BUILDING A REFUGEE LENS INVESTMENT ECOSYSTEM IN KENYA

January 2023
Refugee Lens Investing in Kenya

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Executive summary

According to the UNHCR, Kenya hosts 540,068 refugees and 394,000 internally displaced persons (IDP) due to political strife and natural calamities. However, the number of refugees in Kenya is likely to be much higher: The fear of forced repatriation or encampment leads large numbers of refugees to avoid registration making the total number living in Kenya, sometimes estimated as high as 1,000,000, difficult to discern. Notwithstanding questions surrounding the total numbers of forcibly displaced people in Kenya, the majority of the assistance provided to these vulnerable communities has been humanitarian, addressing basic needs such as food, shelter, water, healthcare, sanitation, and education, with insufficient emphasis placed on creating economic opportunities that lead to self-reliance.

Kenya’s refugee and policy landscape has recently made strides to promote refugee integration through the provision of Class M working permits and refugee IDs, and entitlement to rights such as non-refoulement, ownership of property, access to housing and higher education, though still much more needs to be done to ensure consistent, timely and practical enforcement of these policy advances. Further, the Refugee Act 2021 (published in February 2022) designates specific counties as areas of residence and emphasizes refugee and host community rights to non-discriminatory use of public institutions, facilities, and spaces thereby promoting socioeconomic cohesion. The Huduma Bill, if passed, could boost refugee registration, allowing access to resources and services. The Recognition of the Prior Learning Policy Framework could also promote the participation of asylum seekers in formal labor. However, implementation of these rights has been slow, creating a de jure vs de facto dynamic where, in practice, refugees face strict encampment and/or restricted movement, limited access to basic rights and services, and an inability to legally participate in economic activities due to delays in the issue of identification documents and work permits.

Consequently, the private sector in Kenya continues to shy away from either intentionally or explicitly engaging refugees, primarily due to the fear of official harassment, and further compounding the economic dependence of refugees. A lack of coordination between development and humanitarian actors and the private sector surrounding refugee initiatives has led to limited information sharing and a redundancy of effort. Inadequate refugee participation in planning has also compounded this dynamic and exacerbated a lack of investment in a circular economy and a focus on immediate basic needs, instead of long-term, “durable” solutions.

Despite these ecosystem gaps and large challenges, there are excellent opportunities for refugee lens investing (RLI) in traditional business models in critical, high-impact sectors such as agriculture, supply chain and logistics, energy, and financial services. The path to successful RLI for Kenya is anchored on stakeholder coordination, improved policy enforcement, better data tracking, greater refugee empowerment, involvement and engagement, that helps to shift mindsets away from aid dependency for forcibly displaced people, to self-reliance, as robust and commercially attractive business models are developed and nurtured.

This report recommends the establishment of improved market linkages with more rural-based refugee hosting areas to develop increased opportunities for value creation, and to create holistic market systems that intentionally integrate refugees into key value chains through targeted employment or self-employment pathways. Indeed, the creation of these market linkages will enable greater formal financial inclusion for refugees, primarily through innovative, flexible, and catalytic finance extended through both on-lending and more direct financial mechanisms. In summary, building the RLI ecosystem in Kenya, requires a multi-stakeholder, multi-dimensional, holistic market systems approach which supports refugee-focused businesses to scale and financiers to bring in tailored finance to ultimately demonstrate a scalable blueprint for building more refugee-inclusive value chains.
Introduction

Report objective

This report seeks to describe how Kenya-based refugees engage economically within their host communities, and what challenges and opportunities exist to support more sustainable livelihood development, amidst the various policy and related barriers that these populations face. Specifically, this report aims to apply the concept of RIN’s refugee lens investment (RLI) to Kenya, outline market-based pathways to better integrate refugees as net contributors to value chains (as opposed to solely beneficiaries), and what challenges and opportunities exist for key stakeholders to ultimately develop a more robust refugee-inclusive economic ecosystem. Indeed, research findings suggest that high-impact opportunities exist for RLI in Kenya yet they are often overlooked. Finally, this report aims to shed light on such opportunities and advance the conversation focused on refugee self-reliance from an investor’s perspective.

Assessment methods and goals

The Refugee Investment Network (RIN) is the first impact investing collaborative dedicated to creating long-term solutions to global forced migration. RIN is a specialized investment intermediary that facilitates the movement of capital from commitment to active investment by sourcing, structuring, and supporting the financing of projects and companies that benefit refugees and host communities. RIN aims to bridge the gap between the untapped investment potential of refugee entrepreneurs and refugee and host-supporting businesses with capital markets to spur economic growth, create jobs, and increase social and economic cohesion.

RIN’s work has demonstrated that intentionally investing in refugees and hosting communities – what RIN calls “refugee lens investing” or RLI – generates returns that extend far beyond the typical social and economic benefits for investees and investors. RLI is the practice of intentionally investing in companies that are improving forcibly displaced peoples’ lives by supporting:

**R1: Refugee-owned businesses** with at least 51% ownership or with at least 1 refugee playing a key operational role;

**R2: Refugee-led enterprises** having at least 1 refugee in senior management or with refugee representation on the board;

**R3: Refugee-supporting ventures** that intentionally provide goods, services or employ refugees;

**R4: Refugee-supporting, Host-weighted activities** that intentionally provide goods, services or employ host community members;

**R5: Refugee lending facilities** that provide debt or alternative financing to R1 – R4 enterprises;

**R6: Refugee funds** that provide equity to R1 – R4 enterprises.

Developed by RIN and its members, this framework provides investors with a “lens” to assess and qualify prospective and historical deals as refugee investments.
Furthermore, RIN defines the term “refugee” broadly, inclusive of those forcibly displaced across borders, and internally displaced by violence, persecution, climate change, natural disaster, and the communities they live in.

Despite the viability of investing in enterprises intentionally employing, or sourcing from refugees, investors – including in countries with well-developed impact investing ecosystems like the UK – are generally not aware of both the impact and returns potential of these opportunities. The “Kenya Market Assessment” thus creates an evidence base with concrete examples of investment opportunities for interested capital partners from across the Kenya’s investment spectrum.

The market assessment that follows also includes: an extensive review of literature to ensure a comprehensive understanding of the challenges and opportunities for RLI currently present in the Kenyan market; a mapping of the existing refugee enterprises and investment landscape; and insights gleaned from months of secondary, comparative and primary research, including through data collection from dozens of interviews with leading social investors, refugee-led organizations and impact investing firms, banks, grant makers, entrepreneur-support organizations, and think tanks.

Overview of refugee demographic profile in Kenya

This report defines “refugees and forced migrants” broadly, inclusive of those forcibly displaced across borders (by violence, persecution, climate change, natural disaster), as well as internally displaced people (“IDP”), and the communities they live in (i.e., “hosts”). [Similar to what UNHCR refers to as “Persons of concern”]

Kenya has hosted refugees since the 1960s, with civil unrest, political instability and natural disasters being the main drivers, resulting in 540,068 refugees and 394,000 internally displaced persons (IDP) as of 2021. According to a study by Cities Alliance, there are approximately 75,000 refugees registered as urban refugees. The number of refugees in Kenya is likely to be much higher because many refugees fail to register due to fear of repatriation or encampment, but the number of unregistered refugees is not easily discernible, though estimated to be closer to 1,000,000 total refugees. South Sudanese and Somalis make up most of the refugees in Kenya (68%) while other East Africans (i.e., from Burundi, DRC, Ethiopia, and Uganda) account for most of Kenya’s remaining refugees. Beyond those forcibly displaced from abroad, inter-ethnic conflicts are a key contributing factor to the number of IDP in Kenya, which stood at nearly 190,000 in 2021. Indeed, Kenya experienced significant waves of political violence and ethnic clashes in 1992, 1997 and 2007-2008 that resulted in thousands of long-term IDP. These waves of violence were often linked to land

disputes that often leave thousands of individuals displaced.\(^7\) On the contrary, IDP from natural disasters are often temporary and reintegrate into society soon after the disasters. For example, approximately 121,000 people were displaced in March of 2020, mainly due to severe flooding, though many of these families have returned home.\(^8\)

Turkana and Garissa counties host most of Kenya’s refugees, while significant refugee populations are also found across major cities and satellite towns. Refugee settlement patterns are attributable in part to Kenya’s decentralized government structure and corresponding county structure that has led to accommodative refugee policies such as the issuance of business permits by local governments. Outside the camps, Nairobi hosts the most refugees in the urban space in select neighborhoods such as Eastleigh, Kawangware, Kasarani, and Kayole, where host communities are most accommodative and ethnic communities have strongly embedded themselves.\(^9\) Turkana County, where Kakuma camp and Kalobeyei settlement are located, also demonstrate favorable refugee policies. The county government has thus made concerted efforts to help refugees achieve sustainable economic engagement within the County Integrated Development Plan (CIDP).\(^10\) The county government has also engaged in informal discussions with various refugee stakeholders to advocate for Kalobeyei’s conversion into a municipality and Kakuma into a settlement.\(^11\)

*Figure 1: Refugees and asylum seekers’ countries of origin, 2021*

Indeed, most refugees in Kenya reside in camps. Eighty-four per cent of refugees live in camps in Garissa and Turkana counties, compared to 16% in urban areas.\(^12\) However, primary research suggest that Kenya’s refugee numbers could be significantly higher than those reported by the UNHCR. Informants attribute the likely undercounting of Kenya’s refugee populations primarily to urban-based refugee populations who chose to remain unregistered for fear of being exposed and

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9 [OCA consultations](https://repository.kippra.or.ke/handle/123456789/2832)

10 “Turkana County Integrated Development Plan 2018–2022,” KIPPRA PPR Home (County Government of Turkana, 2018), [https://repository.kippra.or.ke/handle/123456789/2832](https://repository.kippra.or.ke/handle/123456789/2832)

11 OCA Consultations


potentially subjected to harassment, encampment, or deportation. Notwithstanding these concerns, the urbanization of refugees is expected to be a growing trend in future years, based on local sentiment and the common refugee perception of better livelihood opportunities in townships and cities. On the other hand, IDP in Kenya are often found in smaller towns and rural areas that are predisposed to inter-ethnic conflict e.g., Wajir. Kenyan IDP, are also found in 14 ‘marginalized counties’ that host numerous internally displaced and nomadic populations across counties of Marsabit, Turkana, Wajir, Mandera, Garissa, Tana River, Samburu, Narok, West Pokot, Isiolo, Lamu, Kilifi, Kwale, and Taita Taveta.

Out of the approximately 540K registered refugees, 44% are between the working age of 18 and 59 years and 49% are women. However, the age breakdown varies between camps and urban areas. Nearly 40% of camp-based refugees are 18 – 59 years compared to 62% in urban areas, a fact that suggests Kenya’s urban areas provide significant opportunities for livelihood and economic engagement initiatives.

The proportion of women (49%) is similar in camps and urban areas yet those in camp settings are known to be less likely to engage in economic activities compared to men, due to increased household responsibilities and cultural factors existing within camp settings. Women are also vulnerable to Sexual and Gender-Based Violence (SGBV) and face unique barriers to economic engagement including, domestic responsibilities (e.g., child-rearing) and limited access to capital that limits their ability to take on economic activities. Despite these barriers, initiatives such as the Women Empowerment Centre in the Kalobeyei settlement, aims to provide leadership and livelihood skills for improved participation in income-generating activities. Women in urban settings have taken strides in engagement in economic sectors such as trade, for example, Somali refugees

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in Eastleigh, one of Nairobi’s neighborhoods, commonly run enterprises such as restaurants and apparel businesses.\textsuperscript{16}

\textit{Figure 3: Refugee age and gender breakdown in Kenya}

<table>
<thead>
<tr>
<th>Gender</th>
<th>Age</th>
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<tbody>
<tr>
<td>Male</td>
<td>53% 0 – 17 years</td>
</tr>
<tr>
<td>Female</td>
<td>44% 18 – 59 years</td>
</tr>
<tr>
<td></td>
<td>3% 60+ years</td>
</tr>
</tbody>
</table>

\textit{Source: UNHCR, Registered refugees and asylum-seekers}\textsuperscript{17}

Nearly half of school-aged, camp-based refugees in Kenya lack access to schools and thus have correspondingly lower education levels compared to those who reside in urban areas.\textsuperscript{18} Indeed, 75\% of Kenya’s urban-based refugees have attained post-primary education due to their better access to subsidized, post-primary education from public institutions. While commitments from government exist (e.g., the Djibouti Declaration on Refugee Education and the Kampala Declaration on Jobs, Livelihoods, and Self-Reliance for Refugees, Returnees, and Host Communities in the IGAD Region) to ensure refugees are incorporated in public sector education strategies, frameworks, and plans, these have yet to be implemented, with no clear timelines in place. This also includes vocational training and skills that refugees could benefit from.


\textsuperscript{18} UNHCR, Education. https://www.unhcr.org/ke/education
IDP from inter-ethnic conflict also have lower education levels despite being within the working age. Inter-ethnic conflict is often politically instigated but executed by the working-age youth. The conflicts interrupt education activities and destroy learning facilities thus contributing to low education levels.

*In summary, research suggests that based on recent trends, Kenya-based refugees will be youthful, urbanized, and permanent, thus increasing the urgency for more market-oriented and sustainable livelihood solutions.*
Policy and non-policy barriers to RLI

Refugee policy landscape in Kenya

Kenya has a long history of hosting refugees since it gained independence in 1963. The country hosts refugees from Burundi, the Democratic Republic of Congo, Ethiopia, Somalia, South Sudan, Sudan, and Uganda fleeing from civil war, political unrest, and natural disasters such as drought. Compared to other East African countries, Kenya has enjoyed relatively stable political and economic conditions that have been suitable to host refugees both from foreign countries and IDPs, displaced by natural disasters and political violence.

**Figure 5: Timeline on Kenya’s refugee policies**

At the onset of receiving and hosting refugees and asylum-seekers, Kenya did not have domestic laws that dealt specifically with refugee needs but relied instead on the Immigration Act and Aliens Restriction Act. In 1967, the Immigration Act was passed into law, and while the Act included a definition for "refugees", it did not spell-out their rights or protections. In 1969, Kenya replaced its Independence Constitution, but this also did not include specific laws addressing refugees. Moreover, the Constitution did not include provisions for the direct application of international treaties, conventions, or laws linked to refugee policy.

In 1972, the government made strides in its consideration of refugee rights and their inclusion in specific policies. Thus, the Immigration Act of 1967 was amended to include a provision that introduced the Class M work permit granting refugees the right to work in Kenya. Further to this amendment, the government also introduced the Aliens Restrictions Act in 1973 to govern foreign

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nationals, including refugees. The Act was introduced in response to a rise in refugees and asylum seekers from Uganda, fleeing the aftermath of Idi Amin’s coup d’état of Milton Obote.\textsuperscript{24} The resulting influx of Ugandan refugees contributed to the Kenyan government handing over refugee management to the UNHCR in 1991, and the adoption of an unwritten executive encampment policy. Up to this time, the government practiced an integration policy given the low numbers of refugees, estimated at 20,000 between 1963 and 1991.\textsuperscript{25} During this period the Refugee Secretariat, under the Ministry of Home Affairs, oversaw refugee management, including refugee status determination. From 1991, however, refugees – many of whom were Ugandan – were seen as temporary, and the government’s lasting solution was to repatriate them.

Political unrest in neighboring Ethiopia, Somalia, and Sudan during the 1990s caused increased refugee flows to Kenya and led the government to perceive newcomers as a threat to national security with the potential of importing their home conflicts and clashing with locals. Out of this context the encampment policy, of relegating refugees to designated areas across the country, was codified.\textsuperscript{26} This period thus witnessed the establishment of twelve camps – Liboi, Ifo, Dagaahaley, Hagadera, Kakuma, Ruiri, Utange, Marafa, Mombasa, Hatimy, Jomvu, Swaleh Nguru – in Garissa, Kilifi, Mombasa, Nairobi, and Turkana counties in 1991. UNHCR was responsible for the provision of basic needs to refugees in these camps, while the government oversaw the maintenance of law and order.

Beyond the growing number of refugees, Kenya also experienced a spike in the number of IDP during this period. Between 1992 and 1993, Molo land–ownership clashes in the Rift Valley region between Kalenjin and Kikuyu communities left 5,000 people dead and another 75,000 displaced.\textsuperscript{27} In 1994, the government, NGOs and UN agencies reviewed the 1991 draft refugee bill, but ultimately shelved it. In subsequent years, the government launched a repatriation campaign that led to the closure of camps. In June 1994, Kenya closed Utange, Marafa, Swaleh Nguru, Hatimi and Jomvu camps in Kilifi and Mombasa counties and relocated 7,394 refugees to Kakuma and 1,483 to Dadaab camps.\textsuperscript{28}

Refugees Act of 2006

The Refugees Act of 2006 created a legal framework for the management of refugees and asylum-seekers in Kenya. The Act defined refugee status, their rights and duties and established institutions to manage refugee affairs. Key highlights of the Act are outlined below:

1. **Definition of refugees and asylum-seekers:** The Act distinguished between statutory and *prima facie* refugees. As outlined in the Act, a person is recognized as a statutory refugee if such a person:

   “... owing to a well-founded fear of being persecuted for reasons of race, religion, sex, nationality, membership of a particular social group or political opinion is outside the

\textsuperscript{28} Research Directorate, Immigration and Refugee Board, Canada, “Research Directorate, Immigration and Refugee Board, Canada” December 31, 1999. https://www.refworld.org/docid/3ae6ad7b64.html
country of his nationality and is unable or, owing to such fear, is unwilling to avail himself to the protection of that country; or

not having a nationality and being outside the country of his former habitual residence, is unable or, owing to a well-founded fear of being persecuted for any of the aforesaid reasons is unwilling, to return to it."^{29}

In contrast, a person is recognized as a *prima facie* refugee if:

".. owing to external aggression, occupation, foreign domination, or events seriously disturbing public order in any part or whole of his country of origin or nationality compelled to leave his place of habitual residence to seek refuge in another place outside his country of origin or nationality."^{30}

These legal distinctions made the refugee status determination process for *prima facie* refugees easier as individuals from designated countries (i.e., Somalia) only had to prove their nationality to claim their refugee status as compared to statutory refugees.^{31}

2. **Provision of rights and duties:** The Act entitled refugees and asylum-seekers to the right to work by giving them access to Class M work permits to seek employment and business permits to venture into entrepreneurship. The Act also aligned Kenya with international conventions by entitling refugees and asylum-seekers to the rights outlined in these conventions, such as non-refoulment (i.e., refugees and asylum-seekers cannot be subjected to forced return to a country where they may be subjected to persecution).^{32} Additionally, with the alignment to international conventions, the Act entitled refugees and asylum-seekers in Kenya to theoretical access to a wider variety of rights including the right to own property, access to housing, access to higher education, etc.

3. **Establishment of institutions to manage refugee affairs:** The Department of Refugee Affairs (DRA), Refugee Affairs Committee (RAC) and the Refugee Appeal Board (RAB) were institutionalized as the government bodies to manage refugee matters in Kenya. DRA was responsible for all administrative and programmatic matters concerning refugees in Kenya, while RAC’s role was to assist the DRA Commissioner in matters concerning the recognition of persons as refugees. The RAC was composed of representatives from various government departments, including the National Security Intelligence Service, Ministry of Finance, Ministry of Foreign Affairs, Department of Police, Office of the Attorney General, Department of National Registration Bureau, Department of Immigration, etc. The RAC also included host community and civil society representatives to ensure adequate representation in decision-making. The RAB’s role was to consider and make judgements on appeals made to decisions passed by the DRA Commissioner.^{33}

While the Refugees Act of 2006 paved the way for the recognition of refugee rights in Kenya, accessing these rights remained a challenge. The Act incorporated provisions of international

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^{30} Ibid.


conventions but refugees and asylum-seekers in Kenya still did not have access to many of the rights outlined in these conventions. For example, the Act embraced the encampment policy, restricting refugees and asylum-seekers to camps unless authorized to live elsewhere. With work permits only issued in Nairobi, many refugees were forced to reside in urban areas without authorization as they sought to join the formal economy, thus opening themselves up to harassment from police and other city officials.

Terrorist attacks in Kenya contributed to increased discrimination against refugees and asylum-seekers as well as the closure of the Kenya–Somalia border in 2007. However, the closure of the border failed to decrease the entry of refugees and asylum-seekers from Somalia. In 2010, the government of Kenya initiated a project to have all refugees in Dadaab, Kakuma and Nairobi registered and issued identity cards. The government also tightened its encampment measures and sought to repeal the Refugee Act of 2006 following a further influx of refugees and major terrorist attacks in Kenya. Drought, famine, and insecurity in Somalia led to more than 100K additional refugees to arrive in Dadaab in 2011. The growing number of refugees along with a wave of terrorist attacks in 2012, prompted the government to announce its plan to stop the reception and registration of refugees in urban areas in December 2012. The 2013, Al–Shabaab attack on Nairobi’s Westgate Mall led to the stricter implementation of the encampment policy and a policy directive requiring that all refugees reside in Kakuma and Dadaab. Additional amendments to the Act set the cap the number of refugees at 150,000. However, the High Court of Kenya declared the Directive and its amendments to be a violation of the freedom of movement and the principle of non-refoulement.

In 2015, Al–Shabaab attacked Garissa University College, killing 147 people. Intelligence reports showed that the planning of the attack involved individuals that were based in the Dadaab camp. The High Court of Kenya again blocked the government’s subsequent decision to shut down the camp and repatriate Somali refugees, deeming it unconstitutional. Several attempts to change refugee policy in Kenya followed, culminating in 2019, when the Refugee Bill was developed and finally passed into law in 2021.

Refugees Act of 2021

The Refugee Act of 2021 aims to provide more opportunities, rights, protection and solutions for refugees and asylum-seekers in Kenya. It is also in line with the UN’s Convention relating to the

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status of refugees and the OAU Convention governing the specific aspects of refugee problems in Africa. The law came into effect in February 2022.40

Some of the new provisions in the Act include:

1. **Exclusion, disqualification, and cessation of refugee status**: A person who has sought asylum or received refugee status in another country is disqualified from receiving refugee status in Kenya.

2. **Creation of administrative bodies**: Three administrative bodies are established to oversee the management of refugee affairs: the Department of Refugee Services (DRS), Refugee Advisory Committee (RAC) and Refugee Status Appeals Committee (RSAC). DRS will replace RAS as a semi-autonomous body in charge of managing refugee affairs in the country. The new Act also outlines the scope, membership, and functions of RAC and RSAC. RAC will advise on the formulation of national refugee policies and declarations, amendments, or revocation of refugee status, while RSAC will hear and determine appeals against any decisions of the DRS. Additionally, the new Act establishes the Eligibility Panel that will review and forward recommendations (to the Commissioner) for granting of refugee status.

3. **Reception of refugees and asylum-seekers**: Asylum-seekers will temporarily be hosted at transit centers as they await decisions on the refugee status determination upon entry into Kenya. DRS will also be required to sensitize host communities on the presence of refugees and asylum-seekers in the event there is a large influx in their population in a region.

4. **Rights and duties of refugees and asylum seekers**: The Act:
   a. Provides for the designation of specific counties as areas of residence for refugees and requires that refugees reside in designated areas with restricted entry unless with the authorization of the DRS Commissioner;
   b. Equates the refugee ID to a Foreign National Registration Certificate for purposes of accessing rights;
   c. Outlines that a person from the East African Community who has been recognized as a refugee may opt to voluntarily give up his refugee status for purposes of enjoying any of the benefits due to him under the Treaty for the Establishment of the East African Community.

5. **Integration, repatriation, and resettlement of refugees**: The new Act has made provisions for the non-discriminatory use of public institutions, facilities, and spaces by refugees and host communities. It also stipulates that refugee matters are to be taken into consideration in the formulation of sustainable development and environmental plans.

Kenya’s refugee policies can be described as evolving, from being more accommodative in the 1960s to more stringent since the 1990s, when the government connected refugees to national security, and thus its policies to the “protection” of Kenyans from both imported conflicts and potential terrorist acts. The historical regulations and directives on the encampment and limited ownership of assets policies coupled with delays in issuing identification documents, limited refugee integration, and economic engagement have presented refugees in Kenya with multiple barriers to societal integration.

However, the Refugee Act of 2021 demonstrates increased recognition of the socio-economic benefits of integrating refugees within their host communities and beyond. Given the novelty of the Act, there is yet to be sufficient clarity around the resources allocated, timelines and steps, and risks anticipated in its implementation. Led by UNHCR, multi-sector stakeholder working groups have been set up to guide and push the implementation of the Act, though given the Kenyan elections (held in August 2022), these attempts have been slowed. Moreover, the current fragile state of the

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global economy poses further challenges for the implementation of the new Act as the Kenyan government may also prioritize investment in other sectors due to current resource constraints.

Nevertheless, the Refugee Act of 2021 provides significant opportunities for the socio-economic integration of refugees and asylum seekers in Kenya. The Act is expected to promote the economic engagement of refugees across the EAC, given the newly stipulated right to rescind their refugee status to claim benefits owed to them as members of EAC. Beyond the benefits to refugees and asylum seekers, the new Act is also expected to accrue benefits to host communities and the Kenyan economy at large. The inclusion of refugees in the preparation of sustainable development goals (SDG), policies and laws will facilitate their contribution to the realization of the goals. Additionally, the increased participation of refugees in the labor market will lead to corresponding increases in tax revenue and contribute to economic growth.41

The government further recognizes the need for stakeholder support to ensure the effective implementation of the Act. In January 2022, the RAS Commissioner formed a multi-stakeholder committee (including the: Refugee Consortium of Kenya; Kenyan Red Cross Society; Danish Refugee Council; and, International Rescue Committee), to support the preparation of a report highlighting priority areas to ensure the implementation of the Act.

Key provisions, such as incorporating the principle of non-refoulment have brought Kenya in alignment with international refugee conventions and could encourage the flow of refugee-focused impact investment. The Refugee Act also gives refugees the right to hold a refugee identity card that enables them to access formal jobs, creates a pipeline of businesses supporting refugees, and allows refugees to access financing from microfinance institutions. Indeed, there has been a recent emergence in local savings groups registering with a mix of host community and refugee individuals, enabling refugees to access formal financial services for the first time. However, barriers such as a backlog of cases limit the issuance of IDs for refugees – recent consultations revealed the backlog to be as high as 100,000 in the queue, with an anticipated waiting time of 2–3 years. While the Act previews the formation of a new Department of Refugee Services, with significant capacity to process registrations promptly, the DRS is not yet in place. Even with a refugee ID, however, refugees still face challenges integrating into the Kenyan economy: While refugees are technically permitted to open bank accounts, a refugee ID is often not accepted as a valid identification document for KYC purposes to access formal financial services (though efforts are ongoing with some of the local banks to have them adjust this policy).

Table 1: Comparison between the Refugee Act 2006 vs 2021

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<tr>
<th></th>
<th>Refugee Act 2006</th>
<th>Refugee Act 2021</th>
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<tbody>
<tr>
<td>Refugee identification</td>
<td>Provides for issuance of refugee IDs to facilitate access to rights and services</td>
<td>Equates the refugee ID to a Foreign National Registration Certificate for purposes of accessing rights</td>
</tr>
<tr>
<td>Refugee integration and resettlement</td>
<td>Embraces encampment policy, restricting refugees and asylum-seekers to camps unless authorized to live elsewhere.</td>
<td>Degazettes camps and shifts towards settlements in designated counties as areas of residence. Requires refugees to reside in these areas unless authorized by the Department of Refugee Services (DRS) Commissioner</td>
</tr>
<tr>
<td>Work permits</td>
<td>Provides for issuance of Class M working permits entitling refugees and asylum seekers the right to seek employment and business permits to venture into entrepreneurship</td>
<td>Emphasizes refugees’ right to employment to promote self-reliance and the establishment of Department of Refugee Services (DRS) to promote quicker issuance of class M permits. Further, refugees’ qualifications will be recognized by competent authorities in Kenya enabling greater formal participation in work opportunities</td>
</tr>
<tr>
<td>Service delivery</td>
<td>Give refugees rights to own property, access housing, and higher education.</td>
<td>Provides for the non-discriminatory use of public institutions, facilities, and spaces by refugees and host communities and requires that refugee matters are to be taken into consideration in the formulation of sustainable development and environmental plans.</td>
</tr>
<tr>
<td>Administrative bodies</td>
<td>The Department of Refugee Affairs (DRA), Refugee Affairs Committee (RAC) and the Refugee Appeal Board (RAB) were institutionalized as the government bodies to manage refugee matters in Kenya</td>
<td>Establishes three administrative bodies to oversee the management of refugee affairs – the Department of Refugee Services (DRS), Refugee Advisory Committee (RAC) and Refuge Status Appeals Committee (RSAC).</td>
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Table 2: Key new provisions in the Act 2021 and implications

<table>
<thead>
<tr>
<th>Refugee Act 2021</th>
<th>Key Implications</th>
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<tbody>
<tr>
<td>The new Act confers Refugee Identity Cards, the same status as Foreign National Registration certificates enhancing access to service delivery</td>
<td>The new status of the Refugee Identity Card is meant to offer refugees better access to basic rights and services (e.g., employment, financial services, sim cards etc.). Private sector actors would have the opportunity to provide these wider range of services to refugees</td>
</tr>
<tr>
<td>The Act provides refugees the right to gain employment where they hold qualifications recognized by competent authorities in Kenya</td>
<td>The Act requires the Kenyan National Qualifications Authority to recognize refugees’ qualifications; this translates to more formal and professional employment opportunities, and greater economic independence for refugees. Private sector actors would have the opportunity to more easily employ refugees from a legal perspective, ideally ensuring better working conditions for refugees</td>
</tr>
<tr>
<td>Kenya’s previous 2006 Refugee Act, requires refugees to live in camps restricting socioeconomic engagement. The new Act degazettes camps and moves towards settlements.</td>
<td>The new Act promises greater freedom and rights for refugee movement, implying better opportunities for integration of refugees into markets</td>
</tr>
<tr>
<td>Refugees from the East African Community (EAC) have the right to give up on their refugee status and opt to benefit from the rights granted by the EAC Treaty and Protocol</td>
<td>Refugees from EAC countries can easily access work permit, move to other parts of the country, and have access to financial services. Private sector actors and investors in East Africa will have access to a larger workforce and the opportunity to market a wider range of products tailored to refugee needs e.g., financial products</td>
</tr>
</tbody>
</table>

Supported by key stakeholders such as UNHCR, the Kenyan government is currently creating policies and regulations that will outline the scope of refugee rights and the institutional framework for putting the new Act into effect.

As noted above, unfortunately the lived, or de facto, experience for refugees compared to existing, de jure, policies is starkly different (e.g., extensive delays in obtaining documentation), so it is critical for RLI that the Act is consistently enforced to ensure that the exciting theory behind the new Act leads to actual and significant changes in how refugees can access market opportunities and how the private sector can reliably invest in refugee integration.
Today, at the county level, policies and attitudes towards refugees vary greatly. To begin with, nearly half of Kenyans support the hosting of refugees while the other half (52%) view refugees negatively, as security threats, job competitors, and a burden to the country’s resources.\textsuperscript{42} Despite this, host communities and refugees are often economically interdependent with positive perceptions of trust among each other, especially in urban areas.\textsuperscript{43}

1. **Turkana** is the most accommodative county for refugees. The Kalobeyei Integrated Socio-Economic Development Plan (KISEDP) aligns with the county development plans that outline measures and benefits of positive refugee inclusion at the county-level.\textsuperscript{44} Restrictions in obtaining work and business permits, including restrictions on movement, lead refugees to use Kenyans to front their businesses and to rely on informal employment from NGOs and development agencies.\textsuperscript{45}

2. **Garissa’s** County Integrated Development Plan (CIDP) includes provisions for refugees, but does not view refugees positively, e.g., refugees are often linked to environmental destruction.\textsuperscript{46} Travel permits are rarely issued, and authorities often demand bribes to grant permits. Restriction of movement leads to refugees experiencing barriers to their de facto ability to apply for work permits.

3. **Nairobi’s** CIDP does not include refugees and there is no mention of plans to do so.\textsuperscript{47} Work permits are rarely issued, leading to refugees and hosts relying on friends and relatives for employment. While business licenses are accessible from the County government, they are often cost-prohibitive to acquire. In general, refugees have more mobility and informal opportunity in the city, but police harassment causes them to limit their movement.\textsuperscript{48}

4. Like Nairobi, **Mombasa’s** CIDP does not include policies supporting refugees. Refugees with refugee IDs are restricted from leaving Mombasa.\textsuperscript{49} Refugees, particularly Somalis, make informal contracts with Kenyan–Somalis to avoid restrictions in obtaining work/business permits. They are therefore able to operate businesses under the radar.

5. **Nakuru’s** CIDP does not include refugees and the government disbanded the committee to implement the IDP Act of 2012, hindering resettlement and compensation of IDP, mainly located in Nakuru.\textsuperscript{50,51}

\textsuperscript{46} Garissa County Integrated Development Plan, Garissa County Government, 2018
6. Despite the presence of refugees in the county, Uasin Gishu CIDP does not include refugees and has made no mention of plans to do so. 

<table>
<thead>
<tr>
<th>Table 3: Refugee county policy and market conditions</th>
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</thead>
</table>

<table>
<thead>
<tr>
<th>Turkana (Kakuma)</th>
<th>Garissa (Dadaab)</th>
<th>Nairobi</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy factors</strong></td>
<td>• KISEDP aligns with the county development plans which outlines measures and benefits of positive FDP inclusion at a county level</td>
<td>• Garissa’s CIDP includes FDPs, but lacks a mind shift change e.g., FDPs are linked to environmental destruction</td>
</tr>
<tr>
<td></td>
<td>• Restrictions in obtaining work and business permits, including restriction of movement, leads to FDPs using Kenyans to front their businesses and reliance on informal employment from NGOs and development agencies</td>
<td>• Travel permits are rarely issued, and authorities often demand bribes to grant these permits</td>
</tr>
<tr>
<td></td>
<td>• FDPs’ ability to run a business relies on being willing and able to pay bribes</td>
<td>• Restriction of movement leads to FDPs experiencing barriers to their de facto ability to apply for work permits</td>
</tr>
<tr>
<td></td>
<td>• FDPs have limited access to formal banking and rely on informal lending through VSLAs and remittances</td>
<td>• FDPs in Dadaab are increasingly viewed as security threats following the 2015 Garissa attacks which led to the government ordering the camp’s closure, but this was overruled</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Several remittance firms had their licenses revoked after the 2015 Garissa attack, but ‘Dahaabshiil’ has increased in popularity as a sharia-compliant money transfer platform in Dadaab</td>
</tr>
</tbody>
</table>

| Market factors | • County development plans do not include refugees | • FDPs have a negative perception of their ability to participate in key decision-making aspects and their safety |
| | • FDPs with refugee IDs are restricted from leaving Mombasa | • However, they tend to trust the host communities for accommodation and economic engagement |
| | • FDPs, particularly Somalis, make informal contracts with Kenyan-Somalis to avoid restrictions in obtaining work/business permits | • FDPs mainly access loans from friends and relatives, with limited access to formal financing and community savings |
| | • Ability to speak Swahili determines FDPs interactions with businesses, host population and police | • FDPs and the host community were involved in the public participation process when the Refugee Bill of 2019 was under review |

<table>
<thead>
<tr>
<th>Mombasa</th>
<th>Nakuru</th>
<th>Uasin Gishu (Eldoret)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy factors</strong></td>
<td>• FDP neighborhoods attract gangs and religious extremists which leads to indiscriminate police crackdowns</td>
<td>• In 2019, host communities in Nakuru voiced concerns over the rise in rent following the increase of South Sudanese FDPs and urged government to relocate them to camps</td>
</tr>
<tr>
<td></td>
<td>• Local aid groups hold voluntary workshops to train police on FDP policies and how to handle FDPs</td>
<td>• Host communities also noted that FDPs pose a security threat as they are increasingly involved in gang activity</td>
</tr>
<tr>
<td></td>
<td>• Ability to speak Swahili determines FDPs interactions with businesses, host population and police</td>
<td>• FDPs and the host community were involved in the public participation process when the Refugee Bill of 2019 was under review</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Students from Kakuma often come to Eldoret for higher education through scholarships from donors</td>
</tr>
</tbody>
</table>

**Turkana** is viewed as the most accommodative county across the 6 counties (Nairobi, Nakuru, Mombasa, Garissa, Uasin Gishu) analyzed. The region hosts the largest number of refugees and creates an enabling environment for their socioeconomic integration through deliberate planning in their County Integrated Development Plans.
Other relevant policies

IDP Act of 2012

The IDP Act 2012 is formally known as the Prevention, Protection and Assistance to Internally Displaced Persons and Affected Communities Act, was enacted in December 2012 and came into operation in 2013. The law was drafted after the politically motivated violence and subsequent displacement that followed the 2007 general election.

The IDP Act takes a rights-based approach to dealing with IDP including the rights and freedoms set out in the Bill of Rights in the Constitution. The Act seeks to prevent internal displacement due to armed conflicts, violence, human rights violations, disasters, and development projects. The Act further mandates that the government oversees the implementation of the law with the support of the National Consultative Coordination Committee (NCCC). In addition to protecting IDP, the Act explicitly mentions aided and protecting rural and urban communities that host IDP with the expectation that the Act implements durable solutions to support IDP including:

a) Long-term safety and security  
b) Full restoration and enjoyment of the freedom of movement  
c) Enjoyment of an adequate standard of living without discrimination  
d) Access to employment and livelihoods  
e) Access to effective mechanisms that restore housing, land, and property  
f) Access to documentation  
g) Family reunification and the establishment of the fate and whereabouts of missing relatives  
h) Equal participation in public affairs  
i) Access to justice without discrimination

While the Act is designed to comprehensively cater to the needs of IDP, implementation of the Act has been slow with very limited funding allocated to IDP in the national budget. Further, there is little mention of displacement due to the long-term effects of climate change. The IDP Act instead refers to disasters that are viewed as temporary despite an increase in climate-related displacement happening across Kenya.

Huduma Bill of 2021

The Huduma Bill was introduced to parliament in December 2021 and seeks to establish the National Integrated Identity Management System (NIIMS) facilitating the issuance of a Huduma Namba and identity document for access to a wide range of public services including registration of births and death, application for all travel documents and driving licenses, mobile phone number registration, voter registration, paying taxes, opening a bank account and access to healthcare. The bill proposes that a Huduma Namba will also be required for business registration and land transactions.

The Bill had its second reading in parliament in April 2022 and if passed every resident of Kenya including foreign nations and registered refugees will be issued with a Huduma card. The Bill also proposes making amendments to the now superseded Refugees Act of 2006 to allow the issuance of a Huduma Namba and a Huduma card to registered refugees. While the issuance of a Huduma card to refugees would streamline and improve access to resources and services through access to identification documents, it is not clear when the bill will be passed following the 2022 General

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Election and the formation of a new parliament. Several NGOs have raised concerns about how data will be collected and protected within the NIIMS database and the duplication of information that exists within other government databases.

Recognition of Prior Learning Policy Framework
The Kenya National Qualification Authority (KNQA) developed the Prior Learning Policy Framework to recognize qualifications and experiences gained by individuals in formal and informal settings to promote the social mobility of traditionally marginalized and disadvantaged groups. As part of the framework, KNQA is mandated to establish standards for the recognition and harmonization of qualifications obtained in Kenya and abroad. This has the potential to improve employment opportunities for skilled refugees, particularly those based in urban areas, by converting skills and knowledge gained in their home countries into the Kenyan equivalent. However, the framework only explicitly mentions asylum seekers as a targeted group for the policy with no mention of other refugee groups, thereby limiting the benefits of the policy to a small subset of refugees.

Barriers to RLI
Refugees face several legal and regulatory barriers to integrating with host communities. Limited access to basic rights like infrastructure, identification, and property rights limit economic engagement. RLI is further limited by challenges in refugee admissions, integration and resettlement policy, and employment conditions. While various stakeholders have developed initiatives that attempt to mitigate these challenges several gaps exist limiting long-term planning.

The Kenyan government ordered the closure of refugee camps in March 2021, but similar declarations were made in 2016 and 2019 and were not implemented. The High Court suspended the decision, but if the decision were to be implemented in the future, it could severely disrupt refugee’s socio-economic activities. As of now, no county government or development partner is accounting for camp closure in their immediate plans.

Access to basic rights and services: Within camps, limited access to land to scale agricultural operations and poor infrastructure, e.g., affordable and reliable electricity supply, limit refugee economic and financing opportunities. Challenges like case backlog and unclear application processes limit refugee registration. Without IDs, refugees cannot access SIM cards, mobile money, and banking services and rely on proxy nationals to access services, which often leads to “facilitation fees”.

Figure 6: Refugee documentation process

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Refugees do not have access to property rights, limiting their ability to set up and sustain businesses. Banks are also skeptical about refugee lending due to a lack of collateral.\textsuperscript{56} Refugee entrepreneurs who manage to overcome these barriers and establish substantial businesses are exposed to harassment from national and county government entities. Primary research noted stories of harassment as a common theme shared by refugees running businesses both within camps and in urban areas. In Kakuma, a refugee entrepreneur running large wholesale businesses was subject to threats and harassment from the tax authority after they were featured in a documentary by a local bank providing financial services to refugees. The encampment policy, therefore, limits refugee’s freedom of movement and participation in economic activities outside camps and disrupts supply chains for their businesses.\textsuperscript{57} Comparing Somali refugees in Eastleigh with Congolese refugees in Kasarani neighborhoods, anecdotal comparisons from consultations suggested higher chances of being arrested in Eastleigh than Kasarani. Further, refugees from Somali sub-clans are culturally obligated to pay twice as much in release fines in Eastleigh than in Kasarani further incentivizing harassment by Kenyan police.

The Refugee Bill passed in 2021 is expected to establish the Department of Refugee Services to coordinate refugee services across ministries and local governments and have a larger capacity for refugee registration. Financiers have adapted the conventional financing models to cater to refugees. Kiva Zip and Refuge Point offer interest and collateral-free loans via M-Pesa. Development agencies e.g., the Norwegian Refugee Council provide computer literacy programs that enable refugees to access remote working opportunities. There is also a growing funding pool among donors and development partners that supports initiatives and provides capital targeted at refugees and refugee businesses that promote access to basic rights and services like education and healthcare. Refugees also have at times been able to access more formal financial services by registering in savings groups that are host community-led, which then are given access to group bank accounts and services.

\begin{table}
\centering
\begin{tabular}{|c|c|c|}
\hline
\textbf{Activities} & \textbf{RAS} & \textbf{UNHCR} \\
\hline
Individual reports to RAS within 30 days of arriving in the country to register that they are seeking asylum & Asylum seeker goes through an interview process where they discuss reasons for leaving their country and why they cannot return & Based on the officers’ assessment of the interview, one is either granted refugee status or rejected \\
RAS then issues the asylum seeker with proof of registration and sets an appointment with UNHCR & Refugee status determination officer then assesses the information and may liaise with officers in the asylum seeker’s country of origin & If granted refugee status, UNHCR issues a mandate letter \\
\hline
\textbf{Challenges} & \textbf{UNHCR} & \textbf{RAS} \\
\hline
Appointments with UNHCR are often 2 – 6 months after registration & Decisions on status determination can take up to 5 years depending on the officer workload and complexity of the case & Backlog of cases and inefficiency lead to a delay in issuance of IDs, with some expiring while still at RAS \\
\hline
Decisions can only appeal rejection letters up to a maximum of 2 times & After the refugee receives the mandate letter, they present it to R to be issued with a refugee ID & \\
\hline
\end{tabular}
\caption{Refugee Application System (RAS) and UNHCR Process Comparison}
\end{table}


Refugee admissions, integration, and resettlement policy

The Refugee Act of 2006 and newly passed bill of 2021 demonstrate Kenya’s alignment with international refugee conventions. While refugees are often perceived in Kenya as security threats, and competitors for economic opportunities, the recent Refugee Act may encourage the flow of refugee-focused investing as camps are de-gazetted and new refugee settlements are established, while refugee admission and recognition processes clarified. Private sector players may be encouraged to participate more creating opportunities even for host communities, reducing the feeling that refugees receive preferential treatment.\(^5^8\)

To catalyze social integration and engagement with investors, development agencies support refugee-led organizations (RLOs), e.g., Kintsugi which provides language training in English and Swahili mitigating challenges that camp-based refugees face with access to basic education. And Turkana County and UNHCR developed KISEDP to enhance refugee and host community livelihoods and inclusive service delivery. The county also included refugees in its county development plans for 2018 – 2022.\(^5^9\)

Employment conditions

The recent COVID-19 pandemic negatively impacted refugees’ economic engagement through loss of employment, reduced business revenue, increased input prices, closure of businesses, and further restrictions on movement. Other challenges to refugee–supporting businesses also need to be overcome:

- Financial literacy is low among both camp–based and urban–based refugees, which makes it challenging for initiatives to invest in refugee businesses as they lack an understanding of key financial concepts;
- Few bankable businesses are capable of engaging refugees as employees or suppliers, and/or few distributors set up operations in camps;
- The remoteness of camps further limits the potential for inclusive investment;
- Camp refugee activities attract grants through various programs, which paradoxically lowers the attractiveness of commercial investments;
- Low levels of investment readiness across refugee–owned and led businesses are not attractive to investors;
- Refugee–led and owned operations are often small, informal, and not equipped to raise and absorb capital;
- Few financing incentives exist for businesses that engage refugees as employees, suppliers, and/or distributors;
- There are few refugee–focused funds and lending facilities for businesses that engage refugees can leverage.

Gaps in RLI ecosystem

Several gaps exist in the current RLI ecosystem. Examples of these limited support initiatives include:

1. **Siloed operations:** Development agencies, humanitarian organizations, government agencies, and private sector actors often design and implement refugee–focused initiatives


2. **Limited integration of host communities:** While there is increased advocacy for the inclusion of host communities in initiatives, stakeholders have at times directed livelihood programs and initiatives to refugees, limiting host communities’ willingness to support the initiatives and promote refugee livelihoods.\(^6^1\)

3. **Unintentional refugee engagement:** The private sector most often engages with refugees unwittingly. This can lead to inadequate understanding of the impact of initiatives to both refugee and host communities.

4. **Limited information sharing:** There is limited transparency and consolidation of information on refugee initiatives, their operations, successes and failures, etc., thus limiting the feedback loop and program improvements.

5. **Focus on immediate basic needs:** Stakeholders often focus on providing basic needs. However, given the lengthening duration of displacement of refugees, there is a need for long-term solutions (e.g., market linkages to promote economic opportunities).

6. **Limited refugee involvement in planning:** There is limited inclusion of refugees in the design of initiatives that limits the potential of these initiatives to address the challenges in the sector and provide tailored support to refugee organizations.

7. **Inadequate investment in the circular economy:** The circular economy approach has the potential to sustainably increase economic opportunities for and improve livelihoods among refugees that have limited resources, but few programs support the circular economy products among refugees.

There are opportunities for various stakeholders to support the mitigation of these barriers including:

1. **Multi-stakeholder partnerships:** Coordinated initiatives with multiple stakeholders could result in effective implementation of initiatives as stakeholders leverage their capabilities and jointly develop solutions.\(^6^2\)

2. **Refugee sector assessments:** In-depth assessments of existing initiatives, lessons learned, and feasibility of opportunities would create a knowledge base to guide the design future initiatives.\(^6^3\)

3. **Refugee participation in coordination:** Stakeholders should include refugees and refugee-led organizations in the design stage of initiatives.\(^6^4\)

4. **Link funding to policy progress:** International donors and development agencies could link development funding to progress on refugee policies to incentivize the adoption and implementation of pro-refugee and host community policies.\(^6^5\)

5. **Supplement relief assistance:** Initiatives that provide social protection and access to basic needs are most effectively implemented through relief aid. Future initiatives should not crowd out this funding but supplement it to improve economic opportunities for refugees.\(^6^6\)

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63 Ibid.


65 Ibid.

Enablers of RLI

The existence of a national agency focused on refugees and newly formed policies that promote refugee economic engagement can help bring together the necessary elements to support RLI. A key focus of Kenya’s refugee bill, passed in November 2021, is the promotion of refugee self-reliance. The bill aims to support development agencies to focus on creating economic opportunities for refugees to be more self-reliant and less dependent on humanitarian assistance as has been the case in the last 30 years.

Indeed, the Refugee Act gives refugees the right to hold a refugee identity card, which enables them to access formal jobs, creates a pipeline of businesses supporting refugees, and allows them to access financing from microfinance institutions. However, barriers such as a backlog of cases limit the issuance of IDs to refugees. However, the Act is expected to see the formation of the Department of Refugee Services which would ideally have a significant capacity to process registrations promptly.

There is a growing funding pool among private sector players. Interest from the private sector has seen an increase in initiatives and capital targeted at refugees and refugee businesses that promote access to basic rights and services like education, healthcare, etc.

Development agencies are actively involved in providing refugees and host communities vocational training and improving their market skills and know-how to operate businesses and potentially make them investment ready. Additionally, there is an increase in the provision of technical assistance to refugee businesses that will support the creation of a pipeline of investable businesses. Finally, remittances to refugees from their friends and relatives in their countries of origin and overseas support refugees to create a pool of capital to operate small businesses. In Kakuma, 35% of Ethiopian refugees and 16% of Somali refugees receive remittances.

In summary, despite progress with policy reforms towards socioeconomic integration of refugees, implementation gaps still hinder effective participation in economic activities due to restricted movement and harassment following a delay in issuance of business permits, and identification documents. Refugee–targeted interventions by development agencies, humanitarian organizations, and the private sector tend aimed at mitigating these gaps are often duplicative as independent operations fail to share information, make inadequate investment in a circular economy, ignore long-term needs, and offer little involvement of refugees in planning. The path to targeted RLI is dependent on multi-stakeholder partnerships, implementation of “de jure” rights, provision of refugee specific education and technical assistance, and the creation of incentives for policy reforms.

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68 Ibid.
Kenya is one of the most stable market-based economies in sub-Saharan Africa (SSA). According to the 2020 World Bank ease of doing business index, Kenya ranked 56th out of 190 countries globally and 3rd in SSA after Mauritius and Rwanda. The position demonstrates a significant improvement from a decade ago when Kenya ranked 95th globally and 8th in SSA. The improvement is attributable to the adaptation of business-friendly regulations that have facilitated investment and accelerated private sector activities. An example of recent regulatory improvements is the Business Laws Amendment Act of 2020 that helped digitize all company transactions thus reducing costs and formalities of starting businesses.

Other strategic advantages that have facilitated improvement in Kenya’s business environment include its relatively favorable agricultural climate and geographic location, and vibrant workforce. Indeed, Kenya’s geographic position enables diversified agricultural activities that are the backbone of the economy. The agriculture sector contributes 26% to Kenya’s GDP and an additional 27% indirectly through upstream, agricultural processing. Kenya’s location also provides critical access to international markets. The Port of Mombasa is Africa’s third largest and supports international sea freight activities across East and Central Africa. Moreover, Kenya’s large population and growing middle-class provide both a sufficient labor force and local market for economic development.

Kenya’s private sector has historically contributed up to 80% of GDP, with micro, small, and medium-sized enterprises playing an integral role in Kenya’s economy, making up over 90% of enterprises in the private sector, contributing nearly a third of GDP, and employing over 30% of the working population. Their unique position to provide goods and services while absorbing low-skill labor and economically excluded segments of the labor force, for example, women, youth, people

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77 Kenya’s middle-class accounts for 44.9% of the total population, and the labor force stood at 23 million people in 2020, representing 43% of the total population (Oxford Business Group, “Consumer Goods Producers Benefit from Kenya’s Growing Middle Class,” June 14, 2017, https://oxfordbusinessgroup.com/analysis/top-shelf-growing-middle-class-encouraging-consumer-goods-producers#:~:text=However%2C%20Kenya's%20middle%20class%20%E2%80%93%20defined,for%20East%20Africa%20more%20generally).
with disabilities, and refugees, make them integral to achieving Kenya’s Vision 2030 for economic reform.80

**Refugee economic engagement**

Figure 7 illustrates how refugees across various regions in Kenya play various economic roles and demonstrate significant economic activities that contribute directly to Kenya’s GDP.

*Figure 7: Refugee economic engagement roles*

Refugee economies are diverse and vary based on their situational contexts (e.g., camp-based or urban-based). Some characteristics that describe refugee economies include:

- **Consumer-driven**: Poor infrastructure within camp settings such as Kakuma hampers the movement of goods in and out of the camps and in most cases, the flow tends to be one-way, i.e., trucks ferrying produce such as cabbages from Kitale and Eldoret go into Turkana County full but leave empty;
- **Skills-based**: Both urban and camp-based refugee engage in sectors such as art, media & entertainment, beauty and cosmetics, and clothing & textile since they are easy to start and do not require advanced-skills;
- **Labor-intensive**: Refugees that participate in agriculture and construction sectors often have inadequate access to sophisticated machinery that results in heavy manual labor. For example, Congolese engage as casual laborers in Kenyan neighborhoods, often accepting lower wages than Kenyan nationals, making them preferable short-term hires;
- **Incentive-based**: Some refugees, mainly in camp settings, work with humanitarian organizations offering services such as translation, interpretation, and enumeration in return for incentives (and not a salary). This is partially attributable to the difficulty with accessing work permits that would enable engagement in formal employment;
- **Traditional**: Refugee economic activities tend to be simple with minimal use of technology or heavy capital investment, based on customs and traditions, and sometimes with roles

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disaggregated by gender. For example, Somali refugees prefer to work in trade, technology, and entrepreneurship, rather than in areas such as construction and primary agriculture.⁸¹

Figure 8: Overview of refugee economic engagement

<table>
<thead>
<tr>
<th>Camp</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw material production</td>
<td>There is some FDP engagement in the agriculture sector (primarily for subsistence use) but low involvement in raw material production within other sectors.</td>
</tr>
<tr>
<td>Aggregation and transportation</td>
<td>Minimal activity in raw material production due to lack of access to infrastructure and capital.</td>
</tr>
<tr>
<td>Processing and manufacturing</td>
<td>Somali FDPs are involved in transport of goods e.g., Somali-Kenyan Dayah Express headquartered in Nairobi engages FDPs to transport goods and people.</td>
</tr>
<tr>
<td>Wholesale and retail distribution</td>
<td>FDPs are engaged in processing and manufacturing as informal casual workers that require low skills.</td>
</tr>
<tr>
<td>Service provision</td>
<td>FDPs are engaged in tailoring, transportation of people (Somali FDPs) and informal provision of energy by FDPs through gensets. Also involved as agents in renewable energy and business outsourcing enterprises.</td>
</tr>
</tbody>
</table>

Kakuma camp alone has over two thousand businesses owned and operated by refugees. These businesses often operate beyond the camp and across Kakuma town, stretching sometimes as far as Lodwar and other nearby towns, with several goods and services often shipped from refugee-led or refugee-focused businesses to Nairobi. The businesses cut across multiple sectors, including fast-moving consumer goods (FMCG), clothes and textiles, agriculture, and beauty and cosmetics, among others. The host community at the camp periphery and in satellite towns also actively engage with refugees through trade in commodities such as livestock and charcoal and employment as transporters, hence increasing the economic potential of the hosting regions. The IFC estimates the consumer market value for Kakuma camp and its environs at USD 56.2M.⁸²

Several factors influence refugees’ economic engagement with the private sector. The factors include access to identification documents and permits, personal connections within the host communities, political goodwill from local governments, and development partner and NGO interventions. Identification documents are crucial for refugees to access formal employment, along with business permits and access to finance. Consequently, refugees, especially in urban areas engage in non-contractual employment within their host communities in cottage industries such as clothes and textile, or labor-intensive sectors such as hospitality, construction, transport, and logistics. Where they are unable to secure employment, they take risks to set up their enterprises under registered community-based organizations such as L’Afrikana or maintain independent activities, whereby they risk harassment from, or payouts to, police and the city councils for not having business permits. Within the camps, the refugees often run multiple entrepreneurial ventures in the clothes and textile, agriculture, FMCG, and beauty and cosmetics industries.⁸³

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⁸³ OCA consultations and analysis
Personal connections within host communities and political goodwill from local governments have been critical for refugees to sustain their economic engagement. Indeed, refugees rely on their networks to secure employment, work premises, and access to financing. Host community members or individuals with similar ethnic affiliations that hold Kenyan identification documents such as Kenyan Somalis, hire refugees, especially in urban areas. Other refugees rely on these networks to access work premises and financing by using their identification documents to secure work permits, register for mobile banking, or access money transfers through Western Union. For instance, refugees of Congolese and Somali descent report receiving remittances from friends and family of about USD 600 and USD 2,500 annually respectively. Nonetheless, political goodwill from the local governments is integral to their continued operations by providing business permits despite the lack of proper documentation. In neighborhoods where the political goodwill is lower, refugees frequently pay a small fee to maintain their activities.

Development partner and NGO advocacy and interventions have facilitated refugee economic engagement through providing employment, upskilling opportunities, and access to assets. Most development partners and NGOs within the space employ refugees to support ongoing activities and interventions, for example, as health workers, translators, teachers, and transporters, among others. Other NGOs have designed interventions to facilitate access to upskilling opportunities, for instance, Cohere (formerly known as the Xavier Project) runs several upskilling programs in different refugee-hosting regions in Kenya. Given their access to resources, some NGOs have supported refugee access to assets such as land to partake in primary production. Action Africa Help International provides access to farmland and has worked with over 300 farmers and 35 farmer groups in Kakuma to produce food for subsistence consumption and sale.

Given the uneven distribution of resources within the camps, refugees often chose to look outside camps to take advantage of resources and opportunities in urban areas. Secondary cities and large towns like Nakuru and Eldoret already play host to university and tertiary institutions and generally are more affordable than larger cities like Nairobi and Mombasa. While obtaining passes to leave the camps to settle in urban areas remains difficult, consultations with refugees in Kakuma indicates that many aspire to move to urban areas to take advantage of opportunities in the retail, logistics, and technology sectors.

Covid implications
The outbreak of COVID-19 in Kenya led to the government imposing measures to curb the spread of the virus. Following the outbreak in March 2020, the government closed learning institutions, implemented social distancing protocols, recommended working from home for non-essential workers, prohibited public gatherings, and imposed a dusk-to-dawn curfew. These measures were most strict between March and June 2020 with easing in January 2021 (e.g., the re-opening of

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85 OCA consultation and analysis
schools). However, new waves of the pandemic led to the further imposition of the measures with the government putting in place lockdowns in five key counties – Kajiado, Kiambu, Machakos, Nairobi and Nakuru – in March 2021.\textsuperscript{91}

\textbf{Figure 9: Formal employment rate among working age refugees and Kenyan nationals}

While all covid restrictions have been lifted today, the restrictions imposed by the Kenyan government had significant negative impacts on refugee livelihoods. Indeed, lockdown measures saw restricted movement in and out of camps and within urban areas. This led to reduced activity within key sectors that refugees are actively engaged in (i.e., housing and hospitality, retail trade, and arts, media, and entertainment).\textsuperscript{92} This disproportionate loss of jobs among refugees in Kenya during the pandemic led to a widening of the employment gap between refugees and nationals. Before the pandemic, the employment rate among nationals was 71\% compared to 25\% among camp-based refugees (a 46\% difference).\textsuperscript{93} At the onset of the pandemic, nationals and refugees experienced significant job losses with employment levels reaching their lowest levels between May–June 2020 for Kenyan nationals and July – September 2020 for both camps-based and urban-based refugees. As lockdown measures were lifted and vaccines became more readily available, employment levels began to recover but at a slower rate among refugees, especially those that are camp-based.

Development organizations and NGOs played a significant role in supporting refugees during the peak of the pandemic. Organizations like UNHCR, HIAS and DRC provided vital cash assistance and donated masks and other hygiene items to refugees across the country.\textsuperscript{94} Nevertheless, in

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{image.png}
\caption{Formal employment rate among working age refugees and Kenyan nationals}
\end{figure}

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response to the losses in income, refugees opted to cut down on food intake or sell any assets they may have owned to meet their individual and household needs.

**Geopolitical dynamic implications**
The global macro-economic environment continues to face inflationary pressures, with developed economies like the USA seeing inflation reach its highest levels in four decades (9% YoY CPI) largely because of the pandemic. Further, the ongoing Russia–Ukraine conflict continues to significantly impact the Kenyan economy due to increases in the oil prices and other imported products, such as fertilizers and wheat, which raises concerns over food security, putting further pressure on inflation.95

**Kenya election implications**
The consequences of the 2022 Kenyan elections and subsequent Supreme Court proceedings may further delay in the implementation of the Refugee Act 2021. Changes in national leadership positions may also necessitate additional time required for individuals to settle into roles and familiarize themselves with refugee issues.

In summary, Kenya’s business environment should enhance refugee economic participation as net contributors and not solely beneficiaries through political goodwill from local governments and timely issue of identification documents and business permits. A good example of refugee engagement can be seen in Kakuma where refugee have established over 2,000 tax paying businesses.

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The path for increased RLI in Kenya

Refugees are active in multiple sectors within the Kenya Economy (outlined in Appendix Table 2: List of refugee economic activities Table 2). Their engagement varies by location, access to resources, and ethnicity, but they broadly fall into two categories including: traditional businesses, which comprise value propositions essential for a value chain to operate, and emerging models, which enhance core value-chain activities by facilitating scale and ecosystem efficiency.

Table 4: Refugee business models

<table>
<thead>
<tr>
<th>Value proposition</th>
<th>Business model description</th>
<th>FDP engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional models</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>Participate in production and/or add value to FDP products and by-products</td>
<td>Moderate engagement in primary production and value addition, especially in cottage industries and agro-processing</td>
</tr>
<tr>
<td>Service</td>
<td>Provide service delivery solutions to a market need e.g., financial services, education, healthcare, transport, and logistics</td>
<td>Notable engagement primarily as customers e.g., in financial services, but also as small-scale service providers in certain sectors such as transport, and agriculture</td>
</tr>
<tr>
<td>Trade</td>
<td>Facilitate exchange of and access to products and services</td>
<td>Significant engagement with FDPs and host communities participating on a micro-scale where they exchange goods and services from other producers</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emerging models</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketplace</td>
<td>Create platforms to more efficiently distribute products by creating market linkages</td>
<td>Engagement is unproven as the model is relatively untested in the FDP landscape, but it provides the opportunity to engage as suppliers and customers</td>
</tr>
<tr>
<td>Subscription</td>
<td>Customizes access to products and services by amortizing payments or providing membership</td>
<td>Engagement is also unproven and currently not commercially viable as it relies on subscription by FDPs and host communities on a sustainable basis</td>
</tr>
<tr>
<td>Brokerage</td>
<td>Provides trade as a service for a fee</td>
<td>Moderate engagement of FDPs and host communities acting as commissioned distributors for market actors in their areas of operation</td>
</tr>
</tbody>
</table>

Refugee economic engagement is most evident within the traditional business models. The business models often have demonstrated traction with tested and commercially viable solutions. They are common in multiple sectors, including but not limited to agriculture, manufacturing, financial services, energy, education, and healthcare, among others. Many Kenyan corporates and MSMEs either have one or combine two or more of the value propositions that fall under the traditional business models within their operations. Refugees often interact with the business models as entrepreneurs, e.g., in clothes production, construction, or as suppliers and distributors for other businesses.

Emerging business models are nascent within Kenya and include untested or rapidly evolving value propositions. The models are often tech-based and require strong internet connectivity to reach their ideal target customers. Some traditional businesses incorporate aspects of emerging business models, e.g., leveraging e-commerce to reach more clients, or outsourcing processes to labor brokers to streamline operations. However, most businesses in this category are in the education technology, e-commerce, and logistics technology space. Refugee engagement with emerging business models is still low due to lack of knowledge, exposure, and necessary resources.

Thus, traditional business models present more opportunities for RLI. The business models have high employment opportunities, given that most refugees and host communities partake in primary production, service delivery, and trade. There is also existing infrastructure such as Special Economic Zones to support their operations. Additionally, there are policies in place such as taxation and investment policies among others to support addressing market entry, competition, and other litigious issues that may arise in operations. Their proven traction and commercial viability are potentially more attractive to investors as they demonstrate a scalable solution to existing market needs and the potential for sustainable cash flows.
Traditional businesses, such as agriculture, energy, supply chain & logistics, and financial services present the most suitable opportunities for RLI and are critical for creating catalytic impacts for integrating refugees. Refugee engagement in art, media & entertainment, beauty and cosmetics, and clothing & textile is also common. However, they maintain operations at the periphery of these value chains with limited opportunities to scale up the socio-economic ladder. Water & sanitation, healthcare, education, and housing, other sectors that refugees are active in, are perceived as public goods supported by the government, and offer less compelling investment potential. Commercial models within these sectors even in non-refugee settings have demonstrated difficult investment cases. Support for refugee activities in agriculture and ancillary industries, such as productive use of energy in production and processing, and transport and logistics could achieve sustainable socio-economic outcomes.

Refugees participate in agriculture value chains at different supply chain levels, and there is an opportunity to scale their operations. Within the camps, refugees engage in primary agriculture production, light processing, and food distribution. In Kakuma, for example, refugees rear livestock and poultry and grow vegetables akin to their host communities, albeit at a smaller scale. There is evidence that some of the vegetables grown in the camp are sold in Kakuma town and Lodwar. Given the fertile soils found in Kakuma and the relatively easy availability of freshwater in the region, there is potential to scale up smallholder agriculture by improving access to inputs and markets. Refugees in Kenya also partake in light food processing and storage, e.g., meat. Multiple shops within the camp directly trade in agricultural products from the camps and the host communities. Trucks come in daily from as far as Kitale and Eldoret to supply vegetables, and from Lake Turkana to supply fish to the camps and its environs. Once all the vegetables are sold, however, these trucks return empty and underutilized.

In urban areas, refugees are most active in the last-mile distribution, general trade, and light food processing. For instance, Somali refugees have access and often control entire supply chains.
through their networks, with some China-based Somalis transporting product to Kenya-based Somalis operating as wholesalers and retailers who then sell in thousands of small shops in Eastleigh and other communities. Somalis living in Kenya thus offer refugees opportunities in retail including clothes, perfumes, cosmetics, electronics, and groceries that are often sold across Kenya and even the region, providing decent margins. In addition to well-established trade networks in Kenya, Somalis prosper in ethnic foods, e.g., camel milk and other Somali foods, and have diversified into other sectors like real estate. Given strong cultural preferences, Somali refugees prefer to be involved in trade, technology, and entrepreneurial activities, and less in sectors like construction and primary agriculture.

With agriculture a major driver of Kenya’s GDP, a majority of refugees, apart from the Somali demographic, find themselves engaged in this sector. Nevertheless, refugees’ economic potential in the agriculture sector is limited by several factors, which also present opportunities for RLI. While access to farm inputs and agronomy services is a challenge for refugee primary producers, there is often an opportunity to leverage intermediaries and service providers from host communities and satellite towns to supply inputs. One way of achieving this is encouraging refugees to pool together their primary production such that they can achieve economies of scale.

Access to agronomy services would also help unlock high productivity in primary food production. Refugees rely on rain-fed agriculture with available water sources reserved primarily for domestic consumption. In Kakuma, for example, while there is potential for irrigated agriculture, refugee farmers are not able to access water supply for their activities. Additionally, while the soil within the region is fertile, refugees do not engage in soil management best practices because of a lack of technical knowledge. Also, while refugees engage in livestock rearing, they rely on inbreeding as a primary means of reproduction, thereby reducing the quality and quantity of their livestock produce. Private sector agronomy service providers could help refugees mitigate these challenges in their production. For example, the recent introduction of hydroponics in refugee hosting areas of Turkana has potential to help refugees resolve access to land challenges; livestock genetics services could help them acquire superior livestock breeds.

Access to infrastructure is also critical for refugees to scale economic activities in agricultural value chains, and present opportunities for investment into adjacent sectors. Whereas it is costly to set up critical infrastructure such as grid connectivity, there are alternatives such as productive use energy that could serve refugees. For example, solar irrigation pump and modular solar cold chain solutions, as well as solar-powered processors could help refugees maximize farm yields, reduce post-harvest losses, and engage in value addition. While actors within Kakuma provide solar solutions, a substantial number focus on solar home systems to power households. However, investment in actors such as Solar Freeze, which provide productive use of solar-powered cold chain storage in Kakuma, could bridge the gap in access to these solutions to refugees.

An elaborate transport network between the Kakuma camp and satellite towns for both people and cargo has recently been supplemented by a highway connecting Kakuma to Lodwar, significantly improving transit times. However, the cargo supply is limited to bringing goods to the camp, with limited products coming out of the camps: Supporting refugees to increase their production and value addition capacity would result in the optimal utilization of the available cargo transport services.

Increasing access to solar powered cold storage solutions can provide cold chain solutions to facilitate larger volumes of fresh produce trade including milk, fresh meat, fish, and reduce food waste and product/input costs. Despite the high upfront cost of setting up solar cold chain solutions, innovative business models such as FreshBox’s “cooling-as-a-service” facilities at fruit and vegetable markets can be deployed to scale cold-chain solutions deepening the needs and volumes of the target entrepreneurs. There is also an opportunity to integrate solar cold chain solutions to
address other needs within the agricultural value chain including extending the shelf life of fresh agricultural produce allowing them to be sold for longer periods and integrating with digital marketplaces to support the aggregation and distribution of agricultural goods outside the camp. This is particularly relevant for camps like Kakuma where movement outside the camps to market is restricted.

Indeed, enhancing refugee engagement in agriculture through investing in opportunities to maximize their productivity and value addition would result in positive socio-economic outcomes. Support for these activities would increase refugee interactions with host communities, thereby growing social integration and cohesion while simultaneously drawing them into existing value chains to help solidify their positions in core value-chain activities that in turn help increase income and thus self-reliance. Lastly, expansive agricultural activities create opportunities for engagement in the circular economy, opening markets that turn agricultural waste into inputs for the production of fuel briquettes, fertilizer, and animal feed.

The gig economy also presents a nascent opportunity for RLI to deepen engagement with the refugee population both in camps and in urban settlements and complement opportunities in the logistics and agriculture space. While several programs already focus on upskilling refugees for translation services and craft industries, there is a need for programs that focus on e-commerce and digital entrepreneurship that could be a potential avenue for the development of new business models and support refugees to access remote working opportunities through digital labor platforms such as Samasource that offer training, and link individuals to employment opportunities including data entry, transcription and artificial intelligence (AI) opportunities. Other opportunities include training refugee entrepreneurs on how to use digital marketplaces to sell their products.

While access to both hardware such as laptops and smartphones is difficult, and connectivity to the internet constrained, opportunities exist for private sector involvement in the sector. This includes leveraging pay-as-you-go approaches like in the renewable energy sector to enable refugees to access device ownership through affordable payment plans.

The refugee investment landscape in Kenya

Kenya continues to be one of the most attractive investment destinations in sub-Saharan Africa due to its improving macroeconomic fundamentals. A combination of diversified economic activities, growing middle class, established transport, logistics, and communication infrastructure, developed financial systems, and favorable investment policies are the key drivers for investment in the country. The stable Kenyan business environment has seen the private sector develop robust and scalable blueprints that have attracted international and local investment.

The government’s economic programs and policies have further paved the way for financial openness and strengthened Kenya’s position as a regional industrial and financial hub. In addition to the Investment Promotion Act (2014) and the Foreign Investment Protection Act (2020), the Kenya Investment Authority (KenInvest) introduced the Kenya Investment Policy in 2019 to promote and facilitate FDI. The government has eased restrictions on foreign control and rights to own that have allowed foreign investors to enter and remain in the Kenyan market. The implementation of bilateral investments and tax treaties that mitigate inefficiencies around double taxation, levies, transfer pricing, and unclear taxation laws on capital gains has also improved Kenya’s overall investment.
climate. The global economic contraction due to the COVID-19 pandemic caused a decline in the overall FDI inflows since 2018, not only in Kenya but across East Africa. The recent increase in US interest rates is also likely to result in further net FDI outflows from Kenya in the short run as investors seek better returns. However, net FDI inflows are anticipated to remain high as Kenya recovers from the economic setbacks due to the pandemic. Furthermore, Kenya’s risk profile remains attractive for investors as the country’s risk and business climate ratings are ranked at acceptable levels.

Impact investment makes a sizable proportion of investment flows into Kenya. Kenya has historically attracted almost 50% of the impact investment flows in East Africa, totaling USD 9.3B as of 2015. The bulk of the impact financing has gone to the agriculture, clean energy, financial services, ICT, healthcare, and education sectors, which include critical sectors in the refugee space. Development Finance Institutions such as the IFC are the largest impact investors, accounting for 85% of the investments in the country. Nonetheless, the number of individual and institutional angel, venture, and private equity investors have been on the rise as Kenyan impact-focused businesses move from proving their value proposition to demonstrating commercial viability.

Development partners and NGOs play the primary role in impact investing and bridging the access-to-financing gap for refugees. They also provide grant financing to refugees for relief support and startup financing for their operations. For example, the IFC and AECF have set up the Kakuma Kalobeyi Challenge Fund, a USD 25M grant program, to support refugee and host-community businesses within Kakuma and Kalobeyi areas. The IRC also provides grant financing to refugees and vulnerable host communities looking to set up businesses, and to access upskilling opportunities, and the International Labor Organization provides financial literacy courses for refugees to educate them on best financial management practices. Partnerships between the UNHCR and Equity Bank and Kenya Commercial Bank also resulted in the opening of over 41,600 bank accounts for refugees, but refugees are not typically able to access credit using the accounts.

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Development partners and NGOs are increasingly complementing their grant financing support with technical assistance programs and other forms of concessionary financing, e.g., low-interest loans. The KKCF program provides technical assistance to its grantees to help them develop robust and bankable operations that can attract financing from microfinance institutions and other financiers.¹⁰⁹ Donor-backed funds such as the Kenya Climate Ventures (KCV) also provide concessionary equity and debt financing to refugee and host community businesses in addition to technical assistance to support the businesses on their path to scale. KCV provides debt financing at concessional rates of 8-12% annual interest that is 2-6% lower than commercial rate financing. Impact funds such as Acumen have also begun to engage with and invest in refugee-supporting businesses by taking an equity stake in the business or by deploying blended-financial instruments. Lastly, other NGOs such as the Danish Refugee Council are looking to provide support to existing financial institutions to develop products and extend credit to refugees.¹¹⁰

Other sources of refugee financing are from within their own networks. Due to the lack of IDs or collateral assets, and risk aversion by investors in camp-settings, refugees often must rely on friends and family for startup capital or small loans to continue with their economic activities. The loans are often in the form of remittances, pooled savings through Village & Saving Loan Association (VSLA) groups, or the sale of personal or family items. As an alternative source of finance, VSLAs have the potential to support refugee entrepreneurs to acquire capital or credit to grow their businesses due to their low interest (compared to commercial banks and microfinance institutions) and less stringent regulations.

While VSLAs support refugees in establishing livelihoods through the provision of saving and credit products, the amount of credit an individual can access is limited. In addition, refugee entrepreneurs have low levels of financial literacy, which hinders their capacity to scale enterprises. This presents an opportunity to offer targeted financial literacy programs delivered through VSLAs. There is further opportunity to utilize VSLAs to pool resources and aggregate the supply of products providing vendors with bulk volumes that would strengthen supply chains and eventually household incomes. Lastly, VSLAs could be used to acquire capital-intensive products such as cold-chain solutions that extend the life of perishable goods with the overall effect of reducing waste and stabilizing the availability of agricultural products both with camps and host communities.

Figure 11: Sources of refugee financing

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Limitations to refugee investing landscape

There are notable limitations to the refugee investment landscape in Kenya that cut across the macro-economic landscape and specific business needs as outlined below.

Macroeconomic limitations to RLI:

- **Restrictive business policy**: While the Kenya business environment outlook remains positive, there is a need to continually improve upon and ease the regulatory frameworks and fiscal policies to increase private sector growth and productivity. Recent expansionary fiscal policy was the main driver of Kenya’s economic growth with private sector contribution to GDP declining strikingly, for instance by fifty-three basis points between 2013 and 2017. Thus, limiting sector-specific regulations that curtail private sector activities including within the refugee space, for example, that restrict competition in staple grain markets, electricity, and telecommunications make it harder for emerging players to enter the space and or scale their operations would benefit RLI. Within the refugee space specifically, legacy regulations and directives on refugee encampment and limitations on asset ownership further and severely limit the level of refugee economic engagement in Kenya.

- **Uncompetitive fiscal and monetary policies**: A tightened fiscal policy and eased regulations on business activities are required to facilitate further financial deepening and enable MSMEs and new private sector actors to establish robust operations. The observed increase in government spending, maintenance of large and dominant state-owned enterprises, and capped interest rates have only served to crowd out private sector activities over the years and restrict critical access to financing, especially for MSMEs. A lift on the interest rate cap could facilitate commercial lending to the private sector as opposed to lending to the government for fiscal activities. Local commercial lenders are finding it more lucrative to invest in government development projects than finance MSMEs at capped interest rates. Lending to MSMEs by commercial banks accounted for only 21% of the banking sector loans booked as of 2020. Restrained access to finance remains the most critical challenge for MSMEs to develop sustainable businesses and to scale their operations.

- **Continued corruption**: Addressing corruption and information asymmetry is crucial for the effective implementation of progressive regulations and policies to catalyze private sector growth. Kenya ranks low in multiple dimensions regarding business interactions with public officials. Additionally, low awareness of MSME rights and available public services have reduced their bargaining power to address some ecosystem challenges such as access to

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licenses, permits, and product approvals.\textsuperscript{115} Within the refugee space, low awareness of refugee basic rights has also limited their ability to secure proper identification documents and permits that would allow them to access employment or set up their entrepreneurial ventures.

- **Policy enforcement**: Intentional implementation is also required for the effectiveness of the improved regulations and policies. While the Refugee Act of 2021 eases prior restrictions on refugee economic activities, effective implementation is required to achieve economic integration and sustainability. The amended refugee act has the potential to catalyze refugee socio-economic integration and participation in the private sector through employment, entrepreneurship, and tax contribution.\textsuperscript{116} However, in the absence of effectiveness in implementation, e.g., clearing the RAS (now the DRS) backlog in issuing identification documents and approvals for Class M work permits, the revised laws would be rendered unproductive.

**Business and investor limitations to RLI**

- **Risk aversion**: Investors perceive refugees, especially in camp settings, as high-risk and likely to default on loans issued. Such concerns are exacerbated by the absence of a government-backed know-your-customer (KYC) mechanism that allows verification of refugee identification documents. Consequently, refugee entrepreneurs resort to savings, remittances, and borrowing from friends and family to expand their businesses, which in many cases is inadequate to capital needs;

- **Grant dependence**: Refugees remain dependent on grant financing from development partners and NGOs to supplement their income. The dependence is attributable to prolonged grant financing and product subsidy. However, lack of access to higher margin value chain activities, and natural disasters such as drought as well as the COVID-19 pandemic exacerbate their need for relief support. Grant financing and subsidies often distort markets for the private sector such as making prices uncompetitive to unsubsidized suppliers or reducing the customer willingness to pay for products and services without grants or subsidies;

- **Siloed operations**: While there are stakeholders in the refugee space in Kenya, e.g., development agencies, humanitarian organizations, government agencies and private sector actors often design and implement refugee-focused initiatives independent of each other. Therefore, there is high duplication of interventions, low coordination, and low complementary efforts to support the gaps in refugee sustainability needs;\textsuperscript{117}

- **Investment readiness**: Despite substantial grant financing, businesses that engage refugees are not ready to raise or absorb external capital. The businesses demonstrate a limited ability to assess their capital needs and prepare for the capital raising process. Additionally, the financing needs for these businesses are often small such that the investment opportunities


are not attractive to commercial investors. Consequently, these businesses rely on grant financing and contributions from friends and family for their operations.\textsuperscript{118}

- **Fragmented supply chains:** Refugee supply chains are hampered by high costs of transport and lack of sufficient basic infrastructure, including warehousing and storage, that can support sustainable and scalable operations. Weak supply chains, and lacking market coordination between larger formal players and the multitude of small businesses, is one of the biggest bottlenecks to trade and economic activities in refugee hosting communities and markets. Investing in supply chain barriers are a critical and catalytic step to building refugee-inclusive value chains and sustainably developing refugee livelihoods.

**Figure 12: Refugee supply chain challenges:**

Gaps in existing refugee investment initiatives:

Refugee investment initiatives in Kenya are primarily grant-focused with little commercial and impact capital flowing into the space. The coverage and gaps of existing investment initiatives can be better understood by assessing available support at each stage of the refugee business development as outlined below.

- **Financial literacy programs:** Refugees received financial literacy support at an individual or business level from NGOs and RLOs. NGOs such as the IRC include financial literacy modules within their interventions to help refugees understand best practices in financial management. However, the modules rarely include details on the refugee investment landscape because the space is nascent and information sharing across financing programs low;

- **Pipeline development:** Development partners, NGOs, and financiers lead pipeline development processes for their respective programs. For example, the KKCF conducted an open call for refugee businesses for their grant financing program. Other organizations such as the Kenya Climate Ventures use a headhunter approach to identify partners that can help

them source robust business leads for their portfolio. The financiers maintain individual business lists, however, with minimal referrals across programs;

- **Technical assistance:** There is increased recognition of the refugee business development needs to develop bankable operations. As a result, development partners and financiers in the space are combining their financing support with light-touch technical assistance. There is a need for in-depth and tailored support to the businesses to help them unlock their potential for scale and commercial investments. Organizations such as Pamoja for Transformations, while not exclusively refugee focused, offer tailored business support and coaching to refugee entrepreneurs in modules including accounting, financial planning, and marketing. Further technical assistance could take the form of pre-investment support to help the businesses become investment-ready, post-investment support to help the businesses effectively utilize the financing, and investor exit-support to ensure that the business can maintain profitable operations post-exit;

- **Early-stage financing:** The primary form of early-stage financing in the refugee space is grants. Equity and debt investment are still minimal in the space, for example, KCV and AEC have only made investments into five businesses within the refugee space. There is an opportunity for increased participation in early-stage investment through flexible and blended financing that will meet commercial and refugee needs.

### Refugee investment thesis

Refugee engagement can be mapped across different sectors and against a business size continuum to illustrate areas of their concentrated activity. Refugees engage with the private sector as entrepreneurs, employees, suppliers, distributors, and customers. MSMEs are known to have the largest level of direct refugee engagement, though larger enterprises, as anchor players, also have a key role to play to integrate refugee-focused MSME businesses into value chains.

Although direct investment opportunities exist throughout the continuum, a “ladder approach” could draw out the most salient focus areas that would result in higher refugee integration. The “ladder approach” focuses on creating success stories from enterprises that bear the opportunity for more rapid results and impact, by integrating them more holistically within value chains and supporting them to overcome existing bottlenecks. By taking this approach, direct interventions could address those who, while receiving reliance support today, also already have “rungs on the economic ladder” and traction or pathway to improved self-resilience, e.g., have a business, part of a savings group, etc., to create a complementary, more viable, holistic ecosystem proposition in the humanitarian market. The “ladder approach” could materialize in larger positive multiplier effects in economic activity and job creation, helping to pull others up through their scaling and adopting a market-led approach that would be amplified over the long-term.

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The MSME categories, in largely traditional business models as discussed above, may provide an ideal gateway opportunity for RLI. They have the potential to integrate a substantial number of refugees within their supply chain as employees, suppliers, or distributors. They also have demonstrated business development needs such as refining their operating strategies, articulating their impact potential, improving management capabilities and capital needs.

Pathways and opportunities for RLI in Kenya

Refugee businesses have different financial needs depending on their business stage. Early-stage businesses require patient capital to meet their set-up costs and pilot their business model. The primary form of investment in these businesses is grants and equity from the founders, early-stage investors, grant funders, and venture capitals. More seasoned businesses often seek technical assistance to articulate and refine their business models in preparation for commercial scale. They also seek equity, equity-like investments, and debt financing to support their operations and growth strategies. The diagram below illustrates the financial need at different business stages.

There are different pathways to RLI that could occur in tandem or sequentially to attract the right capital into the refugee space. Select approaches to accelerate RLI in Kenya include:

- **Stakeholder coordination:** Existing stakeholders within the refugee space maintain siloed interventions often resulting in duplicated efforts. The duplicated efforts are sometimes necessary to address the scale of refugee challenges such as the need for relief support. However, there is an opportunity for collaborative effort to ensure that stakeholders are addressing observed gaps in refugee needs such as access to growth capital to achieve self-reliance and sustainability. Different avenues could be explored to achieve collaboration such as maintaining an accessible database that provides information on the various interventions and their outcomes, including tracking of specific RLI-focused initiatives. Regular stakeholder meetings to discuss the status of refugees and ongoing interventions could also yield more partnerships and additive solutions to existing interventions. Lastly, information sharing would be useful for pipeline development for refugee investment initiatives;

- **Refugee coordination for economies of scale:** Refugees maintain individual and small-scale operations across multiple sectors, primarily to secure household income. There is an opportunity to coordinate refugee activities within similar value chains to help them achieve scale and bargaining power within the value chains. For instance, bringing together refugee farmers to pool their existing resources would help them secure inputs in bulk at lower prices.

![Figure 14: Business financing needs](image-url)
and produce significant volumes that would attract off-takers for local and international markets. Elaborating on the benefits of pooled resources could incentivize refugees to form and register groups such as co-operatives to realize the benefits. For example, Rift Valley Products which mobilizes smallholder farmers in Western Kenya, in growing cotton using climate smart agricultural methods. By setting up collection centers, the company aggregates produce enabling supply chain optimization and reducing reliance on middlemen that eat into farmers’ profit margins.120

- **Market awareness**: There is limited information on the market opportunities that exist within refugee spaces most especially within camps and their environs. Refugee challenges are mostly communicated from a crisis perspective thereby attracting more philanthropic actors and donors as opposed to private sector actors. Sustained grant financing and product subsidy by the philanthropic actors further curtail private sector interest in the space. Demonstrating existing economic opportunities in refugee forums, publications, and media engagement would reconstruct the refugee narratives and illuminate opportunities for private sector engagement;

- **Tailored technical assistance**: While there is demonstrated need for financing among businesses that engage with refugees, these are often not well equipped to raise and absorb third-party capital. Examples of the observed challenges include a lack of understanding of the investment landscape and investor requirements, low investment readiness, inefficient operations, poor working capital management, or small-scale operations. Tailored technical assistance to address the demonstrated business development needs would help attract impact and commercial capital into the space. Additionally, the support would position the businesses on the path to a commercial scale. This operational strategy and investment readiness support needs to be tailored across early-stage, MSMEs, and large local businesses to boost refugee inclusiveness in a commercially viable way. This could cover:
  - Support to strengthen business models and refine operating strategies
  - Developing or managing talent
  - Enhancing marketing strategies
  - Tailored investment readiness and capital raising geared to RLI impact

- **Strengthening supply chains**: Improving access to inputs and markets for refugee hosting areas can improve trade potential and boost performance of refugee focused businesses. For instance, a warehouse fulfillment center offers scale potential across region and can be set up at the edge of refugee hosting areas and camps along key transport corridors. This can unlock greater trade in the refugee context by using technology & risk sharing to lower the cost of doing business, which is often the main bottleneck for refugee businesses.

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Refugees and host community in Turkana grow maize, beans, sorghum, cassava, potatoes, and others
Turkana has several townships that have markets and trading centers of their own
Over the years, an informal trade network has evolved, connecting produce, dry goods and household items to refugee communities from nearby towns, and the capital as well as cross border opportunities with South Sudan, Uganda, Ethiopia.
This solution uniquely proposes to support local market linkage businesses by providing targeted assistance and tailored investment readiness, with potential for funding to support scale and impact, for instance, in this case, set up of a shared warehouse facility that refugees and host communities can utilize to improve and scale business performance
Scaling these key local actors and attracting additional finance can help unlock access to larger markets, strengthen supply chains and trade networks, and build more refugee inclusive value chains, thereby empowering refugees to build more sustainable livelihoods

- **Targeted value chain integration in urban settings:** Shift paradigms to enable large anchor players to view refugees as contributors to solving real commercial bottlenecks and improving value chain efficiencies as opposed to largely or solely as beneficiaries. As discussed above, across urban contexts, i.e., Nairobi and secondary cities, refugees bring their skills and resilience to engage in various ways across several industries. This presents opportunities for urban refugee employment, and for more established anchor businesses to integrate urban refugee MSMEs into formal value chains. These include a mix of industries that have already tapped into the refugee workforce and other less traditional value chains that are making traction in these geographies and could be interesting avenues to explore. In Nairobi, the retail sector has proved to be a viable livelihood space for urban refugees, particularly the Somali refugee population, who have successfully mobilized in retail spaces and exercised control over their supply chains, from sourcing in foreign markets like China to transportation until wholesale and retail across a variety of consumer goods. Lessons from the Somali retail chain can be expanded to include other urban refugee populations such as Congolese and Burundians, who are more likely to engage in textiles and other artisan products.

Moreover, support for refugee focused, or potentially refugee focused, businesses (R3 and R4) to scale and integrate refugees into priority value chains can offer a compelling and sustainable proposition from an investor and impact perspective. For instance, in Nairobi, a medium size local company (approx. revenue USD 10M+) in the beauty sector that manufactures synthetic hair and has a chain of local salons is seeking to tap into the talent and potential of refugees as part of its workforce and supplier base. Other examples include in the textiles sector, by for instance, bringing together urban refugee SMEs under a single business platform, ideally taking a market systems approach, to ensure viable and scalable business by increasing access to markets and inputs. In addition, developing market-focused partnerships with established businesses, industry associations, and Export Processing Zone (EPZ) entities to help train, upskill, and employ urban refugees can support livelihoods in a more commercially sustainable way. Several EPZ companies and a substantial proportion of the 75k MSMEs in the sector are based in Nairobi and 60% of those employed across the value chain are women. Textile exporters are exploring

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**Figure 15: Market linkage in Turkana County**

- Market linkage opportunities to build refugee integration in northwest Kenya

  - Most traded goods: Top 3 most traded are maize flour, rice/pasta & milk powder
  - Potential location for the warehouse: Located at the southern edge of the camps to provide direct linkage with major towns in the southern part of the country e.g., Kitale, Eldoret & Nairobi

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<table>
<thead>
<tr>
<th>Turkana, Kenya</th>
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<tr>
<td>Illustrative opportunity for warehouse fulfillment center</td>
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</table>

- Most traded goods: Top 3 most traded are maize flour, rice/pasta & milk powder
- Potential location for the warehouse: Located at the southern edge of the camps to provide direct linkage with major towns in the southern part of the country e.g., Kitale, Eldoret & Nairobi
working with refugee owned SMEs and small manufacturing outfits to solve Covid-affected supply chain bottlenecks;

- **Climate change investing:** Some marginalized counties are affected by harsh weather conditions such as drought and flooding which disincentivizes commercial investment. For example, in Samburu County prolonged drought leads to food insecurity, water shortage and inadequate pasture for livestock, straining economic livelihoods pegged on pastoralism. Climate change investing could achieve both positive social outcomes while making returns, as green energy interventions such as solar and wind power are leveraged to improve infrastructure. Solar cold solutions could be used to preserve food and alleviate food security, while solar water pumps could be set up for irrigation;

- **Result-based financing (RBF):** Grant financing is attractive to businesses within the refugee space because they do not require repayments. However, dependence on grants has distorted markets and made the refugee space less lucrative for return-focused investors and private sector actors. Adaptation of RBFs is an avenue through which grant financiers could attract private sector actors into the refugee space as seen with the example of the Kakuma Kalobeyei Challenge Fund (KKCF). Impact bonds, for instance, could lower the cost of setup and asset acquisition to pilot and expand operations into refugee spaces. Private sector actors that demonstrate measurable impact within the refugee space as determined by the financer e.g., job creation, women empowerment, product supply, and offtake, among other measures, would receive the grant financing once they have achieved predetermined impact milestones. In addition, RBFs can be structured innovatively to support better utilization of several underused guarantee facilities that currently exist in the market;

**Figure 16: RBF structure**

- **Supporting existing funds:** Few funds exist targeting businesses that engage refugees. Nonetheless, a starting point in scaling RLI could involve investments through the existing funds to scale their reach and capacity to serve refugee needs. Alternatively, it could involve leveraging existing fund managers to set up a fund that aligns with unique investor mandates and use their networks to identify refugee businesses that meet the investment requirements. Supporting existing funds would minimize duplicated financial solutions in addressing refugee business needs and would minimize the cost of setting up facilities. Additionally, investors would tap into the existing knowledge and network of refugee activities owned by the fund managers that have been active in the space;
Guarantee mechanisms: Traditional investors and financiers such as banks perceive refugees as high credit risk. Financiers’ concerns often stem from the provisional nature of refugee residences and the lack of assets for collateral. On the other hand, the refugee livelihoods are limited by restrictive laws such as limited rights to own assets and inefficient documentation processes. Current commercial lending rates stand at 14% with collateral requirements that refugees cannot provide. Guarantee facilities could reduce the financier risk assessment of refugees because refugees have demonstrated the ability to service third-party capital. For example, KIVA, an online lending platform that supports refugees with a guarantee facility from Refugee Point, reports a 95% payback rate from their refugee portfolio. However, it must be highlighted that while guarantees can offer substantial catalytic effects to mobilized capital towards refugee focused businesses, there are several facilities existing in the market which are largely underutilized. Therefore, any new intervention would be strongly recommended to support to improve utilization of existing guarantee facilities (e.g., through layering on RBFs for local commercial banks, or improving operationalization, supporting banks with tailored technical assistance, etc.), to complement efforts by designing incentives geared towards solving specific demand and supply side bottlenecks as opposed to launching new guarantee facilities;

Flexible finance: Grant financing in the refugee space has been crucial in supporting businesses set up capital requirements and cushioning against economic hard times. However, it is necessary to introduce repayable concessionary financing into the space to crowd in investors and private sector actors. Blended finance can combine grant and commercial capital to provide debt, equity, or risk-sharing to refugee investments. Investors with a high-risk appetite such as grant financiers and impact investors can take more risk through first-loss positions, junior debt positions, or guarantee mechanisms, while more commercial investors could take on reduced risk lending. Such structures would crowd in both commercial and impact investors, and provide blended concessionary capital that businesses need to pilot or scale their operations into refugee spaces:
This market systems approach to build the field of RLI can be sequenced across supporting access to finance on the supply (grow financial services for refugees) and demand side (build capacity and capability for investment absorption), alongside building strong refugee-inclusive value chains and refugee-focused businesses.

Further, RLI requires better refugee identification, data collection and analysis to evaluate the impact of interventions in employment, entrepreneurial support, and technical assistance. By stakeholders aligning on a consistent approach, there could be reduced duplicative efforts and better understanding of which investment approaches are more effective.

To summarize, growing RLI in Kenya and building the RLI ecosystem, requires a multi-stakeholder, multi-dimensional, holistic market systems approach that supports refugee-focused businesses to scale and financiers to bring in tailored finance to ultimately demonstrate a scalable blueprint for building more refugee-inclusive value chains.
**Conclusion**

Kenya has a long history of hosting refugees since the 1960s. With and an official population of refugees and IDP in 2021 of nearly 1M (540,068 refugees and 394,000 IDP), and estimates of many more, these figures are expected to increase owing to political and economic instability across East Africa. This necessitates the need for long-term, market-oriented solutions.

There have been great strides in policy reform in Kenya over the years that promote refugee socioeconomic integration and participation, on paper, but not in practice. Class M permits were introduced in the 1970s, while in 2006 the Refugee Act recognized rights in tandem with international conventions such as non-refoulement, right to own property, and right to access basic services such as housing and education. The most recent Refugee Act of 2021, further emphasizes the need for refugee self-sustenance and socioeconomic integration by prescribing the designation of specific counties as areas of residence, non-discriminatory use of public institutions, and equates refugee IDs to a foreign national registration certificate. The Huduma Bill, if passed, could enhance refugee registration enabling access to resources and services. The Recognition of Prior Learning Policy Framework could also increase asylum seekers participation in formal work. However, these de jure refugee rights and freedoms have faced slow implementation, with the de facto situation painting a picture of strict encampment, extortion within business settings, and limited access to basic rights such as education and property. Delay in the issue of refugee IDs and Class M business permits has restricted refugee participation in economic activities resulting in heavy reliance on humanitarian assistance and positioning these vulnerable populations as net beneficiaries.

Actors have launched interventions in the refugee space that are focused on alleviating short-term, basic needs such as food, shelter, water, healthcare, sanitation, and education but there is still more to be done to enhance self-reliance. Despite the establishment of multiple refugee interventions, there has been duplicated efforts due to siloed operations, limited integration of host communities, lack of information sharing, little involvement of refugees in planning, and inadequate investment in the circular economy. The great focus on basic needs has affected self-reliance and lengthened the duration of stay of refugees.

The path to refugee self-reliance and long-term sustainability requires expedited implementation of reforms, a collaborative multi-stakeholder approach, involvement of refugee and host communities, and the creation of investor incentives. Kenya ranks 3rd after Mauritius and Rwanda in the ease of doing business in Sub-Saharan Africa. This enabling environment has created a positive atmosphere for enterprises but has not translated for refugee economic participation. Increased access to refugee identification documents and business permits, and greater political goodwill from the local government could stimulate higher economic participation of refugees. To catalyze the implementation of socioeconomic reforms, funding should be linked to progress for improved accountability.

Development agencies, humanitarian organizations, government institutions and private sector actors need to work together to both meet basic needs and promote growth of refugee economies. Greater information sharing on interventions could ensure relief assistance is supplemented by support that improves refugee economic opportunities, for example, issues of blended finance and provision of technical assistance, financial literacy, vocational training, and basic education. These modes of support could close financing gaps that limit the graduation of refugee entrepreneurs into investable businesses and equip refugees with know-how on basic business fundamentals required for efficient operations. Refugee investment opportunities could also be further illuminated through business referrals of high-potential companies, creation and/or consolidation of a knowledge base on the refugee sector, and market awareness on sectoral opportunities within refugee contexts, for example, traditional business models operating in the agriculture, energy, supply chain and logistics, and financial services sectors. Lastly, it is imperative
to involve refugees in planning to ensure support is aligned with high-priority needs enhancing a multiplier effect, for example, investment in supply chains could promote food security and greater bargaining power for producers who face high food spoilage due to inadequate warehousing and storage technologies.

Undertaking the above actions (quicker implementation of refugee policies and multi-stakeholder coordination) could result in long-term sustainability. By identifying the existing gaps and presenting potential solutions, this report advances the RLI conversation in Kenya to help change the narrative of refugees from net beneficiaries, to net contributors to market value chains. Through this, there will be greater commercial interest in the space, incentivizing further investment and impact.
### Table 5: List of refugee economic activities in Kenya

<table>
<thead>
<tr>
<th>Sector</th>
<th>Key activities in camps and/or urban areas</th>
<th>RLI category</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agriculture</strong></td>
<td>• Participation in <em>subsistence farming</em> to meet household needs</td>
<td>R1, R2, R3, R5</td>
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<tr>
<td></td>
<td>• <em>Out-growers, suppliers and trade</em> of agricultural produce and livestock</td>
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<tr>
<td></td>
<td>• Small-scale adoption of <em>hydroponics technology</em></td>
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<tr>
<td><strong>Art, media, and entertainment</strong></td>
<td>• Involvement in <em>filmmaking, music, art, videography, and photography</em></td>
<td>R1, R2, R3, R4</td>
</tr>
<tr>
<td></td>
<td>• <em>Raising awareness on refugee issues and advocacy efforts</em> using social media and radio*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• <em>Provision of music classes</em> to refugees and host communities*</td>
<td></td>
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<tr>
<td><strong>Beauty and cosmetics</strong></td>
<td>• Self-employment and employment in beauty and cosmetics stores <em>selling personal care items</em>, barbershops and salons</td>
<td>R1, R2, R3</td>
</tr>
<tr>
<td></td>
<td>• Provision of <em>certified training</em> within the beauty industry</td>
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<tr>
<td><strong>Clothing and textile</strong></td>
<td>• Design, tailoring and repair of clothes, including <em>tie and dye</em>, and sale of local and imported clothes in fashion outlets and small stores</td>
<td>R1, R2, R3</td>
</tr>
<tr>
<td></td>
<td>• <em>Training</em> on clothing repairs and tailoring</td>
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<tr>
<td><strong>Construction</strong></td>
<td>• Participation as <em>casual labor</em>, carrying materials and layering bricks</td>
<td>R3</td>
</tr>
<tr>
<td></td>
<td>• <em>Construction of schools, houses and clinics</em> to improve access to these facilities for refugees*</td>
<td></td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>• Use of technology to provide <em>access to digital educational content</em></td>
<td>R3, R4</td>
</tr>
<tr>
<td></td>
<td>• Training on <em>entrepreneurial skills and provision of apprenticeships and job placements</em></td>
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</tr>
<tr>
<td>Sector</td>
<td>Activities</td>
<td>Examples</td>
</tr>
<tr>
<td>-----------------------------</td>
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<tr>
<td>Energy</td>
<td>• <strong>Distribution</strong> of renewable energy products</td>
<td>R3, R4</td>
</tr>
<tr>
<td></td>
<td>• <strong>Installation of renewable energy infrastructure</strong> to boost economic activity and safety among refugees</td>
<td></td>
</tr>
<tr>
<td>Financial services</td>
<td>• Provision of <strong>account opening services</strong> and <strong>direct lending</strong> (e.g., cash transfer, loan asset financing) at the individual, household and business level cash transfers</td>
<td>R5, R6</td>
</tr>
<tr>
<td></td>
<td>• <strong>Creation and support of traditional financial groups</strong> e.g., VSLAs and SACCOs**, through financial literacy programs</td>
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<tr>
<td></td>
<td>• Facilitation of <strong>transnational remittances to refugees</strong></td>
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<tr>
<td>Food distribution</td>
<td>• Distribution of food into camps for refugees to meet household needs</td>
<td>R1, R3</td>
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<tr>
<td></td>
<td>• Food sourcing from wholesale markets and retailing them informally</td>
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<tr>
<td>Healthcare and WASH</td>
<td>• Transformation of <strong>waste to energy</strong> by employing refugees within the business to support operations</td>
<td>R3, R4</td>
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<tr>
<td></td>
<td>• <strong>Recycling</strong> of waste materials within the refugee camps</td>
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<tr>
<td></td>
<td>• Provision of <strong>healthcare services</strong> and <strong>access to health information</strong></td>
<td></td>
</tr>
<tr>
<td>Housing and hospitality</td>
<td>• Expansion and improvement of refugee housing</td>
<td>R1, R2, R3, R4</td>
</tr>
<tr>
<td></td>
<td>• Provision of grants to refugees to get building materials and labor</td>
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</tr>
<tr>
<td></td>
<td>• Operation of small-scale cultural/themed restaurants</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>• Employment in manufacturing roles requiring low skill levels**</td>
<td>R3</td>
</tr>
<tr>
<td></td>
<td>• Vocational training in manufacturing e.g., welding</td>
<td></td>
</tr>
<tr>
<td>Retail trade</td>
<td>• Sale of fast-moving consumer goods in small kiosks and stores</td>
<td>R1, R2, R3</td>
</tr>
<tr>
<td></td>
<td>• Capacity training for retailers to support them to run their</td>
<td></td>
</tr>
</tbody>
</table>
| Tele-communications and mobile money | • Provision of internet connectivity to refugees by partnering with local internet providers  
• Provision of funds to development agencies and private actors to promote technology access | R3, R4, R5, R6 |
|-------------------------------------|-------------------------------------------------------------------------------------------------|----------------|
| Transport and logistics            | • Storage and transportation of relief commodities and supplies to camps to maintain a consistent flow of products to camp-based businesses  
• Transportation of products and people within camps and between rural refugee hosting areas, camps and urban areas | R1, R2, R3 |


