Selected Highlights on Private Sector Involvement in Non-Farm Livelihoods in the Great Lakes Region

Non-farm livelihoods provide critical opportunities to mitigate negative impacts of forced displacement and the diversification of livelihoods for refugees and hosts, especially within the services and manufacturing sectors, which in turn contribute to the structural transformation of local economies. In the past, there have been limited private sector partnerships for supporting key functions such as financing, skills development, research and development, and value addition for livelihood interventions, particularly in the non-farm sectors. Dependency syndrome remains a challenge impacting sustainable, long-term livelihood solutions for refugees within the Great Lakes region. However, private sector engagement has increased significantly in the region over the past several years, with several existing pathways for increased engagement in the region, which could pave the way for increased private sector engagement in the future. Over the course of the two-day learning event, three key themes emerged in relation to private sector involvement in the facilitation of non-farm livelihood interventions and sustainable business growth in refugee and host communities: i) access to finance, ii) long term sustainable community investment models, and iii) value chains. The African Entrepreneur Collective (AEC) provides refugee entrepreneurs with loans and training in order to facilitate their access to capital and sustainable business growth. The International Lifeline Fund has implemented a long-term sustainable community investment business model, which is built upon community engagement and buy-in for all interventions. These two cases present the importance of investing in refugee and host communities directly in order to build durable livelihood solutions in displacement.

Access to Finance for Refugees' Sustainable Business Growth

Access to finance for refugee communities is a centerpiece of financial and economic inclusion in displacement. In many displacement settings, VSLAs remain the most available source of credit and social insurance. However, as refugees’ situations become increasingly protracted, access to bank accounts, credit, and loans have proved to be a critical barrier in refugee’s ability to focus on building livelihoods independently of humanitarian aid. Most formal financial service providers and microfinance institutions are often hesitant to work with refugees, viewing them as a financial risk. Notably, questions centred on the following themes – how the private sector, namely financial institutions, have been working with displaced people in order to facilitate their access to livelihoods and invest in their businesses and entrepreneurship. Within the Great Lakes region, the African Entrepreneur Collective (AEC) in Rwanda provides an instructive case study on how to harness the skill set and livelihood goals present within refugee communities in order to help them found and grow businesses that contribute to decreased reliance on humanitarian aid.

Case Study: Rwanda - African Entrepreneur Collective

Key Features

- Practical services supporting sustainable business growth
- Working directly with refugee communities in the refugee space
- Access to digital and physical tools and access to finance
- 6 month business accelerator including training in basic business tools

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1 This document was developed as part of a year-long series of learning events developed jointly by the World Bank, Samuel Hall, and the Rift Valley Institute on development responses to forced displacement with panelists and government officials from the six countries of the Great Lakes region.
The **African Entrepreneur Collective (AEC)** provides practical services focused on sustainable business growth leading to improved lives and communities for refugees in Rwanda and Kenya. The 6 month business accelerator includes training in basic business tools for cash management, access to market, and how to leverage existing opportunities in the refugee space, including collaborating with the host members. AEC also runs online course consulting with team advisors, which includes providing access to digital and physical tools and access to finance. Refugees are entrepreneurial in general. The majority - 85 percent - of programme participants had existing businesses prior to joining AEC. Over half started their business with their savings and a quarter borrowed money from friends/family. Lastly, supporting entrepreneurial refugees contributed to household self-reliance and provided opportunities to increase support for the most vulnerable and non-entrepreneurial refugees within refugee communities.

**AEC works directly with the government and UNHCR in the countries of intervention.** The policy environment in Rwanda in particular is favourable and conducive to entrepreneurship and running a business, as it provides refugees the right to work, freedom of movement, right to education, and the right to documentation. AEC is presently thinking about future access to finance and communication campaigns in order to attract more stakeholders to include refugees. There is also a need to incorporate refugees into Technical Vocational Education and Training (TVET) programs, as well as governments thinking about transitional strategies for refugees when aid stipends run out.

**AEC works directly with refugee communities, using existing structures within camp environments in order to attract and select beneficiaries.** AEC works with the government at the camp level in order to advertise its services, which facilitates awareness for all entrepreneurs or aspiring entrepreneurs about calls for applications to join the programme. AEC works in 8 refugee camps - 6 in Rwanda and 2 in Kenya. The team is heavily involved in community outreach within these camps, which involves visiting existing businesses in camp settings and informing them about AEC programs and services. There are certain criteria beneficiaries must meet, which includes having refugee documentation and balanced gender representation. Lastly, beneficiaries must have minimum abilities to read and write in order to use the tools provided by the program. This last criteria has made reaching older people more challenging.

**AEC works with the Kiva platform,** which provides credit lines to underserved communities globally. Borrowers apply for loans, which undergo an underwriting and approval process before it is posted to the Kiva platform for lenders to support. For those refugee beneficiaries who eventually wish to repatriate, AEC works directly with the UNHCR Protection Team in order to ensure the protection element is not compromised and ensures loans given do not fund repatriation. Typically, beneficiaries receive small amounts in the beginning of the process. Once mutual trust is built between AEC and clients, the loan amount is then increased up to the amount of 6,000 USD. Larger loans are given to those people with assets outside refugee camps, who are able to repay larger loans. All beneficiaries are given below market interest - 10 percent - and also provided loans in different categories.

**ANGELIQUE’S STORY**

“I was just hoping for something to put food on the table and push through life”. - Angelique Rusaku on why she opened a grocery store upon arriving in Rwanda’s Kigeme Refugee Camp eight years ago.

Fleeing violence in neighbouring Congo with $150 USD in savings and a young family to feed, she started small and worked hard. In 2017, she enrolled in the African Entrepreneur Collective’s 6-month training and consulting program in order to learn financial management and inventory tracking. The AEC was the only organisation in the camp providing loans to refugees. Starting with a small first-time loan and growing to a loan of USD 8,000, she then used this capital to turn her first shop into one of the largest businesses in Kigeme camp, hire a team of employees, and open a second location in a neighbouring camp.
Increasing financial independence was the primary motivation for refugees to start a business. With the right business skills, access to capital, networks, and a favourable policy environment, refugee entrepreneurs are able to run successful, profitable and sustainable businesses. Over a quarter of AEC’s current or past programme participants reported increased self-reliance, as they are able to depend on their business for income. Furthermore, refugee entrepreneurs are direct contributors to their host countries’ economic development initiatives. Over half – 59 percent – of all jobs created by refugees were filled by members of host communities. Urban entrepreneurs in particular have a strong willingness to pay taxes in order to be in good standing with local governments. Refugees spend more years than anticipated in their host countries. Investing in their businesses improves their livelihoods, reduces heavy aid-dependence, and prepares them for the future – regardless of whether they return home, integrate into host countries or resettle in a third country. Introducing private sector-led livelihood interventions offers a balanced and familiar environment to refugees’ countries of origin.

Key Impacts

- Increased financial independence motivated refugees to start businesses
- 59 percent of jobs created by refugees were filled by members of host communities
- Increased opportunities to support vulnerable and non-entrepreneurial refugees

25 percent of current/past programme participants depend on their business for income
Participants less reliant on humanitarian aid for financial support
Private sector-led livelihood interventions harness refugees’ existing skills and entrepreneurial spirit

Long-Term Sustainable Community Investment by the Private Sector

Successful and sustainable market interventions in refugee hosting settings require strong coordination and investment at both the national and local levels. Favourable policy environments encourage the development and implementation of these policies via sensitization campaigns, training, and establishing markets. Challenges of long-term engagement of the private sector – especially domestic enterprises – were highlighted as a key gap in livelihood interventions within the Great Lakes region. Questions centred around the following themes – long-term, sustainable engagement from the private sector in refugee hosting areas – both rural and urban – as well as ensuring matching skill sets and needs within local community markets. The International Lifeline Fund’s work in Uganda on building cookstove manufacturing plants and distribution networks provides an important example of long-term sustainable community investment by the private sector within the Great Lakes region.

Case Study: Uganda - International Lifeline Fund and Cookstoves

Key Features

- Building trust-based relationships with community members
- Long-term investment in both product design and services
- Working with cost-effective products and services affordable to community members
- Incubating social enterprises to produce and deliver products within local markets
- Government engagement via capacity building and local government engagement

The International Lifeline Fund (Lifeline) has been historically active in refugee settings and emergency contexts, aiming to spark change through low-cost and replicable interventions that improve quality of life. Over the last several years, they have begun designing programmes to ensure longer term sustainable models with high community involvement and buy-in, in order to facilitate growth and independence in displacement settings. This has contributed to their critical role in building bridges within communities and transforming purely humanitarian
refugee settings via increased interventions aimed at building self-sufficiency in areas of intervention. This has primarily been done via transitioning interventions into facilitating financial independence through implementation of viable business models that can serve the needs of the communities and allow them to prosper. Understanding demand and supply in communities of engagement is paramount - without understanding demand, translating business models becomes challenging. Furthermore, the business model introduced in refugee and host communities is designed to be sustainable and profitable.

Lifeline employs a results-driven approach with five distinct features:
1. Co-creating solutions by building trust-based relationships with community members to ensure products and services provided match local demand
2. Long-term investment in both product design and services to learn from mistakes and maximize impact
3. Harnessing market forces by working with cost-effective products and services that are affordable to everyone in the community
4. Incubating social enterprises to produce and deliver products within the local market and community
5. Government engagement and collaboration via capacity building relevant officials and local government engagement

Lifeline found that involving stakeholders as partners has proved critical in founding successful social enterprises, as it facilitates understanding value brought from a business perspective. Government engagement has also proved valuable in order for governments to understand how Lifeline’s businesses can improve livelihoods in vulnerable communities. Development agencies are used as anchor customers and promote products, which facilitates trust; and community groups play a critical role as company ambassadors promoting the Lifeline services or products offered within their communities. Lastly, the private sector involves distributors and different areas of the value chain in various businesses that are needed to provide materials, resources in order to market products successfully. This aspect has been instrumental in setting up enterprises in refugee settlements and in partnership with the host community.

In order to create demand and introduce its products to the market, Lifeline conducts public demonstrations, which allow communities - especially those active in the market - to see the value of the cookstoves and how they can be used within their own communities. Furthermore, Lifeline regularly conducts technical testing within laboratories in Uganda, as well as internal evaluation measures regarding the technical aspects of all products in order to ensure their suitability into local markets in terms of usability, durability, and affordability. Uganda has a very price sensitive market - in order to make local businesses sustainable, finances and margins are considered in all Lifeline interventions. Local businesses are able to be sustainable if key elements are present in order for community members and entrepreneurs to remain interested and engaged in the business. Thus, financing and producing products with higher margins are critical in supporting sustainable, long-term local business interventions within refugee and host communities. Developing local partners and distributors remains challenging. In order to mitigate this, Lifeline partners with community organizations to work with distributors
and local partners in order to build capacity and expand the business locally, regionally, and nationally. Building capacity requires a significant amount of resources and is often the most neglected element by investors, despite its importance to durability.

Other Questions and Issues to Think About

Public-Private Partnerships
Given reduced funding for livelihood activities in displacement, reinforcing public-private partnerships (PPPs) and interventions has proved critical. For further evidence of PPPs in action, see: the Burundi government’s current initiatives and partnerships between government and private enterprise. The Burundi government coordinates the development and implementation of national and local policies at the ministry-level – namely by the Ministry of Public Security. At present, a study underway for the next budget year includes a joint project collaboration with ANACOOP, the regulatory authority for cooperative activities in the country. Other civil society actors are also engaged in activities, including Jesuit Refugee Service (JRS), who works with IGAs and OVC, an Italian NGO which focuses on medical care and health mutuality. Kazozah Art is a social enterprise, which trains urban refugees in manufacturing clothes and art in order to facilitate livelihoods, financed by the Segal Foundation.

Favourable Policy Environments as a Foundation for Refugee Livelihoods and Private Sector Involvement
As discussed above, and demonstrated by AEC’s work in Rwanda and Lifeforce’s work in Uganda, favourable policy environments within host countries facilitate sustainable livelihoods for refugees, especially where private sector involvement is concerned. The ability to work closely with government officials at the national and local level facilitates long-term programming. For further examples of this, see: Uganda’s policies on the right to work, freedom of movement, refugees’ access to services and the settlement approach or the UNHCR-GoR Livelihoods and Economic Inclusion Strategy (2016-20) and UNHCR and Government of Rwanda (GoR) joint strategy on economic inclusion of refugees and host communities in Rwanda (2021-2024), which provide the guiding framework for all partners implementing projects promoting self-reliance of refugees and host communities within the country.

Non-Farm Training Programmes for Returnees
One of the key areas of discussion within livelihoods concerns returnees and their economic integration. For further examples of this, see: Burundi’s TP-HIMO programme, which promotes labour-intensive activities in rural areas and allows returnees and IDPs, particularly women, to have access to non-agricultural income-generating jobs for their empowerment. The programme also strengthens social cohesion within return communities. Furthermore, sensitisation campaigns are conducted with all returnees in order to encourage the formation of associations and cooperatives. Refugees are also encouraged to join community health mutual groups in order to cover common social risks, such as health issues and education. Each participating returnee receives a financial allowance to meet immediate needs and to set up income-generating activities, as well as training to facilitate livelihoods. This intervention engenders a further question – namely how can returns on investment in rural areas be assessed for returnees – specifically concerning non-farm livelihoods? Studies conducted by the World Bank in Ethiopia and the FAO have highlighted the importance of thinking about this key question as a point of departure for future interventions in rural areas of return.