Doing Well While Doing Good

Opportunities for the Private Sector in Empowering Refugee Communities

February 2020

Botho Emerging Markets Group

THE AMAHORO COALITION

About Botho Emerging Markets Group

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Emerging Markets Group

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What we learn from collaborating closely with SMEs and multinational companies as well as government and international organisations, we share to advance a more sustainable, inclusive world.

About the Amahoro Coalition

THE AMAHORO COALITION

Amahoro Coalition is an African-led initiative convening business leaders from the region to spearhead the engagement of the private sector in transforming refugee communities. Focusing on education and livelihoods, the Coalition amplifies existing refugee initiatives, stimulates awareness and interest among businesses across the region, generates solutions by facilitating concrete private sector commitments, and serves as a dynamic hub to catalyze policies that encourage companies to integrate refugees within their supply chains.

For enquiries, please email: info@thecoalitionafrica.com | **Website:** www.thecoalitionafrica.com

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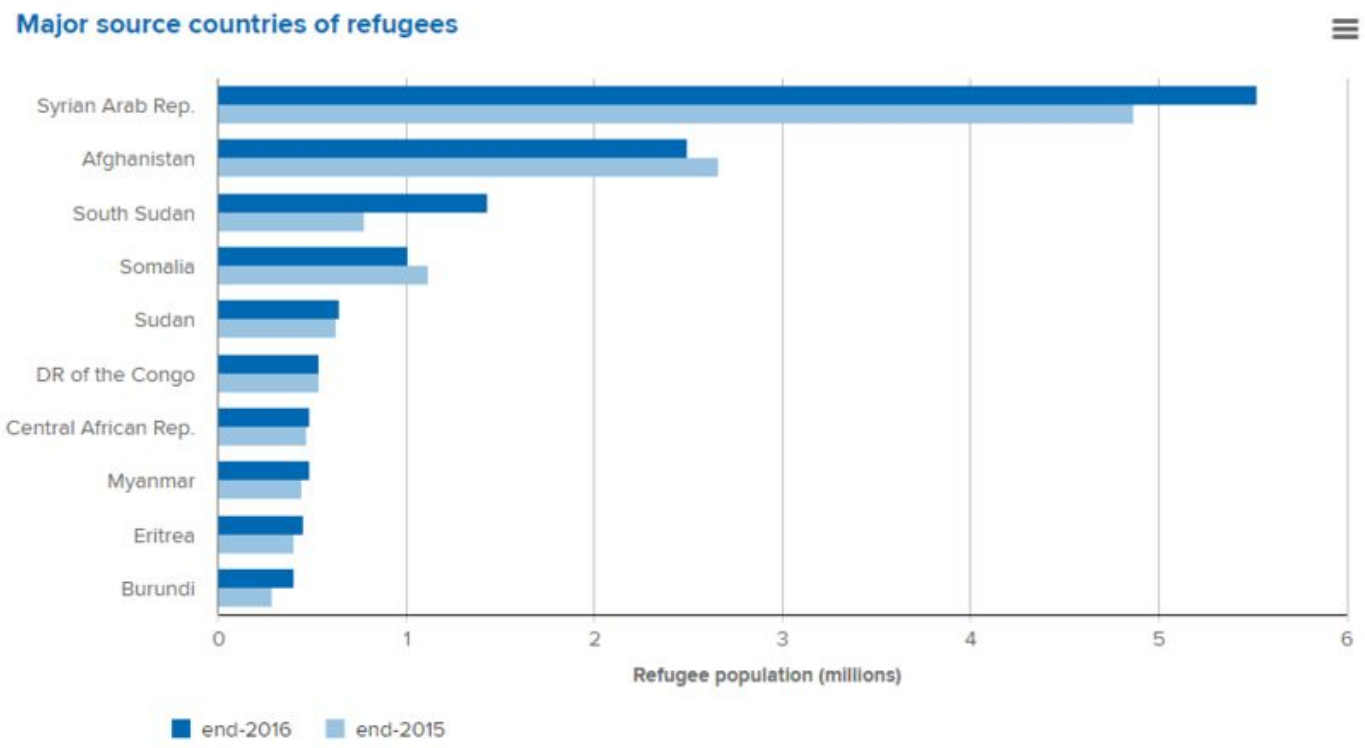
"Africa's refugee crisis is not something that NGOs and governments can solve on their own. Now more than ever, we need African businesses to step up and act. By increasing the private sector's involvement in this cause, we aim to change Africa's refugee narrative and create opportunities for millions of people with ideas and potential who simply need the tools and the support to thrive."

Isaac Kwaku Fokuo - Founder, Amahoro Coalition

Introduction

Developing countries disproportionately face the brunt of the refugee crisis, especially in Africa. Of the top 10 countries of origin for refugees, seven are in Africa. The number of refugees has risen recently due to ongoing crises in the Central African Republic, South Sudan, Somalia, the Democratic Republic of the Congo and Burundi. The continued influx of refugees into various African countries puts increasing pressure on already strained resources in the host countries. Additionally, the UNHCR relies mostly on donations for its humanitarian work and consistently has to grapple with funding gaps - averagely at 43% since 2012.

Given the protracted nature of many conflict situations in Africa, it is clear that the humanitarian aid model is unsustainable. The Dadaab Refugee Complex, for example, was first established in 1991 when refugees fleeing the civil war in Somalia began to cross the border into Kenya. In 2011, over 130,000 refugees entered the camp fleeing drought and famine across the border. As of 2019, the number of refugees in Dadaab rose to 217,000 people, resulting in overcrowding and increasing pressure on basic resources, security challenges, and operational difficulties.



Source: UNHCR Global Trends Report 2018

Introduction, cont.

Refugees in Africa have limited opportunities to improve their livelihoods and often live in host communities often have economic challenges of their own. As such, solving the refugee crisis and improving quality of life in refugee settlements requires the cooperation of all sectors. The private sector, in particular, can play a key role in creating sustainable, commercially beneficial ways to economically empower refugees and their host communities. By investing in education and skills development the private sector can unlock the potential of refugees as future employees, employers and leaders. To achieve this goal, businesses should consider integrating refugee workers and businesses into existing value chains and extending their current services and products to refugee communities.

This brief explores how the private sector can engage with refugees and their host communities to enhance their economic independence.

It also explores current models of private sector engagement with refugees and host communities and makes recommendations for more sustainable, mutually beneficial models of engagement.

The first section of the brief provides an overview of Africa's refugee situation. The second section considers the need for sustainable solutions to foster refugee economic inclusion, by highlighting the shortfalls in humanitarian funding and the contribution that empowered refugees can make to economies. The third section puts forward the case for private sector engagement in refugee issues by outlining some of the incentives for businesses to engage with refugee communities. The section concludes by highlighting the main challenges hindering private sector engagement with refugees. Finally, the final section offers recommendations to facilitate increased private sector engagement with refugee communities.

The Refugee Situation in Africa

Sub-Saharan Africa currently hosts about 26% of the world's refugee population of 25.9 million. The bulk of these refugees live in urban environments like Johannesburg, Kampala or Dar es Salaam while the remainder primarily reside in camps, the largest of which is Dadaab Refugee Camp in Kenya.

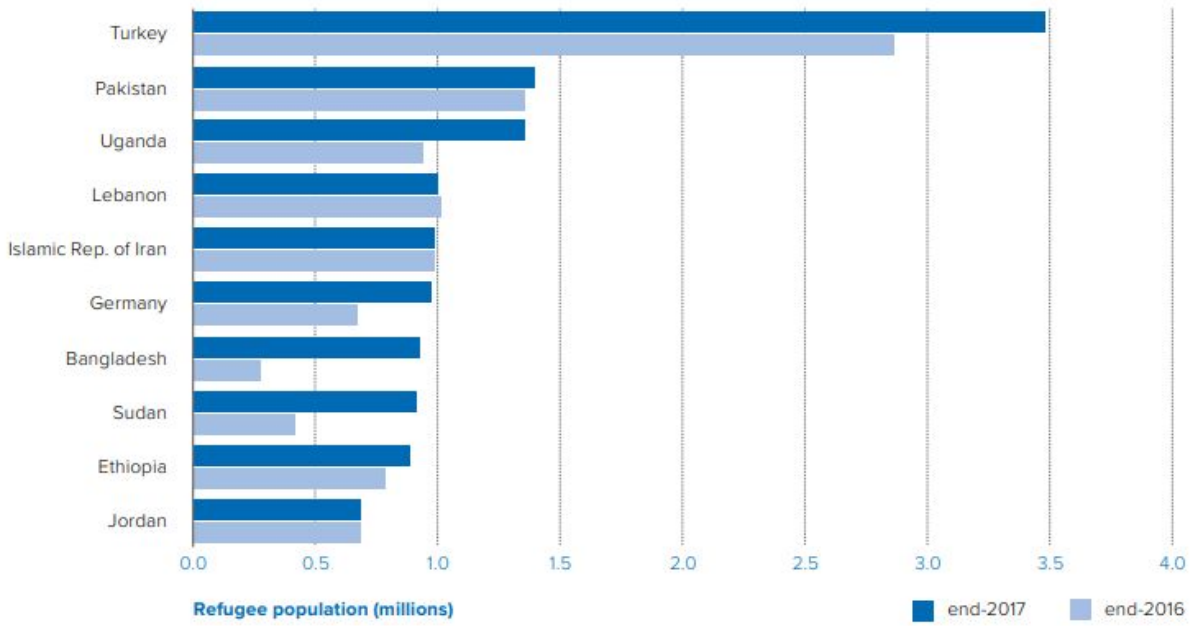
Where refugees live greatly affects their ability to be economically self-sufficient. Ideally, the camps are supposed to be temporary structures as refugees await resettlement, but Africa now holds some of the world's oldest camps. Mayukwayukwa Settlement in Zambia, for example, was established in 1966 to host refugees fleeing Angola's civil war. The camp currently has a population of about 15,000 refugees mostly from Rwanda, Burundi, Angola, Somalia, and DRC.

Kakuma Refugee Camp was established in 1992 in North-Western Kenya, with large groups of Ethiopians fleeing their home country following the fall of the Ethiopian government.

The population of the camp is about 192,000, far beyond the camp's capacity of 58,000 individuals. These large numbers of refugees can lead to overcrowding and a strain on resources.

Beyond food and housing, refugee communities face other critical needs, especially relating to education, which is not adequately covered by humanitarian funding. Given the protracted nature of the conflicts, refugees require long-term solutions to their needs in order to foster economic inclusion, which are often curtailed by restrictions on freedom of movement. In spite of these challenges, an entrepreneurial spirit continues to thrive in many of these camps. Kakuma's thriving economy, with over 2000 businesses further highlights the largely unexploited entrepreneurial spirit of refugees within the camps.

Figure 4 | **Major host countries of refugees**



Source: UNHCR Global Trends Report 2018

The Refugee Situation in Africa, cont.

Host communities and countries have become increasingly hostile to refugees as some groups view refugees as competition for resources as most refugee camps are found in arid and semi-arid areas. Indeed, balancing refugee rights with national development interests is a challenge Kakuma Refugee Camp, for example, has significantly altered the pastoralist community in Kakuma since its establishment in 1992. Population growth and the influx of new nationalities have resulted in the reduction of the Turkana host community to minority status in the area.

In recent years, several national governments have also enacted policies restricting refugee freedom of movement and right to employment. In 2014, Kenya issued a directive requiring urban refugees to go and remain in designated camps which is further compounded by local restrictions on the right of refugees to own land or work.

Even in countries once viewed as trailblazers for refugee rights, there has been steps backwards: Uganda was previously hailed as having the most progressive refugee policy in Africa, but recently changed its stance. In 2019, the country scrapped its open-door refugee policy, amid misgivings that criminals were using that channel to enter Uganda.

While the withdrawal of the open-door policy may slow the remarkable progress made in accepting refugees, the government maintains that Uganda still welcomes refugees from different countries.

Rwanda continues to set a positive example through its recent agreement to take in hundreds of African refugees and asylum-seekers held in detention centers in Libya through the Emergency Transit Mechanism (ETM). Following this evacuation, UNHCR has facilitated 2,142 refugees and asylum seekers with solutions out of Libya to Rwanda in 2019. The refugees and asylum seekers are now in a transit facility in Rwanda as their cases are assessed and further solutions such as resettlement, voluntary return to countries of origin, or to countries of previous asylum are explored

In 2014, the UNHCR stated that camps should be "the exception rather than the rule", in an attempt to promote a self-reliance model. While refugees may struggle to access aid while outside the camp, it may be easier for them to find jobs and sustain themselves.

The Widening Gap in Funding for Refugee Services

The steady increase in refugee numbers in recent years continues to put pressure on already strained resources and the government funding available remains inadequate. The widening resource gap is further exacerbated by the continually rising levels of global displacement, as a result of new and evolving conflicts. Diversified funding sources are therefore critical to reduce the financial burden on host governments and to improve refugees' livelihoods.

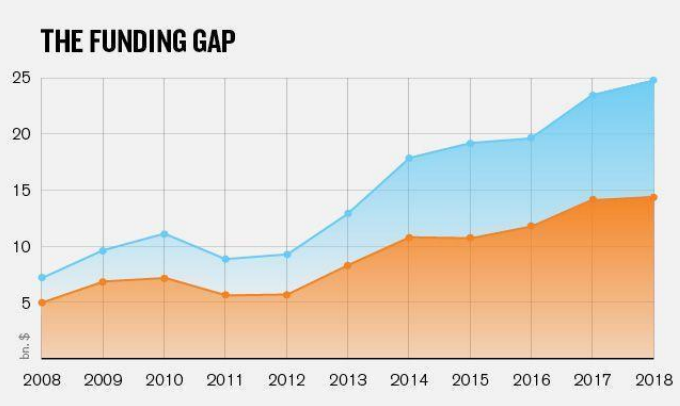
At present, the UNHCR is funded almost entirely by voluntary contributions. 86% of its current budget comes from governments and the European Union (EU), while 3% comes from other intergovernmental organizations and pooled funding mechanisms. The private sector, including foundations, corporations and funding mechanisms contribute a further 10%. The remaining 1% constitutes a limited subsidy from the UN budget for administrative costs and accepts in-kind contributions, including items such as tents, medicines, and trucks.

In 2019, the US contributed USD1.6 billion to the UNHCR while the EU donated USD 478 million. In Africa, the largest contributor was the African Development Bank, which contributed USD1.5 million.

The African countries facing the brunt of the refugee funding crisis are Burundi, DRC, South Sudan, and Somalia. The Burundian refugee situation is currently the lowest funded of any crisis globally, with just 28% of the US$206 million needed raised to date. Burundian refugees are primarily hosted in Tanzania, Rwanda, and the DRC.

In refugee camps hosting Burundian refugees, permanent shelter for refugees is a key concern due to overcrowded camps. Moreover, mounting pressure to meet refugee food needs, create a safe learning environment for children and ensure sufficient health facilities for the refugees compounds existing challenges.

While the private sector's contribution of 10% to the UNHCR's budget should not be overlooked, private sector companies require structured, systematic ways to engage with NGOs, donors, governments or at a multi-stakeholder level. In order to play a more meaningful role in addressing the refugee crisis, incentives to support refugee initiatives must take root. Some of these include skills development, vocational training, employment opportunities and enabling access to goods and services.



Source: Norwegian Refugee Council

The Need for Sustainable Solutions in Refugee Economic Inclusion

Government funding set for refugees faces further strains as refugee numbers increase — reliance on donor funding is unsustainable. However, systematic engagement may enable broader stakeholder groups such as the private sector to participate in working with refugees as active contributors to society rather than passive recipients of assistance. This shift in mindset at the global and regional level will require the coordinated efforts of governments, NGOs, the private sector and refugees themselves.

A Deloitte report on the social impact of increasing refugee numbers in Australia, suggests that accepting 25,000 more refugees would add USD 37.7 billion to Australia's economy in the next 50 years. Currently, the Australian Government sets an annual cap on the number of refugees and migrants that may be granted a visa each year. The two migration programs for permanent migrants in Australia include a settlement scheme for skilled, family and special eligibility migrants, and the humanitarian program for refugees. Therefore, the country is assured of a fixed number of immigrants entering the country every year, thereby contributing in various ways to the economy.

Migration increases the demand for goods and services, infrastructure and government social security payments. The increased intake is expected to boost the demand for Australian goods and services significantly, in addition to increasing the number of full-time jobs in the Australian economy each year.

Countries like Uganda have adopted progressive refugee models, but still face a number of social and economic challenges. Uganda, for example, has granted about 1.3 million people a safe haven. Refugees have access to the same social services as their local host community and are free to work and settle anywhere. While Uganda has been a leader in Africa in encouraging self-reliance among refugees, half of the country's refugee population still lives in poverty. The Self-Reliance Strategy is a joint policy that was drawn up by the Government of Uganda and the UNHCR in 1999. Its aim is to empower refugees and nationals and establish mechanisms to ensure the integration of services for the refugees with those of the nationals. The inability of refugees to generate income despite this policy has been attributed to low levels of human capital, as less than 8% have received skills or job training.

"The Kampala Declaration expressly calls for building partnerships with the private sector to create better jobs and improve livelihoods for refugees. Boosting private sector engagement should not just be about securing employment for refugees. The focus should also be on supporting refugee entrepreneurs and businesses, so that they, in turn, can generate employment and economic activity at scale."

Professor Laura Hammond
Department of Development Studies - SOAS, UK

The Need for Sustainable Solutions in Refugee Economic Inclusion, cont.

Improved socio-economic inclusion of refugees can reduce the financial strain on host countries, expand job opportunities, provide more choice and reduce the prices of products by increasing supply. "Kakuma as a Marketplace, 2018," an International Finance Corporation (IFC) consumer and market study, highlights that the refugee market is an untapped opportunity for private initiatives to harness and strengthen existing business opportunities. Furthermore, the World Food Programme (WFP)'s "Doing Business in Kakuma, 2019" report focuses on the food market in the camp.

The study is based on a business survey of a cash-based intervention called Bamba Chakula, which is an alternative to in-kind food assistance. The programme provides refugees with mobile money supplied through Safaricom, allowing them to choose the food items that fit their preferences.

The encouragement of self-reliance of individuals and refugee communities, through engagement with the private sector, will boost development in the hosting region, while granting refugees a better quality of life beyond the struggle to obtain subsistence.

"Empowering refugees is more than just a humane thing to do - it's something that everyone should consider as any of us can find themselves as a refugee on any day. Empowering refugees is central to uplifting the economies - not just those of host communities, but also the continent as a whole especially as some refugees return to their home countries and this will define the future of Africa."

Aisha Ali - Founder, I Profile Foundation

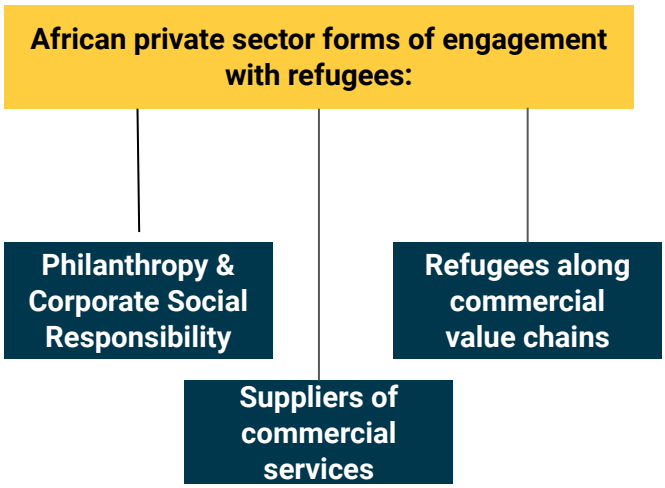
Business Africa Daily | NMG

Private Sector Engagement in Refugee Issues

The private sector can play a role in the transformation of refugees and host communities beyond donations and humanitarian aid. Examples include incorporation of refugee businesses into supply chains as well as training and employment opportunities. In many parts of the world the private sector has stepped up to play an active role in supporting refugee and host communities. Examples include Spain's and Qatar's private sectors, which in 2019 were the 9th and 11th highest contributors to the UNHCR.

Unfortunately, in the African context the private sector has not made significant contributions to refugee issues to date, despite the commercial opportunities in refugee and host communities. These growing markets with a large consumer base, leveraging on the skills of refugees and empowering refugee entrepreneurs to contribute to job creation represent a missed opportunity.

Anecdotally, African private companies currently working with refugees mainly do so in three main ways:



Corporate social responsibility projects, tenders from the government or development organizations and, in some rare cases, engaging with refugees directly as consumers. While the first two models may result in positive changes to these communities, the third requires scale in order to turn refugee communities into viable markets.

Unfortunately, these forms of engagement are marked by challenges due to lack of market intelligence, market inefficiencies and distortions, shortage of financing, market failures, and the inability to find the right (local) partners in refugee and host communities.

Case Study: IKEA and Refugees

Since 2017, IKEA UK and Ireland have worked with Breaking Barriers to help refugees improve their employment prospects in the UK. The programme includes English classes, customer service training and assessment, which greatly increase the access of refugees to employment opportunities. Furthermore, as part of a long-term plan to create employment for 200,000 disadvantaged people, employed refugees at production centers in Jordan. The centers employ Syrian and Jordanian refugees in the production of woven products including rugs, cushions and bedspreads. In incorporating refugees into its talent pool, IKEA is investing in their untapped pool of potential capital that refugees offer and encouraging self-reliance among the refugees.

The IKEA Foundation is also supporting the International Rescue Committee with a 5 million Euro grant to help improve the lives of both refugees and young Kenyans living in Nairobi's informal settlements. The grant will offer business-skills training, start-up grants, apprenticeships and connections to local employers.

Forms of Engagement

1. Philanthropy and Corporate Social Responsibility Projects

Most private companies that do engage with refugee communities do so in the form of CSR. These companies incorporate social and environmental concerns in their business models and find different ways to assist refugee communities and attempt to raise their standards of living.

Case Study: Avanti, Internet Connectivity in Bidi Bidi Refugee Camp

Avanti is a world-leading provider of agile, secure and pioneering satellite technology. Through its CSR initiative , Avanti began providing free high-speed internet connectivity in the Bidi Bidi refugee camp in Uganda in July 2019. Avanti chose to work with refugees in Uganda due to progressive policies relating to refugees which strongly focus on food security, education, provision of healthcare services and the right to work for refugees. Insofar, the initiative is successful as demonstrated by the high data usage resulting in an upgrade in bandwidth within the camp since launch.

Challenges around program implementation included digital literacy inequality in terms of gender, as men tend to be more digitally literate. Additionally, there is no electricity in BidiBidi camp, so refugees are forced to charge their smart devices in nearby areas. The hot weather and dust also present maintenance challenges to the satellites. Beyond this CSR initiative, Avanti does not engage directly directly with refugees. Similarly, many other private companies in Africa that engage with refugees do so in a CSR framework and are yet to explore refugee communities as potential markets or sources of labor.

Forms of Engagement

2. Suppliers of commercial services

Development organizations and governments often contact firms to provide specific services to refugee communities. The challenge with this is that increasingly, especially in developing economies, the funding set aside for refugees is steadily decreasing which reduces the support governments and humanitarian organisations can give these communities.

Case Study: Sanivation

Sanivation is a social enterprise that improves the overall dignity, health, and environment of urbanizing communities in East Africa through delivery of clean, safe, and efficient sanitation services and treatment plants. They also produce briquettes which they sell to different clients.

While working at refugee camps Sanivation won a tender from UNHCR to construct toilets in these camps. However, a reduction in UNHCR's funding led to Sanivation ultimately closing its operations in refugee camps. When the project started, UNHCR paid USD 75 for every unit which has a production cost of USD 60, but budget cuts reduced the available funding to USD 15 for every unit which made the venture unsustainable.

Lack of funding to support refugee projects is a challenge faced by humanitarian organizations and governments alike and this limits the funding available for refugee projects.

Forms of Engagement

3. Refugees along commercial value chains

Few private sector firms in Africa have actively engaged with refugee communities as consumers for their goods or services. Firms that have pursued this strategy often encounter significant challenges, such as market distortions caused by the presence of free products in the market. These products often offered to refugees as part of humanitarian aid create market failures, and hinder the ability of retailers to sell similar products in these markets.

Inyenyeri

Case Study: Inyenyeri

Inyenyeri is a Rwandan social enterprise that provides renewable energy solutions to refugees in Rwanda. Inyenyeri works in partnership with UNHCR, which oversees the disbursement of cash-assistance which refugees then use to buy fuel pellets. Inyenyeri chose to work with refugees upon the recognition that there are limited clean energy solutions in Rwanda generally, and even more so in refugee communities.

The company provides clean cookstoves and fuel pellets and currently serves about 5,000 customers. Refugees subscribe to the service and commit to buy a certain number of pellets monthly, using cash-based assistance in the form of cash transfers. In its first 6 months, Inyenyeri had a nearly 100% retention rate- the refugees who purchased fuel pellets committed to continue buying them.

Inyenyeri's contribution to refugee communities goes beyond provision of renewable energy solutions, having employed more than 25 refugees so far. Most of these refugees work as sales representatives and trainers, as well as a few technicians. Inyenyeri sourced candidates from the camp and conducted training and interviews at the camp itself.

Challenges Encountered by Private Sector Firms Seeking to Support Refugee Economic Inclusion

1. Policy Gaps

Efforts made by the private sector to actively engage with refugees are directly affected by the government's policies towards refugees. In Tanzania, for example, the encampment policy in place confines refugees to the two refugee camps, to the Kigoma area which is in the North-Western part of the country. In such cases, the options open to refugees to sustain themselves are greatly limited, especially where there are also limitations on the right to work. Where private companies intend to offer products and services to refugees, they are often unable to afford them at market prices.

2. Market Failures in Refugee Economies

While private-sector firms may offer cheaper, more durable products, free products offered by humanitarian organizations can distort the economics of these markets in refugee communities making it impossible for these private sector firms to sell their products locally.

The World Food Programme in partnership with organisation such as Safaricom and with the support of financial institutions such as Equity Bank has attempted to resolve this challenge by replacing free products with credit through the Bamba Chakula programme. This way, refugee customers can purchase products as any customer would in a perfect market. This credit-based approach might provide an incentive to refugees and their host communities alike to manufacture and sell their products and will eventually prove the market value to prospective sellers

3. Lack of Structures to Facilitate Private Sector Engagement

Development organizations and governments often contact firms to provide specific services to refugee communities. The challenge with this is that increasingly, especially in developing economies, the funding set aside for refugees is steadily decreasing which reduces the support governments and humanitarian organisations can give these communities.

World Food Programme/ Martin Karimi

Recommendations

In order to evolve a systematic way to have refugees engage with the private sector actively, it is necessary to put in place a number of measures involving all stakeholders in the process, from governments to humanitarian organizations, to private companies and even refugees themselves. Through structured cooperation among all these stakeholders, it will be possible to:

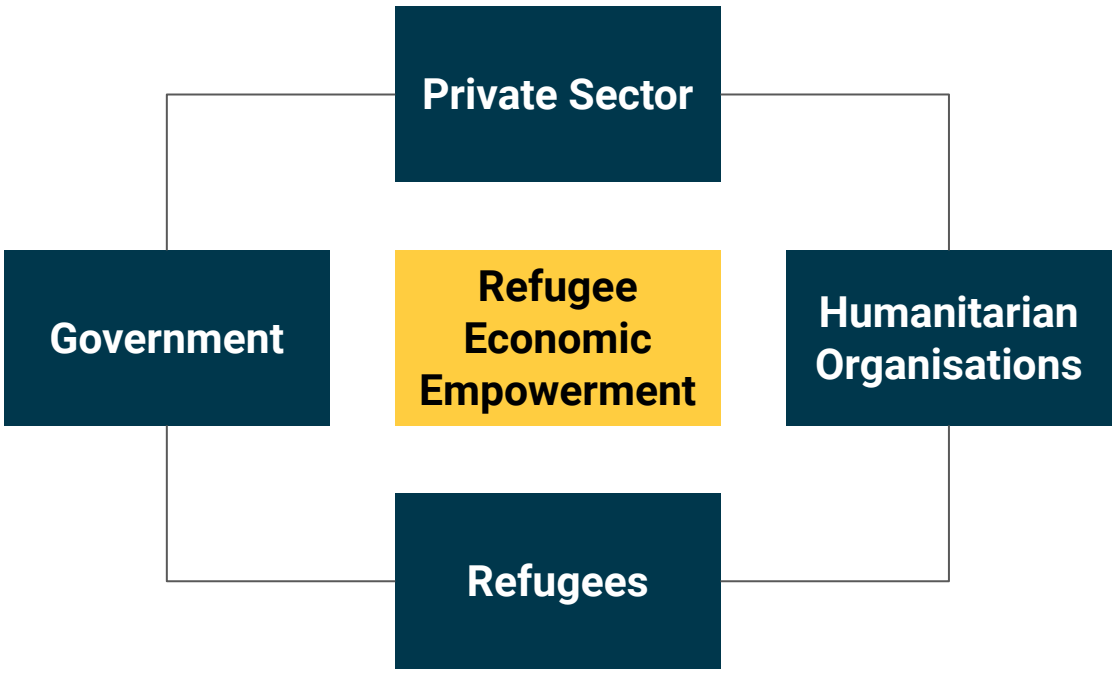
- Leverage knowledge, technical expertise, networks, and scale in order to develop multi-stakeholder strategies to address the refugee crisis in Africa
- Advocate and advise governments on appropriate policy frameworks to support the transformation of refugee communities
- Create a *Central Information Depository* with a comprehensive database on refugee needs, investment opportunities and market research

Christian Science Monitor

Conclusion

Addressing Africa's refugee crises is complicated due to the protracted nature of many of the conflicts. Given the increasing number of refugees, communities must work together to identify new means to sustainably support them while reducing the strain on the host countries. Botho's analysis and engagement with the African private sector thus far shows that private companies are willing and able to support refugee initiatives srategicallys.

Refugee economic inclusion can only be achieved through partnerships between governments, multilateral organizations, the private sector, aid agencies, and the refugees themselves. In order to increase private sector engagement, structures have to be built to create effective channels of collaboration between these sectors. These structures will enable the different stakeholders to leverage on their expertise and networks to unlock the potential of refugees in Africa and create sustainable solutions to end the refugee crisis.



Source: Botho Research

"The Global Compact on Refugees inspires the proactive engagement of private sector actors as partners in alleviating the suffering of refugees through a 'whole of society' approach. We cannot effectively achieve economic inclusion of refugees without the involvement and leadership of all the sectors active in the economy and more so businesses of all sizes – this is why the Amahoro Coalition through its business champions is a very welcome and timely initiative."

Mohamed Abdi Affey, UNHCR Special Envoy., Horn of Africa.

Our Offices

KENYA
The Promenade Building, 5th Floor
General Mathenge Drive
P.O.Box 49393-00100,
Nairobi, Kenya
Tel: +254 724 965905
Email: info@botholtd.com

UAE
Jumeirah Business Center 5
Suite 2401
Dubai,
United Arab Emirates
Tel: +97144372499
Email: info@botholtd.com

For enquiries, please email:
info@botholtd.com

Website: www.bothogroup.com