

## Private Sector Initiatives in Forced Displacement Contexts: Constraints and Opportunities for Market-based Approaches

By **Weiyi Wang, Ozan Cakmak, and Kurt Hagemann**

The number of forcibly displaced persons has been rising in recent years, and many displacements have become protracted. However, public resources available to assist individuals and families have dwindled, exacerbating already strained situations. Amid this backdrop, private sector initiatives have emerged to help create jobs both for displaced people and their host communities. While market-based approaches in refugee contexts are still new, initiatives in several countries have demonstrated the valuable role that private sector firms and investors can play. This note discusses examples of these market-based initiatives, related challenges, and conflict-sensitive approaches for overcoming these challenges. The note also discusses the important role that development agencies can play in de-risking private sector development through market-creating strategies, partnerships, and blended concessional finance.

In recent years, forced displacement has risen to the top of the global development agenda. As of the end of 2020, more than 80 million people across the world had been forced from their homes—the highest level of displacement on record.<sup>1</sup> Despite their limited resources, developing countries host roughly 85 percent of the world’s refugees,<sup>2</sup> and the prospects for preventing these crises and for refugees returning home remain elusive. In 2019, only 593,800 refugees were able to return to their homes—down from 667,400 refugees who repatriated in 2017—and these results were outpaced by more displacement.<sup>3</sup>

The increasing number, coupled with the protracted nature of many forced displacements, underscores the need not only to prevent and resolve these crises, but also to provide employment and income generation opportunities for forcibly displaced persons (FDPs) and their host communities.<sup>4</sup> While humanitarian interventions are crucial to addressing

emergency and protracted refugee situations, the private sector can play a critical role in improving refugee and host communities’ self-reliance and resilience, through creating sustainable jobs for FDPs and their host communities, as well as through opportunities to start and scale up successful businesses.

**Private sector development is a new frontier in refugee contexts.** Although the private sector has a long history of engagement in refugee initiatives through philanthropy, participation in humanitarian agency supply chains and, more recently, through corporate social responsibility commitments supporting “refugee economies,” has only begun over the last decade.<sup>5</sup> Under this emerging paradigm, whether refugees live in temporary shelters, protracted settlements, or urban communities, they and their host communities constitute markets, and they are economic actors.

### About the Authors

**Weiyi Wang**, FCS Africa Initiative, IFC. Her email is [wwang@ifc.org](mailto:wwang@ifc.org).

**Ozan Cakmak**, Partnerships and Multilateral Engagement & FCS/IDA Coordination Unit, IFC. His email is [ocakmak@worldbank.org](mailto:ocakmak@worldbank.org).

**Kurt Hagemann**, FCS/IDA Coordination Unit, Blended Finance, IFC. His email is [khagemann@ifc.org](mailto:khagemann@ifc.org).

A market-based approach to refugee contexts entails recognizing and understanding how refugees “interact with markets as consumers, producers, buyers, sellers, borrowers, lenders, employers, employees, and entrepreneurs.”<sup>6</sup> This differs from, but ultimately complements, the traditional humanitarian response of protecting refugees and meeting their basic needs for food and shelter. It should be noted, however, that although the private sector can complement government and international agency interventions, it cannot replace them.

### **BOX 1 Moving Beyond Corporate Social Responsibility: Multinational Corporations Hiring Refugees**

Multinational corporations such as Sodexo, Teleperformance, and IKEA are benefiting refugees by providing them with job opportunities. These corporations are hiring refugees in their core business operations not just as a form of philanthropy, but also based on market-driven principles. In 2019, Sodexo, a facilities management and food services company, hired 300 refugees for its operations globally and the company has committed to hiring 300 more refugees by 2021 for its operations in Chile, Peru, Colombia, and Brazil. Teleperformance, a global business services company, has been hiring refugees in its Colombian operations since 2018, and refugees make up a large portion of the company's 2,000 recent hires. The retail furniture supplier IKEA has committed to helping at least 2,500 refugees by 2022 through supporting their language and job skills training, and giving them jobs in 300 IKEA stores in 30 countries. In Jordan, IKEA has committed to hiring refugees as well as people in refugees' host communities to work in IKEA's supply chain. IKEA's local suppliers have hired 200 refugees and Jordanians, and IKEA's store is selling artisanal goods produced by refugees across the Middle East. For IKEA, Teleperformance, and Sodexo, providing refugees with these opportunities makes good business sense because refugees are an untapped source of skills and labor.

Sources: Tent Partnership for Refugees. 2018. “20 Global Companies Announce New Commitments to Help Address the Refugee Crisis.” <https://www.prnewswire.com/news-releases/20-global-companies-announce-new-commitments-to-help-address-the-refugee-crisis-300717503.html>

Maltz, Gideon. 2019. “Understanding the Venezuelan Refugee Crisis – And How Businesses Can Help.” *Global Giving*, September 23, 2019. <https://www.globalgiving.org/learn/listicle/how-businesses-can-help-venezuelan-refugees/>

Tent and Ikea. 2021. Website accessed April 21, 2021. <https://www.tent.org/partner/ikea/>

This note explores the role of private sector initiatives in forced displacement contexts. It highlights recent trends, key challenges, and factors that facilitate private sector engagement and market-based approaches; it explains the business case for private sector involvement; and it concludes with recommendations for private investors and firms that seek engagement in refugee contexts.<sup>7</sup>

### **Emergence of Varying Private Sector-led and Market-based Approaches in Forced Displacement Contexts**

Initiatives such as the Tent Partnership for Refugees<sup>8</sup> have begun to raise awareness and mobilize the business community in developed markets to support refugees. Through the Tent Partnership, over 130 multinational companies involved in refugee facility management and supply and services provision have committed to hiring refugees, involving them in supply chains, and providing them with other forms of support to improve their livelihoods (Box 1).<sup>9</sup>

In forced displacement contexts, the private sector ranges from large multinational corporations and local investors, down to local microenterprises, and includes social enterprises. Although the creation of jobs by large formal enterprises is well-recognized, in fact most income-earning opportunities in refugee contexts comprise self-employment and operation of informal micro, small, and medium enterprises (MSMEs).

Private sector actors have a complex array of motives for engaging in forced displacement contexts, and the pathways for their engagement are diverse too. The three best known motives for engagement are philanthropy, corporate social responsibility, and procurement for humanitarian supply chains. Some private sector engagement is solely profit-driven, however.<sup>10</sup> In the case of the latter, businesses may be trying to reach new market segments with their products and services, improve last-mile distribution in underserved refugee areas, and diversify their suppliers. Overall, private sector actors have begun to recognize that refugees have diverse skills, which they can tap to reach the bottom of the economic pyramid and increase the value of their brands; and that refugees can provide valuable innovations.

Across the world, refugees' living circumstances vary considerably. Although it is commonly assumed that refugees live in camps, and most market research and private sector initiatives focus on camps, in fact over 60 percent of refugees live in urban areas.<sup>11</sup> The market dynamics of rural versus urban hosting areas (for example, trade corridors), the profiles of local business, and refugee-related regulations and policies may all vary significantly. As refugee contexts vary, initiatives to develop the private sector should vary too.

**Because private sector development in forced displacement contexts is still new, further research and pilot interventions are needed to understand the potential impact.** IFC's 2019 *Pathways to Scale* report, which surveyed over 170 private sector initiatives in forced displacement contexts, found that most efforts were at an early stage, with over half started within the last decade.<sup>12</sup>

Most private sector interventions are at an early stage of exploring differing modalities to see what approaches would apply to particular refugee camp and urban settings. Opportunities for engagement do exist, but these depend on local conditions, and most can be found in urban areas. However, there are no substantial examples yet of commercially viable private sector engagements that have achieved scale in refugee contexts.<sup>13</sup> Seizing these opportunities requires fully acknowledging the challenges present in refugee hosting contexts.

### **Challenges in Maximizing the Impact of the Private Sector**

**Doing business in refugee contexts requires identifying the relevant challenges.** These are numerous and fall into four general categories: (a) policy, legal, and regulatory hurdles; (b) misconceptions; (c) difficult business conditions; and (d) knowledge gaps. These categories are not exhaustive, but they illustrate the range of challenges, and identifying the applicable ones can help entrepreneurs and investors to identify the risks associated with refugee contexts, navigate the bottlenecks better, and identify market gaps.

### **Legal, Regulatory, and Policy Hurdles are the Most Significant Barriers to Private Sector Engagement**

**Both in law and in practice, refugee-related legal, regulatory, and policy constraints are ranked as the most significant barriers to private investors' and entrepreneurs' engagement.**<sup>14</sup> The most cited policy and regulatory barriers are restrictions on refugees' movement, their right to work, and their right to start a business. Many refugees are held back, too, by the difficulties they have in obtaining the identification documents they need to formalize their status as refugees.

**A generally restrictive approach to the right to work for refugees exists and governments are usually reluctant to ease such restrictions.**<sup>15</sup> Notably, refugees' right to work is governed by official recognition of their status as refugees and their right to protection (key elements of refugee law), and the wider framework of labor and employment law. The latter typically governs factors that limit refugees' labor access, including work permits, subsidiary employment rights related to contractual protection and social service benefits,

restrictions on work in some sectors, and preferences for hiring nationals.<sup>16</sup>

Many refugee-hosting countries bar refugees from working completely, or only allow them to work in certain occupations and sectors, most of which are not favorable for women. In Jordan, for example, the construction and agriculture sectors are major providers of a significant number of jobs for Syrian refugees, but many of these jobs are informal.<sup>17</sup> Because of such restrictions, many refugees work in the informal sector, which puts them at greater risk of exploitation.<sup>18</sup> For example, in Cox's Bazar, Bangladesh, where over 900,000 Rohingya refugees from Myanmar live, approximately one-third of households engage in some type of income-generating activity, and this tends to be limited, ad hoc, and small-scale.<sup>19</sup> Examples include food stalls and small shops.

**In places where refugees are not allowed to leave the encampment, those who start businesses must rely on local agents to obtain the goods they need.** This raises refugees' costs of doing business. In some countries such as Uganda, where refugees are granted the right of movement outside of camps and settlements, the interpretation and implementation of the policy varies. For example, in order to leave the Rwamwanja settlement, refugees must write a letter in advance that states where they want to go and for how long, and get approval.<sup>20</sup>

**Even if refugees can operate a business, they cannot own property or enter into a contract, which limits their access to finance.** For example, in Kenya, Pakistan, India, and Sudan, refugees are barred from owning property, which they could use as collateral for a loan. To get around regulations that bar them from owning a business, refugee entrepreneurs may partner with a local who can register the business, but this not only increases costs, but also the financial and legal risks and the threat of exploitation.

**Refugees require official identification to access a wide range of benefits and services, including social protection, financial services, and a mobile phone account.** Due to their lack of official status and identification papers, would-be entrepreneurs face difficulties opening a bank account, signing a contract, and registering a business. In many cases, the know-your-customer requirements of mobile network operators and financial institutions prevent refugees from getting a mobile phone card or opening a bank account. For example, in Kenya, it can take years after arrival for a refugee to obtain an identity card from the National Registration Bureau, which is the only legal document that allows a refugee to access public and private services, including mobile phone service, and a mobile money account.<sup>21</sup>

## Misconceptions May Limit Local Business Communities' Willingness to Do Business in Refugee Camps and Settlements

The misconception that FDPs are a burden on the host country may deter the local business community and investors from engaging with refugee entrepreneurs. Locals may also fear that if they do business with refugees, they will face reputational risks and even punishment. While a sudden influx of refugees can certainly be expensive for the host country, by and large the perception that refugees are a burden is incorrect. Many host communities benefit from the inflow of humanitarian and development aid triggered by the arrival of refugees, as well as the economic contributions of refugees and their businesses.<sup>22</sup> As a growing number of studies show, there is clear market potential for engaging with FDPs.

**Growing analytical evidence suggests that refugees benefit their host communities.** A 2019 study by the Economic Policy Research Foundation of Turkey shows that Syrian entrepreneurs have established over 10,000 businesses. These economically benefit over 250,000 Syrians; they make significant contributions to Turkish foreign trade, and they have a positive impact on the Turkish economy.<sup>23</sup> Additionally, a World Bank review of empirical literature on the impact of forced displacements on their host communities found that over the course of 17 major crises between 1922 and 2015, on aggregate, the impact tended to be positive: 45 to 52 percent of host community households experienced an increase in well-being, and 34 to 42 percent of host community households were not significantly impacted.<sup>24</sup> Furthermore, with the right initiatives and business enabling environment, refugee-driven private businesses can be a net positive, not just for the forcibly displaced, but also for their host communities.

## Challenging Conditions in Host Countries Constrain the Development of Refugees' Businesses

In Africa and many other regions, emergency camps and protracted settlements are in remote and peripheral areas, with limited access to the host country's economic hubs. These remote locations are due to factors such as proximity to refugees' countries of origin, security considerations, and the availability of land for camps and settlements. As geographic isolation cuts refugees off from the largest markets, their logistics costs are higher and they have less access to the information needed to successfully operate a business. Within a host country, the business enabling environment for refugees and their host communities can vary substantially, too. In addition, humanitarian aid can create barriers to commercial

activities because the handouts, including food, fuel, and other essentials, compete with the products sold by shops in the camps and their host communities.

**Protracted displacements result in "lost generations" with limited education.** Research shows that education shapes refugees' economic prospects, and a higher education level correlates with better income-earning opportunities.<sup>25</sup> However, refugees who spend most of their lives in camps usually lack access to higher levels of education. This means that businesses that are interested in operating in refugee camps and settlements face difficulties in sourcing adequately educated labor. Additionally, a lack of financial literacy is an impediment for refugee entrepreneurs.<sup>26</sup>

**Limited savings and lack of access to finance are major obstacles for refugees who want to start a business.** Due to their lack of work opportunities, refugees usually have few savings to invest in starting and operating businesses. Also, refugees lack access to finance due to several factors, including their lack of collateral to guarantee a loan, the know-your-customer requirements of financial institutions, risk perceptions, and misperceptions about profitability. For many refugee entrepreneurs, remittances from family overseas is their main source of investment and operating capital. However, the COVID-19 pandemic has caused a decline in remittance flows to some refugee-hosting countries. This decline in crucial financing, which is a lifeline for many refugee households, negatively impacts their businesses too.<sup>27</sup>

**High levels of informality limit the scalability of refugee businesses.** Informality is prevalent in developing economies, but is even higher in refugee settings due to the policy and regulatory constraints discussed above. As observed in refugee camps and settlements in Kenya, Ethiopia, and Uganda, refugees' businesses are usually small, with most having fewer than five employees. Retail businesses are the most prevalent type in refugee camps and settlements. They sell items such as food, beverages, clothes, household goods, and charcoal. These businesses are usually not registered with local authorities and have no physical address, which affects their ability to do business with medium-to-large companies and, as already noted, prevents them from accessing loans from financial institutions.

## Knowledge Gaps Regarding Investment Information and Business Opportunities in the Refugee Context

Business communities outside camps and settlements are generally unaware of the opportunities available in refugee settings. Assessing the potential for any business investment requires detailed knowledge about the market context,



investment feasibility, competitors, and potential risks—and information on all of these is generally scarce in frontier markets, and especially in refugee contexts. Also, a lack of general knowledge, and particularly knowledge about doing business, is a key challenge for refugees.

**Crucial gaps in market and firm-level data are daunting barriers to investors seeking market access in refugee-populated areas.** Only in recent years have development agencies started to conduct in-depth analyses of refugee-related business potential. IFC’s study, *Kakuma as a Marketplace*, is the first report of its kind to provide data on the market potential in a refugee-populated area.<sup>28</sup>

While humanitarian and development-focused data on refugee areas are plentiful, the business-level data that entrepreneurs and investors need are lacking. Some of the things that could help to unlock much-needed investment for refugee-targeted enterprises include expanding business-focused data collection and using digital technologies to collect data more efficiently in refugee communities.<sup>29</sup>

**Projects that target refugees and FDPs often have a higher risk profile.** Reasons for this include the lack of prior investments of a similar nature; unproven returns; unappealing risk-return ratios; and/or uncertainties about the business model, the business-enabling environment, and other investment conditions. These risks are exacerbated in lower-income and fragile countries.

In addition to these challenges, factors that limit private sector interest include the lack of potential for scalability, the perceived high-risk profile of participating actors and/or beneficiaries, and the lack of bankable projects. Also, the private sector business opportunities are often at a very early stage, with no established benchmarks for first-mover risk and rates of return on investment. In these real or perceived high-risk situations, the level of investment risk can exceed the risk tolerance of potential partners and investors.

### Enablers for Private Sector Solutions

Despite the challenging business environment and operational difficulties, some businesses are able to function in the FDP context. The following section summarizes the lessons learned from these engagements and identifies tools and approaches that can enable greater private sector engagement.

#### Technologies and Business Innovations Unlock Barriers in Refugee Settings

**The combination of technology and business innovations has the potential to help private enterprises overcome the constraints of refugee settings.** Digital technology and a growing online “gig economy”<sup>30</sup> can enable private

companies to tap into the diverse talents and skills of refugees who face work and movement restrictions. Internet-based platforms such as Upwork and Freelancer allow companies to contract digital work to freelancers all over the world, including those in refugee camps.

In the refugee camp in Dadaab, Kenya, the recently-launched Refugee Employment and Skills Initiative, implemented by the International Trade Centre and the Norwegian Refugee Council, trains young people in digital skills and entrepreneurship, connects them with clients, and provides them with support to build their careers as freelancers.<sup>31</sup> NaTakallam in Lebanon hires highly educated, digitally connected FDPs such as Syrians in Lebanon to provide professional services such as teaching languages and digital skills.

**The increasingly protracted nature of forced displacements, and FDPs’ needs that exceed humanitarian aid, underscore the importance of alternative funding models and innovative financing tools and structures.** These are needed to: i) create long-term, market-based solutions; ii) test, establish, and scale-up sustainable financing models; and iii) design bankable projects and programs that can leverage and mobilize private sector resources.

#### Cash-Based Interventions Catalyze Private Sector Participation

In refugee-hosting areas, cash-based interventions (CBIs) can play a catalytic role in the transition from an aid-based to a market-based economy. CBIs, which provide refugees with cash rather than goods, are not only cost-effective, they increase refugees’ purchasing power, lead to higher demand for goods and services in local markets, and attract the local private sector. Conversely, in-kind assistance such as food and fuel can cause deflation and lower demand for products in the local economy. CBIs facilitate investment in productive assets and thereby generate a positive impact on local economies.<sup>32</sup> They can also encourage key private companies to operate in refugee camps and settlements—for example, financial institutions such as Equity Bank in Kenya (**Box 2**).<sup>33</sup>

#### In Forced Displacement Contexts, Blended Concessional Finance Can Bridge Critical Financing Gaps and Facilitate Private Sector Entry<sup>34</sup>

Blended finance<sup>35</sup> (the use of relatively small amounts of concessional donor funds to mitigate specific investment risks) can provide an effective tool to de-risk private sector investments in FDP contexts. It can also help to rebalance the risk-reward profiles of pioneering investments that

## Box 2 Equity Bank: Leveraging Cash-based Interventions to Extend Financial Inclusion to Refugees

Over the past decade, the Kenyan commercial bank Equity Bank has been adapting its products to increase financial inclusion for low-income people, including refugees. Beginning in 2010, Equity Bank opened branches in Dadaab and Kakuma, two of the country's largest refugee settlements, which are home to some 380,000 refugees. These branches, which offer financial services to refugees, were launched to take advantage of the business opportunities resulting from the switch to cash-based interventions in the camps. Equity Bank, in partnership with the United Nations High Commissioner for Refugees (UNHCR) and the World Food Programme (WFP), has facilitated refugees' use of cash-based assistance by providing them with debit cards linked to their bank accounts, into which UNHCR and WFP deposit cash. Equity Bank adapted its standard products to the refugee context to facilitate cash transfers from different humanitarian aid organizations. As a result of operating in refugee and host communities, Equity Bank has become even more aware of local needs, regulations, and ways to help. Today, in addition to personal bank accounts and debit cards, Equity Bank offers refugees access to a range of products that include microcredit and group savings and lending (including loans to both households and small businesses).

Source: International Finance Corporation and The Bridgespan Group. 2019. "Private Sector & Refugees: Pathways to Scale." <https://www.ifc.org/wps/wcm/connect/1c187356-8185-4efe-898c-b78962d30f35/201905-Private-Sector-and-Refugees.pdf?MOD=AJPERES&CVID=mH67q.e>.

would not be viable on strictly commercial terms. With the right instruments and careful structuring, blended finance can be a critical element in creating markets and increasing the development impact of private sector-led projects that target FDPs, and crowd-in private investments in new and challenging markets.<sup>36</sup>

**Adherence to the DFI Enhanced Principles for Blended Finance in Private Sector Operations<sup>37</sup> is critical in the FDP context.** Rigorous application of these principles, which aim to maximize impact while minimizing potential market distortions through the use of concessional resources, is fundamental to using blended finance in an effective, efficient, and transparent manner, and to ensuring the sustainability of private sector projects.

## Recommendations

**Work closely with local governments and business organizations (e.g., chambers of commerce) to address regulatory and policy reforms.** As government policies and regulations can constitute substantial barriers to doing business in refugee settlement and hosting areas, firms that are interested in doing business or investing should share their expertise with policymakers and FDP advocates, and should also collaborate to develop policies and regulations that improve the business-enabling environment and encourage private sector development and investment.

**To improve their understanding of the local market and business dynamics in refugee areas, private sector actors should partner with humanitarian and local business organizations.** This should help them to identify nonfinancial risks; to understand the local business environment and conflict and gender issues; and to pinpoint refugees' needs (e.g., access to key goods and services such as healthcare). All of these would help to ensure that business activities are commercially sustainable, they "do no harm," and are gender inclusive. UNHCR and other humanitarian organizations already gather and collate data on refugee and host communities, and they could share this with private sector actors and advise on the business practices that would help to improve refugee and host communities' self-reliance and resilience.

To identify market opportunities, private sector actors should also partner with the development organizations that conduct livelihood programs, market studies, and diagnostics on the business enabling environment and regulatory frameworks. The availability of a sizable consumer market in a refugee camp and its host community, combined with reliable data on the purchasing power of both, could help drive private enterprise development.

**The private sector could benefit from de-risking tools such as blended concessional finance, and other support that development finance institutions such as IFC can provide.** In refugee situations, the availability of concessional finance could help increase private sector financing for innovative and scalable investments such as: access to finance (e.g., microfinance and innovative fintech solutions); service delivery (e.g., off-grid energy provision, pay-as-you-go products, and "willingness-to-pay solutions"); education and skills training (e.g., delivering technical education and training to refugees and host communities); entrepreneurship and MSMEs (e.g., partnering with microfinance institutions to scale up lending to MSMEs); and risk-sharing facilities that encourage microfinance institutions to scale up lending to very small enterprises).

**De-risking investments with blended concessional finance can demonstrate the commercial viability of solutions that benefit refugees and their host communities in the medium-to-longer term.**<sup>38</sup> With the help of various de-risking tools that can be applied in the forced displacement context, private enterprises with blended finance can provide comprehensive solutions that: i) meet the immediate basic needs of refugees; ii) develop refugees' skills; and iii) provide long-term economic benefits for both host communities and refugees' countries of origin. Blended finance facilities can be combined with donor funds to provide risk capital or seed capital from various contributors to support and strengthen strategic investments in MSMEs that have, for example, strong prospects for job creation and/or service provision.

**Donors, in partnership with governments, impact investors, development finance institutions, and multinational companies, could establish platforms that provide patient capital and technical assistance to MSMEs that are addressing service delivery and other challenges in refugee settings.** Kenya's Kakuma Kalobeyei Challenge Fund, for example, was established as a partnership between IFC, the Africa Enterprise Challenge Fund, Turkana County Government, and UNHCR to support private sector investment and unlock the economic potential of refugees and their hosts.<sup>39</sup>

In conclusion, it is important to note that none of the approaches discussed in this note are “one-size-fits-all” solutions. Creating and fostering private sector opportunities and market-based approaches in forced displacement areas is highly dependent on the local context, as well as the broader market conditions in the country. Taking both into account is critical to strengthening the economic resilience of both refugees and their host communities.

## ACKNOWLEDGMENTS

The authors would like to thank the following colleagues for their review and suggestions: Michel Botzung, Manager, FCS Africa Initiative, Africa Region, IFC; within the Vice Presidency Economics and Private Sector Development, IFC: Joanna Kata-Blackman, Senior Operations Officer, FCS/IDA Coordination Unit, Blended Finance; Jussi Lehmusvaara, Operations Officer, New Business and Portfolio, Blended Finance; and Thomas Rehmann, Senior Economist, Thought Leadership. Awena Lebesch, Consultant; Luba Shara, Senior Operations Officer; Daniela Henrike Klau Panhans, Consultant, Vishal Ashvin Patel, Consultant; Gerald Owachi, Consultant; Selma Rasavac, Senior Operations Officer; and Patrick Luternauer, Principal Operations Officer contributed to the Note with their comments and suggestions.

<sup>1</sup> See “Refugee Data Finder” of UNHCR: <https://www.unhcr.org/refugee-statistics/>

<sup>2</sup> This number includes Venezuelan migrants and refugees.

<sup>3</sup> OECD. 2019. “Financing for Refugee Situations.” *OECD Development Policy Papers*, No. 24, December 2019. <https://www.oecd-ilibrary.org/docserver/02d6b022-en.pdf>

<sup>4</sup> UNHCR defines a protracted refugee situation as “one in which 25,000 or more refugees from the same nationality have been in exile for at least five consecutive years in a given host country”. This definition excludes Palestinian refugees who fall under the United Nations Relief and Work Agency’s mandate.

<sup>5</sup> Betts, Alexander, Louise Bloom, Josiah Kaplan, and Naohiko Omata. 2016. “Refugee Economies: Forced Displacement and Development.” Oxford University Press.

<sup>6</sup> Betts, Alexander, et al. 2016.

<sup>7</sup> Two major IFC publications, “Private Sector & Refugees: Pathways to Scale” and “Kakuma as a Marketplace,” plus a growing body of knowledge on market-based approaches and the private sector’s role in creating jobs and livelihoods for FDPs and their host communities, played an instrumental role in completing this Note.

<sup>8</sup> See <https://www.tent.org/>

<sup>9</sup> Tent News. 2021. “New Impact Sourcing Initiative Will Help Integrate Venezuelan Refugees in Colombia’s Workforce.” <https://www.tent.org/tent-news/press-release-colombia-bpo-impact-sourcing/>

<sup>10</sup> Tent News. 2021.

<sup>11</sup> Ijjasz-Vasquez, Ede, Soraya Gaga, and Ellen Hamilton. 2019. “Refugees and Internally Displaced Persons in Cities – The ‘Hidden’ Side of Forced Displacement.” *World Bank Blogs*. <https://blogs.worldbank.org/sustainablecities/refugees-and-internally-displaced-persons-cities-hidden-side-forced-displacement>

<sup>12</sup> IFC and Bridgespan Group. 2019. “Private Sector & Refugees: Pathways to Scale.” [https://www.ifc.org/wps/wcm/connect/region\\_ext\\_content/ifc\\_external\\_corporate\\_site/sub-saharan+africa/resources/psr-pathways-to-scale](https://www.ifc.org/wps/wcm/connect/region_ext_content/ifc_external_corporate_site/sub-saharan+africa/resources/psr-pathways-to-scale)

<sup>13</sup> IFC and Bridgespan Group. 2019.

<sup>14</sup> IFC and Bridgespan Group. 2019.

<sup>15</sup> Zetter, Roger, and Héloïse Ruaudel. 2016. “Refugees’ Right to Work and Access to Labor Markets – An Assessment.” Washington, DC: Global Knowledge Partnership on Migration and Development (KNOMAD), September 2016. <https://www.knomad.org/publication/refugees-right-work-and-access-labor-markets-assessment-part-1>

<sup>16</sup> Setter, Rogher et al. 2016.

<sup>17</sup> Huang, Cindy and Gough, Kate. 2019. “The Jordan Compact: Three Years on, Where Do We Stand?”, Center for Global Development, 2019.

<sup>18</sup> Huang, City, et al. 2019.

- <sup>19</sup> IRC (International Rescue Committee). 2019. “Left in Limbo – The Case for Economic Empowerment of Refugees and Host Communities in Cox’s Bazar, Bangladesh.” September 18, 2019. <https://reliefweb.int/report/bangladesh/left-limbo-case-economic-empowerment-refugees-and-host-communities-cox-s-bazar>
- <sup>20</sup> Betts, Alexander, et al. 2016.
- <sup>21</sup> GSMA. 2017. “Refugees and Identity: Considerations for Mobile-Enabled Registration and Aid Delivery.” GSMA, 20 July 2017. <https://www.gsma.com/mobilefordevelopment/resources/refugees-and-identity/>
- <sup>22</sup> A 2017 study by Building Markets found that 76 percent of Syrian business owners plan to keep their businesses in Turkey even after the war ends, and they can move back to Syria. Building Markets. 2017. “Another Side to the Story: A Market Assessment of Syrian Refugees in Turkey”. New York: Building Markets. [https://www.buildingmarkets.org/sites/default/files/pdm\\_reports/another\\_side\\_to\\_the\\_story\\_a\\_market\\_assessment\\_of\\_syrian\\_smes\\_in\\_turkey.pdf](https://www.buildingmarkets.org/sites/default/files/pdm_reports/another_side_to_the_story_a_market_assessment_of_syrian_smes_in_turkey.pdf)
- <sup>23</sup> TEPAV and EBRD (European Bank for Reconstruction and Development). 2019. “Syrian Entrepreneurship and Refugee Start-ups in Turkey: Leveraging the Turkish Experience”. Ankara: TEPAV. <https://www.tepav.org.tr/en/haberler/s/10023>
- <sup>24</sup> Verme, Paolo, and Kirsten Schuettler. 2019. “The Impact of Forced Displacement on Host Communities.” Washington, DC: World Bank. <https://openknowledge.worldbank.org/bitstream/handle/10986/31231/WPS8727.pdf>
- <sup>25</sup> Betts, Alexander, et al. 2016.
- <sup>26</sup> IFC 2018. “Kakuma as a Marketplace: A Consumer and Market Study of a Refugee Camp and Town in Northwest Kenya.” April 2018. Washington, DC: International Finance Corporation. [https://www.ifc.org/wps/wcm/connect/0f3e93fb-35dc-4a80-a955-6a7028d0f77f/20180427\\_Kakuma-as-a-Marketplace\\_v1.pdf?MOD=AJPERES&CVID=mc8eL2K](https://www.ifc.org/wps/wcm/connect/0f3e93fb-35dc-4a80-a955-6a7028d0f77f/20180427_Kakuma-as-a-Marketplace_v1.pdf?MOD=AJPERES&CVID=mc8eL2K)
- <sup>27</sup> World Bank. 2020. “World Bank Predicts Sharpest Decline of Remittances in Recent History.” *Press Release*, 22 April 2020. Washington, DC: World Bank. <https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history>
- <sup>28</sup> Other recent refugee-focused market studies include: UNHCR (United Nations Refugee Agency) and ILO (International Labour Organization). 2019. “Doing Business in Dadaab Report: Market Systems Analysis for Local Economic Development in Dadaab, Kenya”. Geneva: International Labour Organization; and ILO (International Labour Organization). 2018. “Market Systems Analysis for Refugee Livelihoods in Jijjiga – Ethiopia”. Geneva: International Labour Organization.
- <sup>29</sup> World Economic Forum. 2021. “Unlocking Humanitarian and Resilience: Investing through Better Data.” Geneva: World Economic Forum. <https://www.weforum.org/whitepapers/unlocking-humanitarian-and-resilience-investing-through-better-data>
- <sup>30</sup> Valerio De Stefano (2016) defines the gig economy as “labour-market activities that are coordinated via mobile platforms, which are increasingly bringing together workers and purchasers of their services locally and globally.” The operating model of gig economy platforms can be divided into “crowd work” and “on-demand” work. Crowd work refers to tasks that are commissioned and carried out via the internet using suitably skilled “crowd workers” located anywhere in the world. On-demand tasks are carried out locally, based on close physical proximity of both the service purchaser and the provider. De Stefano, Valerio. 2016. “The Rise of the ‘Just-in-Time Workforce’: on-Demand Work, Crowd Work and Labour Protection in the ‘Gig-Economy’”, *Condition of Work and Employment Series No. 71*, International Labour Organization.
- <sup>31</sup> ITC News. 2020. “Entering the Global Gig Economy from Dadaab Refugee Camp.” June 24, 2020. Geneva: International Trade Centre. <https://www.intracen.org/news/Entering-the-global-gig-economy-from-Dadaab-refugee-camp/>
- <sup>32</sup> Overseas Development Institute. 2015. “Doing Cash Differently: How Cash Transfers Can Transform Humanitarian Aid.” Report of the High-Level Panel on Humanitarian Cash Transfers, September 2015. London: Overseas Development Institute. <https://cdn.odi.org/media/documents/9828.pdf>
- <sup>33</sup> IFC and Bridgespan Group. 2019. “Private Sector & Refugees: Pathways to Scale.” Washington, DC: International Finance Corporation. <https://www.ifc.org/wps/wcm/connect/1c187356-8185-4efe-898c-b78962d30f35/201905-Private-Sector-and-Refugees.pdf?MOD=AJPERES&CVID=mH67q.e>
- <sup>34</sup> See IFC (International Finance Corporation). 2021. “Using Blended Concessional Finance to Invest in Challenging Markets—Economic Considerations, Transparency, Governance, and Lessons of Experience”. February 2021. Washington, DC: International Finance Corporation.
- <sup>35</sup> Definition of blended concessional finance: combining concessional finance from donors or third parties, alongside development finance institutions’ normal, own account finance and/or commercial finance from other investors, to develop private sector markets, address the Sustainable Development Goals, and mobilize private resources. For more information on blended finance, see the International Finance Corporation’s website. [https://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/BF/](https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/BF/)
- <sup>36</sup> The blended finance-related portions of this paper were authored by *Jussi Tapio Lehmusvaara*, Blended Finance Department, International Finance Corporation, Washington, DC. His email is [jlehmusvaara@ifc.org](mailto:jlehmusvaara@ifc.org).
- <sup>37</sup> The DFI Enhanced Blended Concessional Finance Principles for Private Sector Projects can be found here: [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/bf/bf-details/bf-dfi](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/bf/bf-details/bf-dfi)
- <sup>38</sup> Developed by FMO, the Netherlands’ entrepreneurial development bank, in partnership with the European Commission, “NASIRA is an innovative financial program that supports young, female, and migrant entrepreneurs in Sub-Saharan Africa and countries neighboring Europe. NASIRA uses guarantees to allow local banks to on-lend to underserved entrepreneurs. It targets portfolios consisting of loans to young, female, and migrant entrepreneurs (including refugees, returnees and internally displaced people). The goal of these guarantees is to allow local banks to provide loans to groups they normally perceive as too risky. By so-called ‘risk-sharing’ NASIRA reduces the perceived and real risks of lending to vulnerable and underserved parts of the population. It enables and stimulates financing needed for people who want to grow their (micro) business.” Source: <http://www.nasira.info/>
- <sup>39</sup> See website of the Kakuma Kalobeyi Challenge Fund (KKCF): <https://kkcfke.org/>