

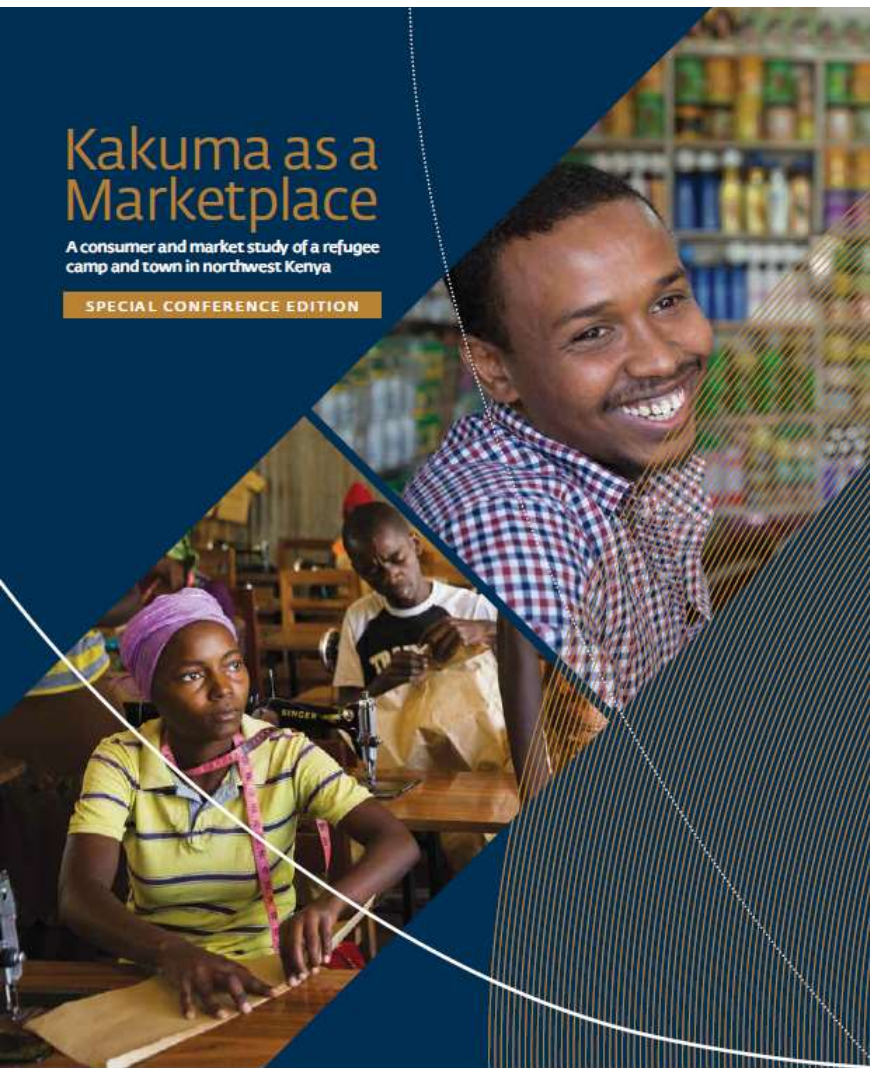
# KKCF Kakuma Kalobeyei Challenge Fund



# Kakuma as a Marketplace

A consumer and market study of a refugee camp and town in northwest Kenya

SPECIAL CONFERENCE EDITION



## Kakuma as a Marketplace

### How did it all start?

- 2016 – UNHCR invites IFC to visit the Kakuma refugee camp
- IFC team starts working on “Kakuma as a Marketplace” study

### Established Urban Center with Sizeable Market

- Kakuma area’s consumption is about \$56 million/year
- The camp, coupled with the neighboring town, is a single market of 250,000 people, making it Kenya’s seventh largest city

### A Thriving Informal Economy Has Evolved

- Despite limitations, over 2,500 refugee owned businesses exist
- 12% of refugee respondents identify as business owners
- Contrary to perceptions, refugees are economic agents earning about \$54/month
- Mobile phone penetration is high at 69% in camp and 85% in town

IN PARTNERSHIP WITH



# Challenges to Private Sector Engagement

Turkana County, UNHCR, and IFC (as a result of *Kakuma as a Marketplace*) explored how the private sector could address the needs of refugees and their host communities. The Turkana County and UNHCR support KKCF in overcoming four key market failures for the private sector engagement:



1. Information asymmetry about market opportunities for the private sector in the area



2. Unclear regulations regarding refugees' ability to work or start businesses



3. Inadequate access to services



4. Lack of access to finance for both refugees and host communities

# Kakuma Kalobeyei Challenge Fund (KKCF)

A five-year, USD 25 million program in Northern Kenya

## OBJECTIVES:



1. Support new businesses and social enterprises to improve employment, increase access to products and services, and potentially reduce prices.



2. Provide opportunities to scale-up the operations of companies and social enterprises already present in the area.



3. Develop and grow refugee and host community owned businesses.



4. Reduce time and/or cost to obtain specific business permits, licenses and registrations.

---

## COMPONENTS:

- Component 1: A rolling competitive business challenge
- Component 2: Investment climate and policy advisory
- Component 3: Hand-on support to corporates



# INNOVATIVE APPROACHES

## Kakuma Kalobeyei Challenge Fund

5

years

The five-year project has three components:



Rolling competitive business challenge

- Target SMEs, social enterprises, and local/refugee entrepreneurs
- Provide performance-based grants and technical assistance



Investment climate and policy advisory

- Work with county government to create a conducive business environment



Hands-on support to larger companies

- Facilitate entry of larger companies into Kakuma, including by illustrating and quantifying the business opportunity

# Kakuma Kalobeyei Challenge Fund at a Glance

## Why KKCF?

In 2020, the number of forcibly displaced people reached a record high of 82.4 million. Sub-Saharan Africa recorded the largest number of new displacements due to conflict (6.8 million), and many displacements have become protracted. Public resources available to assist individuals and families have dwindled, exacerbating already strained situations. Market-based approaches in refugee contexts and private sector initiatives like KKCF can help to create jobs and demonstrate the valuable role that private sector firms and investors can play.

## What is KKCF?

KKCF is a five-year program designed to support private sector investment and unlock the economic potential of refugees and their hosts in the Kakuma-Kalobeyei refugee-hosting area of northern Kenya. KKCF aims to attract private companies to the area and support local entrepreneurs to create jobs and improve service provision in the Kakuma area. The program targets all private sector players, from small companies and medium-sized family businesses, to social enterprises and large firms.

## IFC Considerations

- Encourage IFC clients to start commercial operations in refugee hosting areas. If successful, develop a practical business model to engage IFC clients in the global displacement response.
- KKCF is the largest IFC Advisory project. Its success will affect IFC FDP projects globally.

## Impact

We aim to attract 20 medium to large national and/or international private sector companies or social enterprises to Kakuma-Kalobeyei areas; fund 100 local small and micro enterprises from Turkana County to scale up their businesses; improve services for 50,000 people; create 500 direct and 1,000 indirect/ induced jobs through beneficiary companies.

## Potential Scalability

East and Horn of Africa has more than 100 refugee camps and settlements (Source: UNHCR). If successful, KKCF experience can be used to increase private sector engagements across SSA.

# Rolling Competitive Business Challenge



## Supporting companies, social enterprises and local entrepreneurs



- KKCF supports small and medium-sized companies, social enterprises and entrepreneurs from both the refugee and host communities.
- Support includes financing in the form of performance-based grants and technical assistance such as formal training programs and the installation of management systems.
- Criteria for selection include commercial viability, gender and youth inclusivity, and economic impact.



## Creating a regulatory environment conducive to business



- IFC is working with Turkana officials, UNHCR, and other key partners to clarify and simplify business practices in the area.
- Creating a “one-stop shop” that provides high-demand government and regulatory services in Kakuma.
- This eliminates people’s need to travel long distances to the regional or national capital to obtain items like ID cards and business start-up documents. This is especially helpful for refugees requiring movement passes to leave Kakuma.



# Hands-on Support to Corporates



## Attracting and guiding larger firms



- Studies like *Kakuma as a Marketplace* made the Kakuma business opportunity apparent.
- But, it's a unique and unfamiliar context for many larger firms. IFC can offer them critical help through advisory services: helping conduct scoping missions, performing market studies, and assisting in capacity building.

# RESULTS AS OF JANUARY 2022

Output	Indicator	Target	Result, as of May 2021
Information events/advocacy activities conducted – Component 1	# of workshops, events, seminars, conferences conducted # of participants in workshops, events, seminars, conferences	10 200	28 events 1217 participants (352 women)
Capacity building on business processing mapping provided to county government – Component 2	# of participants in workshops, events, seminars, conferences	20 90	14 workshops 84 participants
Advice on market entry and doing business in Kakuma and Kalobeyei provided – Component 3	# of entities receiving advisory services	10	6 companies under Component 3
Private sector and social enterprises' entry incentivized	# applicants to the competitive business challenge (PSW and SEW) # applicants to the competitive business challenge (LED)	40 150	123 (84 private and 39 social enterprises) 770
Funding awarded	# of grants awarded Average ticket size (PSW and SEW) Value of funds disbursed Rate of disbursement	20 n/a \$12,726,000 n/a	13 \$405,594 (13 selected companies) \$1,103,809 116%
Capacity building support provided	# of grantees trained on GBV prevention	120	13

# RESULTS AS OF JANUARY 2022

Outcomes and Impacts	Indicator	Target	Result, as of May 2021
Jobs supported	Number of jobs supported Number of women jobs supported	500	32 jobs 17 jobs for women K De Igratium – 10 jobs (including 3 refugees) RAFODE – 12 jobs (including 3 refugees)
Entry or expansion of companies to/in Kakuma and Kalobeyei supported	Number of companies that started or expanded operations Number of women-owned companies that started or expanded operations	124 36	9 companies 2 women-owned (Sunken and K De Igratium)

# LESSONS LEARNED- LED

What KKCF Expected	What Happened	Lesson for the Future
<ul style="list-style-type: none"> <li>✓ Community and partners would tell the difference between the Humanitarian support and the performance-based grants</li> </ul>	<ul style="list-style-type: none"> <li>✓ Conceptualizing performance-based grant model to the host and refugee community was a new concept to them as KKCF is the first project to implement performance-based grant in Kakuma</li> <li>✓ Couldn't understand the challenge fund model</li> </ul>	<ul style="list-style-type: none"> <li>✓ More awareness creation is required to the businesspeople, partners and other business organizations</li> </ul>
<ul style="list-style-type: none"> <li>✓ A lot of applications from women and youth as there were targeted stakeholders' engagement activities towards these groups</li> </ul>	<ul style="list-style-type: none"> <li>✓ Limited applications from youth and women- Ability to absorb funding was low as youth and women are mainly in MSMEs types of business</li> </ul>	<ul style="list-style-type: none"> <li>✓ Consider lower ticket sizes for women and youth businesses- implemented through MFI because of volume of businesses expected</li> <li>✓ Consider a special challenge exclusively for women and youth</li> <li>✓ More awareness of the fund</li> </ul>
<ul style="list-style-type: none"> <li>✓ Diverse and innovative types of business applying to the fund</li> </ul>	<ul style="list-style-type: none"> <li>✓ 81% of the applications were from businesses dealing in consumer products i.e. shops, hotel, hardware, cosmetics</li> </ul>	<ul style="list-style-type: none"> <li>✓ Kakuma is a consumer market, and we could explore designing a competition that befits the consumer market</li> <li>✓ Explore an Innovation fund for innovative ideas</li> </ul>



# LESSONS LEARNED- PSW/SEW

What AECF Expected	What Happened	Lesson for the Future
<ul style="list-style-type: none"> <li>✓ High volume of applications received during the competition would translate into a good number of quality proposals.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Despite receiving 123 applications, we couldn't get to our target of funding at least 20 businesses in the PSW/SEW round 1 competition.</li> <li>✓ Run round 2 of the PSW/SEW competition to fill in the gap</li> </ul>	<ul style="list-style-type: none"> <li>✓ More awareness creation using a combination of various avenues.</li> <li>✓ Development of pipeline, using a targeted approach.</li> </ul>
<ul style="list-style-type: none"> <li>✓ Delays in response from the partners as at the time of Due diligence we were not physically present at Kakuma</li> </ul>	<ul style="list-style-type: none"> <li>✓ Partners such UNHCR, GIZ and SNV were quick to respond and provided important information on the performances some of the applicants</li> </ul>	<ul style="list-style-type: none"> <li>✓ Important to engage stakeholder in the due diligence process. UNHCR, GIZ and SNV have all worked with some of our potential beneficiaries and provided important information on the performances of these companies to date.</li> </ul>
<ul style="list-style-type: none"> <li>✓ Delays in land processing within the camp as it involved a government entity (Refugee Affairs Secretariat)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Partners were very receptive to the businesses, some of them being accommodated in the thematic working groups</li> <li>✓ Poultry firm through RAS and UNHCR was able to be allocated Land within the refugee camps</li> </ul>	<ul style="list-style-type: none"> <li>✓ Given that most of the approved business are new to Kakuma, its important to introduce these businesses to the respective stakeholders within Kakuma early enough to ease operations</li> </ul>
<ul style="list-style-type: none"> <li>✓ Land acquisition rules are clear and elaborate</li> </ul>	<ul style="list-style-type: none"> <li>✓ While the land acquisition rules are clear, majority of the local people are not clear about the process</li> </ul>	<ul style="list-style-type: none"> <li>✓ Land in Turkana county is communal: following the fully laid out process of land acquisition avoids disputes.</li> <li>✓ Also ensure the county government and the area leadership is involved. We have been able to support some of our investees through this process.</li> </ul>