



**Sharpe**
Strengthening Host and Refugee Populations in Ethiopia

A UK aid Funded Project

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Economic Integration

Can it work better for host and
refugee communities?

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The Strengthening Host and Refugee Populations in Ethiopia (SHARPE) programme aims to support greater economic integration of refugees into local economies.

It does this by putting into practice pledges made by the Government of Ethiopia to grant greater socioeconomic rights to refugees. These pledges are aligned with the UNHCR's Comprehensive Refugee Response Framework and the Global Compact on Refugee Reform. The Government of Ethiopia is a signatory to both and has reformed its Refugee Proclamation and introduced directives that aim to give refugees the right to work.

SHARPE is well-positioned to contribute knowledge and experience on blending traditional humanitarian and private sector and market system development approaches¹ in order to improve the livelihoods of refugees in protracted displacement contexts. SHARPE is also building an understanding of the degree to which private firms – with strategic and/or time-bound donor support – are willing to invest in order to offer mutually-beneficial and lasting livelihood solutions to refugee communities. This represents part of SHARPE's knowledge contribution through the sharing of lessons, evidence, and proposed programme adaptations that are informed by these.

¹ Levine, S and Becton G (2019), Facing Up to the Challenge: Blending Market and Humanitarian Support for Refugees in Uganda, Mercy Corps, November 2019.
Mercy Corps (2018), Beyond Cash: Making Markets Work in Crisis.
ILO (2019), Evaluation of Market Systems Development Interventions for Refugee and Hosts.
Wang, W and Cakmak, O (2021), Private Sector Initiatives in Forced Displacement Contexts: Constraints and Opportunities for a Market-based Approach, IFC.





About this brief

This brief shares findings and lessons from a September 2022 independent review of the SHARPE programme.² The review looked at the degree of adoption of livelihood-enhancing products and services delivered by private Ethiopian companies to host and refugee communities in the Somali and Gambella regions, both of which host large refugee populations. These markets can be classified as remote and thin markets, and the products and services provided by private companies included digital finance, micro-business loans, agriculture and livestock inputs, poultry-raising, goat-trading, and off-grid renewable energy solutions.

Data collected on adoption rates between host and refugee communities is presented and compared, with an analysis of the differences between them.

This is followed by a discussion on the different barriers that refugees faced and how SHARPE intended to overcome these to increase adoption rates in refugee communities, taking into account the unique cultural, legal, and economic differences between refugee and host communities. How SHARPE's partners at the time of the review were adapting their business models is explored, along with how anticipated new partners and their products and/or services were expected to increase adoption rates among refugees. Strategic questions for SHARPE to use to monitor and assess performance are provided. These questions are designed to assess how the programme's mid-term course corrections influenced adoption rates among refugees and sustained access to livelihood-enhancing services at the conclusion of the programme in March 2025.



Comparing adoption rates across the SHARPE portfolio

Three years into implementation, SHARPE's local business partners were demonstrating they had the experience and capacity to run economically viable businesses when supported and linked into the wider market system. The independent review found many examples of mobile money agents, agro-vet dealers, commercial poultry and egg farmers; and backyard producers of live chickens that were benefiting, and growing, after being linked into market systems.

However, SHARPE's programme data also showed that comparably fewer refugee business owners were benefiting from direct partnerships with SHARPE, with most business partnerships being with Ethiopian host community business owners. Similarly, comparatively fewer refugee consumers and suppliers of goods and services had benefited from SHARPE's partnerships with private sector partners.



Digital financial services

SHARPE supported Shabelle Bank, the first mover in the digital financial services space in the Somali region, to extend its digital payment platform, HelloCash, to the more remote host and refugee communities not yet served by the bank's HelloCash agents. Shabelle Bank recruited and onboarded 215 new HelloCash agents, 89% of which were from host communities and 11% were from refugee communities. Ten percent of the new agents were women. Collectively, the new agents signed up 42,785 active customers (defined as a total of five or more transactions), of which 83% were from host communities and 17% were from refugee communities.

According to Shabelle Bank, they had 12,800 female customers, however, there was significant under-reporting on adoption rates by females and SHARPE estimate that around 12,000 additional women were using HelloCash without having their own account; they would use an account registered in the name of a male family member such as a husband, brother or uncle.

Shabelle Bank, with SHARPE's support, also piloted working capital loans in the Somali region. A total of 59 loans were made, of which 41 went to HelloCash agents (ETB 60,000 per loan) to assist them to overcome liquidity challenges to deliver services, and 18 were provided to agro-vets and poultry farmers (average of ETB 150,000 per business). Twenty of the 59 loan recipients were refugees. Like Shabelle Bank, all financial institutions were unwilling to lend to refugees as they saw them as a flight risk.

² Bear, M (2022), A Review of Strengthening Host and Refugee Populations in Ethiopia Programme.



Poultry raising

SHARPE partnered with Addis Ababa-based poultry firm, EthioChicken, to extend its package of day-old Sasso breed chicks for meat and eggs, starter kits of feed and medicine, and technical training to poultry raisers in host and refugee communities in the Somali and Gambella regions. SHARPE believed that EthioChicken's package would be a good fit for the costs, risks and rewards of poultry raisers of different sizes (backyard and semi-commercial) and sophistication (experience and technical know-how) when it came to selling live birds and eggs to local consumers, either directly or through aid agencies and government.

With SHARPE's support, EthioChicken established 25 active mother units, which raise day-old-chicks into pullets (young hens that are not yet egg-laying) over a 45-day period, using modern poultry-raising techniques such as covered chicken houses and formulated feed. Of the 25 active mother units, 17 were from host communities and eight were from refugee communities.³ Only four mother unit owners were women.⁴ Across all mother units, 3,139 pullets were sold to outgrowers (people who rear poultry on a small-scale in their backyards for onward sale) who, in turn, sold live birds or eggs to 14,379 consumers, mostly within host communities. Some of the Gambella mother units also won tenders to supply NGOs, who in turn distributed live chickens to refugees through their livelihood projects – this was the main way that refugees were engaged. Fewer refugees were engaged in commercial poultry and egg production – with 30% of those involved being from refugee communities and 70% from host communities. This translated into more host community consumers benefiting from improved access to chickens and eggs than refugee consumers. There were also fewer women involved than men.



Agriculture/veterinary input dealers

SHARPE entered into cost-share partnerships with 17 established agro-vets – 14 from host communities and three from refugee communities, including one female-owned business. Host community agro-vets were supported to extend their sales and service business model⁵ from their locations in main towns and markets to within a 20km radius of refugee-hosting *woredas* or *kebeles* in the Somali and Gambella regions. Expanded outreach was primarily accomplished through agent relationships with community animal health workers, while a few agro-vets established sales points in host communities bordering refugee camps. At the time of the review, these agro-vets supported by SHARPE had collectively serviced 11,707 customers with veterinary supplies and agricultural inputs. Of these 11,707 customers, 67% were from host communities and 33% were from refugee communities. Women made up 39% of the customers and men 61%. Three small-scale, refugee-owned agro-vet sales outlets in three refugee camps in Dollo Ado – Kobe, Buramino and Melkadida – were in their start-up stage at the time of the review due to delays in SHARPE being granted access to these camps.



Energy

SHARPE partnered with Addis Ababa-based HelloSolar, an off-grid energy solutions provider that assembles solar lighting kits locally from imported components. The solar kits are used for household lighting and charging cell phones. The kits sell for an average of ETB 5,000 each, a cost-saving alternative to purchasing batteries estimated to cost around ETB 9,000 per year.⁶ The solar kits come with a two-year warranty and after-sales service. Customers are required to make a down payment of ETB 1,500 followed by affordable pay-as-you-go monthly instalments made through HelloCash. SHARPE's support to HelloSolar⁷ enabled them to enter the refugee market in Jijiga where they recruited five HelloSolar sales agents – existing shopkeepers located in host communities – who, in turn, sold 504 solar kits. Of these solar kits, 489 were sold to host community residents and 15 to refugee community residents.

³ Six in Jijiga and two in Gambella.

⁴ Four in Jijiga.

⁵ One-time SHARPE investment in upgraded inventory with all other costs – operating and marketing – paid for by the agro-vet.

⁶ ETB 50 every 2 days for batteries, which is ETB 750 a month or ETB 9,000 a year.

⁷ FOREX to purchase imported components and cost share of Hello Solar agents.



? What is behind the different adoption rates?

The review identified several reasons for the differences in adoption rates between host and refugee communities. Barriers to both communities are many and diverse, and differ between regions and between refugee camps. In addition to the more obvious barriers to private sector growth in refugee-hosting regions (distance to markets and services, poor infrastructure and telecommunications, and access to finance), negative perceptions of refugees proved a significant disincentive to many business owners who perceived refugee communities to be a high risk and low return market segment.

The private firms de-risked entry into the proposed new refugee community market by testing the feasibility of their business models in town centres and nearby host community markets. Every SHARPE-supported business model started in the main markets within the host community, usually within the largest regional town, with the intent to extend sales and distribution networks to the more remote refugee-hosting regions. Sometimes they would start within a host community market located close to refugee communities. The starting assumption was that by making beneficial products and services more accessible and easier to reach in local markets that were closer to refugee communities, refugees would be able to access and benefit in the same way as their Ethiopian neighbours. However, monitoring of sales and business growth revealed that distance was just one of the many barriers restricting refugees from participating in markets.

The Government of Ethiopia's Refugees and Returnees Service controls access to and from refugee camps and these controls restrict private sector entry. At the time of the review, refugees had few socio-economic rights, with freedom of movement and the right to work granted to only a very small minority. This made it difficult for companies to hire refugees or to partner with them as suppliers and/or sales agents. The Refugees and Returnees Service does not have the mandate to issue business licenses for self-employed refugees. Potential SHARPE refugee business partners are therefore unable to register their businesses and operate outside of the formal economy.

Cultural and economic issues within and between the regions also influence the business environment. Similar kinship groups in the Somali region facilitate freedom of movement and business, including cross-border trade. In Gambella region, however, ethnic division and frequent outbursts of inter-ethnic violence make business, travel and trade more challenging. Compared to their Ethiopian neighbours, refugees typically have less purchasing power, fewer assets (including livestock) and less land and capital.

Lastly, it is important to note that the private sector facilitation approach applied by SHARPE takes time in order to effectively screen, select and manage partnership agreements in line with an inclusive growth objective.



Overcoming barriers to adoption by refugees

The SHARPE review found a high degree of motivation among many refugees to improve their livelihoods by drawing upon existing skills and prior experience. This is in line with previous SHARPE research that showed that 60% of the refugees running small businesses inside camps are doing what they did prior to displacement, demonstrating that the skills and experience that refugees bring to a context can be built upon. The review found that to better service refugee-hosting *woredas*, SHARPE needed to embrace partnerships with smaller regional, or even local, micro and small enterprises (MSEs). This would also require SHARPE to adapt its internal due diligence procedures to allow direct partnerships with informal refugee-run micro-businesses, most of which scored less than 15% in the programme's due diligence processes and lacked even the basic levels of business formality.

At the time of the review, SHARPE was working on two strategies to increase refugee adoption of beneficial products and services. Firstly, negotiations were taking place with existing partners to adapt their business models based on more insights into refugee preferences and ability to pay. Secondly, new partnerships were just getting started with lead firms with products and/or services suited to the skills and experience of refugee-owned MSEs. A summary of the planned adaptations and key questions SHARPE will track to see if, and how, these two strategies serve to increase refugee adoption is provided per sub-sector below.

Poultry raising

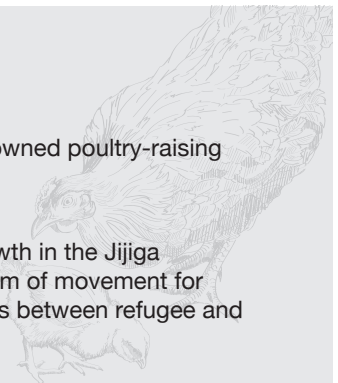


SHARPE's experience in Jijiga led to a complete re-think of the original EthioChicken model, which involved MSEs raising pullets from the dual-purpose Sasso breed for sale on the local market. However, demand for eggs among Ethiopian Somali's turned out to be significantly higher than the demand for live chickens. The result was MSEs moving away from a model of pullet production to a model of egg production using the single-purpose Bovar breed. SHARPE assisted seven existing host community mother units that had been in business for 22 months to switch from pullet to egg production and assisted six refugees (five women) to start egg production in the Sheder and Awbare camps. After three months in production, the poultry-raising MSEs produced eggs at 70% efficiency from 250 layers and earned a monthly net profit from egg sales of ETB 6,720.

SHARPE shifted its strategy in Jijiga in a further two ways. It focused on poultry sector growth in refugee communities rather than host communities upon learning that Somali refugees have more experience and skills in poultry raising. It then entered into a new partnership with a Jijiga-based small-to-medium scale poultry business with existing facilities (a hatchery and feed production) and relationships with refugee poultry raisers. The purpose of the partnership was to contribute to sub-sector growth towards a vision of export in the Horn of Africa.

Key questions:

- ❓ Will the benefits outweigh the added costs and risks to refugee-owned poultry-raising MSEs when they specialise in egg production?
- ❓ Can clusters of Jijiga-based, refugee-run poultry MSEs drive growth in the Jijiga poultry sector in the absence of reforms that allow greater freedom of movement for refugees, access to business licenses and effective business links between refugee and host communities?



EthioChicken's day-old-chicks to pullet model works in the Gambella region and demand for chicken in the region as a source of animal protein is higher than in Jijiga. Chicken is more regularly consumed by those who can afford it among all ethnic groups in Gambella, both host and refugee communities, and there is a strong local market for live chickens. There is also a market for live chickens among NGOs that run livelihoods projects with refugees. After 20 months of operation, 10 mother units – all located in host communities – had produced Sasso breed day-old-chicks. Production started at 500 day-old-chicks per cycle (45 days from day-old-chick to pullet) and expanded to up to 1,000 day-old-chicks per cycle as per their agreement with SHARPE. The mother units continued to expand their production of Sasso pullets to 1,500 day-old-chicks per cycle without SHARPE support. In total, 62% of pullets produced were sold in local markets and 38% were sold through contracts awarded by NGOs for distribution in refugee camps. Net income from sales for mother units averaged ETB 139,500 per batch of 1,500 day-old chicks.

Only two mother units – both male-owned – had been established in refugee communities in Gambella, partly due to delays in SHARPE being granted access to refugee communities. Both mother units had only just received their starter kits of 500 day-old-chicks, medicines and starter feed at the time of the review. The lack of capital was the biggest barrier to refugee adoption of a pullet-producing business model. To overcome this, SHARPE moved to adapt the EthioChicken model inside refugee camps by reducing the starter kit to as low as 25 day-old-chicks per batch. By reducing the batch size and the financial outlay required, more refugee women could also enter the business.

Key questions:

- ❓ Is a reduced scale – from 500 to as low as 25 day-old-chicks per batch – a feasible/profitable business model for refugees and their private sector suppliers of starter kits?
- ❓ Will successful pullet producers in host communities search for outgrowers in refugee communities in addition to seeking tenders in the increasingly competitive NGO market?
- ❓ If profitable, will a reduced scale see lower entry costs to the level where more refugees, particularly women, are able to enter the business?



Agriculture/Veterinary Input Dealers



Refugees have benefited from SHARPE's work to extend agro-vet services to refugee-hosting *woredas* in two ways: 1. An average of ETB 1,245 in consumer savings through reduced travel costs due to a closer source of agro-vet inputs; and 2. Seventy percent of all customers of veterinarian inputs in Gambella reported a decrease in milk losses due to timely access to drugs for their dairy cows, something they did not have before the SHARPE programme. SHARPE expects to see greater refugee access to agro-vet inputs in both the Somali and Gambella regions with its newly established partnership with Shayashone, a values-driven Addis Ababa-based agriculture inputs firm. Shayashone saw an opportunity to position and expand sales of its products through the network of agro-vets supported by SHARPE in the Somali and Gambella regional markets. These products included PICS bags (locally-manufactured hermetic storage bags used for grain transport) and high-quality horticulture seed imports, such as tomato, onion and watermelon. In Shayashone, SHARPE saw a partner that could scale-up and professionalise agro-vets in refugee-hosting *woredas* and camps through improved processes, such as better inventory and business management.

Key questions:

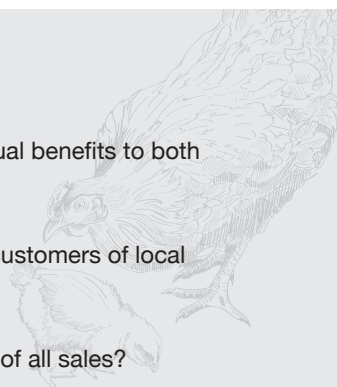
- ? Does scaling up agro-vet dealers and increasing the quantity, diversity and quality of products they offer for sale, while bringing their sales points closer to refugee communities, serve the needs of refugee farmers and livestock owners?
- ? Are agro-vet sales to refugees increasing as a percentage of their overall sales?



A new SHARPE partnership with Ethio-Feed, an Adama-based processor of formulated feed and mineral blocks for livestock and poultry, was in the inception phase as of September 2022. Cattle herders, dairy and livestock farmers were familiar with, and had used, formulated feeds, but their supply was disrupted by COVID-19. The objective of this partnership was to extend Ethio-Feed's proven model of decentralised animal feed production using readily available agriculture waste as the main ingredient, fortified with mineral concentrates. SHARPE entered five new partnerships with existing businesses – one in Jijiga, and two each in Dollo Ado and Gambella towns. These business owners are all Ethiopian members of the host community with sufficient capital and business experience to qualify for Ethio-Feed's package of support (training, factory set-up, technical assistance and proprietary feed formulations). The capital required to start a small milling operation far exceeded the financial resources of refugees who were expected to benefit as suppliers of agriculture waste and/or users of formulated feed.

Key questions:

- ? Can local millers produce and cost/price their product with mutual benefits to both buyers and sellers?
- ? Are refugee cattle, livestock, and poultry MSEs included in the customers of local feed millers?
- ? Are formulated feed sales to refugees an increasing percentage of all sales?



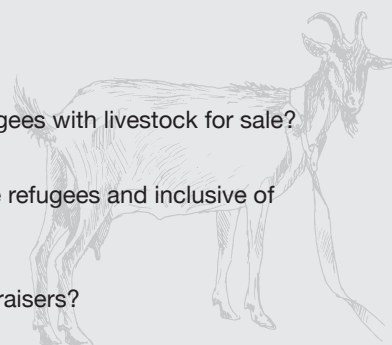
Livestock trading and fattening



At the time of the review, SHARPE was at the investigation stage of forming new partnerships with sheep and goat-trading cooperatives in host communities and refugee camps. Two enterprise strategies were being assessed for their feasibility: 1. Local traders and/or exporters would source live, young and/or small animals from refugee communities for export to Middle Eastern markets; and 2. Host community traders would source live animals from refugees for fattening and sale in domestic markets.

Key questions:

- ? Which strategy has proven to be more beneficial for refugees with livestock for sale?
- ? Has the strategy of choice proven to be scalable to more refugees and inclusive of more females?
- ? Did agro-vets respond to the needs of refugee livestock raisers?



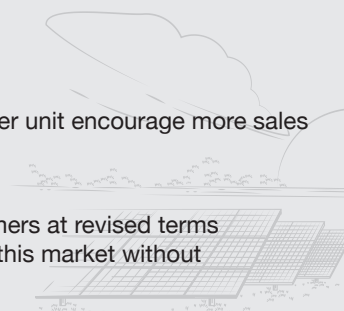
Off-grid energy solutions



SHARPE and HelloSolar were negotiating a change in HelloSolar's financing model to reduce the upfront payment from ETB 1,500 to ETB 500 and extend the repayment period from 12 to 24 months. These changes would make solar kits more affordable to refugees with lower purchasing power than host community residents.

Key questions:

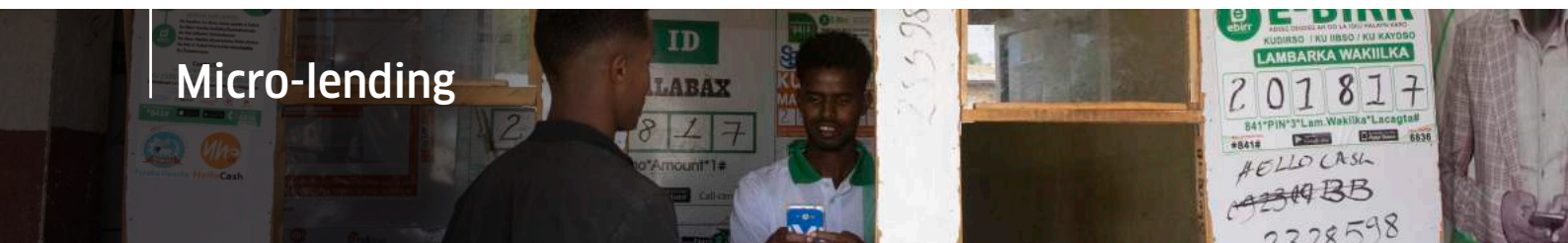
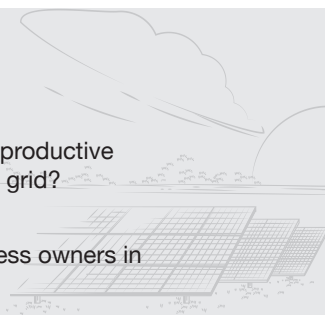
- ? Will revised payment terms for solar kits priced at ETB 5,000 per unit encourage more sales to refugee consumers?
- ? Will expected increases in sales of solar kits to refugee consumers at revised terms provide sufficient returns to HelloSolar to continue to invest in this market without SHARPE's support?



At the time of the review, a new partnership with Fibre Mart, an Addis Ababa-based manufacturer of pre-fabricated energy kiosks, was in the inception phase with 15 prospective buyers and/or operators identified: 11 in refugee camps and four in host communities. The energy kiosks were meant to serve small business operators such as barbers, shops and restaurants and be used to power lighting and refrigerators. No energy kiosks were in operation at the time of the review.

Key questions:

- ❓ Are energy kiosks a commercially-viable business model serving productive refugee-owned enterprises who are without access to the energy grid?
- ❓ Are imported solar panels a viable alternative for individual business owners in refugee settings?
- ❓ Can refugees afford to purchase an energy kiosk without significant levels of public subsidy from SHARPE, given the relatively high manufacturing cost of a kiosk?



Micro-lending



At the time of the review, Shabelle Bank was pilot testing a working capital loan (soft loan terms to HelloCash agents subsidised by SHARPE) of ETB 60,000 to 41 agents in both host and refugee communities. This loan would increase agent liquidity four-fold from the agents' own start-up capital of ETB 15,000, the minimum capital required by Shabelle Bank to become a HelloCash agent. It would also facilitate market entry for those with less capital, including refugees. Repayment rates were reported to be 100%, indicating the bankability of HelloCash agents, including refugees who had entered the HelloCash agent business.

Shabelle Bank was planning to open four sub-branches⁸ inside refugee camps that were far from the nearest existing Shabelle Bank branch. This would enable the bank to better serve the banking needs of refugee communities while also boosting micro-lending to refugee enterprises as closer proximity would allow the bank to cost-effectively assess loan applications. However, Shabelle Bank's micro-lending product required collateral and SHARPE, therefore, planned to assess the feasibility of character-based lending along with the track record of on-time payments over the entire loan period.

Key questions:

- ❓ Will Shabelle Bank convert soft loans to MSEs to commercial loans?
- ❓ Will Shabelle Bank expand its micro-loans to other refugee enterprises operating in other economic sub-sectors?
- ❓ Will there be a documented business case to show that the benefits outweigh the risks of character-based lending to refugee enterprises?



⁸A minimum threshold on sub-branch staffing – a manager/coordinator, accountant, cashier – is required by the National Bank of Ethiopia.



Economic integration and refugee reforms

When the Foreign, Commonwealth and Development Office designed the SHARPE component of its overall refugee response in Ethiopia, it had a reasonable expectation that the Government of Ethiopia would follow through on proposed reforms to uphold the right of refugees to work and freedom of movement. After becoming a signatory to the UNHCR Comprehensive Refugee Response Framework and the Global Compact on Refugee Reform, the Government of Ethiopia reformed its Refugee Proclamation and made a series of

ambitious pledges on refugee economic inclusion at the 2019 Global Refugee Forum. SHARPE's role would be to identify economic sub-sectors with inclusive growth potential in more remote refugee-hosting woredas, and facilitate business relationships between refugees and host communities, as either suppliers or consumers of goods and services. Greater economic integration would result in mutual benefits for both communities and ensure the continued willingness of local communities to host refugee settlements.

Figure 1. Economic integration and refugee reforms

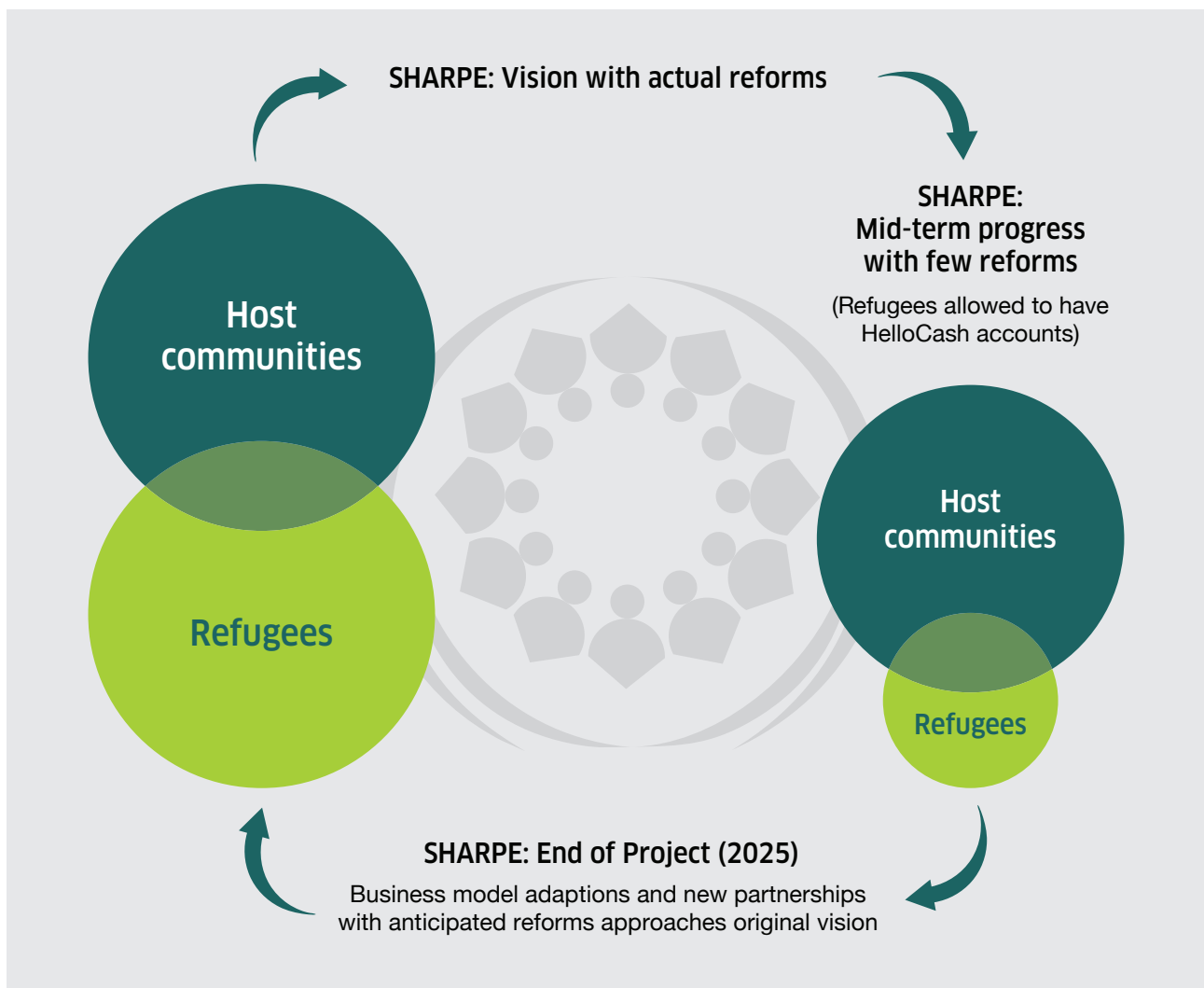


Figure 1 compares SHARPE's actual performance through to September 2022 alongside projected performance based on the original assumption that Government of Ethiopia would grant refugees more freedom of movement and allow the private sector to access refugee communities. At the time of the review in September 2022, the legal status of most refugees had still not changed, with only a minority having been granted the right to work. This is part of the explanation as to why refugee engagement in markets lags behind that of host communities.

It was always expected that, should the pledges made by the Government of Ethiopia be put into practice, and refugees be granted greater socio economic rights, SHARPE's performance would begin to align with the original vision and ambition and refugee engagement would increase.



→ Looking forward

As SHARPE-supported business models grow and expand out from host communities into refugee communities, linking more refugees into supply chains and markets, interest in the approach has also grown. As one of the few 'on-the-ground' programmes working to facilitate private sector investment into refugee economies to stimulate business growth and inclusion, with proven business models working in the refugee context, there is growing interest in this work. More importantly, the reforms are starting to be implemented. At the time of writing, the Government of Ethiopia was putting in place the mechanisms necessary that will allow the government to grant work permits and business licenses to refugees, and to reform regulations that prevented refugees from accessing business loans. SHARPE remained hopeful that the enabling environment for private sector investment into refugee economies would improve and that this would help create the conditions for SHARPE to achieve its original vision of refugees included in markets and business and for local economies to grow.