Several international NGOs have mandates that take them to refugee communities which are not served by government institutions. There is, therefore, an opportunity to mobilize and bring together these international NGOs to form a strong coordination body to ensure that all the interventions are complementary and not competitive.



▶ 8

Summary of gaps and opportunities from the assessment, and recommendations for interventions

The assessment has revealed the gaps in the legal and policy environment that have a direct impact on refugees, the supply and demand for financial and business development services, and the development of cooperatives in Ethiopia. In addition, it has uncovered the status of communities in the host communities and refugee camps in terms of the size of the population, education levels and livelihoods. The impact of COVID-19 was also assessed. This section summarizes the gaps in all the areas assessed and provides recommendations that would address them.

▶ 8.1 Gaps and recommendations in the legal and policy environment

Gaps

The new refugee law was enacted in 2019. While this law is comprehensive in terms of ensuring rights regarding social and economic integration, as well general refugee protection, its implementation is slow. This is mainly for two reasons: (a) lack of awareness on the part of some key players such as MFIs as to what the law provides for, and (b) lack of a strong coordination among key players. There is, therefore, a need to create awareness and also to work towards strengthening coordination within the key stakeholders. The recommended interventions below are meant to address these two issues.

Recommended interventions

Entry activities

- ▶ **Meet all key stakeholders:** ILO PROSPECTS should start off by holding a one-on-one meeting with key stakeholders. The purpose of the meeting would be for ILO-PROSPECTS to further familiarize itself with the nature and extent of the activities of these organizations with regard to the rights of refugees. The stakeholders will include, but are not limited to, the following:
 - ▶ regional government officials as well as relevant officials at different administrative officials in the host and refugee communities;
 - ▶ agencies and NGOs such as UNHCR-ARRA, Mercy Corps, Norwegian Refugee Council, Danish Refugee Council; cooperative agencies such as Federal Cooperative Agency, Regional Cooperative Agency, DCO cooperative unions; and representatives from primary cooperatives; and
 - ▶ commercial banks, MFIs and DFIs.
- ▶ **Organize and conduct stakeholders' workshop:** ILO PROSPECTS should conduct an initial workshop. A key outcome would be:
 - ▶ the participants get to know who is doing what;
 - ▶ formation of a working group or forum; and
 - ▶ broad guidelines as to how the working group will be carrying out its activities. The members should be like-minded and will have a shared mission – ensuring fast tracking of the implementation of the new refugee law.
- ▶ **Facilitate and organize regular meetings of the working group:** ILO PROSPECTS should take the lead in this activity. The working group would meet regularly (for instance, once every quarter) to discuss implementation bottlenecks and strategies related to Proclamation No. 1110/2019. This would help to ensure that the activities of the various stakeholders complement each other and that there is no duplication of efforts or worse, competition.
- ▶ **Come up with refugee rights awareness activities:** ILO PROSPECTS should initiate and carry out activities meant to promote awareness of refugee rights in line with Proclamation No. 1110/2019 and also to promote integration of the host and refugee communities. The activities could include, but would not be limited to, awareness workshops, radio talk shows, billboard messaging, essay competitions, one-on-one meetings, sponsoring sports events such as football, and so on. The target would be the relevant government departments, MFIs and banks, with the target population in host and refugee communities.

► **Table 4. Legal and policy environment for refugees: implementation schedule of interventions and activities**

Activity	Implementation schedule															
	Year 1				Year 2				Year 3				Year 4			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Meet all key stakeholders and organize an initial workshop																
Formulate strategy for fast tracking implementation of new refugee law																
Carry out awareness campaign, advocacy, and lobbying activities																
Hold regular refugee law working group meetings																

► 8.2 Gaps and recommendations in the cooperatives and self-help organizations

Gaps

There are few cooperatives within both refugee and host communities. They are weak, as evidenced by low membership, low level of capitalization, and a lack of skills on the part of management and staff. Therefore, they have poor accounting systems, do not have effective business plans or strategies to mobilize funding for their respective activities as well as creating market linkages, and lack the capacity to mobilize communities to join or form cooperatives. Furthermore, they have inadequate office structures. This is true for all types of cooperatives, including SACCOs. Government departments that are meant to support them, such as the DCO, have neither the morale nor the financial and technical capacity to provide adequate capacity-building for the cooperatives. They are mainly focused on registration and licensing, less so on capacity-building. Moreover, their support is more focused on cooperatives and SHGs in host communities, less on those in refugee communities. The international and national NGOs, as well as projects working with refugees and the support of host community members is mainly in WASH, enterprise development and food aid. Therefore, there is hardly any viable support structure for the development of cooperatives. Support for developing cooperatives cannot be overemphasized, as they have a lot of potential in addressing the livelihood of refugees as well as the host communities. It would therefore be worthwhile for ILO PROSPECTS to invest in the interventions listed below.

Recommended interventions

There is a need to strengthen the capacity of the support organizations such as the DCO and private BDS providers such as BPRD referred to above. Once strengthened, they could in turn continuously provide the required technical assistance to the cooperatives, even when ILO PROSPECTS comes to an end. If this is done properly, the primary cooperatives would be enabled to mobilize more people within their communities to join the cooperatives. Increased membership should lead to increased capitalization. With proper accountability thanks to enhanced capacity-building, the members would enjoy more high-quality services. ILO PROSPECTS should first come up with a capacity-building programme for the DCO

and any other BDS provider, and then, together with these organizations, come up with a capacity-building programme – TA – for the primary cooperatives. TA would be delivered to the cooperatives by the DCO and other BDS providers. ILO PROSPECTS would focus on a supervisory role to ensure that TA delivery is effective and that the providers continuously respond to the needs of the cooperatives in both the host and refugee communities. Therefore, ILO PROSPECTS would facilitate the development of training materials and conduct Training of Trainers (TOT) for the service providers. ILO PROSPECTS would then monitor and evaluate the capacity-building programmes for the primary cooperatives and would initially have to pay the private service providers for their services. However, over time – say, after two or three years – PROSPECTS would have to come up with a cost-sharing mechanism with the cooperatives receiving the capacity-building services. ILO PROSPECTS should also come up with an incentive scheme for improved performance on the primary cooperatives such as capital or seed grants based on performance indicators such as the number of members recruited per period. ILO PROSPECTS should also suggest a budget to equip the DCO, and an incentive for the staff based on performance. Together with the DCO, ILO PROSPECTS should also, maybe in the third year, work to link cooperatives that work well, especially SACCOs, to the formal financial institutions – MFIs and banks.

Furthermore, ILO PROSPECTS should devise a working arrangement with organizations such as Mercy Corps to strengthen the capacity of the self-help organizations following the VSLA model, to enable them to serve members with quality services. In addition, ILO PROSPECTS should engage with the FCA to advocate for a better enabling environment for cooperatives and facilitate the formation of the cooperatives federation in Somali Region, and build its capacity, so that in turn it can build the capacity of unions and primary cooperatives. In addition, host community cooperatives should be assisted to provide services to displaced persons, that is, include displaced persons as members who could therefore enjoy the same benefits as the rest of the members. Support for the cooperative development should also consider the opportunities of mobilizing the economic actors to form or strengthen cooperatives along the value chains of the economic activities, so that forward and backward linkages can be realized.

► **Table 5. Development of cooperatives and self-help organizations – implementation schedule of interventions and activities**

Activity	Implementation schedule															
	Year 1				Year 2				Year 3				Year 4			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Confirm the training needs for the DCO as well as the private BDS providers and devise the capacity-building programme for these institutions	■															
Together with DCO and other providers, develop a four-year capacity-building programme for the primary cooperatives, and revise each year	■				■				■				■			
Equip the DCO and provide incentives to the DCO staff – computers, cycles	■															
Provide the TA for DCO – TOT and refresher TA throughout the period	■	■				■				■				■		
Provide seed capital and equip cooperative offices for the primary cooperatives that respond to the TA			■				■				■				■	

Activity	Implementation schedule															
	Year 1				Year 2				Year 3				Year 4			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Monitor capacity training programme by the DCO																

► 8.3 Gaps and recommendations for financial services

Legal and policy environment

The GoE has developed several legal proclamations and policies with the intention of enhancing access to financial services. However, the Customer Due Diligence of Banks Directive, because of its KYC requirements, has had the effect of excluding some potential clients, particularly refugees, as they do not have a national ID card, which is part of the KYC requirements. ARRA and UNHCR have been working with CBE to enable refugees to access the bank's savings products, with an ATM card established based on the refugee cards issued by ARRA. This arrangement is allowed by the NBE. Some formal FIs are not aware of this arrangement. Creation of awareness will be key in resolving this issue and this is addressed in [Section 8.1](#) above.

Financial Service Providers

Banks. Eight commercial banks operate in Somali Region. CBE is the market leader, with branches available to the host community. Its savings product is quite popular with the host community, and CBE has also started serving the refugees who use their refugee cards to open savings accounts and acquire ATM cards. Other banks have Sharia-compliant products, which are well suited to the Muslim community that is predominant in Somali Region. Cash transfers and mobile money are also increasing in popularity. However, for the rest of the non-Muslim community, the banks have yet to develop credit products and methodologies which respond to their needs. The banks consider this segment of the population risky and unbankable, and that they involve high transaction costs because of the small loans taken out by most clients. In addition, the stringent lending procedures, policies, and requirements exclude small businesses from gaining access to financial services from commercial banks. The banks have limited knowledge and therefore a low interest in serving low-income earners with credit products, both in the refugee and host communities. Though it does not augur well, this challenge should be addressed to enhance financial inclusion.

Recommended interventions for banks

ILO PROSPECTS should engage CBE and other commercial banks (which have operations in the target areas) to discuss options of downscaling and serving target clients in the host and refugee communities with the appropriate credit products, and enhancing the savings products. Through a series of meetings and workshops targeting the relevant officials of the banks, ILO PROSPECTS should help banks understand this market better and how microfinance works. This could also include arranging and facilitating exposure visits to target communities. Once the banks develop an interest in this market for the credit products, ILO PROSPECTS could assist them, through technical service providers, to develop credit products: SME loans based on cash flow and character assessment of the borrowers; credit policies and

manuals; recruitment of staff familiar with microfinance operations, and so on. Furthermore, the project should also consider linking banks to SACCOs and self-help organizations that perform well. The SACCOs or self-help organizations would open savings accounts with the selected banks, and this relationship would be used as a springboard that could lead to developing credit products with the SACCOs and self-help organizations and their respective owners. The assessment revealed that Mercy Corps is already doing this. ILO PROSPECTS should engage with Mercy Corps to discuss and partner with them to further facilitate these linkages.

MFIs. Two MFIs operate in Somali Region – Somali MFI and Rays MFI. Somali MFI has operations in Jigjiga and Kebrebiyah, where two of its branches serve in the host communities and are accessible to refugees. Though Somali MFI has a physical presence in refugee-hosting districts, it does not serve refugees with loan and saving products, for various reasons including KYC requirements (the need to provide a national ID card) and restrictions of access to refugee camps. Internal constraints include stringent lending requirements such as collateral (in the form of land and houses), as well as the perception that refugees have a high-risk profile and are unbankable, and therefore do not have the ability to save money. The same holds true with Rays MFI. Therefore, the challenge is that refugees cannot access credit and saving products from either of the MFIs, partly because of the erroneous thinking that KYC curtails them from providing services to refugees. The Tigray Region MFIs, namely DECSI, Adeday and Lideta, just like the Somali MFIs, do not serve refugees and have similar reasons for not doing so.

Recommended interventions for MFIs

ILO PROSPECTS should continue engaging the MFIs and also reach out to all institutions and projects working with them, such as Mercy Corps and AEMFI, to understand better the nature and scope of their interventions, current and future, and agree on areas where there are still gaps. This would help ILO PROSPECTS to understand which interventions should be carried out, while also determining potential areas of collaboration. It would also help to avoid the duplication of efforts and determine where synergies can be built. However, the challenges on which ILO PROSPECTS should hinge its intervention, and which must be addressed, is the lack of appreciation of the refugee market on the part of the MFIs. The project should suggest a number of measures, including conducting awareness workshops to address the issue. The target participants for the workshops would include selected staff of the MFIs, refugee “leaders” – opinion leaders, government, and ARRA officials. Another measure for creating awareness is facilitating exposure visits to businesses in refugee communities and demonstrating how refugees need savings and credit products, and how they could pay back loans. The idea is to discount the myth that refugees are not bankable. Initially, the two MFIs do not necessarily need to develop a “product” solely tailored to refugees. They would provide the same group methodology product as provided in the host community, and over time the product may be redesigned, depending on needs of this market. Other areas of capacity-building would be to support the MFIs in building their internal capacities for providing financial literacy training, establish a network of mobile money agents in the target areas, and also to help them establish a branch network in refugee communities.

The issue of KYC will be handled as indicated in [Section 6.1](#). The most important objective of the intervention is to facilitate access to these services by the refugees, enabling MFIs to reach out to refugees in their camps, and refugees to use their refugee cards to access savings and credit products.

As in the case of banks, ILO PROSPECTS should also facilitate linkages between self-help organizations and SACCOs, and MFIs in partnership with organizations such as Mercy Corps. This intervention will also involve working initially with the DCO office to build the capacity of SACCOs, as discussed above in the Cooperatives section, [Section 5.9](#).

► **Table 6. Financial services: implementation schedule of interventions or activities**

Activity	Implementation schedule															
	Year 1				Year 2				Year 3				Year 4			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Banks																
Engage banks in discussions of options of downscaling and serving target clients in the host and refugee communities with appropriate credit products, and create awareness regarding target market	■															
Work with banks to come up with appropriate credit products		■	■	■	■	■										
Facilitate the linkage between self-help organizations, SACCOs and banks	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Monitor the progress of outreach and address TA needs as appropriate and as they emerge				■				■				■				■
MFIs																
Continue to engage with the MFIs directly, and also reach out to organizations that work with MFIs and determine areas of support and capacity- building strategy	■															
Based on the above, carry out capacity-building programme	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Facilitate linkages between self-help organizations, SACCOs and MFIs	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Monitor the progress of MFIs providing financial services to refugees				■				■				■				■

► 8.4 Gaps and recommendations in BDS

Gaps

The gaps in the BDS are discussed in detail in 8.4 above. Government interventions focus more on providing technical skills to enterprises in host communities. Therefore, the government hardly offers BDS, and in addition they do not serve refugees. Furthermore, the structures put in place by the government to support BDS such as the OSS and TVETs face a number of challenges, including lack of staff capacity, slow processes, lack of equipment and low staff morale, resulting in limited interventions and scope, quality, and outreach. Furthermore, BDS is not provided by the TVETs. Therefore, most of the TVET graduates cannot take advantage of self-employment opportunities because of the lack of entrepreneurship and BDS skills, and therefore end up looking for employment. A large number of NGOs are involved in providing BDS, but there is no evidence that they have a forum that brings them together to discuss their interventions.

This could lead to the duplication of efforts. One private BDS provider works in an undeveloped market. Because of the lack of financial resources, it is difficult for BPRD to fulfil its intentions for the market, such as growing and strengthening the incubation centre.

Recommendations

- ▶ ILO PROSPECTS will need to liaise with other projects and NGOs that support BDS to better understand what they are doing, and use this as basis to create and promote a coordination mechanism for all players in the BDS, to:
 - ▶ facilitate the collaboration of UNHCR, ARRA and various NGOs working in refugee programmes to engage with private sector and financial institutions to develop and deliver entrepreneurship and BDS to refugees and host communities;
 - ▶ promote greater coordination and integration of BDS services among different donors and government programmes;
 - ▶ engage multiple stakeholders to establish strategic linkages between entrepreneurship and other programmes (across public, private, and non-profit sectors) supporting migrants and refugees; and
 - ▶ promote active collaboration involving public, private, and civil society institutions at all levels to strengthen capacity and policies that foster an environment for enabling growth and allow proven interventions to succeed at a greater scale.
- ▶ Improve the capacity of key players such as OSS centre staff, Urban Job Creation and Food Security Agency, Trade Bureau, and others through TOTs on entrepreneurship and BDS. Set up a support office of the OSS, including provision of office equipment and furniture.
- ▶ Select TVETS to work with stakeholders and in partnership with them, endeavour to make the TVETS more market-oriented and effective in teaching practical lessons that encourage entrepreneurship development. Introduce or improve entrepreneurship curricula that should be given as a standard module for training and coaching small businesses and provide TOT on entrepreneurship to TVET trainers. This intervention would need high-level Regional Government endorsement. It would be a continuation of an on-going activity.
- ▶ Identify private BDS providers such as BPRD to engage them in providing BDS to refugees and host community entrepreneurs. This private sector needs support in the areas of setting up training facilities, computers, internet, training materials, logistics, skill, and manpower.
- ▶ Enable private BDS enterprises in terms of designing business strategy, TOT, training materials, support for the required office structure, space, computers, and other office materials, and so on.
- ▶ Link private BDS providers with TVETs, universities and other humanitarian organizations for them to gain exposure to BDS markets.

► **Table 7. Business Development Services: implementation schedule of interventions or activities**

Activity	Implementation schedule															
	Year 1				Year 2				Year 3				Year 4			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Arrange to meet all those involved in providing BDS																
Conduct TOT for all government agencies involved in BDS																
Support office set-up of OSS																
Support the TVETs and monitor their training																
Support for private BDS providers																
Support at the policy level																

► 8.5 Gaps and recommendations on the demand side for financial and business development services and cooperatives

Gaps

The assessment revealed that most of the host community members and refugees have not received any formal education, and therefore many are illiterate. Regarding age, 61 per cent were younger than 18 years old, while 9 per cent were over 60. Therefore, about 30 per cent of the target population is more economically active. In Somali Region, the means of livelihood for host and refugee communities appear to be similar. These include farming activities, livestock rearing, wage work, domestic or house-keeping services, trade, remittances and assistance. However, the assessment also revealed that 61 per cent of the refugees rely on assistance. Few people in the target group receive financial services or BDS and seek to join cooperatives. Some of the factors that could explain this limited demand are: lack of awareness and knowledge as to the available financial and BDS services; unwillingness to pay for the service; lack of mobility of the refugees; aid dependency.

Recommendations

ILO PROSPECTS should endeavor to continue investing in financial education training programmes as well as creating awareness (particularly for refugees on their rights, as provided for in Proclamation No. 1110/2019) for the target community, most of whom have no formal education. Financial education should be broad, with the aim of stimulating demand for financial services, creating awareness for entrepreneurship opportunities as well as for the cooperatives model. Thus, well-packaged financial education, delivered in a way that the target group can relate to, should result in more people seeking out financial services – savings, credit, insurance, as well as DFS. This, inevitably, will lead to more people engaging in small and medium businesses, which should lead to a demand for BDS and the need to work according to the cooperative model. The training materials for financial education should be concrete,

practical (hands-on), aimed at the needs of the target group. The content should include, but not be limited to, the financial products offered by the institutions, the features of those products, the costs to the borrower (financial, transactional and opportunity costs), explaining how the interest is calculated and the importance of paying back the loans. Furthermore, ILO PROSPECTS should continuously evaluate its methodology to ensure that the financial education reaches the target group in a convenient manner, during the project period and beyond. The project may want to consider conveying the financial education training and awareness campaigns through self-help organizations, SACCOs and primary cooperatives. Radio talk shows as well as billboards would also be critical for disseminating major messages.

The following activities are suggested:

- ▶ evaluate the financial education training and awareness campaign materials that have already been developed, in light of the fact that most of the target group members are illiterate;
- ▶ revisit the methodology of rolling out this training (for instance, how the TOT participants are rolling out the training to the target market);
- ▶ consider recruiting local community workers who speak local dialects and understand the culture of the target beneficiaries in the host community and refugee camps;
- ▶ conduct TOT for these community workers;
- ▶ have the community workers work through the self-help groups, SACCOs and primary cooperatives to train the target groups both in the host and refugee communities;
- ▶ sponsor and conduct radio talk shows and put-up billboards for the awareness campaign.

▶ **Table 8. Demand side for financial and business development services and cooperatives: implementation schedule for interventions or activities**

Activity	Implementation Schedule															
	Year 1				Year 2				Year 3				Year 4			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Evaluate the developed financial education training and refugee rights awareness campaign materials and revise where necessary to fit the needs and conditions of the target market; also revisit the training methodology	■	■														
Identify and recruit local community workers or mobilizers and conduct workshops to orient them about the ILO PROSPECTS objectives		■														
Conduct TOT for community workers		■														
Facilitate community workers to conduct training through self-help organizations, SACCOs and other primary cooperatives			■	■	■	■	■	■	■	■	■	■	■	■	■	■
Monitor the progress of the training				■	■	■	■	■	■	■	■	■	■	■	■	■

▶ 8.6 The impact of COVID-19

The assessment indicated that those refugees were more affected than the host community because of the conditions they live in, especially as the remittances that refugees used to receive from outside the country have been significantly reduced. In the host community, financial service providers have experienced slow loan repayments, and this has slowed down lending activities.

ILO PROSPECTS will have to work closely with regional governments and other organizations to ensure that the rate of infections is reduced. The project will encourage its stakeholders, partners, and targeted communities, as far as possible, to comply with the World Health Organization and the GoE's stipulated SOPs for COVID-19 spread mitigation. Furthermore, and depending on the availability of the budget, PROSPECTS should explore the possibilities of carrying out the following services for the target beneficiaries: distribution of masks and sanitizers, organization of COVID-19 awareness and SOPs workshops targeting host and refugee residents; provision of soap and freshwater points (especially in refugee camps) so that the residents can easily wash their hands.

9

Conclusion

The overarching objective of the assessment was a critical analysis of the market systems for MSME development, BDS, Cooperative Promotion, and access to financial services in the Somali and Tigray regions. This was to provide a clear understanding of the specific market actors, supporting functions and regulatory environment, responsive to the needs of women and men refugees and members of host communities. This would then inform the nature of interventions for the ILO PROSPECTS for the economic and social development of the host and refugee communities. In carrying out this assignment, the research team took the maximum care and responsibility to fulfil its objective despite the challenges, mainly those of limited movement in the target areas on account of COVID-19 and tension in Tigray Region. The gaps are many. While the government has come up with good laws that create an enabling environment for the protection of refugees, the supply of financial services and BDS as well as the development of cooperatives, the implementation of these laws is slow, and therefore the target group in both host and refugee communities remains vulnerable. The good news is that the challenges are not unsolvable. The research team has proposed a number of carefully considered actionable interventions which should go a long way in closing those gaps. The recommendations are summarized below.

A. Legal and policy environment

- ▶ Join or facilitate the formation of a stakeholder working group and conduct a stakeholders workshop to form a working group to formulate a strategy for fast-tracking the implementation of Proclamation No. 1110/2019, in liaison with other stakeholders.
- ▶ Carry out advocacy and lobbying activities to create awareness through newspaper articles, radio talk shows, billboard messages, sporting events.
- ▶ Hold regular refugee law working group meetings and compare notes with other stakeholders and monitor progress of the application of the law.

B. Cooperative development

- ▶ Confirm the training needs for the DCO as well as the private BDS providers and devise the capacity-building programme for these institutions.

- ▶ Together with DCO and other BDS providers, develop a capacity-building programme for the primary cooperatives and revise it each year. This should include:
 - ▶ training of cooperative members and management committee on cooperative business model.
 - ▶ techniques of assessing feasible business opportunities, business planning, record keeping, financial management, marketing, and value addition.
 - ▶ diversification of income portfolio.
- ▶ Provide the TA for DCO – TOT, and refresher TA throughout the period.
- ▶ Equip the DCO and provide incentives to the DCO staff – computers, motorcycles for field work.
- ▶ Provide seed capital and equip primary cooperative offices with basic furniture for those who respond to the TA that will be provided.
- ▶ Monitor capacity training programme by the DCO and other BDS providers
- ▶ Facilitate host community cooperatives to include displaced persons as members and to provide them with services (this is the most important option of cooperative development in the Kebrebiyah context)
- ▶ Facilitate the establishment and strengthening of the linkage between cooperatives and self-help organizations operating in the different activities of a particular value chain.
- ▶ Facilitate the improvement of the working relationship between the woreda cooperative office and the cooperatives in the host and refugee communities: this will involve engaging with the cooperative supporting stakeholders as part of the cooperative capacity-building endeavour. They should join in at the cooperative intervention planning phase.

C. Financial services

Banks

- ▶ Engage banks in discussions of options of downscaling and serving target clients in the host and refugee communities with appropriate credit products and create awareness regarding target market.
- ▶ Work with banks to design appropriate credit products and enhance outreach with savings products.
- ▶ Facilitate the linkage between self-help organizations, SACCOs and banks.
- ▶ Monitor the progress of outreach and address TA needs as appropriate and as they emerge.

MFIs

- ▶ Reach out to MFIs directly, as well as organizations that work with MFIs, and determine a capacity-building strategy.
- ▶ Based on the above, conduct TA throughout the project period
- ▶ Facilitate linkages between self-help organizations, SACCOs and MFIs.
- ▶ Monitor the progress of MFIs providing financial services to refugees.

D. Insurance services

- ▶ Work with partners as well as insurance companies to explore possibilities of offering livestock and crop insurance; MFIs could be agents in this scheme.

E. Business development services

- ▶ Arrange to meet all those involved in providing BDS.
- ▶ Provide training materials and conduct TOT for all government agencies involved in BDS.
- ▶ Support office set-up of OSS.
- ▶ Support the TVETs and monitor their training.
- ▶ Support private BDS providers.

F. Demand-side recommendations

- ▶ Evaluate the developed financial education training and refugee rights awareness campaign materials and revise where necessary to fit the needs and conditions of the target market; also assess and adjust as needed the training methodology to improve effectiveness.
- ▶ Identify and recruit local community workers or mobilizers and conduct workshops to orient them about the objectives of ILO PROSPECTS.
- ▶ Conduct TOT for community workers.
- ▶ Help community workers to conduct training through self-help organizations, SACCOs and other primary cooperatives.
- ▶ Monitor the progress of the training.

G. COVID-19 response

- ▶ ILO PROSPECTS will have to work closely with regional governments and other organizations to ensure that the rate of infections is reduced. PROSPECTS should:
 - ▶ distribute masks and sanitizers;
 - ▶ conduct COVID-19 awareness and SOP workshops targeting host and refugee residents;
 - ▶ provide soap and freshwater points (especially in refugee camps) so that the residents can easily wash their hands.

The key for ILO PROSPECTS to succeed in these recommended interventions is to work closely with projects and organizations that are already on the ground and collaborate with them as a team. It is also important to keep an open mind and adjust interventions where necessary in response to changing situations during the implementation period.

► Appendices

► Appendix 1. Somali Region, key government actors directly supporting enterprises in BDS

BDS providers	Description of the BDS provided	MSMEs targeted	Challenges encountered by BDS providers
Somali Region Urban Job Creation and Food Security Agency	<ul style="list-style-type: none"> Primarily mandated to create job opportunities for the young unemployed workforce in the region. It provides capacity-building, facilitation of workplaces and linkage with finance. The office works closely with TVET, MFIs, and other NGOs. The role of Somali Region Urban Job Creation and Food Security Agency is more of coordination and capacity-building for the lower levels of the agency which are in different city administrations, including Jigjiga city administration and Kebrebiyah. 	Unemployed youth to be organized into group enterprises	
Jigjiga city administration Urban Job Creation and Food Security Agency, and Jigjiga city OSS centres Kebrebiyah city administration Urban Job Creation and Food Security Office and OSS centres	<ul style="list-style-type: none"> Registration of job seekers and unemployed youth, and licensing by providing a brief awareness of types of business organization, issuance of trade licence and tax identification number (TIN). MSEs group formation and legalization. Business management service, counselling, coaching and guiding services for unemployed youth. Facilitation with working premises. Facilitation and support for enterprises to be graduated to the next level of SME. Provision of short-term and entrepreneurship training. Provision of marketing management and financial management training. Provision of information and advice on the nature of the business organization, business plan preparation. Access to working capital – loan facilitation. Facilitation of access of existing and new MSMEs to a modern bookkeeping system. Provision of product or service quality and productivity management systems (Kaizen). Market linkage service. Facilitation of access to credit, linking enterprises that seek industrial extension services with TVETs, making follow-up to clusters and delivering other support services. Facilitation of enterprises' access to financial accounting and auditing services. Facilitation of experience- sharing and market linkages between enterprises. Provision of support to enterprises to help access common facility services, joint procurement and market linkages. Organization and support in managing exhibitions and bazaars to promote market linkage. 	<ul style="list-style-type: none"> Unemployed youth and MSMEs in local communities, particularly those living in Jigjiga town and Kebrebiyah. The primary target is organizing unemployed youth in to start-up business. Refugees are not the primary segment for this service. 	<ul style="list-style-type: none"> Capacity limitations, especially technical skills gaps for our staff in the provision of training, limitation of budget, weak data record and management system. The lack of manpower in terms of leadership, competence and commitment. Lack of clear job description for the OSS centre staff or trainers. Lack of sufficient manpower at OSS centres (for instance the structure says 13 staff at one OSS, but there is a maximum of 6 available staff one OSS centres). Lack of budget. Lack of exposure to training.

BDS providers	Description of the BDS provided	MSMEs targeted	Challenges encountered by BDS providers
Jigjiga Polytechnical College (JPTC)	<ul style="list-style-type: none"> • Provision of advisory support to small businesses engaged in production, and manufacturing businesses on the use of machines, technology, production processes and linkage with supply. • Support for businesses in the supply of the required input such as human resources, equipment, finance, and so on. • Development and delivery of technical skills, business management and marketing training programmes that are appropriate for different enterprise levels. • Business skill training to be provided as a common course to its students. • Entrepreneur skills development services to be provided for refugees, particularly the youth in a scholarship manner, in collaboration with NGOs. • Graduate students to be linked with the government offices to obtain employment support. • A limited number of refugees have enrolled with the college. <p>Many of the TVET graduates did not secure employment after graduation. The survey indicated that 78 per cent of the TVET graduates are neither employed nor self-employed.</p>	<ul style="list-style-type: none"> • The target market is students who have completed 10th grade. • Students are funded by the government, so tuition is free. • Some refugee students are supported by NGOs such as UNHCR, DRC, and NRC. • Trainees sent by NGOs from refugee camps are usually enrolled in shorter-term training, ranging from 45 days to 3 months. 	<ul style="list-style-type: none"> • Lack of enough workshops or poorly equipped training centres. • Lack of dormitories to accommodate regular host trainees coming from outside Jigjiga town. • The institute is supposed to deliver new outcome-oriented entrepreneurship training programmes, which combine both theoretical and practical aspects, for building the entrepreneurial competencies of MSEs; but it focuses only on the theoretical part, with few days of training. • The development of training programmes is not based on a thorough training needs assessment. • NGO-run programmes tend to be short-term compared with government and other privately-run TVET programmes. The risk of dropout is higher for the longer-term programmes, because "people are more committed when it's shorter."
Jigjiga University Career Centre for Entrepreneurship Development (CEDJJU)	<ul style="list-style-type: none"> • Entrepreneurship training for students, business plan preparation, business counselling and consultancy, business skills training and business incubation and enterprise development. <p>Links graduates with the Small and Medium Enterprises Agency for business development.</p>		
Regional Development and Protection Programme (RDPP), 2016–2020	<ul style="list-style-type: none"> • Support to existing or new MSEs through access to finance, business development support, training, market access along the value-chain and/or provision of equipment. 	<ul style="list-style-type: none"> • Refugees and host communities. 	

► **Appendix 2. Humanitarian organizations supporting BDS in Somali Region**

Programmes	Description of the programme and DBS interventions
Development Response to Displacement Impacts Project (DRDIP)	The aim of DRDIP is to mitigate the impact of refugee presence on the hosting communities by expanding access to community demand-driven social and economic services. One of the main components of the programme is to improve livelihoods and increase the income of refugee-hosting communities based on a market system approach. Funded by the World Bank, the operations started in 2018 and run up to 2021. One of the key interventions is the promotion of self-employment and entrepreneurship skills for refugees and host community members. The programme supports existing and new micro and small enterprises to access finance, BDS, training, market access along the value chain and/or provision of equipment. It targets sectors such as agriculture, pastoralism or agro-pastoralism, as well small businesses in the service sector. Kebrebiyah district (host and refugees) is one of the target areas of the DRIP project in Somali Region.
Regional Development and Protection Programme (RDPP)	The programme was funded by the European Union and implemented by a consortium of NGOs, including the IRC and Save the Children. One of the main pillars of the programme was to improve livelihoods and employment opportunities for refugees (in and out of camp) and their host communities. The programme started in 2016 and ended in 2020. It provided various BDS support such as facilitation of access to loans, entrepreneurship and financial education and facilitation of access to market. BDS included skills training for host and refugee youth, capacity-building for TVETs, facilitating access to TVET for youth and women in the target areas. The programme also assisted many refugees and host communities to develop income generation activities, including BDS support.
Stimulating economic opportunities and job creation for refugees and host communities – in support of CRRF	Funded by the EU Emergency Trust Fund for Africa, the programme aims at strengthening the socio-economic development of economic and employment opportunities for refugees and host communities, among other components. In Jigjiga, the programme is implemented by Mercy Corps and DRC. Its specific intervention is job creation, education (TVET); MSME creation and support; internship and entrepreneurship for both refugees and hosts. The programme started in 2018 and will end in 2023.
Qualifications and employment Perspectives for Refugees and Host Communities (QEP)	Funded by the German government and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the programme aims at integrating refugees into the national TVET system and on strengthening the resilience of host communities. Overall, the programme aims to reach 5,500 refugees and host communities assisting them in entrepreneurship skills development, as well as developing business plans. The local partners are regional TVET bureaus, TVET colleges and others. The programme has established TVET centres in the refugee camps Aw-Barre and Sheder and in 2019, 165 refugee students were enrolled, and 15 of them graduated. In Kebrebiyah, 15 refugees were enrolled and graduated in the same year.
Addressing Root Causes of Migration: Hope and Opportunities for People in Ethiopia	Funded by the Dutch government, the programme aims to provide income-generating and livelihoods opportunities for refugees and host communities in Somali Region. The partners are International Medical Corps, Norwegian Refugee Council, and others. It will end in 2021. Among others, the programme has enabled refugees and host communities to benefit from BDS and skill development (life skills and vocational skills).
International Rescue Committee – youth and livelihoods entrepreneurship education programme	<p>Target refugees and host communities:</p> <ul style="list-style-type: none"> • training on market assessment, business management, customer service, finance and budgeting, and communication skills – as well as problem-solving, decision-making, creativity, and life skills. • training and technical assistance in business plan development, management, bookkeeping, and marketing. • help in developing business concepts, expanding ideas, maintaining business, and aiding business in becoming financially independent.

Source: Alemu Asfaw Nigusie and Freddie Carver, *The Comprehensive Refugee Response Framework Progress in Ethiopia, September 2019.*

► **Appendix 3. Government providers of BDS – Tigray Region**

Actors/ Sector/agencies	Their roles
Regional Urban Job Creation and Food Security Agency (ReUJCFSA)	Provide extension services to MSEs at regional, zonal, woreda and kebele levels such as: human resource development, information and consultation, and technical and marketing services Focus on MSEs but primarily unemployed youth (18-29) in urban areas
Bureau of Trade and Industries	Issues licence, training and follow-up of implementations of policies and regulations
Bureaus of affairs (youth and sport, women and children)	Follow up to ensure the community benefits according to laws and regulations. Assure youth and women benefit equally. Mobilize, organize, and facilitate job creation activities
TVET Bureau	Prepare occupational standards for training. Give training to new and established enterprises on skill and business development
Shire universities	Conduct research and provide recommendations for youth employment, private sector intervention and technical training
Microfinance institutions	Provide financial resources or loans in cash and kind. Give training and advice on financial recording and loan repayment with a focus on access to finance for MSEs, especially entrepreneurship groups or partnerships comprising youth in the case of the regionally affiliated MFIs
Entrepreneurship Development Centre (EDC)	Give training of entrepreneurship to youth. Coach private enterprises Provide capacity-building to civil servants of actor sectors on business

► **Appendix 4. NGO BDS Providers in Shire, Tigray Region**

BDS providing organizations	Types of BDS provided	Contents	Target groups	Duration
Save the Children	Entrepreneurship skill development training	<ul style="list-style-type: none"> • Life skills • Develop a positive and winning mindset • Develop a feasible business plan 	Host community youth enterprises	5 days
Tigray Youth Association (TYA)	Entrepreneurship	<ul style="list-style-type: none"> • Business skills • Work ethics • Business plan development 	Host community	1 week
GIZ	Entrepreneurship, preparation for employability	<ul style="list-style-type: none"> • Teamwork • Work ethics • Entrepreneurship 	Host community youth groups	1 week
Save the Children, EDC and REST	Improvement of employability through wage employment	<ul style="list-style-type: none"> • Positive youth development • Social and financial education; • Work-based learning • Be your own boss • Financial literacy 	Host community graduates (TVETs and universities)	2 weeks
CARE Ethiopia and REST	Entrepreneurship Business skills	<ul style="list-style-type: none"> • Business and financial literacy training • Entrepreneurship • Life and employability skills • Meditation and conflict resolution 	Host community food insecure youth groups. PSNP helps vulnerable families affected by drought and famine conditions	2 weeks
DOT Ethiopia	Entrepreneurship training	<ul style="list-style-type: none"> • Business plan preparation • Business skills • Life skills 	Both host and refugee SMEs	1 week

BDS providing organizations	Types of BDS provided	Contents	Target groups	Duration
EDC	Entrepreneurship	• All contents of entrepreneurship training	Youth entrepreneurs, main actors in civil servants who support SMEs	
Prioritizing Opportunities through Training, Education, Transition Investment and Livelihoods (POTENTIAL) Programme	Prepares young people out of school to become self-sufficient, (self)-employed and community-minded		Youth	
Sustainable Training and Education Programme (STEP)	Soft skill training for TVET trainees and technical assistance for TVETs	• Entrepreneurship training so that TVET graduates will be equipped with the knowledge and skills to create their own businesses and jobs		
Youth in Action Programme	Various types of training to empower entrepreneurs to create ever-growing and sustainable enterprise.			

► **Appendix 5. BDS supply-side challenges and constraints**

Actors	Challenges and constraints
Government institutions	<ul style="list-style-type: none"> • Government offices supporting enterprise development are poorly equipped, bureaucratic, and therefore less motivated, resulting in slow processes and low-quality services. • The support facilities are often limited to technical skills, licensing, and registration and not BDS such as entrepreneurship skills, accounting and record keeping, marketing, and so on. • OSS services are generally used by businesses that are organized by the office of Urban Job Creation and Food Security. • There is a lack of implementation capacity to reach all businesses in rural areas to provide trade licenses. • There is also a lack of a data management system to keep a record of business in the target areas. • Limited outreach, they often do not include refugees
Somali MFI as BDS providers	<ul style="list-style-type: none"> • The majority of loan applicants are illiterate; they use traditional recording systems, which makes it difficult for the MFI to provide BDS services. • Most of the community in the areas (about 60 per cent) cannot list their income and expenses properly and cannot prepare business plans, or they are helped by their family members, such as their children. • Costs involved in follow-up and coaching are high, and the MFI also lacks manpower and expertise. • The services provided by Somali MFI are limited to loan clients and restricted in outreach. • The service is limited to host businesses and not accessible to refugees.
TVETs	<ul style="list-style-type: none"> • Most of the training focuses on vocational skills training (hard skill), and less emphasis is given to BDS which is often given as a general common course. As a result, there are very few self-employment initiatives by the students after they have graduated from the college. • The training is more for the host than for refugees.



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