International Labour Organization | PROSPECTS | ITC International Training Centre | The Republic of Uganda Ministry of Gender, Labour & Social Development | Kingdom of the Netherlands

Inclusive private sector development in forced displacement contexts

Session Outcome Memo

Forging win-win situations: Market and intervention strategies of engagement

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Landscape on market-based approaches in contexts of displacement

- Interventions in displacement contexts can be considered on a continuum from the direct supply of humanitarian assistance to an approach that tries to influence market forces to better serve displaced persons.

- Intervention strategies can then be broken into push and pull approaches, which address the supply side to better equip a target group to engage in the labour market (push), or on the demand side, which tries to influence the market to better interact with the target group (pull). A mix of both approaches can add value, so that the target group (displaced persons) are better equipped to enter into the labour market, while at the same time, the labour market creates opportunities that are accessible/relevant for them.

- The direct supply of assistance usually fails to address root causes of a problem, and instead supplies a temporary patchwork of solutions. However, in the context of short project cycles this approach is more common.

- Market systems approaches facilitate the development of economic opportunities by understanding and addressing the underlying forces that shape markets where forcibly displaced persons are residing. In forced displacement contexts, this usually means finding ways to engage private sector actors, for instance as suppliers, off-takers or buyers. Interventions are developed to influence system change, and oriented towards long-term solutions that are self-reinforcing.

Rationale for market-based approaches in contexts of displacement

- Market systems approaches enable conditions for refugee self-reliance in host communities by enhancing refugees' capacity to support themselves and enabling conditions for market actors to work better with them.

- In many cases, refugee settlements are located in marginalized rural areas and are characterized by 'thin markets' with little private sector activity. Facilitating engagement of private sector actors, either as buyers or off-takers of goods and services produced by refugees, or as suppliers of the required goods and services, is thus crucial to develop markets and create opportunities for refugees.

- A market-based approach is time intensive, but because it considers an array of contextual elements in the design of interventions, the results are typically self-sustaining, independent of project interventions in the medium and long term.

Challenges for market-based approaches in contexts of displacement

- The contexts where forcibly displaced communities reside also have a high density of humanitarian assistance. While these are usually necessary to deliver urgently required goods and services, this type of assistance has the potential to crowd out private sector activity if it extends beyond the emergency phase. As an example, ILO in Lebanon trialled modern greenhouses that were shown to drastically increase productivity and revenues of farmers, and then worked with greenhouse suppliers to build their capacity and incentive to provide farmers with relevant information and after-sales services and offer acceptable prices and payment conditions. However, humanitarian and development actors then started to supply these greenhouses for free. While this benefited a small number of recipient farmers, it reduced the incentive of private sector suppliers to invest in the market and reduced the willingness of farmers to pay for these greenhouses.
- Short project cycles and the need to deliver results encourages the provision of direct assistance. However, this is counterproductive in the long-term because when the project ends, so too will the delivery of services.
- Market based approaches are both time and resource intensive and cannot guarantee a result, since they attempt to positively influence actors operating within a system. Even when adopting a market systems approach, not all intervention strategies succeed. In these cases, it’s important to start out small and even accept the option to exit if the approach is not leading to the desired changes.
- Piloting can show initial results, and generate excitement that draws in investors, but continuous monitoring is required to ensure initial results are scalable and durable. Too much investment, too quickly can also lead to loss in the medium to long term.

Initiatives for market-based approaches in contexts of displacement

- Services such as agricultural inputs, financial services, veterinarian services, and energy supply are often limited or absent in refugee hosting areas, but there is demand for them. A project can intervene by identifying suppliers of these goods and services and facilitate their engagement in refugee hosting areas. This may often mean playing a role in de-risking initial private sector investments, supporting expansion of business operations and attracting further investment.

- As an example, in Nigeria, the Propcom project facilitated private-sector driven roll-out of vaccines to farmer associations. This initial co-investment of the project, coupled with awareness raising initiatives on the importance of vaccines for poultry, helped create a market for poultry vaccines that local private sector actors were able to fill. It required a modest pricing strategy that could help the service remain self-sustaining after the initial investment, and close engagement with local communities in order to sustain the demand for the service.

Necessary actions moving forward for market-based approaches in contexts of displacement

- More effective coordination among organizations and market actors around solutions to improve the private sector engagement in refugee contexts. This can help work towards integrated humanitarian and market systems approaches, in a manner that avoid crowding out private sector investment and distorting markets.

- Balance delivery of services to meet immediate needs with a longer-term development driven vision for growth. As an example, in the financial sector, small grants for the poorest refugees can help stabilize their situation in the short-term, but in the medium and long-term blended finance tools need to counter a culture of grant dependency.

- Need for incentives to de-risk private sector engagement. This can be done on a cost share basis, using public money to de-risk investing in a new and risky markets where refugee and vulnerable host communities operate.

- It’s critical to find the right product and the right company, with the right motivation to work and expand their business.

- It’s also critical to start small, test the market, see if the product sells and only then upscale with rigorous monitoring systems in place. Learn about the refugee market, and monitor closely what works and what doesn’t.

Key resources

- Approach to Inclusive Market Systems (AIMS) for Refugees and Host Communities
- Market Systems Analysis of the Food Service Sector for Employment Inclusion of Refugees in Egypt
- Guide to Market-Based Interventions for Refugees
- The humanitarian Development Nexus in Action: A review and mapping of market-led approaches in forced displacement contexts
- Results of pilot trials on greenhouse productivity and working conditions with 12 selected farmers in Akkar and the Bekaa