ILO brief

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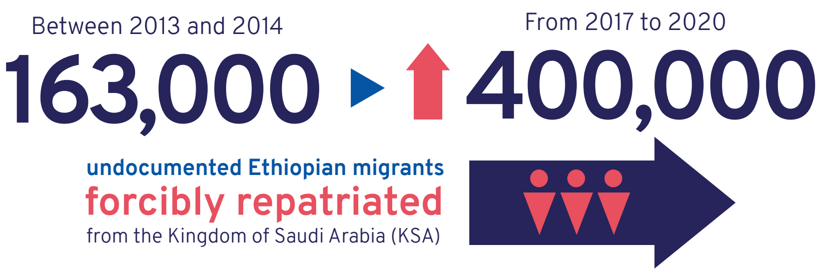
Assessment of existing business development and financial service providers for potential and returned migrants’ economic integration

In Oromia and Addis Ababa City Administration, Ethiopia

Written by Nicholas Hudson based on report and research developed by Assegid Gedamu.

Introduction

Between 2013 and 2014, over 163,000 undocumented Ethiopian migrants were forcibly repatriated from the Kingdom of Saudi Arabia (KSA). From 2017 to 2020, this figure reached 400,000.[1] The decision behind this stemmed from the so-called “Saudization” of the labour market, which aimed in part to create job opportunities for Saudi youth and stabilize the market.



1 Situation and Needs Assessment of Ethiopian Returnees from the Kingdom of Saudi Arabia, ILO, 2018

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In the following years, expulsions have continued with the situation further exacerbated by the onset of the COVID-19 Pandemic. From April 2020 to June 2021, 62,000 irregular migrants were forcibly repatriated to Ethiopia as KSA and other governments of the Arab States of the Persian Gulf began implementing measures to contain the spread of the virus. By 26 June 2021, the rate of returns increased 15-fold to an overage of over 2,000 migrants daily, with the rate at one point reaching a high of over 3,000 individuals in a single day. Meanwhile, Ethiopia has also faced influxes of returnees from other countries of the region, namely Djibouti, Sudan, and South Sudan. In March 2022, the Government of Ethiopia announced that an additional 102,000 Ethiopians would be repatriated from KSA over a period of 11 months. By end of April 2022, around 8,000 Ethiopian migrants had already returned.

Forcibly returned migrants are often in a desperate state when arriving back in Ethiopia. Many come back empty handed and with severe medical conditions due to lack of access to health services and deplorable living conditions before deportation.[2] As a result, many find it difficult to reintegrate in their home communities. Indeed, findings from the 2018 ILO Situation and Needs Assessment show that the socio-economic status of post-return migrants is worse than pre-migration levels.

Against this background, the ILO Country Office for Ethiopia, Djibouti, Somalia, Sudan, and South Sudan, and for the Special Representative to the AU and the ECA conducted an assessment of Business Development Services (BDS) and Financial Service Providers (FSP) in Oromia region (with focus on Jimma) and Addis Ababa City Administration. The study aims to assess the status of returnees in their reintegration efforts and

2 Ibid.

the capacities of existing financial and non-financial BDS providers in the two regions. Based on this assessment, the *"Better Regional Migration Management"* project, funded by the UK Foreign, Commonwealth & Development Office (FCDO), will then identify service providers that could work as potential partners with the ILO to equip returnees with adequate entrepreneurial and financial skills needed to start and grow their businesses. Throughout the process, the ILO places special emphasis on the inclusion of women and youth returnees in the program.

Better Regional Migration Management Project

The Better Regional Migration Management programme focuses on laying the foundations for improving labour migration governance in East Africa by using evidence-based policies, enhancing migrant workers' qualifications and skills, and actively engaging the social partners for improved development outcomes. The programme will implement the following three inter-related pillars of intervention:

- Establish and strengthen foundations for enhanced labour market and migration information systems;
- Improve skills matching, recognition and development along specific migration corridors;
- Strengthen capacities of the social partners to engage in labour migration policy development and implementation.

Why it Matters

The significant and ongoing levels of deportations from KSA, Lebanon and other Middle Eastern countries combined with the effects of the COVID-19 pandemic have created a situation of particular vulnerability for the returning migrants. Most bring with them little to no resources to support their livelihoods and lack the necessary skill sets to enter and compete in the labour market. These challenges are further exacerbated by soaring unemployment levels in the country. Access to finance also remains a critical challenge for returnees, as financial service providers often demand collateral or proof of saving history to provide loans.

The ILO's Tools for Supporting Business Development

In this light, returnees need marketable skills, start-up capital, business advisory services, working spaces, and regular support from public, private, and other development partners to reintegrate into the socio-economic activities of their respective regions. Youth in particular, who make up the majority of returnees, would benefit from such assistance to create and sustain businesses, allowing them to improve their income and livelihoods and contribute to local economic development.

To address these gaps, the ILO has numerous tools at its disposal that have contributed to the creation of over 10 million jobs in over 100 countries. The flagship entrepreneurship training programme, Start and Improve Your Business (SIYB), is one of the most prolific. The training provides entrepreneurs with knowledge and skills to increase their chances of establishing a successful start-up and to adequately respond to the progressive stages of business development. Two of the packages within the programme include Generate Your Business Idea (GYB) and Start Your Business (SYB), which incorporate extensive content on business management topics, such as human resources, marketing, finance, and business planning topics. These can also be tailored to specific industries.

To roll out the SIYB programme with returnees in Ethiopia, the ILO will partner with selected private or public organizations and help to build their capacity to offer SIYB trainings sustainably. This collaboration will further facilitate access to integrated and inclusive services that are capable of accelerating the transition to employment for returnees. The findings of the assessment on BDS and financial service providers therefore aids in this process by outlining the supply of BDS providers and potential partners as well as the demand and needs for such services among returnees.

Supporting Reintegration

Reintegrating returnees into the socio-economic life of their communities is the ultimate goal of all actors involved in this endeavour. To achieve this, the proposed intervention lays out two key objectives:

- Enable local public and private sector organizations to implement SIYB trainings and related activities effectively and independently. Such trainings shall extend to potential and existing entrepreneurs as well as returned migrants to promote employment and reduce poverty.

- Enhance the capacity of potential and existing small entrepreneurs to start viable businesses and increase the profitability of existing ones, thereby also generating quality jobs for returned migrants.

In this report, we will discuss the case of returnees and support systems in Addis Ababa City Administration and Oromia region. We will look closely into the status of returnees and the capacities of business service providers and support institutions and analyse the opportunities and challenges for returnees to venture into business and create employment in promising sectors.

Current State of Returnees' Access to Support Services

As part of the research, individual returnees were identified and consulted to better understand the general situation and the specific challenges and needs they face. This process helped to identify gaps in the system from which future opportunities could be drawn.

In conversations with returnees, many described feelings of neglect from services and distrust. Most claim to be disconnected from BDS providers except for a minority that reported to have received 1-3 days of orientation on how to do business. Less than 20 percent of the sample group have been able to obtain loans.

This lack of access to such services can largely be attributed to a lack of awareness of the services. In general, returnees tend to live and work on their own with little connection to service providers. Reliable information on both financial and non-financial services is therefore hard to come by. Nonetheless, even if they are aware of the services, returnees might not fully understand what needs to be fulfilled in order to access the support.

An additional obstacle identified was the fact that some returnees do not possess a government-issued identification document (ID), which is a prerequisite to access services. Many returnees suggest this is due to the long procedures needed to obtain an ID.

A 2019 study from the ILO found lack of financial support to initiate micro or small enterprises to be the primary challenge hindering returnees' economic reintegration.[3] Age, sex, literacy level, occupation, income or asset levels, religious views, and trust have all been found to be contributing factors to a returnee's inability to access loans from financial institutions. In interviews, returnees also complained of long waiting lists, high levels of bureaucracy, and an absence of interest-free financial service (particularly important among Muslim returnees). In addition, when a loan is finally approved, many indicate that the amount is too small to finance a start-up business. These challenges are further compounded by low levels of financial literacy and understanding of how the loan application process is carried out.

Finally, returnees' access to support services is also limited by societal perceptions. For example, the study suggests that returnees are not sufficiently considered by the service providers, nor given priority as a "vulnerable group" in various socio-economic development programs run by the government and other actors. Additionally, women may face gender-based discrimination, while it was also found that male returnees were difficult to locate, possibly because they make less use of service centres, and they rarely make it as beneficiaries of NGO supported programs.

Photo: @Unsplash/Gerald Schömbs

Opportunities for Supporting Returnees in their Business Ventures

In light of these obstacles that hinder returnees' access to business development and financial services, the study identified a range of opportunities and more insight into the services most keenly demanded.

Overall, returnees demonstrate a strong drive to work hard and improve their livelihoods. Many of those interviewed showed an entrepreneurial attitude, eagerly looking for new opportunities and willing to take risks to venture into new business areas. Female returnees showed a preference to enter the food preparation and catering sector, as well as beautification and apparel making. This is reflected in the fact that many returnees gained practical experience or exposure to some of the skills in these sectors while working abroad. Among the returnees interviewed, only a limited number came back with savings sufficient to start micro enterprise

3 Support to Reintegration of Returnees in Ethiopia: Program Achievement – ILO, 2019

activities, once again highlighting the demand for greater financial inclusion.

Moreover, almost none of the contacted individuals possessed a formal business entity. Considering that managing one's own business is difficult, many indicated interest in practical trainings to help start or boost their businesses. In general, returnees expressed demand for both hard and soft skills, as well as greater access to finance. More specifically, returnees in Oromia and Addis Ababa City Administration demonstrated a high demand for:

- Technical skills, which entail any relevant skills related to the type of activity they are engaging in and the product or service they are delivering (e.g., skills on food preparation if one wants to start a restaurant business; hairdressing skills if one wishes to venture into a beauty salon business, etc.)
- Soft skills, such as entrepreneurship, business, and life skills. This includes areas like communication, negotiations, decision-making, and conflict management. In this regard, regular coaching and mentorship could be more effective than teaching in a workshop. In general, returnees need more support in terms of social cohesion and gradual facilitation into a smooth reintegration path.
- Other services, including business advisory services, market facilitations, digital innovation, and so forth.

There is a particularly high demand for trainings that are short-term or informal. This is often the case among poor and marginalized groups because of the decreased level of time and financial investment required to take part.

As noted, finance is a primary need for returnees aspiring to start micro or small enterprise activities. The most common uses for finance reported include:

- Finance to procure basic inventory and stocking
- Finance as working capital (consumables)
- Finance to pay for labour (wages)
- Finance for rent and utilities
- Affordable, suitable insurance packages for their business.

Current Challenges and Opportunities facing Business and Financial Service Providers

In addition to analysing the profile and demand of returnees in the two targeted areas, the assessment also identified BDS and FSP actors that are already actively offering services to returnees or have the potential to do so. The study also analysed constraints currently faced in the supply of these services and the possible opportunities that can be exploited.

As discussed above, one key constraint to the access to existing BDS and FSP services was the information gap between returnees and providers. In addition to the aforementioned factors, this is also due to the inadequate promotion of the services by providers, especially public institutions. Private training centres were found to promote their services through pamphlets, adverts in public areas, and announcements on mobile sound systems (vehicles driving around the city or town). However, many institutions either have no website for their services, or if they do, they are often neither updated nor active. Overall, word of mouth appeared to be the most common way of communicating services, which severely limits the scope and reach.

Support service projects launched by both state and non-state actors have also shown to indirectly exclude returnees. This stems from the fact that many target their services narrowly to other demographics like unemployed youth and women more generally, thereby inadvertently overlooking returnees.

Similarly, for financial service providers, the study found that most commercial banks in Oromia and Addis Ababa do not specifically target micro-entrepreneurs.
This demonstrates a missed opportunity for products that may be suitable or affordable for returnees. It also points to the potential for Micro Finance Institutions (MFIs) to reach returnees not served by commercial banks, especially considering the increasing number of MFIs in Addis Ababa.

Recommendations

With an overview of the supply and demand for BDS and FSPs in Oromia Region and Addis Ababa City Administration, as well as the constraints hindering the greater use of these services, a series of recommendations can begin to be developed. Based on the needs of the local contexts, these will then be used to guide future interventions carried out by the ILO to deliver its SIYB programme and ultimately aid returnees in improving their livelihoods and increasing their access to economic opportunities.

Improving access to financial services is key and would be an ideal focus for an ILO intervention. Based on the assessment's findings, a strong demand was identified for financial services that are timely, flexible, affordable, and reliable. FSPs that provide advisory services as well as interest-free banking to accommodate to religious customs can further deepen the positive impact on micro- and small-enterprises.

For the provision of technical skills training and development, returnees demonstrated a high demand for programmes that impart new skills and refresh existing ones. Trainings that are short in duration (e.g., 2-4 weeks) and flexible in timing were found to be the most desired and thus effective for returnees. The ILO's training packages (SIYB) are ideal for imparting entrepreneurial skills and could be offered in parallel with technical skills training programs. Numerous actors in both regions were identified as having the capacity and willingness to be involved in this process through Trainings of Trainers (ToTs). So-called "life skills" services are another important element that could be carried out by the identified actors. These could entail support in emotional, psychosocial, and personal development as a basis for productive and healthy life.

Conclusion

In the last decade, multiple waves of migrants have been forcibly repatriated back to Ethiopia. In most cases, they find themselves back in their home country with minimal resources and support for reintegrating themselves back into their communities. The ILO's assessment of business development and financial services lays the groundwork for identifying the current supply and the nature of demand among returnees in Oromia and Addis Ababa. This information helps inform the development and implementation of ILO's training packages like SIYB to spur growth in the micro- and small-enterprises sector and support the development of returnees' livelihoods.

The assessment found returnees to have clear and present challenges in the process of starting and growing their micro-businesses. The challenges are relatively common across the country: lack of access to finance, inadequate entrepreneurship skills, and irregular or non-existent business advisory and coaching support. Both men and women returnees feel that they are not given sufficient attention by public and private actors. Despite the presence of service providers in Addis Ababa and Oromia, returnees have minimal contact with them and are often disconnected from the sources of information for accessing their development and support services. Bureaucratic hurdles are another major bottleneck limiting the participation of returnees in the economic activities.

In light of this, there is a clear need for support in entrepreneurship development. Additionally, business development service is a must for returnees and micro and small enterprises in general. Although access to financial services was identified to be the most pressing need among the target population in Addis Ababa and Oromia, technical, entrepreneurial, and life skills are the three most important sets of skills needed by returnees to cope with the ever-increasing challenge of working in the entrepreneurial landscape. Given the level of demand identified among returnees and the current state of the supply of such services, there are numerous entry points for ILO interventions to initiate trainings for its programmes such as SIYB.

Contact details

ILO Country Office for Ethiopia, Djibouti, Somalia, Sudan and South Sudan, and for the Special Representative to the AU and the ECA
Africa Hall, 6th Floor,
Menelik II Avenue
Addis Ababa, Ethiopia

Email. aida@ilo.org
Web. www.ilo.org/ethiopia
FB. www.facebook.com/MigrationEthiopia/
Twitter. twitter.com/EthiopiaMDW