

SHARPE

Learning Product #1: Applying the MSD Approach with Refugees & Host Communities

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Abbreviations list

ARRA	Agency for Refugee and Returnee Affairs
CAPEX	Capital Expenditure
DCA	DanChurchAid
DFID	Department for International Development
FCDO	Foreign, Commonwealth & Development Office
GBV	Gender-Based Violence
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IFC	International Finance Corporation
IRC	International Rescue Committee
KISEDIP	Kalobeyei Integrated Socio-Economic Development Plan
KKCF	Kakuma Kalobeyei Challenge Fund
MRL	Monitoring, Research and Learning
MSA	MarketShare Associates
MSD	Market Systems Development
PEA	Political Economy Analysis
SHARPE	Strengthening Host and Refugee Populations in Ethiopia
UNHCR	United Nations High Commissioner for Refugees

1. Introduction to SHARPE

SHARPE is a 3.5-year initiative funded by the UK's Foreign and Commonwealth Development Office (FCDO). It is implemented by a consortium consisting of DAI Global UK¹, the International Rescue Committee (IRC), MarketShare Associates (MSA) and First Consult.

SHARPE promotes increased refugee self-reliance and generates economic opportunities for host communities through catalytic investment in the following strategic engagement areas (sectors and subsectors): cereals, horticulture, livestock, dairy, poultry, fisheries, financial and business services and labour. Stronger regional markets should also work in support of a 'cash first' agenda for humanitarian aid and the implementation of the Comprehensive Refugee Response Framework (CRRF).² These investments will help expand or reform regional markets for food stuffs, financial and business services and (self-) employment in Jijiga, Dollo Ado and Gambella. It will also support humanitarian aid delivery in support of regional markets. Growth should be inclusive of host and refugee communities, fostering increased resilience and self-reliance.

To target investment, SHARPE will continue to analyse the constraints to regional market expansion or reform and will identify opportunities to partner with key public and private stakeholders to stimulate innovation (in practices, products, and service delivery), investment and reform to make markets more inclusive and resilient. SHARPE offers co-investment, technical assistance and capacity development to partners.

2. Purpose of the Learning Paper

This paper is the first in SHARPE's learning series. As an innovative project working on the frontier of applying an MSD approach with refugees and host communities, SHARPE is prioritising a learning approach throughout its activities. As outlined in our Learning, Engaging and Influencing Strategy (March 2020) "*SHARPE has a critical role in contributing to thinking on how the market systems approach can provide a potentially useful mechanism for serving refugee hosting communities in a more sustainable, cost effectively, and equitable way*"³.

The purpose of this paper is to review experiences applying an MSD approach to refugee and host populations, identify and document lessons of relevance to SHARPE and inform SHARPE's programming strategy. This analysis seeks to understand what is happening in similar refugee contexts with MSD-style interventions and to reflect upon learning to date. This is an important first step to SHARPE's aim of understanding what we can contribute to and where we could ultimately have influence, as well as what we need to incorporate into our programme and partnerships moving forwards.

Although the primary audience for this learning paper is SHARPE and the FCDO, it is anticipated that key lessons will also be of interest and relevance to other stakeholders within the humanitarian sector in Ethiopia and that opportunities will be sought to share these lessons and recommendations with these stakeholders.

3. Introduction to the MSD approach

The MSD approach develops interventions that address constraints at three levels of the market: transactions (where supply and demand of products and services take place); supporting functions (support services and infrastructure that enable the transactions); and rules (policies and norms

¹ Formerly DAI Europe

² As described in SHARPE's Portfolio Strategy, August 2020

³ SHARPE Learning, Engaging and Influencing Strategy, March 2020

that govern the market system). MSD programmes act as a market facilitator, building or strengthening linkages between existing market actors and catalysing systemic change in behaviour. Rather than intervening directly in the market or creating new institutions, this means consistently working through and building capacity of existing local institutions. The aim is to leave behind much stronger market linkages and an institutional foundation to continue promoting the well-functioning, inclusiveness and resilience of the market system.⁴

What is different about supporting economic development among refugees and host communities?

In considering the application of the MSD approach to refugees and host communities, it is important to consider the ways in which it differs from its application elsewhere:

- **Focus areas are geographically constrained.** Whereas MSD programmes often work where economic opportunities are the greatest and where the markets dictate, refugees (particularly when located in refugee camps) and host communities are defined by their geographic location. This typically requires that economic opportunities be supported within specific geographic areas.
- **Operating in economically challenged locations.** Refugees and their host communities are often located in economically unattractive areas, often on borders, far from major markets, in locations with limited land, water, energy sources, other natural resources, and basic services.
- **Fewer incentives to engage in economic activity.** In both short-term and protracted displacement contexts, humanitarian organisations typically provide products (such as firewood, water and food) and services (health, education) to refugees for free or at subsidised rates. This distorts the market and disincentivises private sector investment. This can create a culture of dependency among refugees that can disincentivise refugees from working or starting a business.
- **Legal and related impediments to economic activities.** There are often legal barriers to refugees accessing economic opportunities. In many countries, refugees are by law prohibited from working, and are only allowed to work in certain sectors for a specific portion of time.⁵ Even when they are allowed to work in some capacity, many arrive at their host communities without the proper documentation and have to undergo extensive bureaucratic procedures to seek the right to legally work. Many refugees and asylum-seekers do not have the proper documentation to prove academic and work qualifications. Social stigma is often an additional barrier. Refugees are often legally restricted on where they can physically reside, which impedes a common pathway to improving livelihoods: physically moving to places with greater economic opportunities.⁶

Refugees have often also experienced physical and mental trauma from the events that caused them to become refugees, which can make it difficult for them to engage in economic activity. Finally, women, elderly, youth and children frequently make up the majority of the refugee population in camps. Women particularly have a multitude of care responsibilities that limit the time they have available to engage in formal economic activities, and children naturally cannot legally work. As can be observed in Ethiopia, the implications are significant: just 35% of refugees in Ethiopia are of working age (18 to 59 years old) and of those, just 22% are employed.⁷

- **Transitory livelihood strategies.** Some refugees move in and out of the camps to pursue economic activities. Others ultimately plan to return to their place of origin once the situation there stabilises;⁸ the median time outside of their home country is four years.⁹ This reduces the likelihood that refugees will make long-term investments in economic opportunities.

⁴ SHARPE, 2019.

⁵ International Labour Organization, 2019.

⁶ World Bank, 2009.

⁷ Pape et al. 2018.

⁸ Creta, Sara. 2019.

⁹ Devictor & Do, 2016.

- **Significant distortion of local markets.** While MSD programmes frequently must contend with other actors distorting the market, humanitarian aid agencies and governments are extremely active in the lives of refugees and host communities. In fact, aid provides the main source of income for 83% of refugees.¹⁰ Humanitarian aid agencies may actively view market-based approaches that would shift aspects of their service provision role to the private sector as a threat. To the extent that they work against such a shift, they represent an impediment to the application of an MSD approach.
- **Conflict is a frequent feature.** The presence of refugees can be source of conflict. This can be between refugees and host communities over resources and differences in basic services between the two communities, but also within refugee communities given factors including stress, trauma and other challenges.
- **Engagement with a greater number of stakeholders.** Globally migration has become a highly political issue, and hosting governments often face public and political pressure that can make the refugee policy environment challenging and erratic. Given the conflict dynamics and the significant involvement of actors like UN agencies and regional governments in the lives of refugees, as described above, there are a greater number of stakeholders that must typically be consulted if not actively partnered with in the application of an MSD programme with refugees. Moreover, the typically limited economic opportunities require engagement across a greater range of focus value chains to create the pre-conditions for MSD interventions.

Why use an MSD approach with refugees and host communities?

SHARPE is designed to use an MSD approach to build sustainable economic futures for refugees and host communities in Ethiopia. There are several supportive trends and realities that make the MSD approach particularly appropriate for tackling this objective:

- **Falling aid flows require the private sector and investors to fill the gap.** The global growth in refugee populations has not been matched by a corresponding increase in aid flows.¹¹ In Ethiopia alone, refugee numbers grew from 90,000 in 2011 to 700,000 in 2015.¹² Current levels of refugee aid are likely financially unsustainable. It is thus imperative that refugees reduce their dependency on humanitarian actors and improve their self-reliance, in line with the Comprehensive Refugee Response Framework (CRRF).¹³
- **Traditional livelihoods interventions rarely build sustainable market opportunities.** Traditional supply-led economic strengthening interventions for refugees that have not taken a systemic approach, such as training on income generating activities, cannot be scaled and rarely create durable results.
- **Cash transfers are an improvement, but market systems must ultimately be strengthened.** Evidence from Uganda suggests replacing food transfers with cash transfers does somewhat increase the economic multiplier generated by aid¹⁴, reduces economic distortions and enables a market-based economy to develop. Nevertheless, longer-term economic development requires that market systems generate the jobs and livelihoods that refugees and host communities must ultimately rely on.¹⁵ This requires building resilient market systems that can increasingly generate those opportunities.
- **Host country policies are increasingly enabling refugees to engage in economic activities.** In Ethiopia, Uganda and elsewhere, refugees are gaining new ability to work, own land, etc. For example, Ethiopia added provisions that allow refugees to move in and out of camps, attend schools, and travel and work across the country in early 2019.¹⁶ In spite of challenges, this increases the possibilities of using market-based approaches to improve refugees' livelihoods.

Nevertheless, it is important to note that not all trends are supportive of an MSD approach to refugees. There are many obstacles and challenges, including political ones, that need to be overcome to incorporate

¹⁰ Creta, Sara. 2019.

¹¹ UNHCR. 2018.

¹² DFID. Undated.

¹³ UNHCR. Undated.

¹⁴ Zhu et al, 2016.

¹⁵ Mercy Corps, 2018.

¹⁶ Bhalla, Nita. 2019.

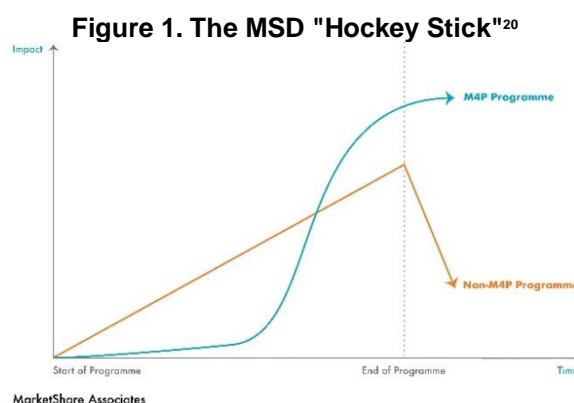
MSD approaches to support the livelihoods of displaced people and the local populations in an integrated and sustainable way.

4. What do we know about applying the MSD approach with refugees and host communities that can be relevant to SHARPE?

In spite of its relatively long history of implementation, there is limited data available on the overall results of MSD in general¹⁷ and even less for MSD's application with refugees.¹⁸ SHARPE is highly innovative in its design, which reinforces the need for SHARPE to generate learning and new data / evidence and consciously contribute to this gap. While the MSD approach has been applied in less-dynamic, less-competitive so-called 'thin' markets, there is much less experience with its application to refugees, which represents an added complexity. While many MSD principles are relevant everywhere, the most relevant lessons for SHARPE come from MSD's application in thin markets, in markets where prices are highly distorted by public policies, as well as lessons from limited efforts around private sector engagement and market development in camp settings. Nevertheless, the available literature does point to lessons that seem pertinent to SHARPE's operations:

Expect that results will take longer to manifest

Wherever it is implemented, the MSD approach takes longer to achieve results than comparative direct delivery results (see Figure 1) but creates greater sustainability and scale. The evidence suggests this is likely even when working with refugees and host communities, where the number of market system constraints to overcome are typically greater.¹⁹ Consequently, project timelines must be adequate to enable these changes. As SHARPE learned in its inception phase, 'quick wins' are elusive in cases where infrastructure is so limited; rather initial interventions are best seen as first steps in longer-term efforts to build inclusive markets. This learning was reflected on in more detail in SHARPE's internal inception report and internal learning around the design of the early interventions. The implications for SHARPE are several. Results may also not prove quite as 'big' as in other more economically dynamic contexts. Programme expectations and targets need to be set accordingly. Navigating the complexity of the environment requires a very strong team and robust market analysis.



Build political economy analysis into interventions to not exacerbate conflict (between different refugee groups and between host and refugees) and ideally to reduce conflict

There are three broad approaches that an MSD programme can take with respect to conflict, as outlined in Figure 2.

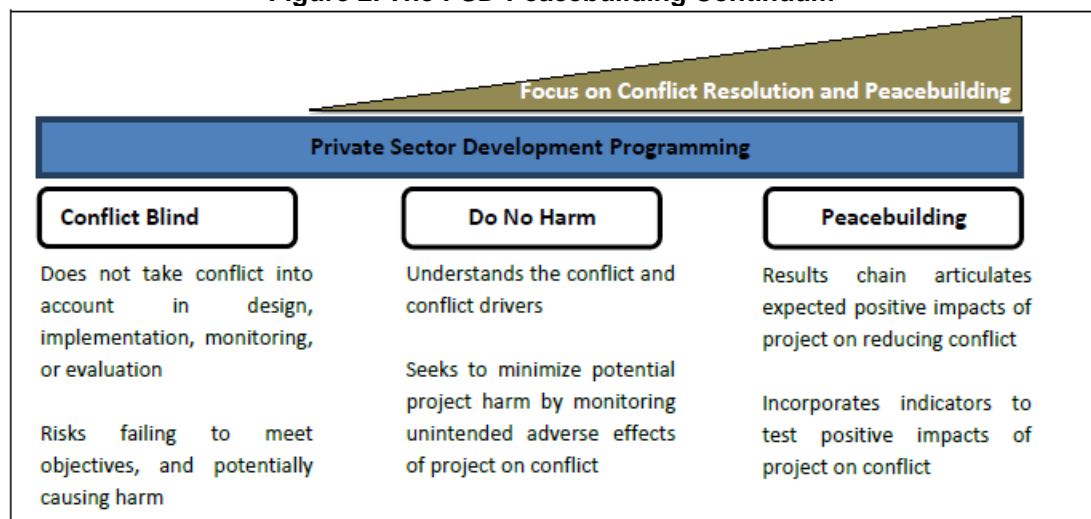
¹⁷ Fowler and Lomax. 2020.

¹⁸ Levine and Becton. 2019.

¹⁹ Though some non-MSD programmes working with refugees in Ethiopia, like the IKEA Foundation's work, have achieved modest results relative to the size of their investment.

²⁰ Fowler and Lomax. 2020.

Figure 2. The PSD-Peacebuilding Continuum²¹



MSD interventions that are blind to the political economy of their context risk exacerbating tensions, or even creating conflict. Fragile relations between refugees and host communities can be exacerbated through the very visible delivery of relief items to refugees often exceeding the living standards of host communities; or by conflict over natural resources available within the camp vicinity.²² Even if unintended, new economic activities can become controlled by specific political or ethnic groups, or local power elites. In the Kakuma refugee camp in northern Kenya, UNHCR began to purchase firewood from host communities to distribute to refugees for free. While the sale of charcoal and firewood has become a major source of income for hosts, representing 72% of host community household income,²³ it has led to substantial environmental degradation and health hazards – as firewood is not an efficient and clean cooking source.²⁴ This arrangement has also been linked to increased gender based violence, where host community members attack female refugees collecting firewood in the camp vicinity, as they see it as a threat to their livelihood and encroaching on their natural resources²⁵. Despite these challenges, UNHCR faces great difficulty ending this policy given the negative financial implications for hosts.²⁶

The MSD principle of using demand-driven solutions and generally working with existing market actors risks being blind to the distributional implications; if a specific ethnic group dominates an economic opportunity, then working with existing market actors in that space is likely to bolster these disparities by entrenching their position. This can further increase tensions and resentment. Conversely, well-designed interventions can actually lower tensions in some cases. Findings by the Danish Refugee Council in a mixed-methods study in the North-Eastern part of the Somali region in Ethiopia show that integration and creating economic opportunities for refugees to succeed can create positive spill-over effects for refugees, host communities, and institutions.²⁷

To spot potential problems early, work in new sectors and interventions must first consider who is already engaged, and what conflicts may be exacerbated, maintained or reduced. Conducting a one-off Political Economy Analysis (PEA) or a conflict sensitivity analysis at the start of a programme has been a common approach but is rarely adequate as the relevant systems will continue to evolve. As with market analyses,²⁸ they are better conceptualised as a tool to be used repeatedly over the project cycle and institutionalised within project procedures rather than as a large-scale upfront exercise. As with gender analysis, PEA needs to operate at the level of the intervention, and frequently reviewed within the changing context.

²¹ MarketShare Associates. 2013.

²² Levine & Becton. 2019

²³ National Drought Management Authority (NDMA). 2014

²⁴ Moving Energy Initiative. 2019

²⁵ MarketShare Associates, 2019

²⁶ UNHCR, Gates, Sanivation 2020

²⁷ Carver, Gedi and Naish. 2018

²⁸ MarketShare Associates. 2016

It should consider both financial and social capital and look at multiple levels (e.g., intervention, portfolio, sector and regional levels). To be useful, PEA needs to be incorporated into an MSD programme at important decision points, beginning with the initial intervention idea and subsequent design, through to implementation and monitoring of any unintended impacts.

At project design stage the PEA can take a broader assessment of the current political dynamics surrounding refugee hosting policies in the country (at most national and local level), including the different types of stakeholders involved (formal and informal) as well as conduct a political economy assessment of the specific sectors/market systems targeted by the programme in terms of present market distortions, vested interests, market opportunities and security/conflict dynamics. Based on this assessment the PEA can provide specific guidance to the programme on stakeholder engagement and conflict/risk management as part of sector/market system strategies and the overall portfolio. The PEA is an important resource not just for the programme, as it can give the private sector actors vital intelligence they need to make informed investment and engagement decisions in such complex contexts. The broader PEA carried out at the start of the programme should be followed by more focused assessments to inform partnership selection and intervention design, and then at key points during intervention implementation. The latter could include upon initial uptake of a new solution to check who has been benefitting from an intervention. The monitoring, research and learning (MRL) system can play an important role in helping to monitor and reduce conflict, as outlined in the following textbox.²⁹

Using MRL as a Tool to Reduce Tensions

There are a number of ways that an MSD programme's MRL system can help to reduce tensions, including by identifying relevant political economy risks at different levels of an intervention-level results chain, mapping positive negative unintended results, proactively building in a peacebuilding approach to the results chain, disaggregating results by relevant parties to a conflict, incorporating certain indicators as early warning signals of conflict.

Be open to less conventional private sector and other system partners

A traditional MSD programme will seek to work with partners who demonstrate high will and low skill, or low will and high skill.³⁰ But in the places where refugees and host communities are typically located, there are frequently few if any dynamic partners with available resources to invest in new business opportunities. As an illustration, during its inception period SHARPE was only able to identify 15 agro-dealers serving a total population of three million people of which the majority rely on agriculture for their livelihoods.³¹ Moreover, the barriers to investment by such partners are numerous. In SHARPE's target sectors, for example, many elements of a functioning supply chain, including local retailers, are not in place. This increases the investment required for viability and requires that MSD programmes be more creative in the partners they select. Options may include:

- Identifying companies operating elsewhere who are willing to pilot an existing business model and product in the focus areas. This is what SHARPE is doing with EthioChicken as one of its early interventions, for example.
- Finding firms who are working in different – ideally adjacent – markets who are interested in diversifying their current project and market mix.
- Working with non-traditional partners. This could include new firms (start-ups) or smaller local firms that will need additional strengthening and support.

Given the limited supply of partners and often the relatively lower economic attractiveness of target areas, more money may initially be needed to de-risk investments. For example, in the Kakuma refugee camp, GIZ is covering 80% of the CAPEX costs of company Renewvia's investment in microgrids. Support provided to firms might need to be more substantial and extend beyond traditional MSD tools. This may include, for

²⁹ MarketShare Associates. 2013.

³⁰ The Springfield Centre. 2015.

³¹ SHARPE, 2020.

example, a challenge fund that facilitates market entry such as the IFC's Kakuma Kalobeyei Challenge Fund (KKCF). Beyond co-investment, MSD programmes may need to provide longer support given the range of issues to overcome, anticipate a greater number of adaptations to initial plans, provide more heavy-handed support than cost-sharing and technical assistance, and develop support options that are tailored to the needs of very small businesses. This may go as far as to support partners to actually build supply chains and support the start-up of complementary businesses. For example, SHARPE's intervention with EthioChicken includes the development of local intermediary businesses (i.e. "mother units") that they will supply with chicks and that will in turn supply local growers, but these 'mother units' also need significant support if they are to become viable market actors.

An MSD programme working with refugee and host communities in camp or protracted displacement settings will also need to work with a diverse set of firms, ranging from lead firms to micro and small enterprises. These diverse partners require different approaches, tools and processes. For example, under the KKCF, the IFC has created three separate challenge fund windows targeted at the private sector, social enterprises, and local refugee and host entrepreneurs, with different requirements around the application, selection and due diligence processes. Similarly, as SHARPE evolves and designs a package of interventions to support the growth of micro and small enterprises, as well as partnering with lead firms, it will need to adapt its approach to businesses with very different capacities. As the SHARPE Inception Report notes:

"it became critical that SHARPE has a set of systems and approaches that allows us to adapt as appropriate to the different sizes and capacities of our partners – a 'one size fits all' approach to partnerships will not work. For example, conducting due diligence on an agro-vet dealer in Gambella relating to a potential micro-grant (i.e. less than £3,000), cannot realistically be performed with the same tools and processes that are used to do due diligence with a lead firm related to a larger financial investment from SHARPE. As such, time and energy has been devoted to developing a range of tools and processes to allow SHARPE to work in different ways with different partners. This has required developing and/or modifying standard tools such as grant agreements and due diligence processes required by DAI whilst ensuring the tools are usable and appropriate for the partnership context."³²

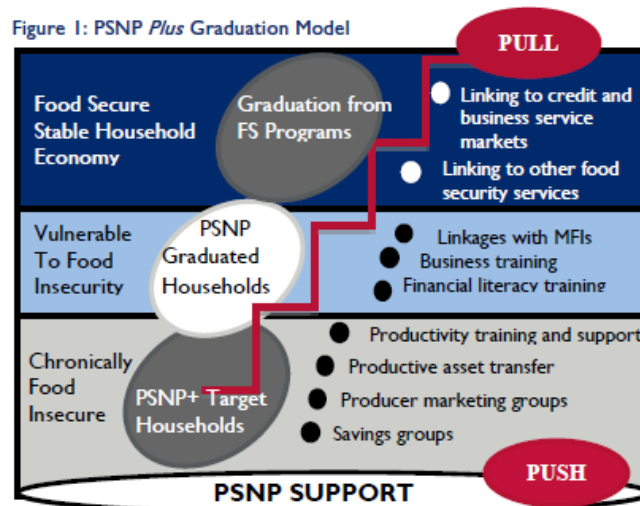
"Pull" interventions may need to be complemented with "push" interventions

To work effectively with refugees and host communities, MSD programmes must start by appreciating the implications for programming of their starting position. For refugees that lack any economic activity and the assets to start one, simply linking them with new markets, products or services (i.e. a 'pull' strategy) will not be sufficient on its own and many will lack the ability to take advantage of such opportunities. Similarly lack of infrastructure can make it unattractive or prohibitively expensive for commercial entities to become involved. Complementary activities are frequently needed. Fortunately, there is long-standing research on how market-based approaches can be adapted to fit these populations and context.³³ There are many examples of these combined push-pull models. This can include interventions that also provide more direct support for refugees to build their assets (such as via savings groups), improve their social capital, and expand their skills. These are often structured in the form of graduation models in which participants are anticipated to steadily build their capital and ability to engage in markets. In Ethiopia, this was a key feature of the Productive Safety Nets Plus programme that tackled food insecurity between 2008 and 2011, as demonstrated in Figure 3 below.

³² SHARPE. 2020

³³ For example, see Fowler, Ben and Margie Brand. 2011; Fowler, Ben. 2012.; and the online value chain wiki: <https://www.marketlinks.org/good-practice-center/value-chain-wiki/overview-very-poor-populations>

Figure 3: PSNP Plus Graduation Model³⁴



In Somalia, the Promoting Inclusive Markets in Somalia (PIMS) program, funded by DFID and implemented by DAI Global UK, combined an MSD approach with Cash for Work (CfW) interventions that enabled the programme to rehabilitate local level market infrastructure such as village roads in order to connect producers to markets and increased access to cash in areas of extreme poverty, improving liquidity in the wider market. Given that an important MSD principle is to avoid working directly with target beneficiaries wherever possible, such “push” interventions may be accomplished via partnerships with other system actors like NGOs or the government. This could include NGOs providing vocational training and business-relevant skills for people to be then hired by the private sector or facilitating savings group creation that then steadily build the capital needed for business investment. Many such “push” programmes already exist, and MSD programmes can provide significant value by sharing market opportunities that they can orient their support to so that they become more demand-driven. In Northern Uganda, the NU-TEC MSD Program partnered with MercyCorps and DanChurch Aid to implement a series of push interventions around cash and asset transfers and building skills and capacity within the refugee and IDP population, that would enable them to respond to increased demand from the private sector on the pull side, facilitated by NU-TEC. Identifying NGOs that have an existing understanding of market systems programming and are open to innovation is important for the success of such partnerships.

Take advantage of opportunities in humanitarian markets but be wary of misaligned incentives

The humanitarian aid environment that characterises refugee camps and their host communities can offer potential intervention opportunities. This includes:

- **Considering humanitarian aid flows as a market in itself.**

Humanitarian aid – including cash transfers – represent one of the main economic activities in many refugee contexts. They are therefore an important focus for MSD programmes, which may help support the development of local suppliers that can substitute for imported products, introduce innovations or technology that enable more effective aid or cash distribution and leverage unconditional cash transfers as a source of investment in new business ventures. There is often an opportunity to improve the price, quality and delivery of existing services provided to refugees. Shifting aid distribution to cash-based interventions (CBIs), such as through the Bamba Chakula WFP program in Kenya, or UNHCR’s cash-based intervention program in Jordan, can create increased liquidity in the local market and support the development of the local economy³⁵. MSD programmes can build on the opportunities created by CBIs, to spur private sector entry and investment in other segments of the local economy. In Jordan, GIZ partnered with Dinarak, a mobile

³⁴ Fowler and Endalamaw (2012).

³⁵ A 2017 evaluation of cash-based programmes in humanitarian settings found they generated up to \$2 of indirect market benefits for each \$1 provided to beneficiaries (Doocy et al., 2017).

money provider, to develop a local mobile money agent network in refugee camps, enabling the company to gain a 21% market share of total registered wallets in the camps (GIZ 2019).

- **Serving refugees with new products and services.**

Despite per capita incomes that are typically much lower than host communities, the total size of the refugee population is typically large (sometimes rivalling or even exceeding the host community population). In the Kakuma refugee camp and nearby town, for example, total consumption spending is over \$56 million annually. This represents substantial spending that the private sector can serve. As an increasing proportion of humanitarian aid switches away from in-kind relief to cash transfers, refugees' purchasing power is likely to grow. This presents opportunities to find innovative opportunities to serve the market. In Burkina Faso and Kenya, the Moving Energy Initiative has sought to demonstrate that effective, durable energy distribution in refugee camps can decrease overall costs of energy provisions and help refugees and asylum-seekers access in-camp activities and basic necessities (e.g. heating and cooking food, pumping water, energy for livelihood activities, and generating light in shared facilities like reception centres, schools and hospitals).³⁶ There is even a movement towards so-called 'humanitarian investing', in which large investors are looking for opportunities in places that would traditionally have been the exclusive focus of humanitarian aid agencies, including by providing loans to refugee entrepreneurs.³⁷

Despite these opportunities, private sector actors and MSD programmes that support them need to take into consideration potential misaligned incentives between private sector and humanitarian agencies. Humanitarian agencies may view market-based approaches that shift service provision to the private sector as too risky and highlight protection concerns. They may also feel constrained by existing policies and processes. In addition, private sector firms will need to invest significant time to navigate the necessary administrative steps and manage the relationships required for permission to operate in a highly-regulated environment such as a refugee camp. It's notable that two large-scale and high-visibility private sector refugee camp interventions in East Africa, Sanivation's waste to fuel sanitation project in Kakuma, Kenya and Inyenyeri's clean cooking fuel intervention in Kigeme, Rwanda, have since ended or significantly scaled down their operations. In the case of Sanivation, UNHCR was unable to transition Kakuma to a market-based cash for fuel approach, as it would have been too risky to change the status quo around procurement of firewood from the host community (UNHCR, Gates, Sanivation 2020). In the case of Inyenyeri, the lengthy process of seeking approvals from both UNHCR and the Rwandan Ministry of Disaster Management and Refugees regarding even the most basic aspects of the firm's operations also proved a significant challenge to continued operations in the camp (Moving Energy Initiative 2019). Such misalignment in incentives, cultures and timelines can make it difficult for the private sector and humanitarian agencies to effectively cooperate.

Addressing the enabling environment and host government incentives

Given the number of restrictions on refugees' economic activities that exist in many places and the transformational potential of addressing them, supporting legal and regulatory reform (as well as the associated actions needed to put them into action) will be an important focus for many MSD programmes. Host governments, which often struggles with high unemployment already, need to see clear incentives for refugee and host integration. This may be accomplished via joint programming that aims to help both groups. One example of this is in Kenya, where the Kalobeyei Integrated Socio-Economic Development Plan (KISEDIP) in Turkana West has used an approach to local economic planning that includes both host communities and refugees.³⁸ Rather than facilitate economic development only for refugees, UNHCR is aiming to help the local county government in Kenya raise money for programming that will improve services and economic outcomes for both groups. The vision is that in the long-term the refugee population will be fully embedded within the local government structure, so for example they will receive cash transfers directly from the Kenyan government based on need. KISEDIP thus essentially incentivises the government to improve the regulatory environment for refugees. Regardless of the context, MSD programmes will generally

³⁶ Whitehouse, 2019.

³⁷ Beal et al., 2020; World Economic Forum, 2019.

³⁸ <https://www.unhcr.org/ke/kisedip-2>

need to have a much stronger understanding of, and focus on working with, existing power structures both within and outside of the host government.³⁹

Support and monitor market systems level resilience

Many MSD programmes aim to increase incomes and jobs. While jobs and incomes are important, there is growing recognition that resilience is also a critical consideration. Ethiopia, and particularly SHARPE's target areas, face significant shocks and stressors that can easily put livelihood improvements at risk. As USAID noted, "the high rate at which people around the world are escaping poverty, only to fall back into poverty in the face of shocks and stresses makes it clear that building resilience is also essential to sustainably reducing poverty, hunger, malnutrition and other well-being outcomes everywhere we work."⁴⁰ For example, one study in Ethiopia found that over half of studied households that had escaped poverty subsequently fell back into poverty due to such shocks and stressors.⁴¹ While examining household-level resilience is important, there is increasing recognition that resilience is also important to build and understand at the level of a market system. As one evidence forum identified, this is still an underexamined area:

*"Much of the progress on resilience measurement has been made at the household and community scales. However, it's recognised that market, social, ecological, and other systems are important sources of resilience for households and communities, as well as an important locus of resilience in their own right"*⁴²

Emerging research suggests that an individual and household's economic resilience depends in part upon the resilience of the market systems that contribute to their livelihoods.⁴³ Conversely, a market system's resilience depends upon the market actors within that system being sufficiently resilient to withstand important shocks and stressors. SHARPE is addressing this understanding by explicitly building resilience into its MRL system and planning to monitor resilience at both the household and market systems levels. SHARPE will contribute to the evolution of this thinking as we continue to reflect upon and learn from other projects, at the same time as capturing and sharing our own learning on market systems resilience.

5. So What for SHARPE?

This first SHARPE learning product has examined available evidence about lessons in applying an MSD approach in humanitarian contexts with refugees and host communities. In doing so, it has identified a number of lessons that are relevant to SHARPE's approach. It has also confirmed that many of the lessons and approaches that SHARPE has developed are aligned with this evidence. An overwhelming finding from this review is that despite significant recent attention, there are still relatively few MSD programmes directly working with refugees. Accordingly, SHARPE has a significant opportunity to contribute to global learning on this important topic as a learning platform. SHARPE plans to continue via its own implementation and this learning series to share its lessons and help to influence the approach being used in Ethiopia and more broadly.

³⁹ The independent evaluation of the IKEA Foundations work in Dollo Ado presents several practical lessons on doing so. Refer to Betts et al (2020), 132-133.

⁴⁰ USAID. Resilience Evidence Forum Report. April 2018.

⁴¹ O'Planick, Garloch, Hashemi, and Shepherd. 2017.

⁴² USAID. Resilience Evidence Forum Report. April 2018.

⁴³ Vroegindewey, 2019.

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