Bridging Profit & Purpose:

How the Private Sector Can Support Displaced Communities

THE AMAHORO COALITION

innovest Advisory

ABOUT THIS REPORT

Some of the projects mentioned in the brief are ongoing. We welcome organizations interested in collaborating on these initiatives to partner with Innovest Advisory and Amahoro Coalition to contribute to the economic empowerment of refugees. For more information reach out to:

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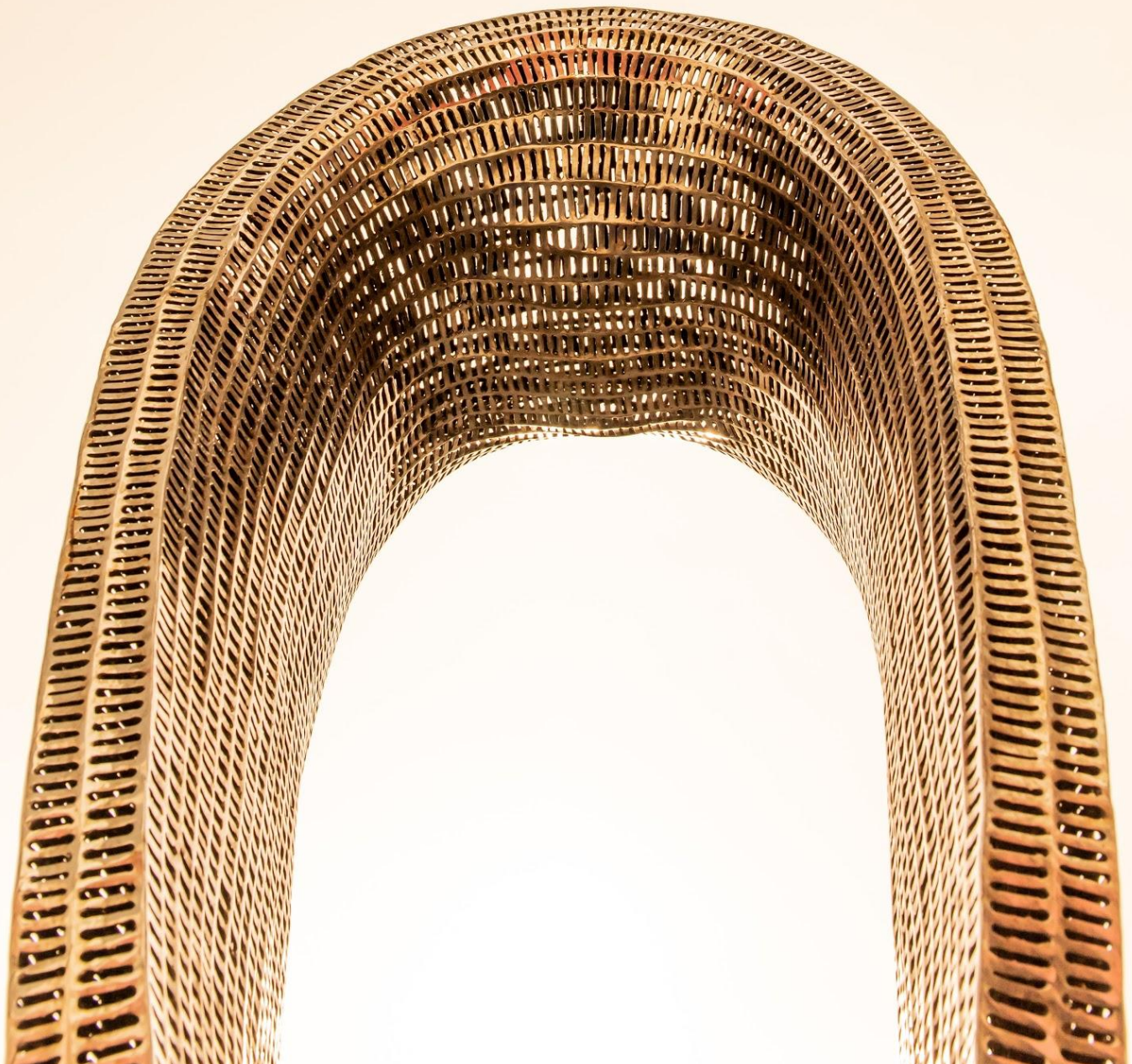

INTRODUCTION

In recent years, humanitarian organizations, development finance institutions, and even presidents have pushed for increased private sector engagement to address the global refugee crisis. As the number of displaced people rises, traditional donor aid can no longer meet the needs of the growing refugee population. Less than 55% of the required funding was provided in 2018, down from 58% in 2016. Beyond meeting the funding shortfalls, more private sector players are stepping up. Companies are increasingly creating durable solutions to the crisis by designing business models in collaboration with humanitarian organisations and forming partnerships with refugee businesses.

Many firms view supporting refugee communities solely as corporate social responsibility (CSR) and overlook the numerous economic and strategic opportunities in refugee settings. Displaced people are not just refugees; they are employees and employers, consumers and suppliers, and business and political leaders.

In several countries governments and businesses have turned to displaced communities to fill labor gaps, co-create products, and even source for unique skills. For instance, Germany turned to migrants and refugees to fill labor gaps and enhance the country's capacity in combating COVID-19. Levi Strauss & Co. worked with refugees in Italy to create a limited capsule collection. Venezuelan migrants currently living in Peru and Colombia bring management and professional skills that are in short supply locally. What does this mean for private sector firms across Africa? Camps across the continent hold massive untapped economic potential as thriving markets. Dadaab, one of the oldest camps globally, has over 200,000 residents; these are 200,000 potential customers and consumers of essential goods and services. Additionally, according to a World Bank report, there are opportunities within refugee camps for two major supermarkets, banks, microfinance institutions, telecommunication companies.

INTRODUCTION

In this brief, we explore how the private sector can develop commercially-viable programs in refugee settings that 1) strengthen access to affordable education; 2) provide capital to scale refugee-inclusive businesses; 3) support market access for refugee-owned enterprises. These solutions not only empower refugee communities, but they also create a pool of talent, a thriving market place, and enhanced partnership opportunities for the private sector.

BACKGROUND TO THE REFUGEE CRISIS

Nearly 80 million people are forcibly displaced worldwide. Developing countries are home to a disproportionate number of these refugees and internally displaced people, and Africa, in particular, is home to the largest share of those impacted by this crisis. Today, the number of people fleeing conflict is the highest-recorded since World War II, due to instability in areas including South Sudan, Somalia, and the Central African Republic. Of the almost 30 million refugees globally, a growing number now spend more time forcibly living outside of their country of origin. Eighty percent of all refugees live in protracted situations, displaced for a minimum of five years, with 28% of this figure displaced for more than 20 years.

As the numbers rise and the length of displacement steadily keeps up, traditional donor aid is falling further behind the level required to meet the needs of the growing refugee population. Less than 55% of the required funding was provided in 2018, down from 58% in 2016. Funding is set to decrease further due to COVID-19, as governments look inward to close internal economic and health funding gaps. While humanitarian aid from government agencies and NGOs provides some of the urgent necessities for refugees, including shelter, food, and water, the protracted nature of displacement highlights the need for long-term solutions that focus on economic and social integration for refugee communities in host countries.

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INNOVATION IN TERTIARY EDUCATION FINANCE: INCOME-SHARING AGREEMENTS

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Educated refugees contribute positively to refugee camps and host communities alike. They're leaders in their communities — creating businesses and social enterprises or building infrastructure as engineers, scientists, and technology experts. Research shows that individuals with degrees tend to earn 3-4 times higher average earnings than those who have a high school diploma or certificate. This finding holds true for refugees as well: those with tertiary education qualifications have higher chances of finding well-paid work and contributing to the local economy. In the process, they can leverage this education to gain valuable life and work experience, and improve their ability to support their families and relatives.

Despite the catalytic impact of education potential, young refugees often find it difficult to access technical and vocational training. At the university level, the barriers are even higher:

Only 3 in every 100 eligible refugees receive tertiary education, compared to the global average of 37%.

UNHCR has set a target of ensuring 15% of the eligible refugee population access higher education by 2030. In recent years, the number of refugee students accessing higher education has risen between 1-3%, but innovative financing solutions are required in order for UNHCR to achieve its goal.

Language, high costs, the lack of social support and networks, and relevant documentation are some of the barriers facing refugees in accessing tertiary education. Of all, cost remains the paramount barrier in facilitating access to education for refugees.

It costs an average of $3,000 annually to access higher education in a public university, while in countries like the United States, the cost is much higher, averaging at about $40,000 annually. Furthermore, refugees may be likely to incur additional costs involved with educational access, such as language courses, skills accreditation, or search costs, while they are more unlikely than traditional students to have the assets, income, or access to credit if they are newly displaced. New forms of support are required that overcome these cost barriers while recognizing the value and potential that refugees bring, particularly when granted access to appropriate qualifications.

INNOVATION IN TERTIARY EDUCATION FINANCE: INCOME-SHARING AGREEMENTS

Several global and regional initiatives have been put in place to help refugees overcome these barriers to accessing higher education. UNHCR has developed a partnership of universities, donors, and other organizations to form the Connected Learning Consortium for Higher Education for Refugees, a consortium consisting of initiatives that combine e-learning and face-to-face learning to provide accredited programs to numerous refugees in Africa. Aside from the consortium, there are also scholarships specifically available to refugees, including the DAFI scholarships, which have sponsored more than 15,000 refugee students to attend university in 50 countries of asylum since 1992.

However, the number of scholarships provided by DAFI and other UNHCR partners is not enough to solve the crisis in higher education for refugees. Though strides have been made in the right direction to increase refugee access to higher education, it is vital that governments and higher education institutions provide more schemes that allow refugees to attend universities under similar conditions as nationals.

INNOVATION IN TERTIARY EDUCATION FINANCE: INCOME-SHARING AGREEMENTS

One innovative solution that may help bridge this funding gap is Income Share Agreements (ISAs). ISAs are contracts in which students pledge to pay a certain percentage of their future incomes over a set period of time in exchange for funding educational program expenses in the present.

Typically, participants begin to make payments once their incomes rise above a minimum threshold set by the terms of the ISA and will never pay more than a set cap. Funding for ISAs can range from university sources to philanthropic funding and private investor capital.

CASE STUDY: WEDU & INCOME SHARING AGREEMENTS

Wedu invests in the leadership and development of women committed to social change who may not otherwise have access to dedicated mentors, higher education and a community of like-minded peers. Wedu provides leadership development programmes, opportunities and funding for education, to nurture lifelong leadership development of women changemakers around the world.

Access to funding is one of the biggest barriers preventing women leaders from obtaining their education. While loans are inaccessible to many and scholarships are limited and competitive, Wedu's Future Income Sharing Agreements (FISA) offer an accessible and affordable way to fund higher education. FISAs are designed to adjust with the realities of a student's leadership journey, because repayments are only due when a student is employed or earning an income and are always calculated as a percentage of income —meaning repayment amounts change as income increases or decreases or pauses during unemployment.

Unlike traditional student loan providers, Wedu does not ask for any credit terms or financial collateral and contracts are capped at a maximum of 10 years.

Simple terms allow students to plan their financial future with more certainty. FISAs allow students to focus on their studies, with repayments only due after finding employment. Moreover, repayments also help fund future generations who also seek the same financial support making education even more impactful.

A barrier to the growth of ISAs is the availability and use of robust screening tools that are used to determine student viability for ISA financing. Wedu uses a highly developed programme of talent spotters to identify and select appropriate candidates for ISA support based on assessment of moral character combined with the use of psychometric tests..

FISA collection partners and protocols have been established in Cambodia, Myanmar, Nepal and Bangladesh. They have provided hundreds of ISAs to vulnerable students in South East Asia. Wedu hopes that FISAs in Asia can help address the large-scale need of affordable access to education funding in an innovative and sustainable way.

INNOVATION IN TERTIARY EDUCATION FINANCE: INCOME-SHARING AGREEMENTS

Currently, ISAs are available from several universities, accelerated degree programs, certificate programs, and even coding boot camps. They are also widely implemented in regions such as the United States, United Kingdom, and South America. Still, there is little to no evidence of their use in Africa or by African universities. Moreover, ISAs have not been tested in the context of refugee education, where they may hold promise.

What sets ISAs apart from other financing options, such as student loans and cost-share agreements is that they can be designed with sufficient ethical considerations to ensure that they are not commercially exploitative. These features make them an attractive option for refugee students who should avoid being burdened with large amounts of debt and high-interest rates. In this sense, ISAs move student finance from the debt contracts of student loans to an equity participation contract, transferring risk from the students to the investor. Unlike typical student loans, students under an income share agreement only repay when they have secured employment. If students are unable to work, due to various reasons, they can pause the ISA payments without accumulating interest until they find jobs again. Most ISAs also have a minimum income requirement, meaning students who fall below this income level are not required to make payments.

By design, educational institutions are incentivized to be more outcome-oriented and, as a result, are likely to improve the quality of their education and help students secure lucrative jobs. Purdue University, for instance, has implemented ISAs since 2014, supporting more than 1,200 students. It has designed several programs spanning career readiness support, entrepreneurship support, and mentorship, to ensure the best outcomes for their students post-graduation.

UNHCR's goal to raise the level of refugee participation in higher education from 3% to 15% by 2030 is ambitious, but one that will only be feasible through the use of innovative financing solutions such as ISAs, alongside existing scholarships and grants.

INNOVATION IN TERTIARY EDUCATION FINANCE: INCOME-SHARING AGREEMENTS

For refugees, ISAs present an alternative funding option to the selective few scholarships and grants places. In most countries globally, stateless persons are not eligible for government loans to pursue higher education. ISAs present refugees with options from a variety of schools and fields of study to choose from.

Currently, refugees face restrictions when it comes to fields of studies and schools they can attend. Well-structured ISAs can be customized to deal with the lack of documentation (e.g. national identity cards, academic certificates). It also acts as an incentive to younger refugee students in primary and high school to strive and work towards achieving a higher education.

WHAT IS NEEDED FOR ISAS TO WORK FOR REFUGEES

It is estimated that 175 schools in the USA will offer ISAs by the end of 2020, collectively issuing upwards of $500 million in agreements. Despite its nascent stage, the ISA market is quickly growing as new market players emerge. Their ability to adapt to various institutional contexts and the ability to repay over a long period of time make them an attractive financing option for refugee communities.

Aside from high costs and lack of relevant documentation, another barrier refugees often face is the lack of access to available information regarding higher education opportunities and funding options. Refugees are often dispersed across various camps and urban centers without clear central information hubs sharing opportunities. This challenge is further exacerbated by the lack of coordination between available providers, which means that information is fragmented.

These challenges call for a formalized structure to be put in place when setting up ISAs for refugee students. Such a program could be run by a body like UNHCR or in partnership with organizations such as Vemo Education that have already established themselves as market leaders in designing and implementing ISAs. This formalized structure could bring together the various stakeholders including investors, higher education institutions, vocational training institutions, UNHCR, and beneficiary students. While simple, in theory, ISAs are complex to implement due to the numerous stakeholders involved—with complexity further exacerbated by the unique set of challenges faced by refugees. A central formalized structure clearly outlining stakeholder roles and responsibilities would help in reducing some of these complexities.

INNOVATION IN TERTIARY EDUCATION FINANCE: INCOME-SHARING AGREEMENTS

While simple, in theory, ISAs have several parameters that policymakers must consider before structuring them effectively. This does not only apply to refugee communities but across different contexts.

Some of the necessary terms include: (i) the income share rate, the percentage of the income that a student must pay to meet their obligations; (ii) the length of the ISA obligation -; (iii) the cap on the amount of funding that eligible students can receive; and (iv) the threshold if students are excused from making payments due to their income falling below a certain level.

BARRIERS TO WIDESPREAD ISA ADOPTION

The two main barriers to the adoption of ISAs are the lack of an explicit legal framework and inadequate market research.

Due to their novel nature, ISAs lack an explicit legal framework under which to operate. The lack of clearly defined policies may make some investors hesitate. Entering a market where consumer protections and enforcement have not been clearly established and the rights to collect ISA payments may be challenging.

Investors may be exposed to adverse enforcement actions or lawsuits stemming from the enforcement actions due to the misapplications of laws and regulations tailored to loan products but are ill-suited to ISAs. As government regulations in most countries have yet to catch up, students must first need to ensure they conduct their due diligence to ensure that they properly understand ISA obligations and the nature of the contracts.

Additionally, education institutions and other stakeholders like UNHCR could establish policies and support structures that ensure ISAs are implemented ethically and minimize the risk of exploitation.

Several industry leaders have also cited inadequate awareness of ISAs as a method of education financing. In the United States, where ISAs are gaining prominence, a survey conducted showed that only 7% of students and 5% of parents knew about ISAs. This poor awareness limits the potential ISA market. To overcome this barrier, various ISA stakeholders must invest in resources to educate students about this alternative funding mechanism while ensuring they are fully aware of the terms.

INNOVATION IN TERTIARY EDUCATION FINANCE: INCOME-SHARING AGREEMENTS

Where refugees go is often an accident of geography, with low-and-middle-income countries close to conflict-affected countries often host far larger numbers of refugees than they can handle. For instance, in 2018, Least Developed Countries (LDCs) including Bangladesh, Chad, the Democratic Republic of the Congo (DRC), Ethiopia, Rwanda, South Sudan, Sudan, Tanzania, Uganda, and Yemen hosted 6.7 million refugees.

Together, these countries represent 33% of the global total. Nine of the top ten refugee-hosting countries were in developing regions and 84% of refugees lived in these countries. In such a reality, humanitarian response and approaches alone, including for education, are insufficient to support governments in developing countries to fulfill their responsibilities to protect refugees.

CASE STUDY: FEENIX

Feenix is an African-led education finance platform that launched in June 2017 in response to the #FeesMustFall movement that spread across campuses in South Africa during 2015 and 2016. This movement highlighted the extremely high cost of tertiary education and the impact financial stress has on student success rates. Feenix's online fundraising platform connects communities; providing a tool for students to formalise their fundraising efforts and a channel for funders to find students they wish to support.

Supported through a combination of corporate, high net and retail donorations,the platform has raised over ZAR 40 million to provide finance for 1250 students.

The Feenix team is young, diverse, and passionate about education, believing that access to education should not be dependent on wealth. Based in South Africa, students are eligible as citizens, permanent residents as well as refugees or asylum seekers.
A platform like this is well placed to help bridge the refugee funding gap, through their financing model and testing innovative solutions such as ISAs.

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REFUGEE-LENS INVESTING

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Refugee challenges are often framed as humanitarian issues, but long-term market-based solutions must complement short-term humanitarian responses to ensure long-term sustainability. An estimated 77% of refugees lived in a protracted situation by the end of 2019. When viewed alongside growing ever-increasing funding gaps for refugee crises, this reality means that a more innovative approach is required to address long-term displacement. More often the skills, knowledge, and experiences of the refugees themselves are often overlooked in designing solutions to challenges facing these communities. Refugees are not just recipients of humanitarian aid, but they are also productive community members and reservoirs for ideas. This reframing is an important step to ensuring empowerment and dignity through migration.

Refugees can be included to contribute economically in many ways, as workers of all skill levels, entrepreneurs, innovators, taxpayers, consumers, and investors.

Entrepreneurial refugees start new businesses that can create wealth, employ locals, make the economy more dynamic and adaptable, and boost international trade and investment. For example, Adenah Bayoh, a refugee who escaped the civil war in Liberia at age 13, is now one of the most successful entrepreneurs in New Jersey. Her successful IHOP franchise in Irvington, making her the second largest employer in the district. Across the U.S., refugees and immigrants like her are vastly overrepresented as entrepreneurs of stock exchange-listed companies.

Despite the investable potential of refugees, they face significant socioeconomic barriers to employment and access to capital when compared with local residents and other immigrants. Factors such as labor market discrimination, language, and cultural barriers, a lack of official or recognized certifications or qualifications, and legal constraints mean that often employment rates for displaced people are significantly lower than native-born residents. Access to work is often challenging for refugees, due to a lack of other enabling rights including mobility, property rights, and housing as well as access to financial services. For instance, refugees without formal or fixed addresses often face delays or rejection when attempting to open bank accounts due to strict procedures and measures. Additionally, financial service providers often perceive refugees, as high credit risks due to the perception of flight risk and limited collateral. Such perceptions create a vicious cycle, where refugees remain in precarious socioeconomic conditions, often forced to work in informal sectors where they are subject to further discrimination and exploitation. Furthermore, humanitarian aid may even distort the market presence of free products in the market, causing challenges for companies looking to participate in refugee markets.

To transition refugee communities away from a dependency on humanitarian aid and facilitate long-term economic integration, the private sector must step in.

CASE STUDY: FIRST SYRIAN EXPORTERS GROUP (TURKEY)

First Syrian Exporters Group (FSEG) is a consortium of nine Syrian-owned businesses originally from Aleppo, now operating in Kahramanmaras, South-East Turkey. Since 2011, it has promoted sustainable job creation for refugees in Turkey, predominantly in the Turkish garment sector. Of the 1,300 employees, 70% are Syrian refugees who are provided essential income through their employment by the FSEG. The company projects significant growth, on target for their goal of $80 million annual sales by 2021, and a workforce of between 2,500 and 3,000 workers.

The FSEG shows how refugee inclusive business models can generate significant positive economic and social impacts for both refugees and the host communities. Among the Syrian population, refugee employment has increased household income that can be used to cover the cost of basic necessities such as food, shelter, and healthcare, reducing their dependency on aid.

Businesses owned and operated by Syrian refugees working alongside local Turkish citizens further promote social assimilation, as refugees are viewed as job creators and employees enmeshed in the local economy rather than as a burden.

The FSEG is currently the third-largest tax contributor in the Kahramanmaras, with its supply chain integration supporting the Turkish cotton industry both upstream, through cotton production, dying and ginning, and downstream through packaging and transportation.

Adopting a refugee lens for investments coupled with market-based solutions enables refugee businesses to grow and create further jobs for both refugees and host country citizens. To draw capital at scale, there is an urgent need for solutions that can bridge market deficiencies by providing long-term financing options. Concessional capital mobilized by impact investors, who are more likely to jointly focus on social and financial returns, is essential to foster an inclusive environment and sustainable growth among refugee communities.

Similarly, investments can be structured to incentivize stakeholders and beneficiaries to create sustainable long-term profitable outcomes—and actively involving refugees, by introducing measures that involve and benefit all stakeholders, from refugees, private enterprises, NGOs, and government. Indeed, this systematic cooperation allows for processes that leverage the untapped skills, knowledge, and networks to create strong, viable businesses with the potential for growth and subsequently job creation for refugee communities.

CASE STUDY: GULU AGRICULTURAL DEVELOPMENT COMPANY (GADC)

The Gulu Agricultural Development Company (GADC) focuses on developing agricultural value chains in the post-war region of Northern Uganda, where a significant number of aspiring farmers have remained in internally displaced persons (IDP) camps for decades. In 2009, GADC revived the COO-ROM ginnery in Gulu and has since successfully opened two additional ginneries in Kitgum and Rhino Camp. GADC is currently active in the cotton, cotton cake, and oil milling as well as in the sesame and maize value chains. In addition, GADC runs the Gulu Timber Company. The company promotes a zero-waste value chain, using certification such as from the Control Union and ECOCERT (Fair For Life) — a testament to their commitment to quality and sustainability.

Northern Uganda is recovering from nearly 20 years of armed conflicts, leaving it the poorest region in the country. The UN World Food program estimates that nearly 1.4 million people took shelter in IDP camps with over 60% of the population living in severe poverty. In 2008, farmers began returning to their homes for the first time in decades. By 2012, 30,000 were still confined to camps due to a lack of financial resources to move home. Many of these camp residents were aged, disabled, or had no land to return to. These challenges have been further exacerbated by Northern Uganda's lack of infrastructure, limited road access and irregular cell phone network which hinder growth opportunities.

GADC considers the number of farmers and aspiring farmers that were confined to IDP camps, a significant loss in agricultural capital and knowledge. A significant part of GADC's extension work has therefore focused on training and re-training farmers on good agricultural practices and farming as a business.

Since 2009, the company has worked with organisations such as Danida, Mercy Corps, UNDP and GIZ in order to help build this capacity in distinct geographical areas throughout this region. GADC also helps rebuild subsistence farmers' livelihoods by tackling the above challenges as well as seeking to improve literacy rates, agronomic knowledge, resources and skills.

The company helps farmers meet their basic needs by increasing the production and productivity of cash crops and establishing an extensive network of field officers and lead farmers that conduct village-based farmer training in agronomic practices and financial literacy. Farmers can obtain market access through a network of specially selected buying agents who have been pre-financed to buy commodities from the trained farmers. These interventions enable farmers to access local markets as well as international markets in Europe and Asia. Moreover, the Village Savings Loans Associations (VSLA's) provide financial training that links farmers to financial institutions. GADC supports 120,000 smallholder farming households, having successfully implemented 12 agri-development projects. They also use innovative market research to encourage farmers to plant and harvest cash crops to ensure versatility, adaptability and a longer-term sustainable income.

Furthermore, Uganda hosts Africa's largest refugee population of almost 1.4 million people, with two-thirds having fled conflict in South Sudan. GADC is poised to play a larger role in the region to share their agricultural expertise and access to international markets.

REFUGEE-LENS INVESTING

CASE STUDY: DEVELOPING WORLD MARKETS: GLOBAL DISPLACEMENT FUND

Developing World Markets (DWM) is a leading New York-based emerging markets fund manager. Over the last two decades, DWM has worked with financial institutions to mobilize the private sector to achieve positive social change. Innovest Advisory has partnered with DWM to pursue a global displacement focused private equity strategy that will invest in refugee and migrant inclusive businesses worldwide.

Results from financial institutions' surveys highlight the importance of reasonably priced capital and structured capacity building for displacement inclusive job creation and self-reliance. In light of these findings, DWM's Global Displacement Fund has the primary goal of improving financial resilience and livelihood opportunities for displaced and vulnerable host populations.

Currently nearing the close of its first round, this new fund will seek commercial risk-adjusted returns and a significant, measurable impact to displaced populations through focused investment criteria, rigorous due diligence, active governance, and monitoring processes.

Furthermore, the Global Displacement Fund aims to develop innovative financing tools for displaced persons including investment warranties that hold private sector investors to set impact goals determined upon entry to the fund. With refugee lens based investments becoming more economically viable and market-based solutions convening knowledge from local leaders, structures can be put in place to allow increased self-reliance and refugee integration by allowing for businesses to actualize and grow thus creating jobs for other members of the community.

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ENHANCING MARKET ACCESS FOR REFUGEE-OWNED ENTERPRISES

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Even after refugees can access tertiary education and can run their own businesses, the problem of market access persists. Despite refugee camps and refugee-hosting areas having vibrant economies of their own, refugee businesses in emerging economies lack access to markets outside of their immediate ecosystems that could enable their businesses to grow and flourish in the long term.

This situation presents an opportunity for the private sector, international organizations, and refugees themselves to work together to find a solution.

CASE STUDY: ITC REFUGEE EMPLOYMENT & SKILLS INITIATIVE (RESI)

The International Trade Centre's (ITC) Refugee Employment and Skills Initiative (RESI) provides innovative, trade-led, and market-based solutions to create jobs and generate income for refugees in their host community to build self-reliance and foster economic resilience. RESI harnesses the productive potential of refugees and host community members in Kenya, Jordan, and Tanzania in the sectors of online freelancing and home decor.

RESI's approach to working with vulnerable migrants and victims of forced displacement around the world. In East Africa, RESI works in two of the world's largest refugee camps: Dadaab and Kakuma - but also in the Kigoma refugee camp in Tanzania. In the Middle East, RESI is working in Gaza and Jordan. RESI applies innovative trade-led and market-based solutions to protracted displacement contexts, creating economic opportunities for both refugees and their hosts to help generate income, build self-reliance and foster resilience.

For example, after successful implementation in Dadaab, ITC expanded its model to Kakuma refugee camp in Turkana West County, Kenya. In Kakuma, RESI aims to invest in business growth and inclusive and self-sustaining market development for online freelancing. ITC's research revealed that many refugees in Kakuma already had creative digital skills such as journalism, photography, and film editing. However, the knowledge of how to market these services and develop a business were not present. In response, ITC and Norwegian Refugee Council (NRC) piloted a project that focused on promoting access to online freelancing opportunities that are tailored to the mid-level creative sector talent present in Kakuma.

ENHANCING MARKET ACCESS FOR REFUGEE-OWNED ENTERPRISES

Why do refugees lack access to markets? Kenya and Tanzania, two of East Africa's largest economies, highlight some common dynamics at play. Both countries have implemented an encampment policy (with some limited settlement in certain areas), which officially restricts refugees to only live in camps in designated areas of the country. Typically, these areas are remote and historically marginalized, such as Kenya's Turkana County and Tanzania's Kigoma region. Encampment also limits refugee movement, requiring refugees who want to leave the camps temporarily to apply for movement passes through camp officers, who often hold complete discretion over approval or denial. Refugees themselves report that requests to leave the camp for employment and business reasons are rarely accepted, making running a business locally, let alone one that can be scaled beyond their immediate community, incredibly challenging.

While both countries both have policies restricting refugee' movement and ability to operate businesses, the Tanzanian government's policies are more restrictive. In their efforts to promote its official voluntary repatriation policy as a durable solution for refugees, the government closed down nearly all markets in the refugee-hosting areas of the Kigoma region, limiting refugees' opportunities to earn a minimal livelihood. A once vibrant market where refugees and members of the host community interacted, bought food staples and clothes from one another, and developed strong relationships is now non-existent.

What does a lack of market access look like in practice? The issue is three-pronged: 1) lack of consumer knowledge that refugee businesses exist or what they sell; 2) limited pathways for refugee businesses to engage with consumers or buyers outside their immediate communities; and 3) refugee business owners lacking the tools and structures to successfully sell, market, distribute, and deliver their products nationally and internationally.

A Congolese refugee in Gihembe camp in Rwanda could craft high-quality, handwoven baskets that meet market tastes and standards in Kigali, Accra, and New York. However, consumers in those cities largely have no way of knowing her business exists.
If people outside the Gihembe area happen to find out about her business—either through her business partner living in another area, a news story featuring her business, or maybe just luck via Google search—they may not know how to buy her products for personal use or how to integrate them into their larger supply chains if they run their own businesses.

Suppose an entrepreneur manages to surmount the first two hurdles. She may lack the tools and structures to successfully run her business operations and a logistics scheme to ship her products abroad.

ENHANCING MARKET ACCESS FOR REFUGEE-OWNED ENTERPRISES

CASE STUDY: DISPLACEMENT INCLUSIVE TRADING PLATFORM

Small and medium-sized enterprises (SMEs) in regions hosting large numbers of displaced persons are key to reducing poverty and creating decent work and economic growth (Sustainable Development Goals 1 & 7). Studies have shown that displaced communities typically indicate higher than average entrepreneurship rates, but many face significant challenges in accessing financing or new markets that limit their growth potential.

These SMEs need technical assistance, access to markets and capital to be able to integrate with regional, national, and international supply chains to generate higher economic opportunities for displaced populations as they grow.

The International Trade Centre (ITC) and Innovest Advisory, in partnership with organizations such as Amahoro Coalition, have identified the need for a platform that helps displacement-inclusive SMEs to access investment, technical support,market linkages and knowledge resources that help them grow and export, while also incentivizing and supporting SMEs in fragile contexts to become more displacement inclusive. At the same time, this platform provides a channel for impact and displacement-inclusive investors, specialists, and buyers to invest in, support, or source from displacement-inclusive SMEs. Ultimately, this platform can increase economic opportunities for the displaced and their host communities so that prosperity and cohesion can improve in areas of displacement. The platform will leverage the outreach SMEs can have to vulnerable populations by increasing the competitiveness of displacement-inclusive SMEs while also enriching how far SMEs are displacement inclusive.

*Displacement inclusive SMEs are SMEs that are owned by a displaced person, hire significant numbers of displaced people or beneficially serve displaced people through their core mission

ENHANCING MARKET ACCESS FOR REFUGEE-OWNED ENTERPRISES

If international organizations, country signatories, and the private sector want to move towards refugee self-reliance as outlined in the Kampala Declaration on Jobs, Livelihoods, and Self-Reliance for Refugees, Returnees and Host Communities in the IGAD Region; the New York Declaration for Refugees and Migrants; and the United Nations' Comprehensive Refugee Response Framework (CRRF) (annexed in the New York Declaration), they must together. The solution lies at the intersection of the power of technology, innovation, and growing social consciousness about buying from marginalized communities to enable businesses to access wider markets.

International organizations and the private sector can collaborate through innovative partnerships to create online, end-to-end platforms that can open new markets and bring in new customers and corporate buyers for refugee-owned businesses and suppliers.

These platforms should include support for companies with digital sourcing, distributed manufacturing, e-commerce selling and distribution, and financial technologies that can enable these complex, cross-border transactions to happen seamlessly.

An economic initiative of this kind is not a silver bullet; without an enabling ecosystem, it will not achieve its potential. Policy change needs to accompany any e-commerce efforts to support refugee economic empowerment and access to new markets. Governments that are signatories to the CRRF or regional instruments like the Kampala Declaration should take steps to ensure that refugees have the freedom to run their own businesses, access raw materials, and financial services. These freedoms include the freedom of movement and easier documentation processes. Once these are in place, innovative, market-based solutions can then be effectively deployed by the private sector and other partners to support refugee communities.

ENHANCING MARKET ACCESS FOR REFUGEE-OWNED ENTERPRISES

COULD E-COMMERCE SOLUTIONS PUT REFUGEE BUSINESSES ON THE MAP?

Despite e-commerce's rocky start in Africa, COVID-19 has forced many companies to pivot to online sales or risk shuttering their windows for good. Running an e-commerce-focused business can enable refugees to operate their ventures from anywhere, whether they are resettled in a third country, return back to their countries of origin, or are integrated into local communities.

1. Online marketplaces—including major players like Jumia and Kilimall, South Africa's Takealot, Kenya's Goby, Nigeria's Konga, and continent-wide Mall for Africa—could onboard refugee entrepreneurs and suppliers looking to sell online for the first time that have little previous knowledge of e-commerce.

2. Others that have a sector or thematic focus, like Senegal's Afrikea and the African Development Bank's Fashionomics site for fashion, UNICEF Market for handcrafted goods and the International Trade Center's SheTrades for women-owned businesses could create initiatives to target and work with refugee entrepreneurs who want to move their businesses online.

3. Lastly, businesses that work directly with specialty producers—like Soko, an ethical jewelry brand, and Azizi, a company working with rural Rwandan artisans—can identify, train, and integrate refugees doing similar handiwork into their supply chains. Some initiatives have already adopted this approach. These ventures include Indego Africa, UNHCR-backed Made 51, two organizations working with artisans, and 734 Coffee, which supplies coffee from co-op coffee growers that employ South Sudanese refugees at farms in Ethiopia's Gambela region, near the border of South Sudan. These three organizations collectively impact refugee artisans, farmers, and entrepreneurs across more than 15 countries globally.

CONCLUSION

Many refugees spend the majority of their lives outside of their countries of origin due to the protracted nature of displacement. Currently, the majority of funding received is spent on basic needs such as food, healthcare, and shelter. While these are essential services, it is simply not enough for refugees who end up spending years—if not decades—of their lives in camps. To fill the gap, the international community must shift its understanding of and approach towards supporting refugee communities.

To start, it is important to examine the lives of refugees and identify tangible interventions that contribute to them leading more empowered and fulfilling lives. The brief proposes three solutions 1) Innovations in tertiary education finance 2) Refugee-lens investing, and 3) Enhancing market access for refugee-owned enterprises that serve one objective: scalable, market-based tools to promote economic inclusion for refugees to enable them to contribute to their families and society at large.

These solutions cut across education, entrepreneurship, and market access and must be implemented simultaneously to catalyze true change. Implementing one of these solutions without any of the other two will not deliver the results needed to transform refugee lives.

ABOUT

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.

Innovest Advisory is a development consultancy firm that seeks to unleash the power of public and private capital to address some of the world's most challenging issues. Our mission is to support the creation and scaling of sustainable market-based solutions to development challenges in line with the United Nations Sustainable Development Goals (SDGs). Innovest supports public and private impact stakeholders and social impact initiatives with a range of advisory and project management services. On behalf of our clients, we develop innovative funding and development tools leveraging our expansive network that seeks to contribute funding, know-how, and capabilities to achieve agreed development outcomes.