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

# Private sector views on engagement in forced displacement contexts

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## Landscape for private sector engagement in contexts of displacement

- Traditionally, large private sector companies have invested in communities impacted by displacement out of corporate social responsibility, or to serve economies generated by the presence of humanitarian actors. This has begun to shift in recognition of the private sector's role in job creation for stabilization, recovery and development.
- Humanitarian and development practitioners have a role to play in creating a more enabling environment for private sector growth in forced displacement context, and making a business case for investments in sectors and value chains where displaced populations work or are served.
- The private sector is responsive to market opportunities. With growing competition both domestically and abroad, companies are receptive to new markets.
- Forcibly displaced populations are generally a new client group for private sector companies, and one that is perceived to be high risk. Cooperation with development agencies can help pool risk and cover market entry costs, while giving space for firms to gain exposure, learn and build trust.

## Rationale for private sector engagement in contexts of displacement

- Displaced populations have needs for goods and services that outlast the emergency phase of crisis. The private sector can step in to fill gaps in markets as they stabilize and develop post-crisis. Refugees and host community members are consumers, but can also be entrepreneurs that build businesses to fill gaps in markets and create employment for members of their communities (see memo 1.1).
- The areas where displaced populations are living can be at a distance from urban centres and have several missing market linkages. However, missing linkages creates opportunity for investments in connectivity and extension services, among others.
- Certain sectors will be better positioned to serve refugee and displaced communities, depending on the markets they are living alongside. This includes agricultural inputs, veterinary supplies and energy supplies for household use. Even when these services exist, they may need adaptation to effectively serve forcibly displaced communities.

- The introduction of savings and digital products helps refugees become familiar with financial services, while fostering a transition to more advanced financial products and creating a market to serve them.
- Forcibly displaced and host communities are a critical market segment. They are buyers of products but can also sell products and service as trusted extension agents within their communities.

## Challenges for private sector engagement in contexts of displacement

- In countries hosting large numbers of displaced persons, gaps in regulation and uneven enforcement can make business registration and operation challenging, thereby reducing the private sector's willingness to enter.
- Volatile security in areas hosting displaced populations also introduces greater risk and instability for business operations and may incur high security costs to set up operations.
- Refugee clients generally demand less volume of goods and services, making it difficult to build a business case when not integrated into an existing market system or value chain.
- There are lower levels of trust when private sector firms newly enter a market. Repeated transactions between the new client group helps to establish trust, as displaced communities experience positive delivery of goods and services, and private sector firms experience positive customer interactions.
- Humanitarian assistance and aid delivery can create dependencies and reluctance to pay for goods and services. This reduces the scope for private sector engagement in markets such as housing, energy, food and medical supplies.

## Case Studies: Initiatives for private sector engagement in contexts of displacement

- Shabelle Bank is an Ethiopian microfinance institution that has transitioned to become a commercial bank. In 2019, they opened a branch in Dollo Ado based on an identified gap in financial institutions in outlying areas. Digital and savings products were the first point of entry, which allowed the company to build rapport with the refugee community. Refugees were also hired as extension agents, which provided additional insights into the market and helped build trust. This then allowed them to transition to adapted loan products that accepted relaxed collateral requirements and personal guarantees from community leaders. As a precondition for loans, clients have to take a two-day financial education course, so they understand the loan products and terms of repayment. Shabelle's experience demonstrates a collaborative business expansion, recognizing the need for both businesses and refugee clients to learn, build trust and grow slowly over time.
- Shayashone provides agriculture and agri-business services in Ethiopia and neighbouring countries. In their business model, they have incorporated refugees into the supply chains from where they source agriculture inputs, while also selling

agriculture products in refugee and host communities. Refugees have been employed as extension officers and distribute inputs, such as vegetable seeds, to farmers in their communities. The approach applied by Shayashone demonstrates how refugees can be positioned as employees/sellers, as well as clients.

- Bayrony is an agriculture export and trading company, based out of Khartoum. They conduct quality inspection and purchase directly from farmers, then transport, clean, package and ship agriculture products. When they started to buy agriculture products from refugee farmers, they had to adapt their business model. By observing the market, they could see that refugee farmers would hold onto their produce until market prices went up, but this sometimes meant the produce was spoiled by the time of sale. As a mechanism, Bayrony set agreements with refugee farmers to purchase 80% of the agreed amount upfront and committed to buy the remaining 20% at the market price in one to two months. Bayrony also provided climate-controlled storage space for the remaining 20% of the agriculture produce, to limit spoiling and improve production quality. The model demonstrates how small business adaptations, based on market research and evidence, can improve operations with refugee communities at a relatively low cost.
- Agfund, Ebdaa Microfinance Bank offers services like agriculture finance, solar energy financing, home improvement loans, education loans, and loans for nursery. They collaborated with USAID for cash distribution in the Khartoum displacement situation and partnered with the Sudan Peacebuilding and Development Project to provide microfinance services to displaced individuals in the Abushok camp, including solidarity group loans for agriculture and livestock, as well as voluntary savings accounts.
- Agriproject Concept International markets and distributes veterinary products, livestock and dairy equipment and agriculture research materials. They also provide assessment and procurement consultancy. The business was first established in response to a disease (Newcastle disease) that was killing off small scale farmers' poultry stocks. The disease could be easily prevented by a vaccine that was available through the National Veterinary Institute. However, the vaccine was not readily available in areas where poor poultry farmers lived. Agriproject purchased vaccines from the National Veterinary Institute and established a network of village agents who were trained to administer the vaccine for a small fee. The training was certified by the National Veterinary Institute, giving village agents the legal ability to administer vaccines. The small fee also generated revenue that was used to pay agents and invest in business operations. The example shows how local private sector actors can build market linkages that are inclusive of refugees and responsive of gaps in services.
- AgPloutos is an agriculture company working to strengthen food supply chains, driven by market demand. They have a strong network of public and private sector partners that they work with to facilitate extension services, financing, crop insurance and market access. They have demonstrated how traceability of production is a critical aspect to enable access to foreign markets, and therefore adds value when incorporated into their services. AgPloutos employs an agent model to extend services in remote areas.

Community agents are contracted on commission and provide last-mile delivery from distribution points to farmers. A recent initiative conducted with support from ILO used a phased approach to gradually transition farmers out of subsidies and towards commercial finance. In five phases, farmers consent to sell their crop yields to buyers and exporters, have their input costs financed through AgPloutos' agreement with commercial banks, then after planting (phase 3) and harvesting (phase 4), buyers pay AgPloutos who in turn pays the farmers and bank. The model demonstrates how work with well-established private sector firms can fill gaps in market linkages and create win-win scenarios for actors along the supply chain.

- Al Majmoua is a microfinance institution in Lebanon that promotes sustainable development through lending. Their core services include provision of microloans (both group and individual lending), capacity building for microfinance institutions and provision of business development services. With the compounding crisis in the country, its operations were heavily impacted by rampant inflation and the collapse of the banking sector. At the same time, the population they serve also grew more vulnerable. This included a large share of refugees. To serve the refugee segment, they categorized the population into three main groups ranging from vulnerable groups, to developing groups to stable groups. In partnership with ILO, Al Majmoua developed blended finance products that facilitated access to finance, business development services and business subsidies for developing and stable groups.
- Hello Solar provides pay as you go solar energy in Ethiopia through mobile money (Hello Cash). The SHARPE project provides de-risking initiatives to lower payments for refugees. They also use refugees as selling agents.

## Necessary actions moving forward for private sector engagement in contexts of displacement

- Providing one-stop shops in refugee areas can help bring down cost of transactions and streamline information from revenue authorities, capital administration, and other services. Integrating services in one place can also help authorities recognize where processes and policies contradict and overlap.
- Promoting evidence-based market opportunities in refugee areas can be supported by events and workshops that bring in private sector actors and use communication channels to reach larger audiences.
- To bridge private sector engagement in refugee areas, incentive structures need to be aligned. This includes incentives for buyers to source from refugees, for businesses to employ refugees and for refugees to buy from the private sector.
- For the private sector ecosystem to run smoothly, financial and insurance entities also need to be brought in.