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Engaging with the private sector in forced displacement contexts

Shifting the discussion from theory to practice

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Plan of the session

- Shifting the discussion from theory to practice (Kampala conference, global study, CoP?)
- Unpacking private sector engagement in the HDN
- A practical example from Uganda
- Inputs on financial inclusion, enterprise formalisation and cooperatives promotion
- Q&A and discussion

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Shift the discussion from the theory to practice

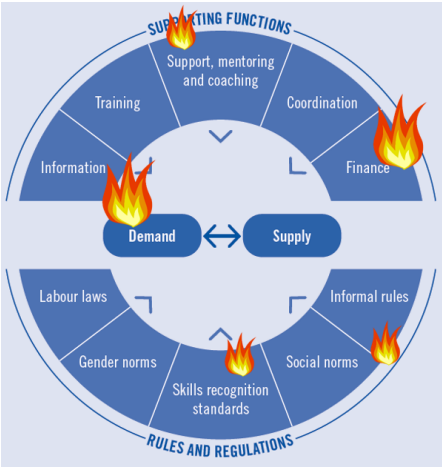
- Growing consensus for a more joined-up approach
- Proliferation of **market-led approaches to engage with the private sector** and to achieve sustainable livelihood solutions
- **Shift the discussion from theory to practice :** what differentiates these approaches? How have they been put into practice? How effective have they been in improving the livelihoods of displaced people?
- PROSPECTS ILO conference on **"Inclusive private sector development in forced displacement contexts"** (+200 participants form the HDN, including the private sector) in Kampala (Oct 2023)
- **Global mapping of market-led approaches is displacement settings**: source from practical and diverse experiences in Africa and the Middle East
- **PUSH and PULL interventions** to supports private sector engagement in displacement contexts

Private sector Engagement and Market Systems Development (MSD)

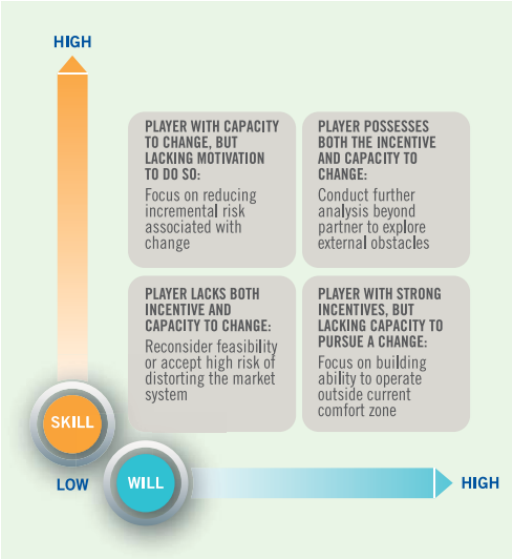
How do we make markets works better for our target group? What are the business incentives of private sectors actors?

*Achieve **labour inclusion (and Decent Work!), scale and sustainability while generating win-win situations***

1. Analyse **market systems**

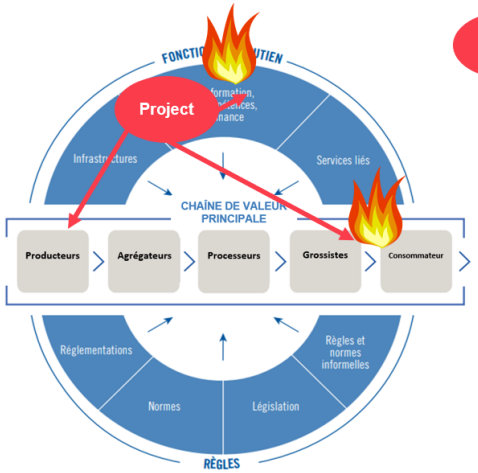


2. Identify capable private sector partners with the **right incentives** (but thin markets!)

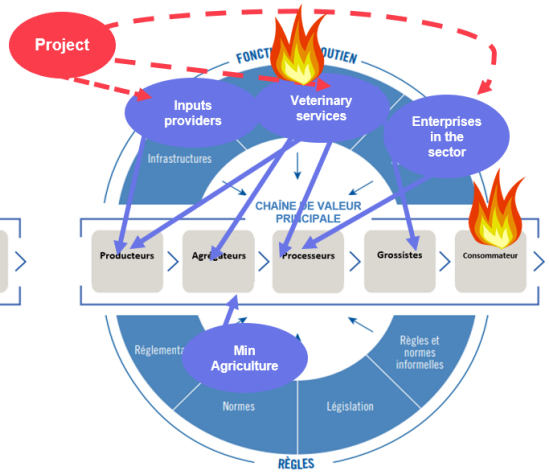


3. Facilitate market-led interventions **with and through private sector** actors

«Traditional» direct delivery interventions



Market-led interventions



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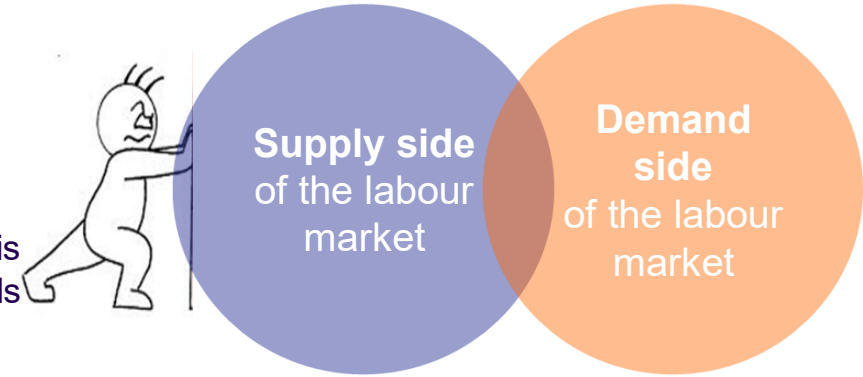
Unpacking market-led approaches in the nexus
The PUSH to prepare refugees for the market

ToC: vulnerable people need additional **inputs to engage with the market** (employment, start a business, supply buyers etc.).

→ **PUSH INTERVENTIONS**: trainings, skills development, inputs (e.g.: seeds, machinery and infrastructure), access to finance and capital, business development services, etc.

How are PUSH ≠ from traditional humanitarian livelihood interventions?

- **Market-driven**: Which market or sector holds the highest potential for this group? What are the market trends here? What are the demanded skills and products? How is this sector including/excluding refugees?
- Respond to market opportunities and **better equip refugees** to grasp them
- **Smart-subsidies** and **avoid market distortion** as much as possible
- Work **through local market actors** is prioritized over direct delivery to build sustainability



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Unpacking market-led approaches in the nexus

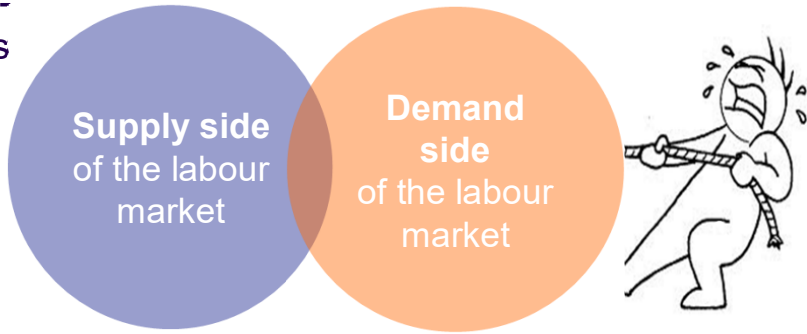
The PULL to expand market opportunities through the private sector

ToC: proactively influence market systems and **engage with private sector actors** to expand sustainable livelihoods opportunities

→ **PULL INTERVENTIONS:** Market information, market linkages (e.g. buyers-suppliers and vice versa) de-risk innovation and new business models through cost-sharing

How is PSE ≠ in displacement contexts?

- **Thin markets** (absent or disconnected market functions and actors)
- **"Will-skill"** combination not always there
- Substantial **market distortion** from humanitarian hands-out
- **Vulnerability** of refugees requires additional inputs
- "Smart" and facilitative **subsidies**
- Updated market information is critical in **getting the private sector interested**
- Building parentships to shift market systems **takes time**



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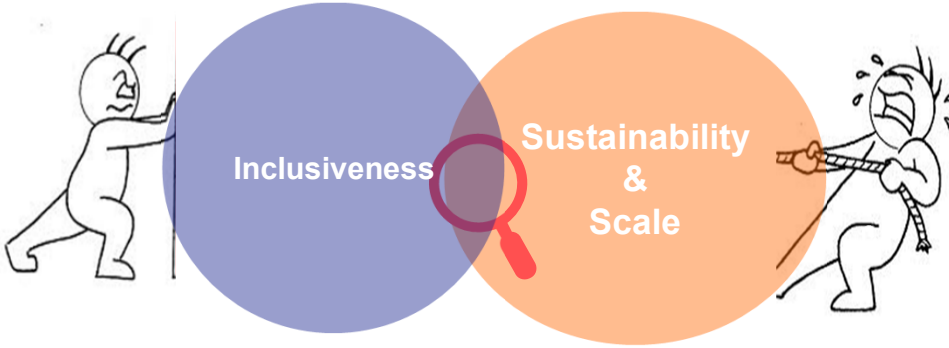
Combining PUSH and PULL
Lessons learned



- Refugees need to be supported to **be market ready (PUSH)** but we need to proactively engage with the private sector so to create and **expand economic opportunities available (PULL)**
- We need both to ensure inclusiveness and feasibility (PUSH) as well as sustainability and impact at scale (PULL)
- PUSH can be a **de-risking and trust-building strategy** to engage with the private sector
- Combine quick wins to generate **enthusiasm and credibility** while leading to longer-term sustainable impact at scale
- Combine heavier investments (push) with more value-for-money facilitation and cost-sharing (pull)
- **Updated market data** remains critical to get the private sector interested
- Align with **business incentives** (but a moving target!)
- Engage with PS while doing PUSH requires different **skills** in the project staff and **indicators**
- In both pull and push the **do no harm and peace building** dimension is key
- **Influencing** other humanitarian and development actors
- Intertying entry point to promote **climate change resilience and greening**

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In Uganda

Push and pull interventions to connect refugees and host communities to opportunities in the Sesame and Cassava

PUSH

- Development of business management skills
- advise on production practices, standards, etc

Push and pull not separate streams but intrinsically linked

Link established through 'village agent' SMEs who provide farmers with inputs and training and buy end produce

So far over 3,000 refugee and host community farmers connected

PULL

Links to off-taker Ag Ploutos who provides producers with:

- pre-financed inputs
- a guaranteed off-taker market for increased and stable revenues

In Sudan

Push and pull interventions as “proof of concept” and to get the private sector interested to engage

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The Entrepreneur's pathway to self-reliance

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Access to finance in the context of forced displacement – Lessons from practice

- Forced displacement contexts often implies a **highly aid-driven** environment whereby grants are favoured to loans.
- **Importance of the role of business management and financial education training** to support better money management and de-risking MSMEs for financial institutions.
- **Financial institutions need to build their capacities** to understand how to reach out to refugees based on their needs and cultural background (relationship, communication, product delivery strategies are key).
- **Financial institutions' senior management** need to be convinced by the business case and on board. This is more likely to happen if some of the costs have already been incurred (e.g. new branch).
- **Blended finance** can be used to build the case that financial institutions can provide finance to refugees and crowd-in other players for sustainability and scale.

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Access to finance in the context of forced displacement – Lessons from practice

- **Financial institutions need to make a sound market segmentation** to target adequate financial products to the right refugee market segments because refugees are a heterogenous group.
- **Refugees can be a bankable group** – however this means looking at their displacement stage and their needs.
- **Digital technology** needs to be harnessed to support refugees build a credit history and keep accepted KYC documents.
- **The regulatory environment** may be unclear or non-inclusive of refugees and requires constant advocacy to make sure financial institutions are allowed and accompanied to serve refugees.