

BUSINESS INCUBATOR CASE STUDY

DRC MENA livelihoods learning programme 2017-2019

SYRIA

DECEMBER 2017

**DANISH
REFUGEE
COUNCIL**

Danish Refugee Council
Syria Office

Damascus-Abu Rummaneh Mahdi
Ben Barakeh Street
Tel: 00961-11-3340312
00961-11-3342152
www.drc.dk

The Danish Refugee Council (DRC) is a humanitarian, non-governmental, non-profit organisation founded in 1956 that works in more than 40 countries throughout the world. DRC fulfils its mandate by providing direct assistance to conflict – affected populations – refugees, Internally Displaced Persons (IDPs) and host communities in the conflict areas of the world and by advocating on their behalf internationally and in Denmark.



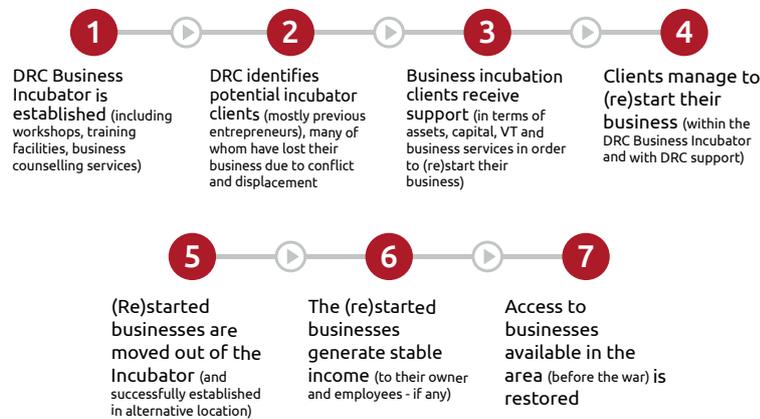
Abdul Hamid, an internally displaced Syrian who lost his marble factory in Aleppo, Syria. June 2017. Photo by: Rafel Al-Yasseri/DRC

Brief project description

The business incubator model was developed by DRC staff to contribute to rebuilding the destroyed market place and industrial zone in Homs. Local entrepreneurs, mainly those unable to restart businesses destroyed in the conflict, were enabled to open businesses in premises and with business services provided by the project, and with the support of capital grants and vocational training (VT). After the incubation period, these businesses were able to move out of the incubator into their own premises. The businesses were expected to generate enough income to largely meet the needs of the households of the entrepreneurs and any employees. During the last quarter of 2014, a pilot project of five different workshops was launched, and between April 2015 and February 2016, the project supported 69 new businesses.

Limitations of the case study: No interviewing with business people was possible during 2017, so learning has been limited to reviewing project documents and staff interviews.

Homs Business Incubator Model



Observations and findings

1. The business incubator model is relatively new in Syria (the model only existed for IT services prior to the crisis).
2. No formal market assessment was conducted prior to implementation. As market information is difficult to collect in the context, the decision to proceed with the incubator model was based on staff knowledge and perceptions.
3. The project was highly reliant on the Syrian Arab Red Crescent (SARC), which facilitated the implementation of the project, including ensuring required correspondence with relevant authorities concerning the location.
4. DRC staff have to be creative to manage the demands to have government approval for specific activities. The incubator as a whole initially had approval through SARC. This did not include permission to supply raw materials directly to the fledgling businesses, which had to be helped indirectly by using the complex's own supplies.
5. Limited outreach opportunities, as DRC is not allowed to conduct outreach independently, posed a challenge in attracting applications, but as the project became known, it became easier to access potential clients.
6. Selection of clients has prioritised applicants with technical skills and business strategy, rather than poverty or vulnerability. The support also intended to restore access to goods and services that were available in the area before the war.

7. There does not seem to be a cultural barrier for men and women to work in the same space (though note the limitation mentioned above, interviewing has been restricted to project staff). In 2015/16, 35% of the businesses supported were run by women.
8. DRC has chosen businesses which complement each other so that clients can share customers and build a network among each other. Businesses included furniture painting, clothes recycling, car mechanic, car body maintenance, and car washing.
9. The project was criticised in 2015 by SARC for lacking a clear concept, weak monitoring and reaching a very limited number of clients in relation to the costs.
10. Most of the businesses successfully graduated from the incubator, but follow-up to see how they have managed after leaving the incubator has not yet been conducted.

DAC criteria assessment

DAC CRITERIA	ASSESSMENT
RELEVANCE	The project aimed to help restart market activity and increase access to goods and services in an area heavily affected by the conflict. These objectives were relevant, because the market place in Homs had been completely destroyed, and business activity was badly affected. It has not yet been possible to test the relevance of the model in achieving that because of the inability to collect information more widely in Homs, including about the functioning of supported businesses and any impact this has had on access to services and to business activity more broadly.
COST-EFFICIENCY	No cost-efficiency analysis has yet been done of this work: it was found that the way DRC budgets are structured do not allow an easy cost-efficiency analysis and we would need to put in place a more systematic registration of staff time (and other costs) to be able to draw conclusions.
EFFECTIVENESS & IMPACT	According to DRC staff estimations, whilst working in the incubator, some of the businesses generated significant incomes, and overall, clients were able to cover their household needs. However, crucially, there is no information available for the post-incubation period.
SUSTAINABILITY	The model is designed to bring about sustainable economic activity, but until follow-up can be conducted outside the incubator, it is not possible to say how far this has been achieved.
COVERAGE	Currently, coverage is low, though it is possible that a larger number of people have been helped indirectly by an increase in business activity through gaining access to services. The lack of authorization for data collection and client outreach is limiting the potential for scale-up.

Main take-aways

It is critical to understand what happens to fledgling businesses in Homs when they leave the incubator and what impact this has on wider business activity and access to services. Currently, there are tight constraints around finding this out. It is necessary to find innovative ways of gaining some understanding within the constraints of government approvals and/or security conditions.

