

Systemic Approach to Inclusive Markets

Factsheet – Egypt

Background

The crisis in Syria has meant an ongoing influx of large numbers of Syrian refugees and asylum-seekers into Egypt since 2011. As of 2018, an estimated 127,000 Syrians are seeking refuge in Egypt. The majority of Syrian refugees and asylum-seekers live in Greater Cairo (63,000), Alexandria (29,000) and Damietta (12,000). Regulations stipulate that refugees may only be offered work permits if no Egyptian national is qualified for the employment opportunity. Hiring policies further limit foreigners' entry into the labor force by setting a ratio of foreigners to nationals eligible to work for the same organization. Syrian refugees also report discrimination in the job search, their work places, earnings, and contracts. Many are subsequently highly vulnerable. In Cairo, for instance, 40 per cent of refugees are considered poor, 20 per cent extremely poor. Trafficking and smuggling of refugees and asylum-seekers remains an ongoing challenge.

Simultaneously, the economic situation in Egypt is increasingly challenging for all residents. Price increases, high inflation, and few employment opportunities have contributed to an overall deteriorating security environment and growing political instability. Syrians report difficulties in securing decent employment as well as low pay and long hours amidst rising costs of living. Nonetheless, many Syrian refugees and asylum-seekers arrive in Egypt with prior work experience. Many are further equipped with education certificates, high school diplomas as well as some vocational skill. As a result, many Syrian refugees and asylum-seekers have the potential to contribute substantially to the Egyptian economy.

Problem Analysis

The ILO-UNHCR assessment conducted in 2014 follows a two-pronged approach. First, the three key sectors exhibiting growth trajectories and employing substantial numbers of refugees were identified: Food (restaurants and food processing), furniture production, and textile (ready-made garments). Based on several focus group discussions with Syrian refugees and asylum-seekers as well as interviews with stakeholders, the initial study concludes that the food sector is the most promising sector given its low barriers of entry and growing market demand for Syrian restaurants. A subsequent value chain analysis of the food sector in Cairo, Alexandria and Damietta reveals five central challenges Syrian refugees and asylum-seekers face:

1. **Incomplete information.** Analysis revealed that refugee-run businesses are constrained by lack of information regarding suppliers and their quality, high ambiguity on legal procedures and licensing, ineffective communication with VCs, as well as incomplete understandings of customer needs.

2. **Improvement opportunities in profit margins.** The value chain analysis also finds that business owners direct limited focus at improving revenue streams. Minimal advertising, insufficient cost-benefit analyses regarding product quality and price, as well as basic presentation and packaging leave room to improve the businesses' profit margins.
3. **Insufficient support services:** Refugee-run restaurants also struggle with limited Business Development Services (BDS), the absence of owners' and workers' representation, and ambiguous government regulation
4. **Informal business environment.** Nearly all food services are conducted in the informal economy (80 per cent) through micro and small enterprises. This means a shortage of skilled labor and high labor turnover as well as on-going insecurity regarding work permits and the future.
5. **Exclusion of women.** Women are largely excluded from participation in the market as they prefer home-based work, for which no provisions had been made at the point of the study in the restaurant and food processing sector.

Recommendations

Growing demand for Syrian food in Egypt offers opportunities for Syrian refugees and asylum-seekers to expand existing businesses or start new ones. The report thus develops recommendations on how to address the five key challenges currently hindering business development and creation.

1. **Develop specialized BDS.** Targeted BDS would help Syrian restaurant owners expand to other segments, e.g. to include home delivery, and adapt more aggressive marketing strategies. Such support would focus on facilitating better access to market, technical support for packaging, advertising, management and human resources.
2. **Promote entrepreneurship programs.** Sector-specific entrepreneurship programs, apprenticeships, and financial services could reduce barriers of market entry for Syrian refugees and asylum-seekers and help refugees to exploit opportunities for enterprise creation in the food sector.
3. **Improve access to information** on market trends, rules, regulations, reliable supplies, e.g., through development of an information database. The database would make available information around input suppliers, available business development services and provider contacts, business tools, food standards, local policies, and other relevant market information.
4. **Build informal cooperatives** to reduce operational costs and enhance competitiveness for refugee-run enterprises. This initiative will help restaurant owners to cooperate and to buy their supplies on bulk to enjoy volume-purchasing discounts. It will also help them to jointly advertise for Syrian food among new Egyptian potential customers.
5. **Encourage home-based enterprises for women,** who have expressed interest in participating in the restaurant and food processing sector. Particularly home delivery services might open up avenues for women's participation. Support to home-based enterprises could include training, in-kind support, support to develop marketing strategies as well as support to build informal networks between women producers.