

Starting up and starting over

How networking can enable refugee entrepreneurs to regain livelihoods in East Africa

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Establishing a secure livelihood is a key element that enables refugees to rebuild their lives and overcome protracted displacement situations. Not only can a steady source of income help refugees afford housing, food and other basic necessities, it can also facilitate their integration by connecting them with others in the community. While some seek jobs in existing organisations or businesses in the formal or informal economy, others create their own enterprises from scratch. *This policy brief shares TRAFIG findings from two key refugee-hosting countries in Africa, Ethiopia and Tanzania, and illustrates how refugees are using connectivity to create livelihood opportunities, with a focus on those engaging in entrepreneurial activities. It also puts forth ideas for those seeking to scale up access to entrepreneurship for displaced persons.*

Central findings and policy implications

1. Local and transnational networks are key to securing an income through entrepreneurship but are not always sufficient to enable refugees to build a secure livelihood. Policies and practices that enable rather than hinder refugees from realising their ambitions and rebuilding their livelihoods in host countries, including the right to work, own a business, open a bank account, access finance and live outside of camps, are therefore critical to helping refugees find a path out of protracted displacement.
2. Good refugee–host relations can unlock livelihood opportunities, such as the provision of equipment and raw materials or creation of joint business ventures. Humanitarian and development actors should work to foster positive interactions between refugee and host communities and involve both groups in entrepreneurial activities.
3. Transnational and local connections are important sources of support for launching businesses. They can, for instance, help refugees to obtain start-up capital and access business licenses. By lowering remittance transfer costs; increasing collaboration between diaspora organisations and between diasporas and development agencies; and connecting remittances to other tools such as credit, support for refugee entrepreneurs can be scaled up.
4. Information and communications technology (ICT) can enable refugees to engage in digital entrepreneurial activities, including social commerce. Donors, investors and implementers can help refugees leverage digital livelihood tools by facilitating their connectivity and offering training, mentoring and access to loans that can help them maximise this business opportunity.

1. Introduction: Open for business

Entrepreneurship can help refugees to rebuild their lives. Not only can it provide a critical source of income for refugees to become self-reliant, but it can also support their local integration, thereby enabling them to find a sustainable solution to displacement. Networks play a significant role in starting up new refugee-run businesses—and businesses can also help to create new connections (Richey, 2020). Policies and programmes have an important role to play in creating an enabling environment in which refugees can contribute their knowledge, skills and entrepreneurial spirit through these ventures (UNCTAD et al., 2018). This policy brief examines the role of networks in facilitating refugees' access to entrepreneurship opportunities. After providing three lessons learned from the cases of Ethiopia and Tanzania, it offers recommendations, also relevant for other contexts, for how donors, investors and implementers can help more refugees tap into the promise of entrepreneurship.

2. Business matters

While some refugees are able to return home, the number of people displaced across the world has continued to grow, and displacement has become increasingly protracted (UNHCR, 2020). Tekeste, an Eritrean refugee in Ethiopia, illustrates the sense of limbo that often characterises long-term displacement. He remarked that one-third of his life has been unproductive and that he is waiting to regain a productive life: “I wasted thirteen years of my life, and I do not know what will happen next. I am just waiting and waiting” (Tufa et al., 2021, p. 16).

Yet, it does not have to be like this: Entrepreneurship can be an important avenue for refugees to support themselves financially. Additionally, it can boost their social and economic inclusion, which is also key to finding sustainable solutions to their displacement. Notably, businesses run by refugees benefit not just the owners themselves but also wider refugee and host communities, as they may create jobs and diversify economies (Tufa et al., 2021). Entrepreneurship should thus be seen as part of a multipronged approach to ramping up durable solutions.

Refugees may become entrepreneurs out of personal preference or out of necessity. They may desire to start their own business or turn to entrepreneurship due to challenges in finding employment and/or external aid, particularly in urban areas (Easton-Calabria, 2019). The businesses they build are smaller or larger in scale and operate in a variety of economic sectors. As our world, including the world of work, becomes increasingly digital, information and communications technology (ICT) can open additional doors for refugee entrepreneurs: Through digital work, some refugees may get around formal and informal barriers to employment in host countries. Examples of self-employment opportunities theoretically available via ICT platforms include digital entrepreneurship, e-commerce and social commerce activities, language and translation services and freelancing (Easton-Calabria, 2019). However, despite the promise of entrepreneurship, barriers can be significant and include restrictions related to legal status that constrict refugees’ access to work, services, banking and finance, as well as cultural and linguistic barriers, a lack of financial or social capital and negative attitudes towards refugees (UNCTAD et al., 2018).

Recognising the importance of refugee entrepreneurship as part of a broader push to expand socioeconomic inclusion and durable solutions for refugees, the Global Compact for Refugees (paragraphs 70 and 71) mentions entrepreneurship programmes as one way to drive inclusive economic growth. It also calls for ramped up efforts to increase access to technology and financial services for refugees, including expanding their access to digital livelihood opportunities (UNHCR, 2018).

Ethiopia and Tanzania have long been hosts to sizeable refugee populations—and were home to 800,000 and 235,000 refugees, respectively, as of the end of 2020. The largest refugee populations in Ethiopia are from South Sudan, Somalia and Eritrea, while those in Tanzania are from Burundi and the Democratic Republic of the Congo (DRC) (UNHCR, 2021). Many refugees have been displaced for years, if not decades.

Ethiopia’s 2019 Refugee Proclamation has been hailed as one of Africa’s most progressive refugee laws and mentions employment rights, including “small and micro enterprise, handicrafts and commerce” (Proclamation 1110/2019, Art 26). This law enables refugees to open a bank account, access financial services and purchase a SIM card. It also eases restrictions on mobility. However, the right to work has yet to be fully implemented, meaning that, among other implications, refugees are unable to obtain business licenses to open their own enterprises.

Meanwhile, Tanzania’s refugee policies have continuously tightened in the years since independence, when Tanzania had an open door policy. Unclear procedures for accessing work permits and expensive procedures for starting a business, combined with limited freedom of movement outside of refugee camps, make it challenging, if not impossible, for refugees to find or create employment in the formal economy. Work permit fees for refugees were removed in 2015, but unregistered refugees cannot benefit from this. It is primarily migrants who are well-off who can afford the residence and work permit needed for self-employment (Wilson et al., forthcoming).

3. Networking: Lessons for supporting refugee entrepreneurs

Despite formidable challenges, refugees in Ethiopia and Tanzania are engaging in diverse entrepreneurial activities to generate income to support themselves and their families. In doing so, they often draw on the support of their local and/or transnational networks. The lessons below highlight key findings and examples from our TRAFIG project on refugees’ connectivity that are also relevant to other country contexts.

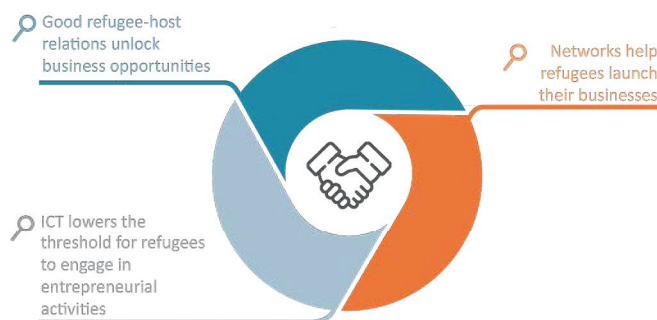


Figure 1: Harnessing connectivity to expand refugee entrepreneurship: Lessons learned
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Lesson #1: Good refugee–host relations unlock business opportunities

Strong refugee–host relations are a building block for facilitating entrepreneurship through networking. Local solidarity has helped Eritrean refugees in Ethiopia to cope with displacement and even become integrated into local communities, and has also helped several to engage in entrepreneurial activities in the process. Over the years, many Eritreans have sought refuge in Ethiopia from conflict and authoritarian rule. For refugees from the Afar and Kunama ethnic groups, local connections have been key to helping them integrate locally in northern Ethiopia. Shared kinship, language and culture between refugees and their hosts have helped foster a sense of solidarity, which has underpinned good refugee–host relations.

These strong relationships have unlocked livelihood opportunities for refugees. For instance, one Eritrean woman, Muna, reported that locals with land allow refugees to collect grass from it, which she and others can use to create traditional palm frond mats for sale. Likewise, Girmay, an Eritrean man, was able to rent a sewing machine with help from local contacts and co-financing by a fellow refugee; such connections later helped him secure credit to open a shop, further expanding his income-generation potential (Tufa et al., 2021). These instances show that local connections can help refugees to obtain the capital needed to engage in entrepreneurial activities.

Another example highlights the potential of joint ventures between members of refugee and host communities. In Ethiopia’s Afar region, a refugee farmers’ cooperative expanded to include 28 locals in a joint cotton venture. The locals contributed their land to the initiative, while 15 refugees paid for additional workers’ salaries. In this case, a local NGO, Mekane Yesus, stepped in to provide start-up capital in the form of ploughs, cottonseed and pesticides. It also provided organisational support to the start-up (it had previously conducted a pilot of a similar initiative). International NGOs working in the Afar region have praised this partnership and have found it to be a successful approach to supporting both entrepreneurship and local integration (Tufa et al., 2021; Isikozlu, Tufa, & Rudolf, 2021).

In Tanzania, the NGO Dignity Kwanza has worked to bring Burundian and Congolese refugees together with Tanzanians to form “business pairs” as part of its Community Empowerment Programme (2018-19). Through this initiative, participants received training to develop their business skills, after which they formed pairs, each consisting of one refugee and one Tanzanian national. Each pair was then tasked with developing a business plan and competed for a prize of two million Tanzanian shillings (approximately €800) to launch their small business. The eight top plans each received this prize. Among the winners were a small restaurant, a sewing workshop, a beauty salon and vendors of second-hand clothing and grain. The Tanzanian partners legally registered the businesses, while the Burundian

and Congolese partners contributed their know-how, and both worked hand-in-hand. A focus group interview with Tanzanians found that they value refugees’ entrepreneurial skills and ideas and believe they can learn from them and benefit through partnering with refugees in business (Wilson et al., forthcoming). In addition to the livelihood benefits that projects like this can bring for refugees and locals alike, such initiatives have also created new partnerships and deepened existing friendships, thereby serving to strengthen refugees’ networks, pointing to an important area of opportunity for livelihood interventions.

These examples demonstrate that good relations underpin opportunities for refugee-led and joint refugee–host business ventures, communities.

Lesson #2: Networks help refugees launch their businesses

Transnational and local connections have provided vital sources of financial and logistical support for urban refugee entrepreneurs. TRAFIG research in Ethiopia shows that, while there are more (informal) livelihood opportunities available in cities, networks are critical for accessing them—and for coming to the city from the camps in the first place. Indeed, for those with contacts who can connect new arrivals to urban social and economic networks, the camps may serve more as a point of transit than anything else (Tufa et al., 2021).

Remittances from family members abroad can be an important way for refugees to secure start-up capital for their businesses. But of course, such opportunities are only available for those able to leverage their transnational ties—and those who can afford to use such remittances for support beyond survival. Tekeste, an Eritrean refugee in Addis Ababa, saved up the money he occasionally receives from his cousins in South Sudan, Switzerland, the United States and Canada. He relied on this money to survive in the city but also saved some of it to set up a bar so that he could become self-reliant (Tufa et al., 2021). Remittances are also a valuable source of support for refugees in Tanzania. Hazina and her brother were assisted financially by their uncle in Austria, who was unable to bring them to Europe via family reunification channels. Hazina used these funds to set up a business to support herself and her brother. Another refugee, Jean Charles, sent money he earned from his business in Dar es Salaam to his family back in the DRC, illustrating that remittances can flow both ways, to and from refugee enterprises (Wilson et al., forthcoming).

For example, the Congolese diaspora in the United States has provided a ready market for exported Congolese and Tanzanian products such as clothing and food. Closer to home, refugee entrepreneurs in Dar es Salaam import ginger drinks, food items, jewellery and bags from the DRC to Tanzania, proving that transnational networks can also create business opportunities (Wilson et al., forthcoming).

Local connections can provide valuable logistical support for refugee entrepreneurs. As in Tanzania, refugees in Ethiopia are unable to acquire business licenses. However, some refugees access them by partnering with their connections who are host-country citizens, some of whom are friends or distant relatives, while others' connections are more distant. For instance, one Eritrean woman, Helen, pitched her idea to open a coffee shop to the Ethiopian owner of a guesthouse. This businessman acted as guarantor, which enabled Helen to open a business under the guesthouse's business license. As business picked up, the guesthouse owner lent her money to expand her business. She has since begun paying back this loan and employs a refugee and a local to assist her in running the shop. Helen's success even led another Ethiopian businessman to propose a partnership in which he would provide funding, and she would run the business, with the profits to be split equally between both parties. But these informal partnerships are not without risk. Take the case of Tekeste mentioned above. He was only able to open a bar through a business license obtained under an Ethiopian citizen's name, a man he met and befriended in the city. However, after two years of operation, this man continually increased the demanded monthly payment, forcing the bar to close (Tufa et al., 2021). Several such business alliances in Ethiopia and Tanzania have ended in disputes, severing refugees' access to revenue-generation activities. Many such partnerships take place outside of formal programming like that mentioned in Lesson 1.

As these examples illustrate, transnational and local networks can play an important role in helping refugees get their businesses

Lesson #3: ICT lowers the threshold for refugees to engage in entrepreneurial activities

Connectivity via information and communications technology (ICT) offers new avenues for refugee entrepreneurship by providing easier access to platforms that refugees can utilise to generate income. However, a de facto mandatory encampment policy in Tanzania, combined with high fees for obtaining a Class A investor and self-employment visa (over US \$1,000), means that most refugees cannot establish large-scale businesses. Even though many urban refugees could be considered small business owners, their businesses are not official if they are not registered as refugees in Dar es Salaam. Fearing the consequences, many refugees have kept their businesses small, for instance, sharing wares for sale with a limited number of personal contacts rather than a wider customer base so as not to attract attention (Wilson et al., forthcoming).

Although policies hinder refugees from engaging in self-employment, some are taking to their mobile phones to earn an income—and communication platforms, particularly social media, have been important tools. Refugees, for instance, sell clothing, beauty accessories and food items via WhatsApp groups, Instagram and Facebook. ICT has added to the possibilities to engage

in petty trade, which has long taken place in person on Dar es Salaam's streets (Wilson et al., forthcoming). These examples highlight the entrepreneurial skills that refugees can utilise—when connected—even in a challenging environment. Such technologies lower the threshold to engage in entrepreneurial activities and help refugees to circumvent barriers to opening formal businesses or obstacles stemming from their lack of registration or capital.

However, following the January 2020 deadline for compulsory biometric SIM card registration, some refugees (and Tanzanians) have become disconnected. This new procedure requires SIM card holders to register with their fingerprints and national identification documents—which many displaced people, especially those who are unregistered, do not have. While local networks have helped many refugees overcome this barrier to connectivity by registering them under friends' names, for instance, some refugees have been cut off (Wilson et al., forthcoming). This can endanger refugee entrepreneurs' source of income if they do not know where their customers live or have difficulty locating them. Finding other ways of connecting with (potential) customers may also be more time-intensive. The movement towards digital identification systems, in which Tanzania is not alone, highlights the importance of considering how marginalised groups might be affected regarding their connectivity and livelihood opportunities (Demirdirek, 2020).

4. Taking care of business: Conclusions and policy implications

The above examples illustrate the potential of entrepreneurship to provide solutions and highlight the entrepreneurial spirit that many refugees have been able to leverage. However, there is much more work to be done to support refugee entrepreneurship, and livelihoods more generally, as evidenced by high refugee unemployment rates in many host countries.

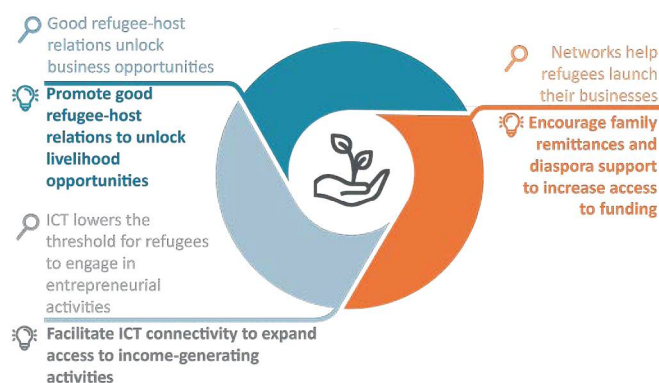


Figure 2: Harnessing connectivity entrepreneurship to expand refugee entrepreneurship: Policy implications
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These lessons show that the agency, inventiveness and perseverance of refugees are vital for securing an income source via entrepreneurship—and so are networks—but supportive policies to facilitate this are also crucial. Connections help circumvent constraints placed on refugees. However, networks are rarely enough to enable refugees to build a secure livelihood and thus find a path out of protracted displacement. Refugees try to leverage their connections, but policies and practices can hinder their efforts and ambitions, which highlights the importance of supportive policies and practices enabling refugees to rebuild their livelihoods in host countries. These should tap into refugees' entrepreneurial potential, including by granting them the right to work and own a business—on paper and in practice—and the rights to live outside of camps, open bank accounts and access finance. Integration policies in a broader sense, as well as factors influencing the environment for entrepreneurs more generally, regardless of their country of birth, are also significant (UNCTAD et al., 2018).

Notably, acknowledging refugees' presence and allowing them to stay are preconditions that provide the basis for such rights and for building networks to support refugee livelihoods and entrepreneurship. Refugees have much entrepreneurial potential, but they can only make full use of this when basic laws and building blocks are there and implemented in practice. Host governments would be wise to provide enabling environments so that refugees can use their skills and capacities to contribute to their new communities.

Besides pushing host governments for such rights, how can humanitarian and development actors and assistance help? Ideas that can be drawn from the above lessons include:

Idea #1: Promote good refugee–host relations to unlock livelihood opportunities

Bolstering refugee–host relations by promoting positive attitudes and balanced narratives regarding refugees and facilitating interactions among individuals, both of which can help people build and maintain ties that can unlock livelihood opportunities. Joint ventures show that creative approaches combined with external support can help refugees and locals generate needed income. Finding ways to involve both groups in business creation on an even playing field provides opportunities that do not necessitate that refugees rely on locals, which leaves refugees dependent and at risk of exploitation. In this regard, the work of Mekane Yesus and Dignity Kwanza can provide helpful examples.

Idea #2: Encourage family remittances and diaspora support to increase access to start-up funding

Financial support from abroad can expand business opportunities, while connecting refugees with customers in other countries can grow their client bases. Lowering transfer costs, increasing collaboration between diasporas and development agencies and

connecting remittances to other tools such as credit can tap into the potential of networks and build on already existing support systems (see Erdal et al., 2020). At the same time, building connections more broadly among diaspora members and organisations, and across diasporas, can create networks for sharing ideas, strengthening coordination, identifying business opportunities and building capacity for collective activities that can scale up support (see EUDiF, 2020; UNCTAD, UNHCR & IOM, 2018). The [Africa-Europe Diaspora Development Platform](#) (ADEPT), created to increase the impact of African diaspora organisations in Europe engaging in development activities in Africa, is one such effort to harness the power of networking.

Idea #3: Facilitate ICT connectivity to expand refugees' access to income-generating activities

In addition to supporting connectivity itself, donors, with the help of NGOs and social enterprises, could also offer digital literacy workshops, livelihood training programmes, business mentoring, business incubators or other technical assistance that can help refugees maximise such business opportunities. Micro-finance initiatives such as loans provided through Kiva's [World Refugee Fund](#) show that ICT can also be used to link refugees with crowdfunding opportunities that support their enterprises financially. On a larger scale, Kiva and the [Refugee Investment Network](#) have worked to connect investors with refugee enterprises and scale up impact investing, channelling investor funding to create a positive social impact alongside financial return.

While these lessons from Ethiopia and Tanzania highlight the important role of individual-level support, they also point to a potential role for donors, investors and NGOs in strengthening networks and providing start-up capital to get more refugee ventures off the ground, thereby lifting refugees out of protracted displacement.

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