



# Reintegration Assistance

Good, Promising and Innovative Practices

Practice #10

## Supporting SMEs and former returnees to create jobs for migrants returning to Afghanistan

Implementing	IOM
Project title:	Reintegration Assistance and Development in Afghanistan (RADA)
Donor:	European Union

### Summary

Under the RADA project, IOM is contributing to create employment for returnees in Afghanistan by supporting local small and medium-sized enterprises (SMEs) to increase their production capacities and their market reach.

Applicant SMEs that have a potential for growth and commit to employ a number of returnees, are selected to receive financial and technical support. Priority is given to SMEs established by migrants who returned and received assistance in the framework of past IOM reintegration programmes, proved to be able to run a successful business, and are willing to support recent returnees while expanding their business.

By December 2020, 104 returnees (82 male, 22 female) were employed by 17 SMEs supported by RADA, including 13 employed in two SMEs established by former returnees.

As this practice is relatively recent and still lacks evaluation data, it can hardly be characterized as a good practice. However, it is a promising practice as it already demonstrated its capacity to create jobs for returnees, to develop their skills and to contribute to their economic stability in a complex return environment. The technical support provided to enhance the SMEs' productivity and revenue (e.g. business linkages, packaging or marketing support, etc.) is remarkable. Finally, its focus on linking former and recent returnees is promising and worth further exploring.



## Operational details

### Description of the Activity

The Reintegration and Development Assistance in Afghanistan (RADA) project seeks to support sustainable reintegration of returnees within their communities. The project is implemented by IOM with an integrated approach to the economic, social and psychosocial aspects of reintegration at both the individual and community levels. At the structural level, technical assistance supports national and sub-national Afghan government authorities to strengthen their capacity to plan, manage and facilitate reintegration. The project envisages different types of support, including integrated community development projects, employment through business development support to new and existing SMEs, and Technical and Vocational Education and Training (TVET).<sup>1</sup> The focus of this factsheet is on the 'SME component', i.e. the support to returnees' employment through SME support.

#### SUPPORT TO SMES TO FOSTER RETURNEES' EMPLOYMENT

This component aims at creating job opportunities for returnees (and safeguarding existing jobs) through the scale up of existing businesses. Over its five years of implementation (2017-2022), the project intends to support 85 businesses to enhance their capacity to create job opportunities for five to ten returnees each, for a total of 595 returnees provided with full time jobs. By the end of December 2020, 17 SMEs had received such support, for a total of 104 returnees employed (and 200 jobs safeguarded).<sup>2</sup> SMEs interested in RADA's business development support must submit their application.



A food production enterprise in Baghlan province supported by RADA. © IOM

They must have the potential and commit to train and employ five to ten returnees with fair and market-conform salary for at least one year.<sup>3</sup> In addition, they must commit to increase their sales by at least 10% after six to twelve months of RADA support.<sup>4</sup> They must also accept to share the cost of the investment required to scale up the business and employ additional staff (RADA's material support should be complemented by a contribution of 25% of the total amount by the SME). Beneficiary SMEs are selected following a process which is relatively similar to the one described in a previous factsheet of this [Series on SMEs support in Iraq](#). It envisages a multi-layer and multi-actor process of assessment of the applications according to eligibility and selection criteria defined under the project, including the potential for growth and employability of the SMEs.

<sup>1</sup> RADA project webpage: <https://afghanistan.iom.int/reports/reintegration-assistance-and-development-afghanistan>

<sup>2</sup> 26 additional businesses had been selected and were in the process of receiving the required equipment. These 26 SMEs were supposed to employ 182 additional returnees.

<sup>3</sup> The SME commits to employ returnees for at least one year and to train them on-the-job for three to six months. This process is monitored for at least one year. During that period, the SME cannot fire an employee unless there is a good justification, and in this case IOM introduces a new employee. Unskilled returnees must be paid a monthly salary of at least AFN 4,000 (equivalent to approx. 43 EUR – a salary defined in agreement with several stakeholders, representing an amount SMEs in rural areas can sustain, and corresponding to the average salary of an unskilled, seasonal worker), and skilled returnees (including those who received training for three to six months) are paid at least 7,000 AFN (equivalent to approx. 76 EUR, which corresponds to the average market salary for a skilled worker). After one year, the employee is either retained to work in the SME, or shall establish his/ her own small business using the skills and experience gained.

<sup>4</sup> Initially, a 5% increase in sales after three to nine months of RADA support was envisaged. Based on experience with the project, it was then increased to 10% over a slightly longer period.



The selection process culminates in the signing of an agreement letter between IOM and the SME owner, detailing the contribution of both parties, the support period and methodology, and the terms and conditions of the agreement (including the above-mentioned formal commitment related to employment and growth). Forty-three agreements had been signed between IOM and Afghan SMEs by the end of December 2020, over a total of 257 applications received.



Women employees producing children bedding. © IOM

Once selected, SMEs are supported to expand or establish new lines of production through the provision of the required equipment and machinery. RADA also ensures the matching between the job opportunities made available thanks to its support, and the migrants who returned in the area.<sup>5</sup>

In addition, the businesses are provided with technical support if and as such need is identified through the technical assessment. SMEs have been supported in the following ways:

- Development of business plans and training in financial literacy;

- Facilitation of local and national exposure visits, exhibitions, market linkages and business-to-business meetings. For instance, exchange visits between SMEs in different provinces are facilitated for SMEs to better understand the market of other provinces, learn from each other, or even sell their production to each other. Businesses are also linked so that a SME supplies its final product to another business needing it as input (e.g. plastic recycling business supplying raw material to manufacturing business producing plastic chairs);
- Support with regards to the packaging and labelling;
- Marketing support, including training courses and development of advertising banners, billboards, TV ads, and other promotional material;
- Facilitation of access to alternative/ additional sources of funding for SMEs that are interested in further expanding their activities, by linking SMEs to finance or microfinance institutions.<sup>6</sup>

Following the provision of support, the enterprise is regularly monitored during a 12-month period:<sup>7</sup>

- RADA's technical staff visit the SMEs periodically<sup>8</sup> to ensure that employees are in place, learning the skills, receiving the agreed amount of salary, and facing no problem in the workplace;<sup>9</sup>
- The project's monitoring team visits the businesses supported on a monthly basis to observe the performance and progress of the business and to measure the improvements in sales, business expansion, market coverage and employment generation. This monthly monitoring allows closely following the SME's progress and avoiding any issue that could prevent the business from achieving the objectives set;<sup>10</sup>

<sup>5</sup> The selection criteria for returnees to benefit from this scheme are relatively broad: the returnee must be living nearby the enterprise, must be between 18 and 35 years old and not be currently employed or a student, must agree to work for the agreed amount of salary, and must be assessed as vulnerable (e.g. head of family, widow, etc.). Once beneficiaries are identified by IOM and its partners, they are introduced to the SMEs. There are no specific criteria guiding the job matching or the connection between some returnees and a SME, though the returnees' skills can guide the decision: those with specific skills will indeed be referred to SMEs within their field if possible, otherwise they are introduced to any SME they are willing to and receive training from the SME.

<sup>6</sup> A mapping of the existing banking or financing institutions and of their respective focuses and conditions was carried out under RADA. Based on the SME's needs, the project staff refers to SME to the most relevant (micro) finance institution. IOM's role is to be a bridge between an SME and the bank at initial stage. IOM's role stops with the referral and IOM does not have any further responsibility in this process (e.g. collateral, guarantor, repayment etc.) with regards to the SME or the bank.

<sup>7</sup> In case after 12 month the monitoring does not confirm that the new employee (returnee) learned the relevant skills satisfactorily and that the SME operates as a successful business as per the business plan, IOM extends its monitoring for another 12-month period.

<sup>8</sup> Once or twice a week until the SME is supported to operate as planned, and then from time to time based on needs.

<sup>9</sup> In case one or more returnee employee(s) leave(s) the job or is (are) fired by the SME before the final impact assessment and close out phase (see below), the SME must hire the same number of returnee employee(s) again, in coordination with the project team. The SME representative must provide an acceptable justification for the turnover of the returnees employed thanks to the project support.

<sup>10</sup> If such an issue arises, the monitoring team communicates it to the project team that will follow up with the SME until it is addressed.



- An impact assessment of the support provided, based on a report submitted by the entrepreneur to IOM, is conducted every six months. Measuring the income and employment, the reports help tracking the progress of the SME by comparing the data with the baseline data collected at selection stage and with previous impact assessment reports.

Once RADA's goals are achieved (i.e. the returnee is trained and employed), a final impact assessment is conducted and the RADA team officially closes out the support.

#### LINKING FORMER AND RECENT RETURNEES

The fact that a SME was established by a former returnee with support from IOM's Assisted Voluntary Return and Reintegration (AVRR) or Post-Arrival and Reintegration Assistance (PARA) programmes, was defined as a positive assessment criterion to select beneficiary SMEs.

A list of SMEs supported under such programmes in the last years was thus reviewed by RADA's team and, based on a comprehensive assessment, those that matched RADA's objectives and criteria were selected.

By the end of December 2020, two SMEs established by returnees under previous reintegration programmes received RADA's support.<sup>11</sup>

One of them, Faizy Tailoring Company, is co-owned by Mr. Hassan, 42, who returned from the Netherlands in 2017 after his asylum claim was rejected. At the time, he invested the reintegration support provided by IOM to become a partner in the Faizy Tailoring Company, a business producing male clothes. In the last years, the company expanded from a few workers to employing as many as 17 persons.

This expansion was supported by the RADA project that allowed scaling up the business and creating jobs for 5 returnees.<sup>12</sup>



Workers at the Faizy Tailoring Company. © IOM

Bashir, who returned from Iran in 2013, is the owner of a shoe production company in Balkh province. With RADA's assistance, which included material support as well as technical assistance in the form of business plan development to understand and analyse the roadmap to business expansion and market-share increase, the factory was able to create 8 new jobs for male returnees, bringing its total number of employees to 21 (18 male and 3 female).

<sup>11</sup> To be eligible for RADA support, businesses should be production-oriented, have a value chain, and be able to provide skills learning opportunities and jobs for returnees. Most of the businesses established by returnees under previous AVRR or PARA projects did not match these criteria as they overwhelmingly were micro businesses, mainly consisting of shops. An initial screening of the businesses set up by former returnees resulted in the identification of around 15 SMEs potentially matching the above criteria. However, from these, only two matched the other criteria for RADA support, including the willingness to train and employ returnees and to pay them the above-mentioned salary, the commitment to contribute 25% of the expenses to scale up the business, or a sufficient amount of sales and profits. Hence only two SMEs established by former returnees had been selected as this factsheet was developed.

<sup>12</sup> As of May 2020, COVID-induced lockdown had forced the company to shut down, though, leaving the employees without any source of income.



## Approach/Rationale

Next to insecurity, unemployment has consistently been pointed out by returnees as the main impediment to their sustainable reintegration in Afghanistan. Under RADA, IOM works to stimulate entrepreneurship and employability in a combination of support to businesses and returnees. Skills learning opportunities and jobs are created for Afghan returnees, and at the same time the enterprises' profitability, growth potential and sustainability are boosted.

Under RADA's SME component, focus is put on:

- The areas with the highest return rates: data from previous AVRR and PARA programmes and from IOM's Displacement Tracking Matrix were used to identify the 8 provinces targeted by RADA;
- Labour intensive SMEs: they have better job creation and learning opportunities. Such enterprises include, for instance, manufacturing SMEs engaged in production, raw material processing, packaging, etc.;
- Value chain: businesses with downstream and upstream linkages (for instance agribusinesses) are favoured;
- Gender considerations: attention is given to SMEs matching women profiles and requirements, for instance those providing good opportunities for learning of skills that can subsequently be applied by women to earn an income working from home.

RADA has also attempted to link 'recent returnees' with 'former returnees' by harnessing former returnees' experience (of migration, return and reintegration) and engagement. The rationale behind this is that former returnees know what returning migrants have gone through since they experienced it personally (and subsequently 'succeeded' in their reintegration). In this light, they could constitute relevant reference persons for recent returnees. Complementarities between projects also allow strengthening their respective impact.

## Partnership/Synergy

To assess the applications and select the SMEs to be supported, an Enterprise Review and Selection Committee was established under RADA. Besides the RADA business development advisor (IOM staff), the Committee comprises representatives of the Directorate of Refugees and Repatriation (DoRR, under the Ministry of Refugees and Repatriation), of the Directorate of Commerce and Industries (DoCI, under the Ministry of Industry and Commerce) and of the Environmental and Social Safeguard (ESS) department.

DoRR is a key partner under the RADA project and more generally for reintegration programmes implemented in Afghanistan. It endorses the final list of SMEs selected. DoCI technically reviews the application of the enterprises and their growth potential. The ESS department is involved to ensure that the applying enterprises do not negatively affect the environment in terms of waste and chemicals going to agricultural land, noise, etc.

The private sector is another key partner of this component: it is both an actor – providing jobs to returnees – and a beneficiary – receiving support to expand – of the project.

## Cost

As of December 2020, 17 SMEs had been supported with equipment and goods, which allowed creating 104 jobs. On average, between 2,500 USD and 3,500 USD were invested for each job created (noting that this doesn't consider the indirect impact of the support provided, e.g. the business may expand further thanks to the support provided, and in the future employ more staff). Looking at individual SMEs, the cost per job created varied from 1,360 USD to 3,700 USD.

## Useful contacts

IOM in Afghanistan can be contacted at [iomkabul@iom.int](mailto:iomkabul@iom.int). More information on the RADA project is available at this [link](#).



## Evidence base

### Outcome and evidence

As indicated in the 'Description' section, the SME component of RADA is closely monitored. Progress is tracked and analysed on a regular basis through a comparison between (i) baseline data obtained during the application and selection process, (ii) the data on SMEs' performance and returnees employment, collected during regular field visits, and (iii) the information on the changes in employment, income, market penetration and any other wider benefits of RADA's support, collected through the impact assessments conducted every six months.

17 SMEs have received full support so far. As impact assessments are carried out six months after delivery of the support, 6 out of 17 SMEs supported had gone through such assessment by the time this factsheet was developed.

#### MAIN FINDINGS

The fact that a SME was established by a former returnee with support from IOM's Assisted Voluntary Return and Reintegration (AVRR) or Post-Arrival and Reintegration Assistance (PARA) programmes, was defined as a positive assessment criterion to select beneficiary SMEs.

#### OUTCOMES FOR SMES

The SMEs supported by RADA employed between 2 and 11 returnees each, with an average of 6.12 jobs created for returnees per SME.

On average, SMEs saw a 30% increase in current assets, 5% increase in fixed assets, and 39% increase in income following RADA's support. Their market coverage has expanded: before the intervention, the SMEs mostly supplied their products in the local/ provincial market; following the support, their products were sold in several or all the provinces

Due to the reasons mentioned above, the SMEs are satisfied with the support they received from RADA. They directly attributed the expansion and growth of their businesses to RADA's support.

As per RADA procedures, the selected SMEs recruited returnees in the community they operate in. This enhanced the public image of the SMEs within the community that perceived it as an act of corporate social responsibility.



Workers at a shoe making company in Nangarhar. © IOM

#### OUTCOMES FOR RETURNEES

As of December 2020, 104 returnees from high return communities had found a job in the SMEs supported thanks to RADA's support.

While most of them earn between 3,000 AFN (approx. 32 EUR) and 5,000 AFN (approx. 53 EUR) per month,<sup>13</sup> data collected recently shows that the salary of several returnees already increased substantially (in some cases it tripled since they started working for their respective enterprise).

Whereas the SMEs are involved in a variety of industries and areas, the skills learned by the employees are varied and include soap making, baby dress making, tailoring, shoe making, furniture making, and clothes production.

The returnees monitored are satisfied with the support provided by RADA. They value the fact to

<sup>13</sup>Initially, the minimum salary for unskilled returnees was set at 3,000 AFN, and for skilled returnees at 5,000 AFN. It was successively changed into respectively 4,000 AFN and 7,000 AFN for returnees to be able to better cover their basic needs and those of their family.



have a job through which they are both learning skills and earning an income.

The former returnees whose SMEs were supported, both provided support to the newly employed returnees beyond the specific conditions agreed on to receive RADA's SME support (for instance by providing loans or salary advance to employees, or by speeding up the skills acquisition process and the salary increase).

## Recommendations

Recommendations related to supporting SMEs to boost returnees employment are available in the factsheet "[Boosting returnees' employment through support to SMEs in Iraq](#)", previously published under this Series.

Additional recommendations linked to the support to former returnees, as well as on technical support that can be offered to SMEs to further boost their production and employment potential, are provided here.

### RECOMMENDATIONS RELATED TO SUPPORT TO FORMER RETURNEES

**Encourage the involvement of former returnees in reintegration programmes and in the support to returning migrants.** This blend of peer support and mentoring approach is potentially valuable in many areas, such as training and employment (as illustrated in this factsheet) and psychosocial reintegration (e.g. common experience shaping a feeling of common understanding and acceptance, support in re-establishing social networks, etc.). Former returnees appearing as successful (in this case, they managed to establish an enterprise and have several employees) can also become a kind of model for recent returnees; their 'success story' can boost returnees' motivation and reassure them that they can make it.

**Encourage complementarities between projects and programmes,** including past and

and present. This may multiply the positive outcomes of both projects/ programmes.

### RECOMMENDATIONS RELATED TO TECHNICAL SUPPORT TO BUSINESSES

**Consider technical assistance systematically when supporting the set-up or expansion of a business.** Whether the support targets SMEs, community-based businesses/ cooperatives, or microbusiness of individual returnees, investments in goods and equipment should go hand in hand with complementary support to improve the management and optimize the potential of the businesses. Depending on the type of business and based on a needs assessment, a variety of support can be envisaged, including training in financial literacy; basic or advanced business management training; technical training; support to develop business plans and access additional funds (through synergies with other programmes, referrals to financial services providers, etc.); support to improve products and sales (incl. marketing, packaging, market penetration, national/ international exposure, etc.).

**Encourage business linkages to further boost SME growth and employment.**

Businesses can learn from each other, help each other accessing new markets, and supply each other.

### Conditions for replicability

Supporting SMEs to boost returnee employment constitutes an approach that can be replicated in a large variety of contexts. There are no significant contraindications beyond the need to have at least an embryo of productive sector. This approach is indeed relevant when increased capacities result in the need for additional workforce. Shops, for instance, do not match this requirement, or only to a limited extent (increased stock will only marginally lead to additional staff/ salespersons).



A company supported by RADA in Herat. © IOM

The types of businesses to target and the level of investments to be envisaged, largely depend on the local business ecosystem and market conditions. In Afghanistan, the business environment is not conducive to medium and large businesses, but is more conducive to micro and small businesses requiring investments under 50,000 USD. The general insecurity and political fragility require investors to be able and willing to take risks to pursue business opportunities.

Complementing material support with technical assistance, is also an approach that can easily be replicated, and that virtually fits all contexts. The type of technical support that is relevant in a certain context and for a certain business, though, strongly depends on the type of business at hand and on the economic environment.

Focusing on the link between former and recent returnees, some forms of connection or interrelation appear as replicable in many contexts. This may require intense sensitization efforts to mobilize former returnees, but this has the potential (still to be verified by future monitoring and evaluation exercises) to significantly improve returnees' reintegration, especially during those moments when returnees might face particular challenges and see everything as negative and complicated. For returnees, being able to discuss and rely on someone who went through the same process in the past and managed to reintegrate in a sustainable manner, can be very comforting.

## Knowledge Management Hub

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