



► Inclusive private sector development in forced displacement contexts

Session Outcome Memo

Conducive environment for private sector development in forced displacement contexts

Wednesday 18 October 2023

Landscape for refugees' right to work, including access to finance, business registration and cooperative membership

- ▶ Refugees are a distinct group whose access to the labour market in host countries is determined by different legislative frameworks, policies and practices. In many instances, existing legislation does not fully govern refugees right to work and rights at work, leaving room for ambiguity, and in many instances de facto exclusion. Recognizing the complexity of the landscape, ILO launched a review of legislation, policies and practices across all eight PROSPECTS countries, covering access to the labour market, access to training opportunities, rights at work and naturalization pathways.
- ▶ The legal status of refugees plays a crucial role in determining their access to labour markets and the extent of services they can access. For example, in Uganda, having a refugee ID enables travel within and outside the country and in Ethiopia, refugees gain access to financial and telecom services. In Sudan, a Refugee Card provides rights and access to services in Khartoum, but not in outlying areas.
- ▶ The right to work policy area is well-legislated in many countries. However, despite clear legal definitions, challenges persist, such as unclear work permit procedures, sector limitations and quotas on the number of non-national workers permitted in a single workplace.
- ▶ Self-employment for refugees is a grey area in many countries. The definition of self-employment is not always clear. For instance, in the agriculture sector, the absence of a single employer automatically categorizes refugee agriculture workers as self-employed in some countries. Employers may deny having an employer-employee relationship with refugee workers and push them into a self-employment categorization to avoid work permit, social security and other related costs.
- ▶ There is also unclear guidance on how to obtain business permits. In some countries, the procedures for refugees are the same as those for foreigner investors, so things like capital requirements de facto exclude refugees from registering a business.

- ▶ Refugees can become cooperative members in some countries (Ethiopia and Uganda, namely), while in others they can join, but cannot form a new cooperative. They are generally able to benefit from cooperative services, and in countries where cooperatives have served humanitarian and development projects as distributors of aid, they have built networks and familiarity overtime.

Challenges to refugees' right to work, access finance, register a membership and form/join cooperatives

- ▶ One of the main challenges for refugee entrepreneurs is lack of capital and access to finance. If refugee entrepreneurs do make profit from their businesses, they often have to prioritize spending on basic needs, not leaving enough for savings or investment.
- ▶ Another challenge is the lack of information on work permit and business formalization processes. Without clear steps and a list of entities responsible, workers and entrepreneurs are left to piece together information through trial and error and may ultimately decide to operate informally. This also leaves them vulnerable to exploitation.
- ▶ Refugee ID is not always recognized on par with national IDs. It is not always considered as a valid form of ID to open a bank account or register a business. In some instances, refugees need to also obtain a work permit to access the labour market, while in others, their ID automatically grants them labour market access.
- ▶ Refugee status offers different levels of freedom of movement depending on the country. In some countries there are no legal restrictions, while in others there are processes in place to obtain movement passes or permission. Even where there are no legal restrictions on movements, the costs associated with travel puts it outside the realm of possibility for many. Additional variables include the possibility of losing materials in transit and the likelihood of earning enough profit to offset travel costs.
- ▶ The size of the informal economy and low entry costs makes it an appealing option if formal labour market opportunities come with complex procedures. Employers may be more likely to hire refugees informally if regulation and enforcement measures are not applied evenly across groups of national, migrant and refugee workers.
- ▶ Employers are sometimes still hesitant to hire refugees. If legislation is unclear, there can be fear that their employment would result in a violation of the labour law. There is also a perception that refugees' precarious status makes them less dependable employees, as they could be resettled or repatriated to their home country without advanced notice.

Initiatives to create a more conducive environment for private sector development, with a focus on refugees' right to work, access finance, register a membership and form/join cooperatives

- ▶ Ugafor, a Ugandan MFI, provides inclusive financial services to refugees. They were the first to do so in Uganda, and they managed to lobby with the government to recognize refugee IDs to access loans. In order to market loan products, they hired refugee employees to raise awareness about loan products and conditions, thereby helping to build trust within the community. They tried to get guarantees from the United Nations Capital Development Fund and UNHCR, to share initial risk when they first entered into the refugee lending market.
- ▶ When individuals are not able to afford loan repayment, groups savings mechanisms can be a viable mechanism to extend access to finance. Baca Commodities is a SACCO (saving and credit cooperative operation), that provides land for refugees to earn initial capital and then with this capital base, transitions clients to business loans.
- ▶ Starting small is a positive practice shown in several of the refugee run businesses that were present at the event. For instance, Innocent is a refugee residing in Kenya with a soap making business. He started with 1000 Kenyan shillings (approx. \$ 6.61 USD) completing the manufacturing process by hand. Today he has a self-sustaining enterprise that employs 44 refugees and uses mechanized production processes. After the first three years, the time and energy invested in formalizing his business allowed him to access financial and non-financial business development services.
- ▶ Working with employers to hire refugees takes time and a careful alignment of incentive structures. In Turkey, the program (KIE) takes on some of the initial cost of hiring refugees, as well as members of the host community. Employers are reimbursed for work permits and social security contributions for the first six months of employment. As a result of this program, jobs were created, formalization increased, the social security contributions rose, more people received wages and increased spending in local markets.
- ▶ Syrian refugees in Turkey also experience linguistic challenges in accessing information and support. ILO Ankara established an information center for employers and employees, providing materials in both Arabic and Turkish. They also provide financial support to create businesses, and provide work based learning.

Necessary actions moving forward to create a more conducive environment for private sector development, with a focus on refugees' right to work, access finance, register a membership and form/join cooperatives

- ▶ Simplify processes to access formal labour market opportunities. This entails support for governments to develop coherence and enabling policies around business registration, social security, taxation and work permits, among others.
- ▶ Target guidance for refugees on how to formalize their business, in a language and format they can easily access and understand. Tapping on trusted refugee networks and agencies like UNHCR can help spread information effectively.

- ▶ In countries that apply work permit procedures for non-national workers, refugees should have access on equal terms. Requirements may need to be adapted to meet the situation of refugees, whose stay in the host country is often indefinite and not primarily for the purpose of employment, compared to the situation of migrant workers.
- ▶ Status in the host country should allow travel within and outside the country for workers and business owners, for example to get products for their company or participate in job trainings.
- ▶ Governments should support refugee's membership in representative employer and worker organizations (i.e. through trade unions and the chamber of commerce/industry). This allows representative organizations to better understand and advocate for the collective needs of refugee workers and employers.

Key resources

- ▶ [Review of national policy, legislation and regulatory frameworks and practice: A baseline study on the right to work and rights at work for refugees](#)
- ▶ [Review of national policy, legislative and regulatory frameworks, and practices in Uganda](#)
- ▶ [Review of policy, legislative and regulatory frameworks, and practice in Kenya](#)
- ▶ [Review of national policy, legislative and regulatory frameworks, and practice in Egypt](#)
- ▶ [Review of national policy, legislative and regulatory frameworks, and practice in Iraq](#)
- ▶ [Review of national policy, legislative and regulatory frameworks, and practice in Sudan](#)